QNB

Annual Report
2014

Annual Report 2014

Qatar National Bank S.A.Q.
P.O. Box 1000, Doha, Qatar

Tel: +974 4425 2444
Fax: +974 4441 3753

qnb.com

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

Table of Contents

Board of Directors 4
Chairman's Statement 6
GCEO's Message 10
50th Anniversary - The QNB Success Story 14
Highlights 20
Corporate Governance 22
The Global Economy and Qatar 36
Group Corporate & Institutional Banking 40
Group Retail Banking 46
International Business Division 50
Group Treasury 54
Group Asset & Wealth Management 58
QNB Financial Services 62
QNB Capital 66
Group Strategy 70
Group Human Capital 74
Financials 78
Financial Review and Credit Ratings 82
Financial Statements 86

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, & 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 & Remuneration Committee

Member since 2004

H.E. Mr. Ahmad Mohammed Ahmad Al-Sayed

Member since 2010

Mr. Bader Abdullah Darwish Fakhroo

Member of the Group Executive Committee

Member since 2001

Mr. Rashid Misfer Al-Hajri

Chairman of the Group Audit & 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 & Remuneration Committee

Member of the Group Audit & Compliance Committee

Member since 2001

Mr. Mansoor Ebrahim Al-Mahmoud

Member of the Group Audit & Compliance Committee

Member since 2004

Chairman's Statement

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present QNB Group's Annual Report for 2014, a year of substantial achievements and record performance.

The year 2014 marked the celebration of QNB Group's 50th Anniversary. Founded in 1964 as the first Qatari owned bank, it has since grown into the leading regional MENA financial institution. Fifty years ago, a financial institution was formed in Qatar with just 35 employees. Today, QNB Group is an innovative international financial institution that operates in more than 26 countries and across three continents, with over 14,500 employees in over 615 locations. QNB's vision is to become a Middle East and Africa Icon by 2017.

In line with this vision, QNB Group acquired a 19.4% stake in Ecobank Transnational Incorporated, a leading pan-African bank with a presence in 36 countries across the African continent. This strategic partnership is another fundamental step in QNB's international expansion plans.

As part of its ongoing commitment to Qatar's 2030 vision, QNB Group has continued to attract Qatari employees through its various recruitment initiatives. In addition, QNB has launched a series of developmental and skill enhancing initiatives for Qatari nationals, as part of its on-going Human Capital strategy to be an 'Employer of Choice'. The Qatarisation ratio exceeded 50% in 2014, with strong representation of nationals at all levels, which includes senior leadership positions.

QNB Group's growth across all its activities was mirrored in 2014's strong financial results. I am pleased to announce an increase of 10.3% in Net Profit to QR10.5 billion, the highest ever achieved, with Total Assets up by 9.7%, to QR486 billion. These results substantiate the Group's success in achieving its objectives and meeting shareholders' and customers' expectations.

With the aim of maximising shareholder return over the long-term, the Board of Directors recommends to the General Assembly the distribution of a cash dividend of 75% of the nominal value of share capital, amounting to QR7.5 per share.

On behalf of the Board of Directors, I offer our sincere appreciation and gratitude to His Highness the Emir, Sheikh Tamim Bin Hamad Al-Thani, and to His Highness the Father Emir, Sheikh Hamad Bin Khalifa Al-Thani, for their continuous 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 take this opportunity to commend and thank the executive management team and all employees of the Group for their dedication and diligence, enabling the Group to achieve such strong performance.

Finally, I reaffirm QNB's constant commitment towards all our customers and shareholders. We will dedicate all our efforts in 2015 and beyond to reinforcing the Group's leading position in the Middle East and Africa.

Ali Shareef Al-Emadi
Chairman

GCEO's Message

GCEO's Message

I am pleased to share the significant accomplishments of QNB Group in 2014, a successful year for the bank domestically and internationally.

QNB Group maintained its growth momentum across all its activities throughout the year. The loan portfolio recorded a growth of 8.8% in 2014 to reach QR338 billion while maintaining its high quality. The ratio of non-performing loans to total loans stood at 1.6%, one of the lowest levels in the Middle East and Africa (MEA) region. Operating income increased to QR15.8 billion, up by 7.3%, the highest level ever achieved by the Group, along with a favourable efficiency ratio maintained at 20.8%, one of the best worldwide.

In 2014, we celebrated the 50th Anniversary of QNB Group. This anniversary represents 50 years of excellence that transformed QNB Group from a local bank with limited capabilities to the leading MENA bank operating across three continents, with a total market capitalisation of approximately USD41 billion, as at end of December.

Since its inception, QNB has played a pioneering role in Qatar's banking sector, introducing a variety of innovative financial services and investment products to better anticipate and meet customers' requirements. In 2014, QNB Group launched for its retail customers the 'New to Country' programme targeting the affluent professional expatriates moving to Qatar, and 'Retired Qatari' programme targeting senior Qatari citizens. QNB has established a partnership with MasterCard to be the first bank in the world to offer the "Lounge Key" platform, enabling QNB First customers to access over 500 airport lounges across 270 cities around the world. Furthermore, QNB Group launched the Commodity Fund, the first exclusively commodity-based fund in Qatar.

On the corporate sector front, QNB continued to support the implementation of major development projects by further expanding facilities to both public and private institutions. Several substantial bilateral and multilateral facilities were provided during the year in both local and global market sectors.
In parallel, QNB is continually enhancing its overall small-and medium-sized enterprise (SME) value proposition by adding sector-specific lending programmes for manufacturing, trading, tourism, healthcare and education to cater for segment specific needs of our clients. These initiatives will further support the development of Qatar's private sector, in line with Qatar's 2030 vision.

In the second half of 2014, QNB Group completed the acquisition of a 19.4% stake including ordinary and QNB convertible preference shares in Ecobank Transnational Incorporated. The potential opportunities and commercial benefits resulting from this partnership further emphasise the growth strategy pursued by the Group over recent years towards its vision of becoming a Middle East and Africa Icon by 2017. Ecobank, a leading pan-African bank, has USD23.4 billion of assets, 10.9 million customers and 20,300 employees representing the largest employer in the financial sector industry in Middle Africa.

Starting from a small base of one branch in a Government owned building, QNB Group's network today comprises over 615 branches, over 1,310 ATMs, over 20,000 Point-Of-Sale (POS) machines and over 2 million cards in circulation.

In recognition of QNB Group's outstanding performance, credit rating agencies affirmed QNB Group's ratings during 2014 as: A+ rating from Fitch and Standard & Poor's, Aa3 rating from Moody's and AA- from Capital Intelligence. These all have a stable outlook and are amongst the highest ratings in the Middle East and Africa.

Based on the Group's continuous strong performance and the expanding international presence, the Bank is currently ranked as the most valuable banking brand (USD1.81 billion) in MENA Region according to Brand Finance Global Survey with a current world ranking of 101st.

QNB Group has been awarded "The Best Bank in the Middle East" and "The Best Bank in Qatar" Awards by Euromoney, a pre-eminent international finance magazine. This is a notable milestone for QNB Group and delineates the impressive momentum delivered over recent years. This has been confirmed with the "Bank of the Year - Qatar" and the "Bank of the Year - Middle East" awards from The Banker Magazine (International) for the third consecutive year. In addition, QNB Group has been ranked in the Top 5 Strongest Banks by Bloomberg Markets and one of the 50 Safest Banks in the World according to the Global Finance Magazine.

At the heart of QNB Group's success over the last 50 years has been its people. Since the inception of the Bank, QNB has been fully committed to the attraction, development and retention of talent pool. As part of this commitment, QNB Group continues to develop its Talent Management Programme to build and further strengthen management and leadership capabilities. QNB also places a special emphasis on attracting Qatari employees and offering them specialised training programmes. Today, QNB has a Qatarisation rate in excess of 50%, the highest rate within Qatar's Financial Services sector. Over 70% of senior management positions are held by nationals, a figure set to increase over the coming years.

Lastly, I would like to state my appreciation and gratitude to the Board of Directors for their relentless support. Additionally, I extend my gratitude to QNB Group's Executive Management and all employees for their strong commitment to fulfilling the strategic plan, and I wish all of them greater success in the coming years.

Ali Ahmed Al-Kuwari
Group Chief Executive Officer


بنك قطر الوطني
QATAR NATIONAL BANK

2014 marked the celebration of QNB Group's 50th Anniversary, 50 Years of Excellence charting the journey of a leading Bank that has established its presence domestically and internationally.

From humble beginnings to an international bank

It was very different 50 years ago when QNB was established in 1964, as the country's first Qatari-owned commercial bank. Senior Officials at The Ministry of Finance, headed by His Highness Sheikh Khalifa Bin Hamad Al-Thani had a vision to help develop the national economy and establish a strong financial foundation by creating the first national bank in Qatar.

Starting from a small base of one branch in a Government-owned building (shared with the Post Office) in Doha, QNB started with just 35 employees. With no indigenous domestic banking structure in existence, everything had to be built from scratch by the early pioneers.

From those humble beginnings and visionary leadership, QNB has steadily grown to become the largest banking group in The Middle East and North Africa (MENA) region. Today, QNB Group operates in more than 26 countries and across three continents. QNB's international expansion continues to be underpinned by a prudent and well executed strategy.

Embarked on an ambitious vision and strategy

Building something of substance for the next generation has been the founders' philosophy. Since its inception, QNB's vision has been to build a profitable and sustainable bank that makes a significant contribution to the economy and the community. The guiding principles of QNB today find their roots firmly embedded in the solid foundations of the past.

QNB Group continues to execute on its strategy highlighted by its solid financial strength, resulting in top tier ratings by leading international credit ratings agencies including Standard & Poor's (A+), Moody's (Aa3), Fitch (A+) and Capital Intelligence (AA-).

Today, QNB Group is a universal bank offering the full spectrum of banking products and financial services catering to the needs of individuals and corporates domestically and internationally. As the largest retail bank in Qatar with 79 branches and approximately 360 ATMs, QNB Group provides market leading products and services related to education, retirement, savings and general financial planning. Furthermore with its growing international franchise, QNB Group is able to facilitate key financial transactions, supporting governments, business and community objectives across the markets it operates in. By continuing to serve the needs of its growing and diverse customer base, QNB Group aspires to become a Middle East and Africa Icon by 2017. By 2030, QNB Group aspires to become a top 50 global bank.

QNB Group has been rising up the league tables of leading international specialised financial publications in recent years, exhibiting its solid financial performance, ratings and brand reputation. QNB Group has been ranked as "One of the 50 Safest Banks in the World" (according to Global Finance Magazine in 2013). Bloomberg Markets, the leading provider of business, financial and economic news, ranked QNB Group as "The World's Strongest Bank" in 2013. The Brand Finance Global Survey in 2014 ranked QNB as the most valuable banking brand in the MENA region with a value of USD1.81 billion and a world ranking of 101st. Furthermore, QNB Group has recently secured the prestigious "Best Bank in The Middle East" award from Euromoney Magazine reflecting both its growing reputation and robust financial credentials.

Ensuring strong Governance

As envisioned by its founders, QNB Group has always believed that the principles of good governance, transparency, fairness, accountability and responsibility are key to gaining shareholders' trust. In line with these principles, QNB Group was the first bank in Qatar to introduce a stand-alone Legal Department in 1985, which was followed shortly thereafter by the introduction of specialised Audit and Financial Controls functions. Today, QNB Group has adopted best international practices in corporate governance and has strengthened all its key internal control functions.

Leading the way in Innovation

From the opening of the first branches outside of Doha in 1974 at Al-Khor and Mesaieed, QNB Group has been instrumental in driving change and bringing innovation and progress to the financial lives of the people in Qatar and the markets in which it operates.

Early recognition of the importance of Technology saw QNB Group introducing the first Automated Teller Machines (ATMs) across Doha in the 1980s.

Throughout the 1990s, and keeping pace with best international banking practices, QNB introduced sophisticated technologies to allow the Treasury function to offer bonds, securities trading, swaps and options products to its customers. QNB was renowned for having one of the most modern dealing rooms in the Gulf at that time. QNB led the way in banking practices by introducing the first Voice Banking, Home Banking, and Point of Sale cards technology.

With the beginning of the 21st century, QNB Group launched the first 24/7 Call Centre, introduced SMS Alerts, Internet Banking, Electronic Statements and the first fully automated e-Branch in Qatar.

Recent technological innovations include the introduction of the Loyalty Programme - QNB Life Rewards, the partnership with PayPal to enhance customer convenience via Internet e-payments facilities, the “Self-Service Payment Kiosk” in Qatar with chip and pin facilities allowing customers 24/7 access to conduct their financial transactions.

QNB has been the recipient of numerous prestigious awards from leading international specialised financial publications in recent years exhibiting growing recognition for its innovative products and services.

Supporting Qatar National Vision 2030

Throughout the last 50 years, QNB Group has played a pivotal role in supporting the economic development of Qatar and its national strategic projects.

The National Economy has come a long way since 1964 when the Qatar National Company for Cement was established and Oil Production was 100,000 barrels a day. By 1975, The State of Qatar National budget had grown to QR8.2 billion. Indeed, QNB was one of the first local banks to contribute to Qatar Petroleum’s mega projects, the construction of Doha International Airport and the expansion projects of Qatar Airways and Qatar Telecommunication Company (Ooredoo).

The Qatar National Vision (QNV) 2030 aims to transform Qatar into an advanced economy and is designed around four pillars comprising human, social, economic and environmental development. QNB Group has always acted as an enabler of this Vision and its realisation. This commitment to invest in Qatar’s future continues today with significant financing support deployed on major projects. This includes, amongst others, projects in the transport sector, financing for the construction of the Lusail Light Rail tram and the Metro Red Line South, and projects in the real estate sector including financing for the construction of the Barwa Commercial Avenue, the Doha Festival City, the Doha Oasis, the Mall of Qatar and Musheireb Phase 3.

In parallel, QNB Group is profoundly committed to supporting the development of Qatar’s private sector by nurturing the next generation of entrepreneurs and small-and medium-sized enterprises (SMEs). Today, QNB Group has enhanced its business banking offering with the launch of an array of new products and services tailored to the segment needs. These initiatives will act as catalyst for growth of the private sector and will support economic growth in the future, in line with Qatar National Vision 2030.

Fifty Years of investment. Fifty Years of support. Fifty Years of assisting Qatar to prosper.

Investing in the most valuable asset – Human Capital

At the heart of QNB Group’s success over the last 50 years has been its people. Since its inception, QNB Group has been fully committed to attract, develop and retain top talent. Starting with just 35 employees in 1964, QNB grew to almost 500 domestic and international employees by 1994. During the same year, a dedicated Human Resources Division was created. Today, the total number of employees is over 14,500 operating from over 615 locations.

A key commitment in the evolution of QNB Group has been the implementation of an effective Qatarisation Programme, in line with Qatar National Vision 2030. Today, QNB has a Qatarisation ratio in excess of 50%, the highest rate within the financial services sector of the country.

The need and desire to be an “Employer of Choice” is as paramount today as it was back in 1964. QNB opened its Training Centre in 1991 and over the years, the training, as well as the facility itself, have both evolved significantly. Every year, hundreds of employees drawn from across QNB Group’s network go through this state-of-the-art centre receiving high quality professional and personal developmental training tailored to both enhancing individual skill sets and meeting the growing needs of QNB Group’s expanding business.

Giving back to the community

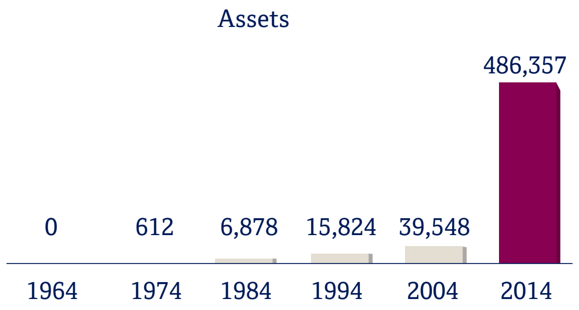
QNB Group firmly believes that Corporate Social Responsibility (CSR) should live at the heart of the business. From the opening of the Qatar Museum of Arts in 1978, to supporting local charities and education establishments in the 1990s, to high profile sponsorships of Paris Saint-Germain Football Club in France, QNB Group has endeavoured to support communities with strong and comprehensive CSR activity and sponsorship programmes.

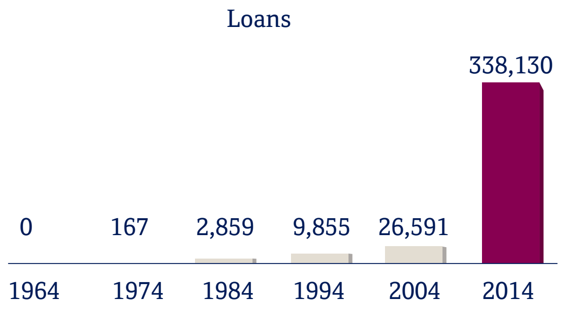
A glorious past and a promising future

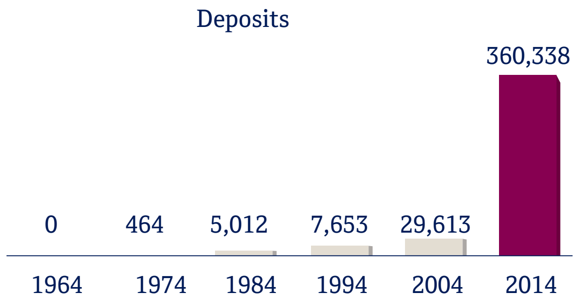
Reflecting on the accomplishments and strides QNB Group has taken to transform over the last 50 years from a fledgling company to an innovative reputable international financial institution is impressive. In this important historical year for QNB Group, a half-century of achievement exudes a glorious past, while paving the way for a further 50 years of growth, development and opportunity.

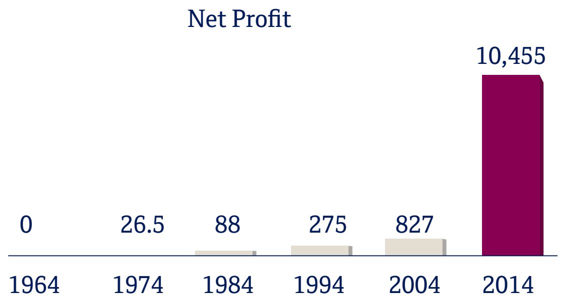
QNB Group’s performance over the last five decades demonstrates strong and sustainable financial growth

(All amounts are in millions of Qatari Riyals)









Highlights

QNB Footprint in more than

26

Countries in three continents

Highest rated bank in Qatar

A+

by S&P and Fitch with stable outlook

Total Assets USD Billion

134

as at end of Dec-14

Corporate Governance

Corporate Governance

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. The Corporate Governance Report, issued as a companion to the 2014 Annual Report, provides additional details on the Group's Corporate Governance framework.

Board of Directors

- Provides overall strategic direction and oversight
- Reviews and approves all credit and investment 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

Board composition

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

A ten-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 ten members of the BOD and other shareholders elect the remaining five members. QIA appoints the Chairman amongst 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 on them the right to sign jointly or separately on behalf of QNB Group. Of the ten-member BOD, all are non-executive and five 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. Nominations and appointments are made in accordance with an approved mechanism that respects Qatar Central Bank (QCB) 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 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 30th of January 2013. During this meeting, one new member from the private sector was elected, while all other members remained the same.

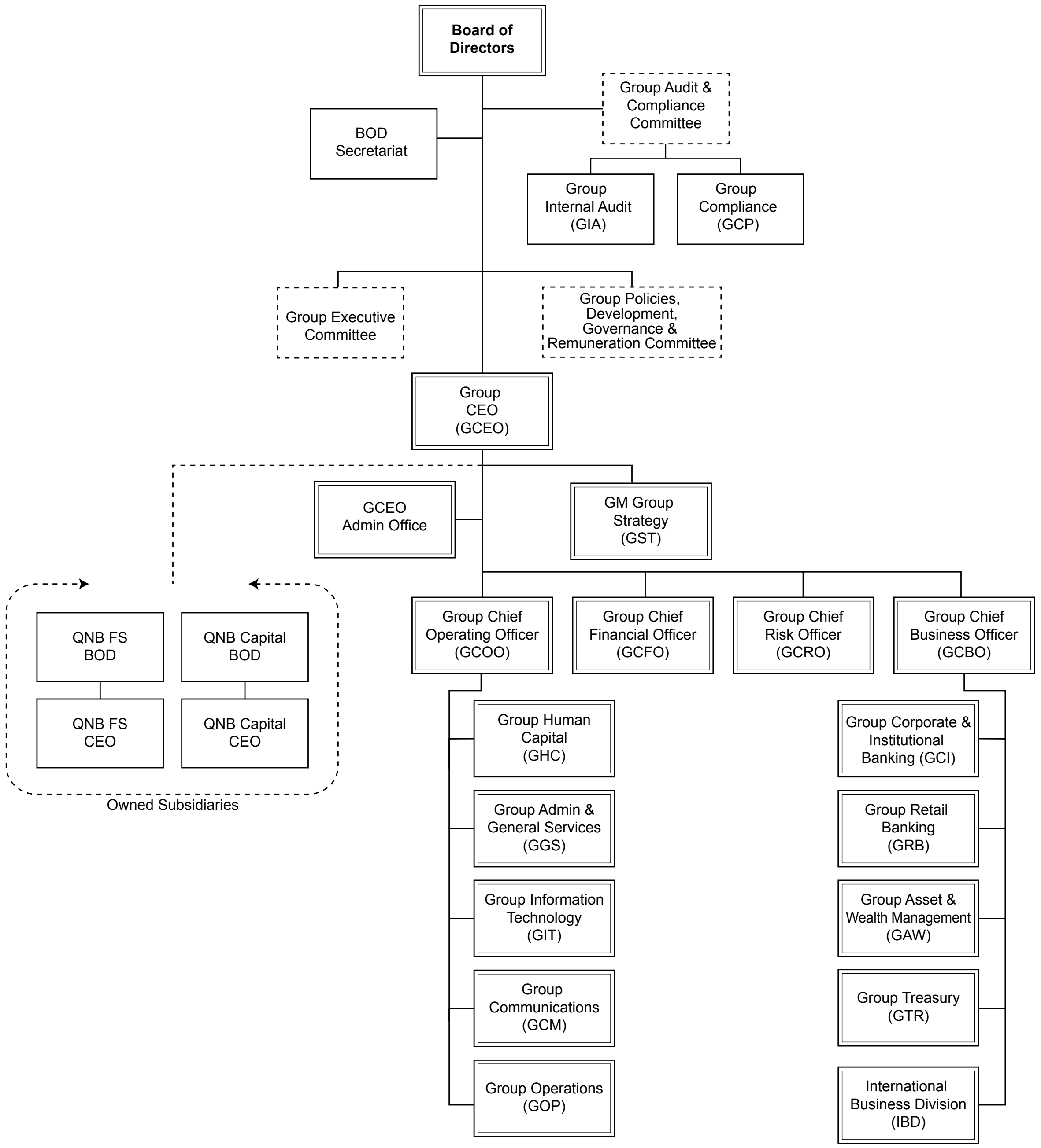
Remuneration of the BOD and Executive Management

QNB Group's BOD remuneration policy aligns with the Commercial Companies Law No. 5 of 2002 and its subsequent amendments, as well as QCB instructions. During the February 2010 General Assembly it was agreed that a mechanism for establishing the BOD remuneration policy would be presented annually to the General Assembly for approval. The main elements of this mechanism are:

- Remuneration will include all allowances, fees and benefits
- Remuneration will be commensurate with the efforts exerted by the BOD members in the development of QNB Group's profit
- Calculation of remuneration will not exceed 0.5% of profits and limits determined by QCB
- The Board's remuneration is treated as expenses (deductible from the profits)

Executive Management remuneration, which is linked to performance and the achievement of agreed upon tasks, is defined by the Group Policies, Development, Governance & Remuneration Committee (GPDGRC) and approved by the BOD. Remuneration reflects associated risks and QNB Group's overall performance.

QNB Group Organisation Structure



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. These committees include the Group Executive Committee (GEC), the Group Audit & Compliance Committee (GACC), and the Group Policies, Development, Governance & Remuneration Committee (GPDGRC). The composition and responsibility of each committee is outlined below.

Composition of the BOD and committees

Board of Directors		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 **			X
	H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani *	X		X
	H.E. Mr. Ahmad Mohammed Ahmad Al-Sayed *			
	Mr. Bader Abdullah Darwish Fakhroo **	X		
	Mr. Rashid Misfer Al-Hajri *		X	
	Mr. Ali Hussain Ali Al-Sada **	X		
	Mr. Fahad Mohammed Fahad Buzwair **		X	X
	Mr. Mansoor Ebrahim Al-Mahmoud *		X	
	Mr. Ali Ahmed Al-Kuwari ¤	X		X

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

Group Executive Committee (GEC)

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

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 for amounts above the Centralised Purchasing Committee Limit up to the committee's limit as delegated by the BOD
- Oversees and approves Corporate Social Responsibility expenditures

Group Audit and Compliance Committee (GACC) responsibilities

- Reviews issues related to internal controls, internal audit, external audit, compliance and reporting responsibilities
- Overseas processes related to anti-money laundering and controls to detect potential terrorist financing activities
- Reviews significant accounting and reporting issues, including complex or unusual transactions and correlates their impact on financial statements
- Raises major issues to the Board of Directors

Internal Audit and Compliance report directly to the GACC, with the Chiefs of both Audit and Compliance providing reports to the committee on a quarterly basis and as needed.

Group Policies, Development, Governance & Remuneration Committee (GPDGRC) 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 remuneration framework aligns with the remuneration policy and the BOD guidelines
- 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.

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 2014, 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.

Board and Board Committees	No. of Meetings during 2014
Board of Directors	6
Group Executive Committee	5
Group Audit and Compliance Committee	8
Group Policies, Development, Governance & 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 Compliance Officer and the Group Chief Executive Audit have a dotted reporting line to the GCEO.

QNB Group Management Committees

The GCEO relies on a number of multi-functional 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.

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)
- Centralised Purchasing Committee (CPC)

Committee membership and meetings held during 2014

	GRC	GCC	GALCO	GSC	GITC	GBDC	GOSC	GHCC	CPC
GCEO	√	√	√	√					√
EGM – GCBO	±	±	±	*	±	√	±	±	±
EGM – GCOO	±		±	±	√	±	√	√	±
GM – GCRO	*	±	±	±	±	±	±	±	±
GM – GCFO	±		*	±		±			*
Group Compliance Officer	Ō								Ō
Group Chief Executive Audit	Ō								Ō
GM – Group Asset & Wealth Management				Ī		±			
GM – Group Communications				Ī		±			
GM – Group Corporate & Institutional Banking		±		Ī		*			
GM – Group Admin & General Services				Ī	±		±		±
GM – Group Human Capital				Ī				*	
GM – Group Operations					±		*		
GM – Group Information Technology					*		±		
GM – International Business Division				Ī	±	±	±	±	
GM – Group Retail Banking				Ī	±	±	±	±	
GM – Group Strategy	±		±	±		±		±	
GM – Group Treasury			±	Ī		±			
Group Chief Credit Officer		*							
AGM – HR Strategy & Integration								±	
AGM – HR Services								±	
EM – International HR Integration								±	
Head of Operations Control & Business Excellence						±	±		
Head of Infrastructure						±			
Head of Development & User Services						±			
Head of Legal									Ō
Number of meetings during the year	4	41	12	4	4	12	6	4	☐

√ Chairman

Ō Observer

* Vice Chairman

Ī Invited

± Member

☐ Due to business requirements, decisions by the CPC are taken through circulation and not through meetings

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 toward 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, its committees and Executive Management 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.

Conservative Credit Policy

QNB Group has historically implemented a conservative approach to lending. Detailed credit analysis and comprehensive risk assessment is coupled with strictly adopted concentration limits to ensure risk is mitigated and diversified. This approach, coupled with periodic stress testing and scenario analyses, continues to yield positive results.

Risk Management

QNB Group has a robust risk management framework. Risks are assessed based upon international best practice and in compliance with international regulatory guidelines. QNB Group's risk management framework is based largely on pre-determined roles and responsibilities at the BOD and Group Risk Committee level. The framework provides guidance to executive managers, senior managers and subordinates.

Each employee within QNB Group is accountable for the risk exposures within his/ her responsibilities. This approach also contributes to QNB Group's sustainable financial performance. A key focus for Group Risk in 2014 was to establish

a deeper embedding of its risk culture to ensure that risk management capabilities are aligned to QNB Group's vision and strategy. Furthermore, continued investment in risk infrastructure ensures that information used to manage risk is relevant, meaningful and timely, both in terms of quality and insight. Regulatory changes have shaped recent risk management developments in banks globally. In this respect, QNB Group continues to monitor its capital and liquidity adequacy to bolster compliance with Basel III and other regulatory requirements.

Operational Risk overview

Operational risk continues to pose a challenge for any organisation globally, primarily because of the increasing number of cyber-attacks and fraud. QNB Group's Information Security Management and Business Continuity Management Systems remain robust with ISO certification retained in these two areas (ISO 27001 and 22301).

The design and operating effectiveness of the control environment remain prudent and operational risk losses and incidents are within the limits set by the QNB Group Risk Appetite Statement.

Group Internal Audit division

QNB Group Internal Audit division (GIA) is an independent function of the Group and provides assurance to the Board of Directors and senior management on the quality and effectiveness of bank's internal control, risk management and governance systems and processes. Thereby GIA is helping the Board and senior management protect the organisation and Group's reputation as well as serve the best interest of the shareholders.

GIA is headed by the Group Chief Audit Executive who reports to the Group Audit and Compliance Committee (GACC) of the Board of Directors. GIA 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, GIA provides independent assurance to the QNB Group Board to effectively exercise their ultimate responsibility in this regard.

In conformity with regulatory requirements and recommendations by the Basel Committee, every activity and every entity of the QNB Group (including outsourced activities), as well as Group's subsidiaries to the extent applicable, fall within the scope of GIA's function.

GIA undertakes audits across QNB Group in accordance with a risk based annual audit plan approved by the Group Audit and Compliance Committee for the year concerned that is aligned with the strategy and business plans of the Group. In addition, GIA ensures adequate coverage of matters of regulatory interest within the audit plan relating to all areas and jurisdictions of the Group's business and operations.

As an independent function, GIA has sufficient standing and authority within the Group as articulated by the Internal Audit Charter that enables internal auditors to carry out their assignments with objectivity. Under the Charter, GIA has access to all records, data, systems and personnel of the bank for audit purposes.

Conforming to statutory and regulatory requirements, GIA submits periodic reports covering audit of all activities and operations of the Group to the GACC of the Board who oversee the functioning of the Division. GIA also liaises with regulators, external auditors and other consultants as may be required.

In performing its functions, GIA conforms to the applicable regulatory requirements and adopts international best practices recommended by leading professional bodies and institutions, particularly relating to internal audit, compliance, risk management, corporate governance and security.

The Internal Audit Charter as well as Policy and Procedures cover all aspects of Internal Audit functioning, including professional and expert staffing of various specialist functions. GIA deployed an audit management system, data queries and an analytical system to perform audit processes. GIA has also successfully implemented independent quality assurance of its functioning. In its advisory role GIA reviews policies, proposals and provides analytical input to the management to enable them to focus on important aspects of control and improve the overall control environment.

GIA adopts a Risk Based Audit Approach in accordance with global best practice, which has been incorporated in all phases of its audit activities. In addition, GIA implements a sound tracking and follow-up mechanism to ensure timely and appropriate implementation of necessary controls to address identified issues.

Group Compliance

Group Compliance function aims to ensure proper understanding and implementation of locally and internationally recognised laws, rules and regulations, and to promote a culture of integrity and transparency across QNB Group's network and activities.

As in previous years, Group Compliance has continued to further enhance the capabilities, efficiency and effectiveness of Corporate Governance across QNB Group's network. The year 2014 witnessed several key achievements. To continue to foster a compliance culture and mind-set, a Compliance Self-Assessment approach was implemented for all employees across the network.

Another major achievement was a full compliance review of QNB's brokerage entity, QNB Financial Services (QNBFS). The review included an overall assessment and review of this fully-owned subsidiary of QNB Group operating in Qatar to enhance its governance structure.

QFCRA has conducted a Compliance assessment of QNB Capital, QNB Group's investment banking arm, related to 'Know Your Customer' (KYC) and 'AML/CFT' requirements. QFCRA's report stated full compliance with these requirements and highlighted the efficiency of the Corporate Governance standards adopted at QNB Capital.

To cater for QNB's growth plans and international expansion while maintaining a prudent risk management approach, Group Compliance has adjusted the Group's overall governance framework and structure by:

- Implementing best practice governance structure across all branches and subsidiaries in line with local rules and regulations
- Creating a Compliance function in all branches

AML/CTF Monitoring Tools And Achievements

A Compliance workflow system was implemented in 2014 to facilitate/simplify the work process of Funds Transfers and minimise the human risks that could occur, to ensure controls and required approvals are in place before processing Funds Transfers that are connected with sanctioned and/or high-risk countries across QNB Group.

Group Compliance is continuously improving the capabilities of QNB Group to combat Money Laundering and Terrorist Financing activities through the best in class AML systems and procedures, incorporating feedback from Qatar Central Bank (QCB) and the International Monetary Fund (IMF). As part of Group Compliance responsibilities, new developments around the AML/CTF regulations and the public statements of the Financial Action Task Force (FATF) were provided to Management and all employees of QNB Group in a timely manner.

To manage outsourcing activities with vendors, Group Compliance developed new outsourcing guidelines to ensure potential risks emerging from managing vendors are adequately addressed and mitigated.

Management Committees: Terms of References

As the owner of overseeing the Terms of Reference development, Group Compliance has adopted a strategic approach on consulting key stakeholders to hear their opinions and recommendations and reflect these in the project with the intention of adhering to QNB's internal standards and practices. The revised Terms of Reference show how the governance is being defined, developed, and verified. It provides a documented basis for making future decisions and for confirming or developing a common understanding of the scope among stakeholders. Specific consideration was given to the Consolidated Supervision Approach provided by Qatar Central Bank and the specific needs of QNB in terms of oversight and monitoring.

Foreign Account Tax Compliance Act (FATCA)

The FATCA regulation requires all countries to report US citizens maintaining assets with foreign banks to the US Treasury. Group Compliance undertook a comprehensive project in 2014 in order to comply with the new FATCA regulations. First, practical procedures were developed to minimise the inevitable compliance burden with the purpose of ensuring QNB Group is compliant with FATCA on its effective date. Second, a robust technology platform and reporting system was built, which not only caters to FATCA requirements but also is adaptable to any future laws introduced by other regulatory authorities.

Basel Committee on Banking Supervision

Group Compliance issued a set of guidelines in 2014 to describe how QNB Group should include risks related to Money Laundering and Financing of Terrorism within its overall risk management framework. The adopted approach, which is to be repeated on an on-going basis, was to synthesise AML/CFT standards, and to analyse corresponding elements that are currently applicable within QNB Group (in terms of Policies, Procedures, Terms of References) with the aim of evaluating the positioning of QNB Group and to mitigate interconnected risks (reputational, operational and compliance).

Compliance Sanctions Awareness

To keep pace with the challenges in the local and international environments, Group Compliance acts as a watchdog for all International Sanctions Programmes and ensures management/employees awareness of such updates in a timely manner.

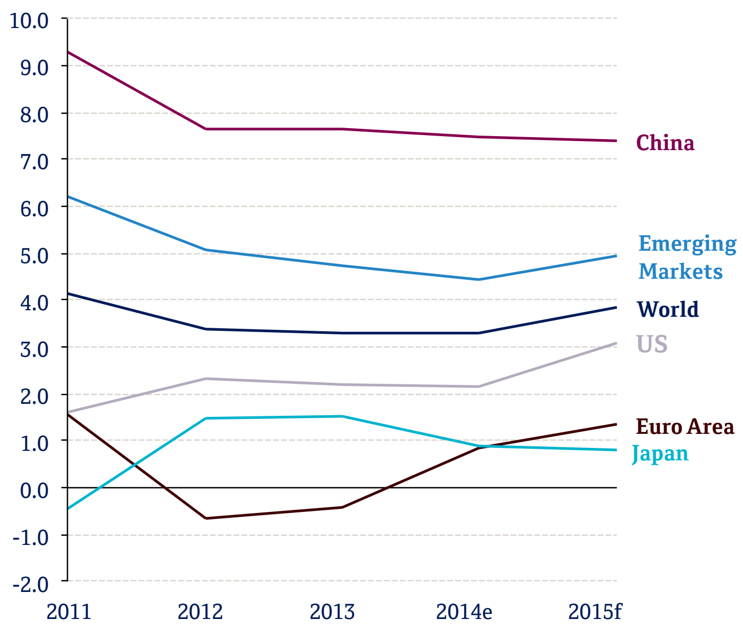
As part of its responsibility to maximise such awareness efforts, Group Compliance during 2014, conducted several trainings to all internal stakeholders including overseas branches, subsidiaries, affiliates and major corporate clients.

The Global Economy and Qatar

The global economy continued to recover slowly in 2014...

According to the October 2014 World Economic Outlook from the International Monetary Fund (IMF), the global economy grew by an estimated 3.3% in 2014, the same pace as in 2013. This growth rate masked significant divergence in economic performance across the globe. While China continued to be the main engine of global economic growth in 2014, other Emerging Markets (EMs) slowed considerably as bouts of capital flight associated with the tapering of Quantitative Easing (QE) in the US, lower commodity prices and geopolitical tensions in Eastern Europe significantly reduced the EM growth momentum. At the same time, growth in advanced economies remained subdued. The US is estimated to have grown by 2.2% (1.9% in 2013) on a continued slow recovery from the Great Recession of 2008-09. Euro area growth turned positive following the recession of 2012-13, while Japan witnessed a slowdown in economic activity.

Annual Real GDP Growth(%)



Source: IMF, World Economic Outlook, October 2014

... while disinflationary pressures are rising

The weakness of the global recovery and the end of QE in the United States have led to strong disinflationary pressures around the world. The IMF global commodity price index fell 29.2% year-on-year in December 2014 on a significant decline in global agricultural and energy prices. In particular, the Brent crude oil price fell by almost half to USD57 per barrel at the end of 2014, putting downward pressure on already weak consumer price indexes (CPIs) around the world. In the US, CPI inflation slowed to 1.3% in November 2014, while in the Euro area it was barely above zero during the same period (0.3%). Inflation in China slowed to 1.4% in November 2014, while Japan's inflation rose to 2.4% on the one-off impact of consumption tax increases in April 2014. Overall, the IMF estimates median inflation in advanced economies to have fallen to 0.8% in 2014, from 1.4% in 2013.

GCC countries are driving economic growth in the MENA region...

Despite the weak global recovery, the Middle East and North Africa (MENA) region is estimated to have grown 2.6% in 2014 (2.3% in 2013). MENA oil exporters' modest growth rate in 2013 (2.2%) is likely to have increased to 2.5% in 2014 on higher oil production in the Kingdom of Saudi Arabia, Kuwait and Libya, together with a significant pickup in non-hydrocarbon growth in other countries. In particular, growth in the Gulf Cooperation Countries (GCC) is likely to have reached 4.4% in 2014. At the same time, growth in MENA oil importers is estimated to have been 2.7% in 2014 - slightly higher than in 2013.

...and the Qatari economy continues to outperform the rest of the MENA region

The Qatari economy continued its diversification away from the hydrocarbon sector. Large infrastructure investments and strong population growth led to double-digit growth in the non-hydrocarbon sector (11.9%) in the first three quarters of 2014. At the same time, growth in the hydrocarbon sector was slightly down (-2.4%) due to a decline in oil production and temporary maintenance of a number of gas plants. Overall, real GDP growth is estimated to have grown 6.0% in the first nine months of 2014, with the non-hydrocarbon sector accounting for more than half of total GDP.

Inflation in Qatar remained moderate in 2014

CPI inflation decreased marginally to 3.0% in 2014 (3.1% in 2013) as domestic inflationary pressures were partially offset by a slowdown in foreign inflation. High non-hydrocarbon growth and the growing population put pressure on rent inflation 7.0%, thus lifting the domestic component of the CPI to 3.3%. Against this trend, lower international commodity prices led to a slowdown in foreign inflation.

Qatar's robust non-hydrocarbon growth and moderate inflation have been conducive to strong banking sector growth

The banking sector continues to benefit from Qatar's strong growth momentum and rapidly-growing population. At end-November 2014, banking sector assets grew at an annual rate of 9.1% on robust demand for lending and continued banking sector penetration. At the same time, loan growth rose to 9.2% as private sector borrowing grew at a double-digit rate while the government reduced its reliance on bank lending to finance its large infrastructure investment programme. On the liabilities side, deposit growth reached 12.4% as a result of the rising population and higher nominal GDP. The banking sector remains highly profitable, with low provisioning requirements and an efficient cost base. Non-performing loans are estimated to have remained below 2.0% as asset quality continues to be supported by the strong economic environment. Capital adequacy ratios remain well above the Basel III requirement of 12.5% introduced by the Qatar Central Bank in April 2014.

Group Corporate & Institutional Banking

Throughout 2014, Group Corporate & Institutional Banking (GCI) continued to enhance its product/service offering and capabilities to maintain its dominant position in Qatar as well as to expand its international footprint.

Domestic Banking – maintaining its dominant position in the local marketplace

The Domestic Corporate Banking department within GCI consists of four specific units: Large Corporates, Contractor Finance, Commercial Banking and Government Sector.

The Large Corporates unit maintained its dominant position in Qatar by providing a comprehensive suite of sophisticated banking products and services to large local and multi-national companies. Its customers predominantly include large Government and quasi-Governmental entities, business conglomerates and prominent multi-nationals active in Qatar and the region. Several substantial bilateral and multilateral facilities were provided during the year across local and global market sectors, such as shipping, oil and gas, water, aviation, telecommunications and hospitality.

The Contractor Finance unit offers specialised and tailored solutions as well as a comprehensive range of banking services to both the Public and Private sectors. The Contractor Finance unit targets the top tier of Qatari contractors as well as a number of the international contractors operating in Qatar. The unit is expanding its capabilities to meet the increasing business volume arising from the significant planned infrastructure expansion and other key projects in the country.

The Commercial Banking unit serves renowned and reputable, largely private sector, companies in Qatar to meet their financing requirements across various trading sectors. Keeping customer relationships at the forefront of their priorities, the team of dedicated professionals structures working capital, including trade finance, and term financing to meet the specific demands and requirements of its clients in this fast-moving sector.

The Government Sector unit is a dedicated team managing all aspects of banking needs for the Government and quasi-Government sector in Qatar, from simple account opening to the provision of complex financial structures.

SME – the country's future growth segment

QNB Group continued to build on the successful launch of its SME unit by recruiting more highly qualified relationship managers, launching new products and further strengthening ties with the various Government programmes. QNB Group's "one-stop-shop" approach for SMEs enables a seamless service supporting this vital sector throughout all stages from concept formulation to funding application. Through sector-specific product bundles, QNB Group thoroughly addresses the needs of its SME clients and offers tailored products and services.

In 2014, QNB Group successfully held the first SME Open Day event in Qatar with the participation of QNB Group's government and private sector partners. During the highly successful two-day event, SMEs were able to meet their partners under 'one roof'.

In addition, seven product offerings have been launched to further support SME sector. The new package of measures include a 24-hour decision time for Account Turnover Facilities and Professional Loans, tailored products for Manufacturing, Tourism, Education, Medical and Healthcare sectors and the introduction of a dedicated SME Business World Credit Card.

International Corporate Banking – growing and further strengthening QNB Group's international presence

The International Corporate Banking (ICB) unit continued to connect QNB's international footprint in 2014 by driving co-operation and co-ordination between QNB Group's international branches and operations, its Head Office and its increasingly diverse client-base. Besides actively supporting business development across QNB Group's existing footprint, the team continues to be responsible for the development of business in non-presence countries, such as Saudi Arabia, where it selectively engages in high-value transactions.

Additionally, the ICB unit continues to develop its central portfolio, particularly in close co-operation with the Global Structured Finance and Global Transaction Banking teams, acting as the booking and relationship unit for a number of the facilities noted below. It runs a sizeable portfolio of regional and international loan assets both independently and in conjunction with other parts of the QNB Group.

With the QNB Group's acquisition of a stake in Ecobank in the second half of 2014, the team's role is only set to grow further, as QNB Group's focus moves increasingly to the international arena in the development of its business platform.

Expanding the footprint of QNB Group's Structured Finance offering

The Global Structured Finance (GSF) Department has been involved in originating and distributing key syndications, project finance, acquisitions and asset-backed financing deals in the Middle East, Asia, Europe and Africa, demonstrating QNB Group's position at the forefront of these markets.

QNB Group supported the telecom company Ooredoo as General Financial Advisor, Documentation Coordinator, Facility Agent as well as Mandated Lead Arranger (MLA) in arranging a USD1 billion Revolving Credit Facility.

Furthermore, QNB Group arranged a number of ship and aircraft financing deals in the Middle East and Europe. It coordinated and arranged large acquisition financings and pre-IPO transactions for milestone assets in the GCC, the UK and the USA for Qatari and GCC investors.

QNB Group underwrote and originated as MLA a number of syndicated and project finance deals internationally. QNB Group won ''GTR Best Deals Award 2013'', as MLA for USD12 billion project finance facility to Sadara, in Saudi Arabia. QNB Group co-originated the syndication of USD500 million for ICBC Leasing in China. In addition, QNB Group signed a USD2.8 billion syndicated financing as part of consortium for the Sohar Refinery Improvement Project in Oman.

Bolstering Financial Institutions & Correspondent Banking

The Financial Institutions & Correspondent Banking Department (FICB) acts as an enabler and platform for the growth of transaction banking, syndicated finance, multi-national client accounts and treasury products. Leveraging FICB's enabling role is vital for providing quality services, as it allows better responsiveness and flexibility in meeting clients' needs. Throughout 2014, services for financial institutions were enhanced to ensure QNB Group has the largest financial institutional network among banks operating in the Middle East and North Africa.

QNB Group provides its clients with end-to-end solutions for their businesses by leveraging its international network. Currently, QNB Group delivers services under the modern STP (Straight-Through-Processing) environments, thus achieving efficiency, fast turnaround and cost advantage.

Today, QNB Group is the bank of choice for international financial institutions, offering local expertise, sophisticated infrastructure, sustainable and uninterrupted correspondent banking solutions and international reach.

As the implementation of FICB hubs in QNB Group's major international centres progresses, FICB business is also growing substantially. Currently, FICB services more than 300 active relationships for highly-rated international banks and financial institutions, through a dedicated team with significant experience in the correspondent banking field.

Global Transaction Banking – developing the gateway to the Middle East and Africa

Under the umbrella of the Global Transaction Banking (GTB) product segment, QNB Group provides comprehensive trade finance and cash management services for corporations, financial institutions and public sector entities across its entire network. As part of QNB Group's global corporate banking capabilities, GTB enables the capture of incremental market share via the various trade and payment corridors all around the world.

GTB continued its focus on further developing its "One-Stop-Shop" global cash and trade platform and trade and cash management capabilities while expanding the team at the same time.

In 2014, QNB Group further developed its Global Trade Solutions proposition based on products that are in line with market trends and within QNB Group's strategy. This includes the implementation of a Global Receivables Purchase Product Programme to enrich QNB Group's product offerings in the open account supply chain finance space.

The Global Cash Management unit continued to grow its customer base across QNB's international network. In 2014, QNB Group completed the enrolment of more than 1,000 corporate multinational and large corporates on its electronic platforms. Beyond the traditional proprietary e-banking platforms, Global Cash Management witnessed increasing customer demand for multi-banking channels and enrolled multinational corporates into the "SWIFT for Corporates" platform.

Going forward, QNB Group will continue to focus on carefully analysing and capturing new business opportunities, including meeting the growing demand for settlement in the Chinese Renminbi and enabling payment processing in multiple clearing systems in various countries. This will help position QNB Group as the payment gateway to the Middle East and Africa.

Group Retail Banking

Throughout 2014, QNB Group Retail Banking (GRB) continued its growth momentum both in Qatar and across international markets by ensuring competitive product offerings, effective marketing strategies, enriched customer experience, acquiring new technologies and expanding its footprint in strategic locations.

Expanding banking access

GRB continued to expand its distribution network in Qatar, focusing on the strategic locations, offering several types of banking services by ensuring a proper mix of teller and eChannel-based banking facilities. In 2014, the total number of branches reached 79 along with a fleet of approximately 360 ATMs, reinforcing QNB Group's position as the largest distribution network in Qatar.

Along with network expansion, GRB focused on enhancing customer experiences across the customer touch points, especially the Branches and Customer Care Centre. This includes focused projects to improve customer experiences at branches and customised training and coaching programmes for employees.

Leading the way in eChannel

In 2014, GRB augmented state of the art technologies to ensure customer convenience and satisfaction in eChannel usage. As a result of GRB's continuous effort to encourage customers to use electronic channels, 94% of retail customer transactions in 2014 have been through eChannels. To cater to different customer segments, QNB Group has upgraded its mobile banking application and made it compatible with iOS8 and Windows-based devices increasing usage by 8%. Along with the effort of expanding the eChannel offerings, GRB continued to ensure the security of customer information and transactions. Security features have been further enhanced by incorporating password protection in e-Statement and one time password for internet banking access.

Meeting clients expectation with new products and services

In 2014, GRB sustained its growth momentum in Loan and Deposit portfolio through a combined result of its innovative products, well-targeted marketing campaigns and focused sales. GRB launched the 'New to Country' programme targeting the affluent expats moving into Qatar and the 'Retired Qatari' programme targeting the senior Qatari citizens. Furthermore, GRB is constantly working to reduce the turnaround time of loan processing to enhance customer experience.

Creating more attractive reward programmes

QNB Life Rewards programme, one of the most lucrative reward programmes in Qatar, launched several new initiatives in 2014. This includes a QNB Life Rewards Holiday website, which serves as a "one-stop-shop" for travellers. In addition, the network of QNB Life Reward partners has expanded to over 170 brands, providing more redemption options. To offer greater convenience to customers, a new card centre has been opened in Doha.

QNB Group continues to be the market leader in the Point of Sale (POS) business in Qatar in terms of volumes processed through credit and debit cards. The QNB POS network has been expanded by including various famous brands from Qatar as well as from international markets. In 2014, QNB Group launched the first ever Mobile Point of Sale (MPOS) solution in Qatar with Chip and Personal Identification Number (PIN) facility. This provides Merchants the ability to accept card payments anywhere and at anytime using a mobile device. In addition, QNB Group developed the Point of Sale Electronic Cash Register (POS-ECR) integrated solution, which enables multi-lane merchants to seamlessly accept and process card payments within the merchant's payment environment.

In 2014, QNB Group won the prestigious MasterCard Award for ''The Best Affluent Cards Programme'' across all of the Middle East and Africa markets, in recognition of having the most attractive card offerings in the region.

Expanding International Retail footprint

GRB has extended its International footprint over the last few years by enhancing its value proposition through innovative products and value added services resulting in increase of its customer base across Middle East and North Africa covering Egypt, Tunisia, Oman, Sudan, Kuwait, Lebanon.

In 2014, the key highlight has been the successful integration of retail businesses in the subsidiaries in Egypt and Tunisia, which now enables them to leverage the QNB Global Retail framework.

QNB First premium banking, putting customers first

In 2014, QNB First continued to deliver personal service, trusted guidance, customer-tailored banking, credit, investment solutions and day-to-day transaction services to its affluent customers. This was done domestically through QNB First Premium Banking and internationally under the umbrella of The Global Recognition programme (GR).

The GR initiative, launched in Qatar, Kuwait and Oman, has been exclusively designed to meet the expectations, lifestyles and ambitions of discerning QNB premium banking customers. QNB is the pioneer of such an initiative, being the first regional bank in the MEA region to launch such a premium programme for its affluent customers. QNB Group has partnered with MasterCard to be the first bank in the world to offer the "Lounge Key" platform, enabling QNB First customers to access over 500 airport lounges across 270 cities around the world. Furthermore, QNB First's cross-border mortgage offer backed by real estate expertise through world-renowned global partners provides confidence and re-assurance to premium customers. In 2015, the GR programme will be further extended to other markets in the QNB network.

Qatar witnessed a rapid population expansion with a significant influx of affluent expatriates. In order to cater to this expatriate segment, the domestic value proposition was bolstered, through the enhancement of the Non-Resident programmes tailored for the affluent Lebanese, Egyptian and Sudanese expatriates offering them banking and lifestyle privileges both in Qatar and in their home countries.

During 2014, QNB First added new markets to its growing global footprint with the launch of QNB First in Indonesia, Tunisia and work continues with Egypt on the integration of QNB ALAHLI's Safwa customers.

Service Quality, a gateway to an enhanced customer banking experience

Customer satisfaction continued to be among the top priorities of GRB. Several initiatives were carried out in 2014 to ensure the highest level of service excellence, including customer satisfaction surveys, mystery shopper audits and regular branch visits. Additionally, to ensure a quick resolution of customer issues, GRB has streamlined complaint management processes domestically and internationally.

Largest Network in Qatar

79 Branches

360 ATMs

International Business Division

The International Business Division (IBD) continued the execution of QNB's overseas strategy, focusing on the international expansion and the consolidation of the international network. This included penetrating new strategic markets as well as reinforcing QNB Group's position in the existing markets through continuous support from the Head Office and the introduction of new products and services.

Establishing a presence in Sub-Saharan Africa

The QNB Group's stated vision of being a Middle East and Africa Icon by 2017 has been brought closer through the acquisition of 19.4%* stake in Ecobank Transnational Incorporated. Ecobank is the leading pan-African bank with a presence in 36 countries across the African continent and in four other countries across the globe. As at end of September 2014, Ecobank operated across its unique network of 1,240 branches and 2,600 ATMs servicing over 10.9 million customers served by 20,300 employees.

Consolidating the international network

QNB Group continued consolidating its international network by implementing its global operating model to serve customers more efficiently. This enabled better integration, stronger coordination and provided the ability to leverage more synergies across QNB Group.

In 2014, QNB Group continued its efforts to provide its clients with the best overseas services through the Global Recognition Programmes for its QNB First customers. Additionally, a new product was launched to serve Non-Resident Egyptian (NRE) customers in Qatar, Kuwait and Oman, enabling them to open accounts with many privileges in QNB ALAHLI in Egypt. A similar product was launched for Non-Resident Lebanese (NRL) customers.

In Tunisia, QNB has successfully implemented core banking and IT systems as a crucial part of the on-going integration process. Similar enhancements have also taken place at QNB ALAHLI in Egypt. The technical agreement signed with Al-Mansour Bank in Iraq allowed the initiation of the integration process.

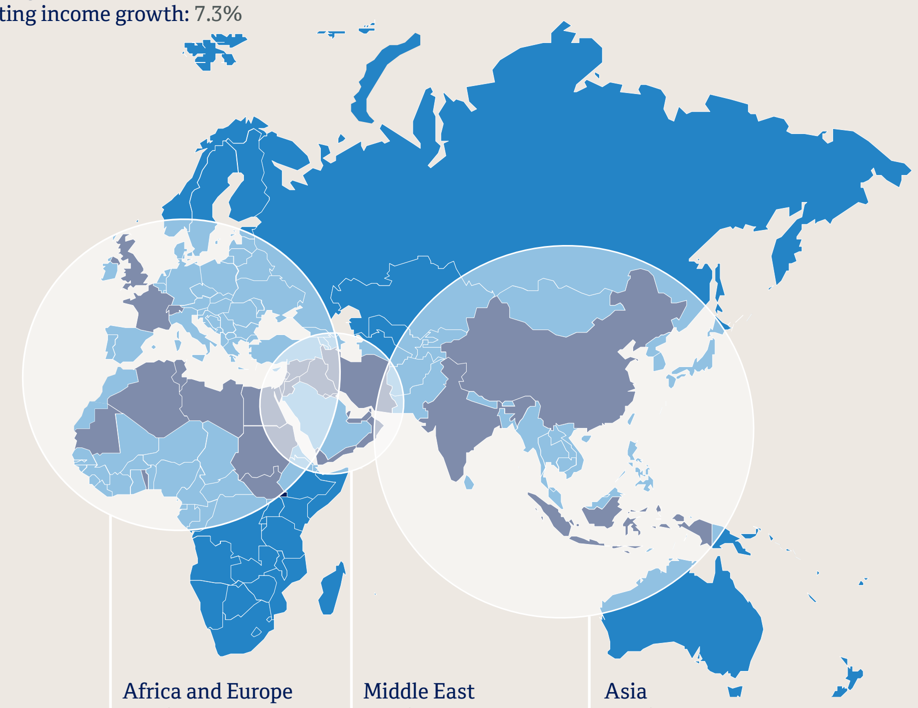
** Including ordinary and QNB convertible preference shares*

Continuing its journey

In the ongoing pursuit of providing customers across all segments and geographies with a consistent level of service quality, QNB Group will leverage its innovative business model to expand its product and service offering. Currently, QNB Group has over 14,500 employees operating from over 615 locations and an ATM network of over 1,310 machines.

Going forward, and in line with its global strategy, QNB Group will continue to develop and grow ongoing high return on equity businesses while continuing its international expansion strategy.

Total operating income*: QR15.8 Billion
Total operating income growth: 7.3%



Africa and Europe
Employees: 6,802
Branches: 260
ATMs: 473

Middle East
Employees: 6,784
Branches: 310
ATMs: 800

Asia
Employees: 939
Branches: 49
ATMs: 47

More than 26 countries with a total of over 14,500 employees, over 615 branches and over 1,310 ATMs.

** Including share of income from associate companies*

Group Treasury

In 2014, QNB Group Treasury continued to implement its strategy, both domestically and internationally, by diversifying and expanding sources of funding, widening its customer base while nurturing existing relationships with key clients, further solidifying QNB Group's presence in global markets and providing sound investment and risk mitigation advice to its growing number of counterparties.

As a natural development of its wholesale funding programme initiated several years ago, QNB Group Treasury continued during 2014 to take advantage of the market appetite for the strong credit quality and well regarded brand of QNB Group, and proactively issued new private placements under the Euro Medium Term Note (EMTN) Programme with issuances in USD, EUR, and HKD.

Throughout 2014, QNB Group Treasury expanded its domestic and international capabilities as part of its continuous effort to better support the growth of the business. This was highlighted by the recruitment of highly experienced senior professionals in QNB Group's European and Asian Treasury functions. In QNB Singapore, a Head of Treasury has recently been appointed to provide additional regional expertise. 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 issued by QNB Group's London Branch, which enjoyed active participation by a record number of international investors. On the products coverage front, Group Treasury Sales unit was structured into Domestic and International desks in line with QNB Group's strategy, to better serve its corporate and institutional client base and offer them customised risk-management and investment solutions in their respective markets.

As part of its commitment to the local market, QNB Group Treasury continued to work closely with leading companies, offering a comprehensive Treasury Orientation Programme for their key Treasury-related employees. This training is offered on a bespoke basis, usually lasting between four to six weeks duration.

Group Asset & Wealth Management

Asset Management

QNB Group's Asset Management business (AM) continued to be one of the MENA region's leading asset managers, with approximately USD4.7 billion assets under management. AM now manages eight mutual funds, and several discretionary portfolios, covering a variety of asset classes and geographies. Investments may be accepted on an 'absolute return' basis or as 'actively-managed' or 'passive' (index-tracking) mandates.

An increasingly diverse range of asset classes

In maintaining its leading edge, AM has continued to identify and introduce innovative products and services, in line with investor demand. Most notably, the 'QNB Note 2', (a capital-protected Note based on an underlying basket of international equities) was launched in early 2014. This was followed by the launch of the QNB Commodity Fund, which was the first exclusively commodity-based fund to be registered in Qatar. Further innovative products are about to be launched, such as the QNB MENA Fund, additional 100% capital-protected Notes and various Exchange-Traded Funds (ETFs).

Building a regional fund manufacturing capability

In alignment with QNB Group's international aspirations, AM has strengthened its existing Singapore-based asset management unit, with a mandate to cover the principal Asian markets.

A proven track record

AM benefits from a team of highly capable asset managers, whose expertise has enabled them to continue to outperform against all applicable benchmarks, when measured against the various funds' inception dates. This impressive track record has, once again, been acknowledged by the asset management industry with the award, in 2014, of the title "Regional Asset Manager of the Year" by Global Investor Magazine.

Private Banking

Bespoke banking and wealth management for high net worth individuals

QNB Private offers tailored investment solutions and bespoke wealth management services to high and ultra-high net worth individuals and families, providing access to world-class products from across global markets. Augmenting this range of products and services is AM's provision of filtered access to the world's foremost equity and debt fund managers, via an Open Architecture platform.

QNB Private's state-of-the-art approach is combined with fundamental investment analysis to capture the evolved needs and expectations of its clients, and help to meet their overall investment objectives.

QNB Private's innovative investment solutions are complemented by a wide range of personal banking services which will provide QNB Group's customers with additional flexibility. QNB Private has continued to play a leading role in providing tailored wealth management solutions, supported by an impressive level of personalised "red carpet" experiences.

In the constant pursuit of excellence, QNB Private launched several initiatives to improve and optimise its products and services, recruit highly skilled professionals, provide diversified products and assure proactive services to strengthen customer satisfaction and loyalty.

Total Assets under Management

USD 4.7 Bn

"Regional Asset Manager of the Year"

by Global Investor ISF

QNB Financial Services

In 2014, QNB Financial Services (QNBFS), the brokerage arm of QNB Group, continued its focus on executing its business plan of further increasing its market share and expanding its range of services. QNBFS retained its position as the second-largest securities firm in Qatar by market share. In a bid to attract significant amount of foreign investment into the Qatar Exchange (QE), QNBFS and QE jointly hosted successful road shows in the UK and the USA in May 2014, showcasing the investment opportunities on the Qatar Exchange to large international institutional investors. A total of fourteen listed companies, representing more than half of the QE market capitalisation, participated in these events with the purpose of appraising international fund managers on particular investment themes of mutual interest. QNBFS partnered with Bank of America Merrill Lynch in New York and with Deutsche Bank in London for the road shows.

Preferred institutional broker

Throughout 2014, QNBFS further strengthened its position as a preferred broker for both domestic and foreign institutions, achieving a robust growth within the institutional investor segment. Consequently, for the third consecutive year, QNBFS was the recipient of the "Broker of the Year - Qatar" award at the Global Investor/ ISF Middle East Summit, held in November 2014.

Expanding brokerage services and offering

QNBFS enhanced its advisory service to allow clients to better manage risk and make well-informed investment decisions based on their risk tolerance, appetite and overall investment goals. Today, QNBFS' trading desk offers retail and institutional clients not only access to the GCC and MENA markets, but also to all major international markets. Furthermore, QNBFS offers investors access to global fixed income markets as well as to Initial Public Offerings (IPOs) from across the globe.

Enhancing research coverage

Throughout 2014, QNBFS continued to expand on its 'on-the-ground' research and corporate access as important value-added services. Going forward, QNBFS will provide research coverage on the GCC regional markets with an expanded team of research analysts.

QNB Capital

QNB Capital continued its impressive growth performance throughout 2014, maintaining its leading role and position in Qatar while continuing to expand its strategic advisory and asset management services to local and regional clients. This approach complemented its existing core traditional investment banking and corporate finance offerings.

On the asset management front, QNB Capital manages a portfolio of real estate interests in various European countries, which include iconic landmarks such as London's Shard Tower and Park House.

Expanded advisory services were complemented by continued growth in its traditional investment banking activities, which gained solid traction through its Debt Capital Markets (DCM) mandates. QNB Capital acted as a Joint Lead Manager (JLM) on the Republic of Kenya's USD2 billion debut bond issuance in June 2014 and as a Co-Manager on HSBC's EUR1.5 billion Perpetual Subordinated Contingent Convertible Securities in September 2014. It also acted as a JLM on Kuveyt Turk's USD500 million Sukuk issuance and Sri Lankan Airlines' USD175 million bond issuance in June 2014.

Equity Capital Markets (ECM) also generated significant opportunities during 2014, with QNB Capital providing advisory services to several clients in various industry sectors. QNB Capital acted as the Lead Financial Advisor for the USD885 million initial public offering of Mesaieed Petrochemical Holding Company that was listed on the Qatar Exchange in February 2014.

During 2014, QNB Capital assisted corporates and Government entities in preparing a number of analytical reports focusing on the local economy in Qatar and examining a range of development, infrastructure and project finance initiatives.

QNB Capital continued to expand its strategic advisory mandates, including advising a number of Sovereign entities. These mandates encompassed advice on overall strategy, organisation structures, valuations, capital structuring, acquisitions, divestitures and turnaround of investments and projects. Going forward, this will enable QNB Capital to fully capitalise on new global opportunities generated through QNB Group's international activities.

Group Strategy

Group Strategy's span of activities and capabilities expanded in 2014. Group Strategy consists of two departments: a) Strategy and Business Development b) Economics, Financial Analysis and Research.

The Strategy and Business Development Department consists of three teams each with clear remits i) Strategy, ii) Corporate Planning and Integration (CPI) iii) Total Quality (TQ). The teams are composed of highly skilled experienced professionals from leading global strategy consulting firms and financial services institutions.

The Strategy team is guided by Executive Management's direction and delivers mandates of strategic impact for informed decision making on a group wide and divisional level. The scope of mandates ranges from assessing and formulating strategic initiatives to supporting the execution of these initiatives to enable realising the Group's aspiration. As initiated in 2013, the focus in 2014 was to continue to develop country strategies for selected markets across QNB Group's international network. In addition, the team hosted the QNB Group's internal semi-annual strategy conference which was held in Doha on both occasions. Senior Management and Country Managers were invited to attend workshops, presentations and discussion forums around QNB's group-wide growth plans and international expansion. The agenda included updates on recent accomplishments, future plans of top priority strategic initiatives and their targets to achieve QNB's ambitious aspirations.

The Corporate Planning and Integration team has two remits, corporate planning and project management. The team translates the long-term strategic blueprint into tangible year-by-year business plans. Utilising a modified balanced scorecard (BSC) approach with SMART key performance indicators (KPIs), the team takes a coordinated approach to planning across the global matrix operating model. The execution of the annual business plans and its performance against plan are monitored and reviewed on a quarterly basis by Executive Management prior to submission to the Board of Directors. In January 2013, QNB Group developed and institutionalised a new performance management policy which links performance to employee compensation. The portfolio of strategic implementation projects included in the annual business plan are managed by the group-wide Project Management Office (PMO). The PMO actively tracks the progress of project execution against QNB Group's strategic implementation roadmap. In 2014, the PMO approach and methodology has been further rolled out across the group wide network which has led to enhanced transparency on the execution of selected strategic projects. In 2014, the PMO provided active project management support on several strategic initiatives such as the launch of an e-Services programme, the global recognition programme for QNB First customers, the enhancement of QNB Singapore's business and sales platform as well as the support to the continued integration of QNB ALAHLI in Egypt.

QNB Group in its quest to be customer centric and to enhance its market positioning, launched a Total Quality (TQ) initiative three years ago with the core objective to achieve operational excellence through lean transformation. Starting initially with QNB Group's retail business in Qatar, the TQ team expanded its scope of activities across other business divisions such as Group Corporate & Institutional Banking (GCI), Group Asset & Wealth Management and Global Transaction Banking. In 2014, the scope of activities for the TQ team comprised enhancing customer-facing processes in Group Retail Banking and GCI by executing Lean Six Sigma (LSS) improvement projects across the branch network. The Total Quality programme launched in 2011, witnessed this year the Black Belt certification of the first batch by a reputed Lean Six Sigma institution. Two employees were certified Black Belts, the first time for a Qatari bank.

The main objective of the Economics, Financial Analysis and Research (EFAR) Department is to update Executive Management, the QNB Group and its clients on major global macroeconomic trends and key developments. In 2014, the EFAR team continued publishing its series of Economic Insight Reports and expanded its geographical coverage across Africa, Asia and the Middle East. Economic Insight Reports were published on China, Jordan, Indonesia, India and Qatar. In addition, the Economics Department published Economic Updates for other countries in the QNB network. It also started publishing the QNB Investment Outlook in collaboration with Group Asset & Wealth Management division, a monthly report to QNB investors on global market developments. The EFAR Department produced weekly updates for internal use on global markets and provided macroeconomic stress test scenarios of QNB countries as part of QNB Group's Internal Capital Adequacy Assessment Process (ICAAP). As in previous years, the EFAR team issued weekly economic commentaries and a set of publications related to Qatar, including the Qatar Monthly Monitor.

Group Human Capital

Throughout 2014, QNB Group Human Capital Division (GHC) continued the execution of its defined strategic initiatives within the context of QNB Group's five year strategic plan. In 2014, GHC focus has been on improving the service to QNB Group employees and strengthening the talent pool to ensure the right people are in the right job at the right time to support the global growth of QNB Group. As at end-of-December, QNB Group had over 14,500 employees, of which over 2,150 are located in Qatar.

Talent Management

Global Leadership and Talent Management

In 2014, GHC continued the execution of its Global Leadership and Talent Management programme, which addresses on-going leadership development needs across QNB Group's continuously growing international network. The programme was successfully launched in Sudan, South Sudan, Mauritania, Kuwait and Lebanon. In addition, GHC implemented Halogen Integrated Talent Management System software, which brings global best practices to the Group in regards to employee talent management.

Ambassador Programme

The purpose of the QNB Ambassador Programme is to have talented QNB employees representing the bank in international operations as part of their career development. As future leaders, QNB Ambassadors will have exposure to different banking environments outside of Qatar to gain more global outlook. Growing on the previous year's successes, 2014 saw Qatari nationals deployed to countries such as Singapore, Kuwait, Oman and Indonesia as part of the Ambassador Programme, Individuals from previous placements returned to Qatar and secured roles with increased responsibilities, applying both their overseas learning and experience to the overall value of QNB Group.

Learning & Development

Management and Leadership Development Programmes Rolled-Out to International Locations

Throughout 2014, GHC rolled-out both its Management Development Programme (MDP) and Leadership Development Programme (LDP) to many of QNB Group's international locations, in collaboration with the Chartered Management Institute. To supplement the MDP and LDP programmes, which are aimed at middle managers and senior leaders, GHC has additionally launched a new Supervisory Development Programme (SDP) aimed at first-line managers and team leaders who are new to the responsibility of overseeing other employees. This programme, based on world-leading 'accelerated learning' techniques, received exceptionally positive feedback from participants.

Focusing on Certifications

In 2014, QNB Learning & Development Department has increased its focus on supporting employees to gain internationally recognised certifications as a key part of QNB Group's employee value proposition. Successful employees have been certified in a wide range of accreditations, including amongst others Credit Risk, Financial Analysis, Securities & Investments and Project Management.

Global Employee Engagement Survey

The GCEO and Executive Management team acknowledge and recognise the fact that the employees of QNB Group are the most important asset in delivering exceptional customer experience and driving QNB Group's performance. GHC commissioned Aon Hewitt, a leading HR consulting firm, to conduct a Global Employee Engagement Survey that measured the engagement, satisfaction and motivation of QNB Group's valued employees.

Employees provided their honest and candid feedback on a multitude of aspects, including work culture at the Bank, company practices and processes and compensation and career opportunities. The Group achieved a 75% participation rate and reached a satisfaction rate, which is well above benchmarks in Qatar as well as the financial services sector in the Middle East.

International Human Resources Conference

In 2014, GHC convened the first ever gathering of its international HR professionals to a special conference held in Doha. The purpose of the event was to discuss innovative and relevant best practice Human Capital solutions across a range of subject matters. Attending the two-day conference were QNB Country Human Resources Managers drawn from 16 different countries including QNB ALAHLI (Egypt), QNB Tunisia and CBI (UAE).

Recruitment Activities

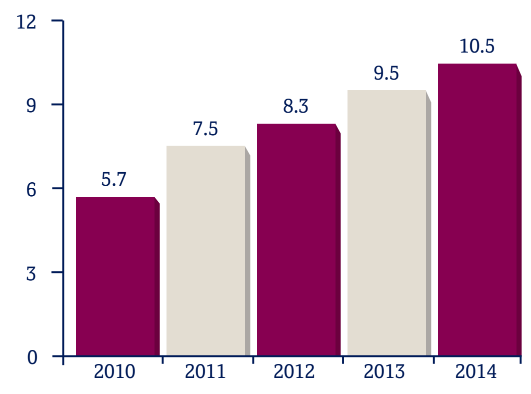
As part of its strategic nationalisation initiative, QNB Group continued to lead the banking sector's efforts to hire Qatari nationals. A Qatarisation ratio exceeding 50% of domestic employees in 2014 was achieved, comprising a strong representation at all levels, including senior leadership positions. The GHC team has attended over ten major Career Events in 2014 including a UK Career Fair, events at local Universities, events in partnership with the Labour Department, as well as hosting a QNB Recruitment Open Day.

Financials

QNB Group Financial Highlights

- Net Profit reached QR10.5 billion, up by 10.3% from December 2013
- Total Assets stood at QR486 billion, up by 9.7% from December 2013
- Net Loans and Advances up by 8.8% from December 2013 to reach QR338 billion
- Total Customer Deposits up by 7.4% from December 2013 to reach QR360 billion
- Earnings per Share reached QR14.9, compared to QR13.5 in December 2013
- Total Shareholders' Equity increased to QR58 billion, up by 7.9% from December 2013

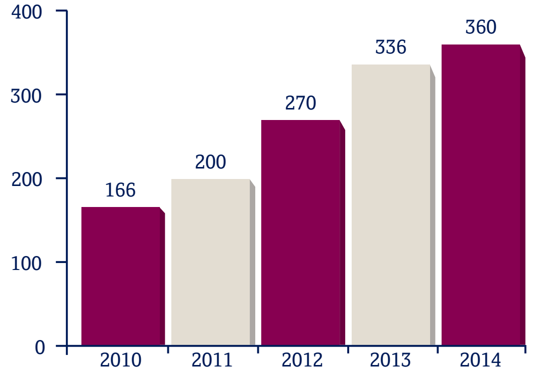
Net Profit (QR billion)



Total Assets (QR billion)

Loans and Advances (QR billion)

Customer Deposits (QR billion)



Financial Review and Credit Ratings

Financial Performance

QNB Group continued to move from strength to strength with the results announcement. For the twelve months of 2014 Net Profit was QR10.5 billion, up by 10.3% compared to last year. This was driven by operating income, including the share of results of associates, which increased to QR15.8 billion, up by 7.3% compared to December 2013, demonstrating QNB Group's success in achieving strong growth across the range of revenue sources.

Net interest income increased by 6.1% to reach QR12.3 billion, with net fee and commission income and net gain from foreign exchange reaching QR2.1 billion and QR815 million, respectively, reflecting success in diversifying sources of income.

The Group's prudent cost control policy and strong revenue generating capability allowed it to maintain an efficiency ratio (cost to income ratio) of 20.8%, which is considered one of the best ratios among financial institutions in the region.

Financial Position

Total assets increased by 9.7% from December 2013 to reach QR486 billion, the highest ever achieved by the Group. This was the result of a strong growth rate of 8.8% in loans and advances to reach QR338 billion.

The Group was able to maintain the ratio of non-performing loans to gross loans at 1.6%, a level considered one of the lowest amongst banks in the Middle East and Africa, reflecting the high quality of the Group's loan book and the effective management of credit risk. The Group's conservative policy in regard to provisioning continued with the coverage ratio reaching 124% in December 2014.

At the same time QNB Group increased customer funding by 7.4% to QR360 billion. This led to the Group's loan to deposit ratio reaching 94%.

Capital Strength

Total Equity increased by 7.9% from December 2013 to reach QR58 billion as at 31 December 2014. Earnings per Share reached QR14.9, compared to QR13.5 in December 2013.

The capital adequacy ratio stood at 16.2% as at 31 December 2014, higher than the regulatory requirements of Qatar Central Bank and the Basel Committee. The Group is keen to maintain a strong capitalisation in order to support future strategic plans.

Credit Ratings

QNB Group has maintained its credit rating, which is considered as being one of the highest in the region, with all rating agencies affirming the Bank's rating during the twelve months of 2014. This is a result of QNB Group's strong financial position, high quality of its assets and leading position in the financial sector.

	Moody's	S&P	Fitch	Capital Intelligence
QNB Long-Term Rating	Aa3	A+	A+	AA-

Financial Statements

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 2014 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 judgment, 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 financial position of the Group as at 31 December 2014, and its financial performance and 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 Bank 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: 5 of 2002 and its amendments, 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 2015

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Position
As at 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2014	2013
ASSETS			
Cash and Balances with Central Banks	8	30,754,168	22,909,453
Due from Banks	9	29,955,019	13,602,258
Loans and Advances to Customers	10	338,129,995	310,712,046
Investment Securities	11	67,695,913	78,302,635
Investments in Associates	12	7,963,437	5,840,008
Property and Equipment	13	1,779,344	1,390,966
Intangible Assets	14	5,461,265	5,549,805
Other Assets	15	4,617,535	5,178,937
Total Assets		**486,356,676**	**443,486,108**
LIABILITIES			
Due to Banks	16	22,113,705	11,568,043
Customer Deposits	17	360,337,979	335,539,171
Debt Securities	18	21,779,361	21,754,224
Other Borrowings	19	12,524,373	12,408,154
Other Liabilities	20	11,639,332	8,489,232
Total Liabilities		**428,394,750**	**389,758,824**
EQUITY			
Issued Capital	22	6,997,294	6,997,294
Legal Reserve	22	23,086,902	23,086,902
Risk Reserve	22	3,500,000	2,750,000
Fair Value Reserve	22	573,808	1,401,954
Foreign Currency Translation Reserve	22	(1,329,797)	(957,107)
Other Reserves	22	1,706,123	1,719,114
Retained Earnings	22	22,448,494	17,830,304
Total Equity Attributable to Equity Holders of the Bank		**56,982,824**	**52,828,461**
Non-Controlling Interests	23	979,102	898,823
Total Equity		**57,961,926**	**53,727,284**
Total Liabilities and Equity		**486,356,676**	**443,486,108**

These consolidated financial statements were approved by the Board of Directors on 13 January 2015 and were signed on its behalf by:

Ali Shareef Al-Emadi
Chairman

Ali Ahmed Al-Kuwari
Group Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Income Statement
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2014	2013
Interest Income	24	18,666,333	16,770,879
Interest Expense	25	(6,404,346)	(5,211,139)
Net Interest Income		**12,261,987**	**11,559,740**
Fee and Commission Income	26	2,326,643	2,096,103
Fee and Commission Expense		(211,787)	(167,801)
Net Fee and Commission Income		**2,114,856**	**1,928,302**
Foreign Exchange Gain	27	814,952	761,623
Income from Investment Securities	28	96,522	183,728
Other Operating Income		126,532	13,918
Operating Income		**15,414,849**	**14,447,311**
Staff Expenses	29	(1,880,095)	(1,670,590)
Depreciation	13	(252,517)	(255,362)
Other Expenses	30	(1,144,403)	(1,072,394)
Net Impairment Losses on Investment Securities		(89,951)	(61,892)
Net Impairment Losses on Loans and Advances to Customers	10	(1,109,301)	(1,515,912)
Amortisation of Intangible Assets		(78,505)	(76,207)
Other Provisions		(50,415)	(65,510)
		(4,605,187)	**(4,717,867)**
Share of Results of Associates	12	373,053	269,848
Profit Before Income Taxes		**11,182,715**	**9,999,292**
Income Tax Expense		(665,077)	(462,032)
Profit for the Year		**10,517,638**	**9,537,260**
Attributable to:			
Equity Holders of the Bank		10,454,701	9,478,637
Non-Controlling Interests		62,937	58,623
Profit for the Year		**10,517,638**	**9,537,260**
Basic and Diluted Earnings Per Share (QR)	31	14.9	13.5

The attached notes 1 to 39 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 2014

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2014	2013
Profit for the Year		**10,517,638**	**9,537,260**
Other Comprehensive Income to be Reclassified to Income Statement in Subsequent Periods:			
Foreign Currency Translation Differences for Foreign Operations		(372,690)	(316,644)
Share of Other Comprehensive Income of Associates		(11,940)	(32,060)
Effective Portion of Changes in Fair Value of Cash Flow Hedges	22	(941,850)	661,272
Available-for-Sale Investment Securities			
- Net Change in Fair Value	22	126,081	437,270
- Net Amount Transferred to Income Statement	22	(12,377)	(107,991)
Total Other Comprehensive Income for the Year, net of Income Tax		**(1,212,776)**	**641,847**
Total Comprehensive Income for the Year		**9,304,862**	**10,179,107**
Attributable to:			
Equity Holders of the Bank		9,241,925	10,120,484
Non-Controlling Interests		62,937	58,623
Total Comprehensive Income for the Year		**9,304,862**	**10,179,107**

The attached notes 1 to 39 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 2014

(All amounts are shown in thousands of Qatari Riyals)

	Issued Capital	Legal Reserve	Risk Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Total
Balance at 1 January 2014	6,997,294	23,086,902	2,750,000	1,401,954	(957,107)	1,719,114	17,830,304	52,828,461	898,823	53,727,284
Total Comprehensive Income for the Year										
Profit for the Year	-	-	-	-	-	-	10,454,701	10,454,701	62,937	10,517,638
Total Other Comprehensive Income	-	-	-	(828,146)	(372,690)	(12,991)	1,051	(1,212,776)	-	(1,212,776)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(828,146)**	**(372,690)**	**(12,991)**	**10,455,752**	**9,241,925**	**62,937**	**9,304,862**
Transfer to Risk Reserve	-	-	750,000	-	-	-	(750,000)	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	(189,456)	(189,456)	-	(189,456)
Transactions with Equity Holders, Recognised Directly in Equity										
Dividend for the Year 2013 (Note 22)	-	-	-	-	-	-	(4,898,106)	(4,898,106)	-	(4,898,106)
Net Movement in Non-Controlling Interests	-	-	-	-	-	-	-	-	17,342	17,342
Total Transactions with Equity Holders, Recognised Directly in Equity	**-**	**-**	**-**	**-**	**-**	**-**	**(4,898,106)**	**(4,898,106)**	**17,342**	**(4,880,764)**
Balance at 31 December 2014	**6,997,294**	**23,086,902**	**3,500,000**	**573,808**	**(1,329,797)**	**1,706,123**	**22,448,494**	**56,982,824**	**979,102**	**57,961,926**
Balance at 1 January 2013	6,997,294	23,086,902	1,750,000	411,403	(640,463)	1,751,174	13,721,522	47,077,832	910,860	47,988,692
Total Comprehensive Income for the Year										
Profit for the Year	-	-	-	-	-	-	9,478,637	9,478,637	58,623	9,537,260
Total Other Comprehensive Income	-	-	-	990,551	(316,644)	(32,060)	-	641,847	-	641,847
Total Comprehensive Income for the Year	**-**	**-**	**-**	**990,551**	**(316,644)**	**(32,060)**	**9,478,637**	**10,120,484**	**58,623**	**10,179,107**
Transfer to Risk Reserve	-	-	1,000,000	-	-	-	(1,000,000)	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	(171,478)	(171,478)	-	(171,478)
Transactions with Equity Holders, Recognised Directly in Equity										
Dividend for the Year 2012 (Note 22)	-	-	-	-	-	-	(4,198,377)	(4,198,377)	-	(4,198,377)
Net Movement in Non-Controlling Interests	-	-	-	-	-	-	-	-	(70,660)	(70,660)
Total Transactions with Equity Holders, Recognised Directly in Equity	**-**	**-**	**-**	**-**	**-**	**-**	**(4,198,377)**	**(4,198,377)**	**(70,660)**	**(4,269,037)**
Balance at 31 December 2013	**6,997,294**	**23,086,902**	**2,750,000**	**1,401,954**	**(957,107)**	**1,719,114**	**17,830,304**	**52,828,461**	**898,823**	**53,727,284**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2014	2013
Cash Flows from Operating Activities			
Profit for the Year before Income Taxes		11,182,715	9,999,292
Adjustments for:			
Interest Income		(18,666,333)	(16,770,879)
Interest Expense		6,404,346	5,211,139
Depreciation	13	252,517	255,362
Net Impairment Losses on Loans and Advances to Customers	10	1,109,301	1,515,912
Net Impairment Losses on Investment Securities		89,951	61,892
Other Provisions		12,940	30,584
Dividend Income	28	(84,145)	(75,737)
Net Gain on Sale of Property and Equipment		(75,822)	-
Net Gain on Sale of Available-for-Sale Investment Securities	28	(12,377)	(107,991)
Amortisation of Intangible Assets		78,505	76,207
Net Amortisation of Premium or Discount on Financial Investments		(25,906)	(96,487)
Net Share of Results of Associates		(231,418)	(150,810)
		34,274	**(51,516)**
Changes in:			
Due from Banks		(1,859,629)	(6,646,294)
Loans and Advances to Customers		(28,527,250)	(40,192,238)
Other Assets		(43,723)	(775,826)
Due to Banks		10,545,662	(11,608,356)
Customer Deposits		24,798,808	32,901,823
Other Liabilities		1,543,275	188,415
Cash From / (Used in) Operations		**6,491,417**	**(26,183,992)**
Interest Received		18,439,829	16,045,288
Interest Paid		(5,724,205)	(5,659,368)
Dividends Received		84,145	75,737
Income Tax Paid		(524,930)	(214,692)
Other Provisions Paid		(3,414)	(2,390)
Net Cash From / (Used in) Operating Activities		**18,762,842**	**(15,939,417)**
Cash Flows from Investing Activities			
Acquisition of Investment Securities		(32,053,642)	(33,963,109)
Proceeds from Sale / Redemption of Investment Securities		42,314,443	17,713,698
Investments in Associates	12	(2,101,929)	(103)
Acquisition of Subsidiary, Net of Cash Acquired		-	(4,718,558)
Acquisition of Property and Equipment	13	(691,901)	(272,449)
Proceeds from Sale of Property and Equipment		83,212	32,098
Net Cash From / (Used in) Investing Activities		**7,550,183**	**(21,208,423)**
Cash Flows from Financing Activities			
Proceeds from Issue of Debt Securities		-	9,057,937
Proceeds from Other Borrowings, net		99,754	5,169,535
Dividends Paid		(4,887,261)	(4,197,226)
Net (Used in) / From Cash from Financing Activities		**(4,787,507)**	**10,030,246**
Net Increase / (Decrease) in Cash and Cash Equivalents		**21,525,518**	**(27,117,594)**
Effects of Exchange Rate Fluctuations on Cash Held		812,329	114,351
Cash and Cash Equivalents at 1 January		21,093,480	48,096,723
Cash and Cash Equivalents at 31 December	37	**43,431,327**	**21,093,480**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(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 Financial Services SPC	Qatar	2011	100%
QNB Indonesia	Indonesia	2011	82.6%
Al-Mansour Investment Bank	Iraq	2012	50.8%
QNB Tunisia	Tunisia	2013	99.96%
QNB ALAHLI	Egypt	2013	97.1%
QNB India Private Limited	India	2013	100%

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.

c) Functional and Presentation Currency

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

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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

(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 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.

(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 loss) 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

(vi) Associates (Continued)

The Group's share of the results of associates is based on 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.

(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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

(ii) Foreign Operations (Continued)

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 exchange 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

(iii) Derecognition (Continued)

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 and when approved by the QCB, 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.

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 who do not have any reactions which might affect the price. 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 reported as at the end of the reporting period.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an 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 include 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

(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.

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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

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) 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.

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.

f) 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 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

g) 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 percent. 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

g) Derivatives (Continued)

(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.

h) 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.

(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.

i) 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 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 to 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 level.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

j) 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 Cash Generating Unit ("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 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.

k) 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.

l) 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

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

l) Financial Guarantees (Continued)

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.

m) 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.

n) 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.

o) 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 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 are calculated using effective interest rate method are also included in interest income.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

p) Fees and Commission Income and Expense

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are 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.

q) 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 carrying amount of the investment securities.

r) Dividend Income

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

s) 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 diffrences, 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.

t) 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.

u) 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.

v) 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 income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

w) 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

3. Significant Accounting Policies (Continued)

w) Repossessed Collateral (Continued)

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.

x) Comparatives

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

y) 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.

z) 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 2014:

Standard
Investment Entities (Amendment to IFRS 10, IFRS 12 and IAS 27)
Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)
Novation of Derivatives and Continuation of Hedge Accounting (Amendment to IAS 39)
Recoverable Amount Disclosure for Non- Financial Assets (Amendment to IAS 36)
IFRIC 21 Levies

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	01/01/2017
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

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

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.

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 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

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 when appropriate. The types of collaterals obtained 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	
	2014	**2013**
Cash and Balances with Central Banks (excluding Cash on Hand)	25,792,397	19,628,794
Due from Banks	29,955,019	13,602,258
Loans and Advances to Customers	338,129,995	310,712,046
Investment Securities	65,920,817	76,726,819
Other Assets	3,783,339	3,834,003
	463,581,567	**424,503,920**
Guarantees	37,758,889	30,634,508
Letters of Credit	9,020,818	7,168,439
Unutilised Credit Facilities	44,457,004	34,353,777
Total	**554,818,278**	**496,660,644**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

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 2014	Net Maximum Exposure 2014	Gross Maximum Exposure 2013	Net Maximum Exposure 2013
Government	97,556,831	-	109,557,873	-
Government Agencies	156,970,794	38,013,192	162,665,091	24,192,410
Industry	21,772,178	16,556,983	17,525,455	15,582,352
Commercial	18,498,002	8,833,307	8,002,510	6,015,585
Services	76,353,787	30,826,938	59,043,170	27,430,872
Contracting	6,026,303	2,573,353	3,626,766	2,033,728
Real Estate	38,795,465	10,874,115	32,969,890	6,390,124
Personal	30,879,063	23,332,682	26,112,059	10,297,513
Others	16,729,144	14,397,919	5,001,106	4,872,357
Guarantees	37,758,889	37,758,889	30,634,508	30,634,508
Letters of Credit	9,020,818	9,020,818	7,168,439	7,168,439
Unutilised Credit Facilities	44,457,004	44,457,004	34,353,777	34,353,777
Total	**554,818,278**	**236,645,200**	**496,660,644**	**168,971,665**

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	2014	2013
AAA to AA-	131,084,048	117,434,294
A+ to A-	190,661,715	177,015,269
BBB+ to BBB-	3,206,388	900,761
BB+ and Below	59,507,149	34,902,846
Unrated	170,358,978	166,407,474
Total	**554,818,278**	**496,660,644**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

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.

e) Credit Quality

	Due from Banks		Loans and Advances to Customers		Investment Securities (Debt)	
	2014	2013	2014	2013	2014	2013
Neither Past Due Nor Impaired						
A: Low Risk	26,072,157	8,738,226	240,724,489	243,865,519	42,183,286	47,894,640
B: Standard Risk	3,882,862	4,864,032	97,182,099	66,850,596	23,766,495	28,889,304
Total	**29,955,019**	**13,602,258**	**337,906,588**	**310,716,115**	**65,949,781**	**76,783,944**
Past Due But Not Impaired						
A: Low Risk	-	-	161,045	122,536	-	-
B: Standard Risk/Watchlist	-	-	1,409,951	1,078,499	-	-
Total	**-**	**-**	**1,570,996**	**1,201,035**	**-**	**-**
Impaired						
Substandard	-	-	570,729	1,047,035	-	-
Doubtful	-	-	513,850	478,978	-	-
Loss	-	-	4,494,273	3,680,460	37,071	16,018
Sub Total	**-**	**-**	**5,578,852**	**5,206,473**	**37,071**	**16,018**
Less: Impairment Allowance	-	-	(6,926,441)	(6,411,577)	(66,035)	(73,143)
Net Carrying Amounts	**29,955,019**	**13,602,258**	**338,129,995**	**310,712,046**	**65,920,817**	**76,726,819**

At 31 December 2014 and 2013, none of the other assets were either past due or impaired.

	2014	2013
Investment Securities - Debt		
Held to Maturity	34,160,670	53,014,704
Available-for-Sale	31,826,182	23,785,258
	65,986,852	**76,799,962**
Less: Impairment Allowance	(66,035)	(73,143)
Net Carrying Amount	**65,920,817**	**76,726,819**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

Ageing Analysis of Past Dues 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 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**
As at 31 December 2013				
Corporate Lending	243,865	323,341	138,193	705,399
Small Business Lending	15,818	82,001	4,533	102,352
Consumer Lending	179,981	131,370	25,798	337,149
Residential Mortgages	19,639	34,696	1,800	56,135
Total	**459,303**	**571,408**	**170,324**	**1,201,035**

f) Renegotiated Loans and Advances

	2014	2013
Corporate Lending	1,768,352	1,255,897
Small Business Lending	55,313	151,972
Consumer Lending	70,717	172,326
Residential Mortgages	-	15,927
Total	**1,894,382**	**1,596,122**

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:

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

g) Market Risk (Continued)

	Change in Equity Price %	Effect on Other Comprehensive Income 2014	Change in Equity Price %	Effect on Other Comprehensive Income 2013
Market Indices				
Qatar Exchange	±10	75,242	±10	76,621

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 funds marketed by the Group.

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:

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
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	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	45,498,891	360,337,979	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	-	-	-	-	11,639,332	11,639,332	
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**	**-**	**-**	
As at 31 December 2013:							
Cash and Balances with Central Banks	4,784,482	-	-	-	18,124,971	22,909,453	
Due from Banks	7,651,287	2,809,537	1,839,555	-	1,301,879	13,602,258	1.41%
Loans and Advances	122,422,538	33,680,434	125,200,370	27,644,447	1,764,257	310,712,046	4.47%
Investments	29,098,027	17,327,319	16,626,662	13,674,811	7,415,824	84,142,643	6.03%
Other Assets	-	-	-	-	12,119,708	12,119,708	
Total Assets	**163,956,334**	**53,817,290**	**143,666,587**	**41,319,258**	**40,726,639**	**443,486,108**	
Due to Banks	8,625,297	2,456,836	-	-	485,910	11,568,043	1.31%
Customer Deposits	233,649,179	56,375,797	7,756,512	80,204	37,677,479	335,539,171	1.54%
Debt Securities	2,730,376	-	15,409,133	3,614,715	-	21,754,224	
Other Borrowings	10,940,686	406,924	1,054,333	6,211	-	12,408,154	
Other Liabilities	-	-	-	-	8,489,232	8,489,232	
Total Equity	-	-	-	-	53,727,284	53,727,284	
Total Liabilities and Equity	**255,945,538**	**59,239,557**	**24,219,978**	**3,701,130**	**100,379,905**	**443,486,108**	
Balance Sheet Items	(91,989,204)	(5,422,267)	119,446,609	37,618,128	(59,653,266)	-	
Off-Balance Sheet Items	13,123,800	15,986,132	(18,086,142)	(11,023,790)	-	-	
Interest Rate Sensitivity Gap	**(78,865,404)**	**10,563,865**	**101,360,467**	**26,594,338**	**(59,653,266)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(78,865,404)**	**(68,301,539)**	**33,058,928**	**59,653,266**	**-**	**-**	

Other assets includes property and equipment and intangible assets.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

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				
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)

			Sensitivity of Other Comprehensive Income				
2013	**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	5,796	42,509	(8,254)	74,204	23,421	131,880
US$	10	(83,794)	(79,504)	4,417	(13,027)	(2,893)	(91,007)
Euro	10	(5,697)	(2,042)	(1,013)	6,487	-	3,432
Pounds Sterling	10	1,067	2,178	(441)	420	-	2,157
Other Currencies	10	6,957	4,214	4,285	553	1,983	11,035

			Sensitivity of Other Comprehensive Income				
2013	**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	(3,301)	940	7,266	(81,623)	(25,763)	(99,180)
US$	10	86,828	78,719	(4,760)	11,712	2,603	88,274
Euro	10	6,037	5,412	907	(7,136)	-	(817)
Pounds Sterling	10	(849)	(2,053)	393	(462)	-	(2,122)
Other Currencies	10	(6,312)	(4,523)	(4,673)	(575)	(2,181)	(11,952)

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(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 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	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	184,382,417	48,085,418	120,392,190	7,467,325	10,629	360,337,979
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	2,156,959	7,578,139	1,417,584	223,305	58,225,271	69,601,258
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**	**-**
As at 31 December 2013:						
Cash and Balances with Central Banks	8,815,538	-	-	-	14,093,915	22,909,453
Due from Banks	7,728,031	1,225,135	2,809,537	1,839,555	-	13,602,258
Loans and Advances	19,042,734	7,218,700	33,449,880	172,000,360	79,000,372	310,712,046
Investments	24,086,418	6,365,598	17,363,724	16,812,084	19,514,819	84,142,643
Other Assets	4,775,406	221,797	13,961	2,054,874	5,053,670	12,119,708
Total Assets	**64,448,127**	**15,031,230**	**53,637,102**	**192,706,873**	**117,662,776**	**443,486,108**
Due to Banks	9,054,421	56,786	2,456,836	-	-	11,568,043
Customer Deposits	205,758,678	68,671,962	51,692,118	9,316,043	100,370	335,539,171
Debt Securities	-	-	-	18,139,509	3,614,715	21,754,224
Other Borrowings	53,739	17,466	1,615,222	10,715,516	6,211	12,408,154
Other Liabilities and Equity	3,164,986	3,689,174	496,310	1,131,153	53,734,893	62,216,516
Total Liabilities and Equity	**218,031,824**	**72,435,388**	**56,260,486**	**39,302,221**	**57,456,189**	**443,486,108**
Difference	**(153,583,697)**	**(57,404,158)**	**(2,623,384)**	**153,404,652**	**60,206,587**	**-**

Other assets includes property and equipment and intangible assets.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

m) Liquidity Risk (Continued)

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.

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 2014:						
Due to Banks	11,515,023	3,132,212	7,568,075	29,547	-	22,244,857
Customer Deposits	184,852,405	48,247,137	121,431,395	8,323,435	15,929	362,870,301
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	**198,389,820**	**52,131,943**	**142,576,116**	**24,829,888**	**3,720,256**	**421,648,023**
As at 31 December 2013:						
Due to Banks	9,059,250	56,876	2,464,699	-	-	11,580,825
Customer Deposits	205,962,556	68,980,986	52,157,347	9,651,421	111,210	336,863,520
Debt Securities	18,400	49,008	295,654	19,866,780	3,772,758	24,002,600
Other Borrowings	54,832	28,903	1,703,345	10,818,066	6,584	12,611,730
Derivative Financial Instruments						
- Contractual Amounts Payable - Forward Contracts	6,538,222	1,831,287	6,005,394	37,835	-	14,412,738
- Contractual Amounts Receivable - Forward Contracts	(6,544,967)	(1,866,454)	(6,041,215)	(37,835)	-	(14,490,471)
- Contractual Amounts Payable/(Receivable) - Others	19,481	32,085	110,542	(35,540)	(310,371)	(183,803)
Total Liabilities	**215,107,774**	**69,112,691**	**56,695,766**	**40,300,727**	**3,580,181**	**384,797,139**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

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 2014:						
Contingent Liabilities	20,755,525	26,216,525	46,872,268	9,894,743	10,619,450	**114,358,511**
As at 31 December 2013:						
Contingent Liabilities	10,148,509	18,481,973	36,280,292	9,988,371	8,773,803	**83,672,948**

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 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**	**-**
As at 31 December 2013:						
Assets	266,810,508	88,866,935	20,019,148	9,513,215	58,276,302	**443,486,108**
Liabilities and Equity	178,314,754	190,956,798	20,784,642	9,638,513	43,791,401	**443,486,108**
Net Exposure	**88,495,754**	**(102,089,863)**	**(765,494)**	**(125,298)**	**14,484,901**	**-**

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 2014	Effect on Consolidated Income Statement 2013
Currency			
US$	+2	(1,413,136)	(2,041,797)
Euro	+3	(22,769)	(22,965)
Pounds Sterling	+2	1,725	(2,506)
Other Currencies	+3	257,460	434,547
US$	-2	1,413,136	2,041,797
Euro	-3	22,769	22,965
Pounds Sterling	-2	(1,725)	2,506
Other Currencies	-3	(257,460)	(434,547)

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

4. Financial Risk Management (Continued)

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.

r) Capital Adequacy

	2014 Basel III Risk Weighted Amount	2013 Basel II Risk Weighted Amount	2014 Carrying Amount	2013 Carrying Amount
Cash and Balances with Central Banks	8,992,744	4,359,826	30,754,168	22,909,453
Due from Banks	10,062,895	6,921,143	29,955,019	13,602,258
Loans and Advances to Customers	137,473,554	128,092,188	338,129,995	310,712,046
Investment Securities	35,074,544	3,955,150	67,695,913	78,302,635
Investment in Associates	11,912,087	-	7,963,437	5,840,008
Other Assets	6,396,880	6,389,161	11,858,144	12,119,708
Off Balance Sheet Items	37,055,308	27,987,121	212,347,319	154,906,315
Total Risk Weighted Assets for Credit Risk	**246,968,012**	**177,704,589**	**698,703,995**	**598,392,423**
Risk Weighted Assets for Market Risk	3,206,990	32,974,788		
Risk Weighted Assets for Operational Risk	22,316,945	18,190,298		
Total Risk Weighted Assets	**272,491,947**	**228,869,675**		
Common Equity Tier 1 (CET 1) Capital	43,911,402	-		
Additional Tier 1 Capital	63,239	35,769,467		
Additional Tier 2 Capital	41,634	-		
Total Eligible Capital	**44,016,275**	**35,769,467**		
Capital Adequacy Ratio	**16.2%**	**15.6%**		

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%
- CAR disclosures relating to 31 December 2013 are based on QCB Basel II requirements.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

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) Allowances for Credit Losses

Assets accounted for at amortised cost are evaluated for impairment on a 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.

(ii) 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

5. Use of Estimates and Judgements (Continued)

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 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**
As at 31 December 2013:				
Derivative Assets Held for Risk Management	-	773,171	-	773,171
Investment Securities	15,342,883	9,676,802	-	25,019,685
Total	**15,342,883**	**10,449,973**	**-**	**25,792,856**
Derivative Liabilities Held for Risk Management	-	281,075	-	281,075
Total	**-**	**281,075**	**-**	**281,075**

There have been no transfers between Level 1 and Level 2 (2013: Nil).

The above table does not include QR182.7 million as at 31 December 2014 of available for sale equity investments that were measured at cost (2013: QR317.7 million).

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

5. Use of Estimates and Judgements (Continued)

(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, 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.

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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

6. Operating Segments (Continued)

Asset and Wealth Management

Assets and wealth management includes loans, deposits, assets management, brokerage and custody services to the 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.

	Qatar Operations					
	Corporate Banking	**Consumer Banking**	**Asset and Wealth Management**	**International Banking**	**Unallocated and Intra-group Transactions**	**Total**
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 Fees 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	167,677,141	19,982,289	40,449,477	132,229,072	-	360,337,979
Reportable Segment Assets	335,002,218	20,634,806	42,694,138	208,563,650	(120,538,136)	486,356,676
As at 31 December 2013:						
External Revenue:						
Net Interest Income	7,032,663	432,381	408,295	3,661,054	25,347	11,559,740
Net Fees and Commission Income	654,512	138,476	258,836	849,164	27,314	1,928,302
Foreign Exchange Gain	310,154	72,406	107,516	214,774	56,773	761,623
Income from Investment Securities	167,501	-	-	16,227	-	183,728
Other Operating Income	249	10	1,016	12,583	60	13,918
Share of Results of Associates	11,349	-	-	258,499	-	269,848
Total Segment Revenue	**8,176,428**	**643,273**	**775,663**	**5,012,301**	**109,494**	**14,717,159**
Reportable Segment Profit	**6,526,747**	**87,298**	**434,515**	**2,619,518**	**(189,441)**	**9,478,637**
Reportable Segment Investments	62,146,441	-	22,352	16,133,842	-	78,302,635
Reportable Segment Loans and Advances	227,667,987	7,645,337	15,345,103	60,053,619	-	310,712,046
Reportable Segment Customer Deposits	155,729,347	16,518,766	40,810,294	122,480,764	-	335,539,171
Reportable Segment Assets	318,124,784	17,088,527	41,859,006	184,896,878	(118,483,087)	443,486,108

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(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 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	-	-	-	360,337,979	360,337,979	360,337,979
Debt Securities	-	-	-	21,779,361	21,779,361	21,779,361
Other Borrowings	-	-	-	12,524,373	12,524,373	12,524,373
	-	**-**	**-**	**416,755,418**	**416,755,418**	**416,824,431**
As at 31 December 2013:						
Cash and Balances with Central Banks	-	22,909,453	-	-	22,909,453	22,909,453
Due from Banks	-	-	-	13,602,258	13,602,258	13,602,258
Loans and Advances to Customers	-	310,712,046	-	-	310,712,046	310,712,046
Investment Securities:						
- Measured at Fair Value	-	-	25,337,389	-	25,337,389	25,337,389
- Measured at Amortised Cost	52,965,246	-	-	-	52,965,246	53,670,296
	52,965,246	**333,621,499**	**25,337,389**	**13,602,258**	**425,526,392**	**426,231,442**
Due to Banks	-	-	-	11,568,043	11,568,043	11,581,838
Customer Deposits	-	-	-	335,539,171	335,539,171	335,539,171
Debt Securities	-	-	-	21,754,224	21,754,224	21,754,224
Other Borrowings	-	-	-	12,408,154	12,408,154	12,408,154
	-	**-**	**-**	**381,269,592**	**381,269,592**	**381,283,387**

Investment Securities - Unquoted Equity Securities at Cost

The above table includes QR166.1 million as at 31 December 2014 (2013: QR251.9 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 was not considered to be reliably measureable.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

8. Cash and Balances with Central Banks

	2014	2013
Cash	4,961,771	3,280,659
Cash Reserve with Qatar Central Bank	12,077,917	10,769,139
Other Balances with Qatar Central Bank	2,721,736	140,004
Balances with Other Central Banks	10,992,744	8,719,651
Total	**30,754,168**	**22,909,453**

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

	2014	2013
Current Accounts	2,291,073	1,315,408
Placements	25,599,952	11,238,063
Loans	2,063,994	1,048,787
Total	**29,955,019**	**13,602,258**

10. Loans and Advances to Customers

a) By Type

	2014	2013
Loans	319,600,243	303,220,746
Overdrafts	22,053,598	12,026,993
Bills Discounted	3,540,148	2,102,185
	345,193,989	**317,349,924**
Deferred Profit	(137,553)	(226,301)
Allowance for Impairment of Loans and Advances to Customers	(6,926,441)	(6,411,577)
Net Loans and Advances to Customers	**338,129,995**	**310,712,046**

The aggregate amount of non-performing loans and advances to customers amounted to QR5,579 million, which represents 1.6% of total loans and advances to customers (2013: QR5,206 million, 1.6% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR865.4 million of interest in suspense (2013: QR839.2 million).

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

10. Loans and Advances to Customers (Continued)

b) By Industry

	Loans & Advances	Overdrafts	Bills Discounted	Total
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**
As at 31 December 2013:				
Government	38,246,121	424,878	-	38,670,999
Government Agencies	142,260,579	6	-	142,260,585
Industry	12,423,733	4,043,073	551,971	17,018,777
Commercial	6,166,849	1,565,721	207,569	7,940,139
Services	44,568,236	2,198,942	758,122	47,525,300
Contracting	2,497,060	1,021,150	101,362	3,619,572
Real Estate	31,560,405	340,665	116,738	32,017,808
Personal	23,488,203	2,355,925	3,997	25,848,125
Others	2,009,560	76,633	362,426	2,448,619
Total	**303,220,746**	**12,026,993**	**2,102,185**	**317,349,924**

The amounts above include figures before subtracting specific impairment.

c) Movement in Impairment of Loans and Advances to Customers

	2014	2013
Balance as at 1 January	6,411,577	3,879,869
Foreign Currency Translation	(97,933)	(72,893)
Net Allowance during the Year	1,255,770	1,743,153
Allowances Made during the Year	2,049,012	2,225,919
Recoveries during the Year	(793,242)	(482,766)
Impairment Allowance relating to Acquired Subsidiary	-	934,519
Written off / Transfers during the Year	(642,973)	(73,071)
Balance as at 31 December	**6,926,441**	**6,411,577**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(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 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 at 31 December 2014	**4,887,479**	**264,306**	**1,696,983**	**77,673**	**6,926,441**
Balance at 1 January 2013	2,556,289	98,028	1,153,157	72,395	3,879,869
Foreign Currency Translation	(53,588)	(5,620)	(13,057)	(628)	(72,893)
Allowances Made during the Year	1,810,664	122,784	276,473	15,998	2,225,919
Recoveries during the Year	(347,192)	(22,156)	(112,122)	(1,296)	(482,766)
Impairment Allowance relating to Acquired Subsidiary	723,624	62,363	144,793	3,739	934,519
Written off / Transfers during the Year	(59,482)	-	(13,589)	-	(73,071)
Balance at 31 December 2013	**4,630,315**	**255,399**	**1,435,655**	**90,208**	**6,411,577**

e) Net Impairment During the Year

	2014	2013
Corporate Lending	(637,318)	(1,110,899)
Small Business Lending	(27,893)	(118,382)
Consumer Lending	(448,513)	(284,169)
Residential Mortgages	4,423	(2,462)
Total	**(1,109,301)**	**(1,515,912)**

11. Investment Securities

Investments as at 31 December 2014 totaled QR67,696 million (2013: QR78,303 million). The analysis of investment securities is detailed below:

a) Available-for-Sale Financial Investments

	2014		2013	
	Quoted	Unquoted	Quoted	Unquoted
Equities	352,871	166,058	311,335	251,917
State of Qatar Debt Securities	7,532,641	-	6,878,909	-
Other Debt Securities	24,197,583	69,724	16,866,738	15,926
Mutual Funds	1,239,533	16,634	946,777	65,787
Total	**33,322,628**	**252,416**	**25,003,759**	**333,630**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

11. Investment Securities (Continued)

Fixed rate securities and floating rate securities amounted to QR31,707 million and QR92.5 million respectively (2013: QR23,714 million and QR47.4 million respectively).

The above includes impairment allowance in respect of debt securities amounting to QR26.2 million (2013: QR23.7 million).

b) Held to Maturity Financial Investments

	2014		2013	
	Quoted	Unquoted	Quoted	Unquoted
- By Issuer				
State of Qatar Debt Securities	21,392,112	42,475	34,561,971	42,674
Other Debt Securities	11,636,242	1,050,040	17,967,699	392,902
Total	**33,028,354**	**1,092,515**	**52,529,670**	**435,576**
- By Interest Rate				
Fixed Rate Securities	32,909,412	1,092,515	52,375,290	433,930
Floating Rate Securities	118,942	-	154,380	1,646
Total	**33,028,354**	**1,092,515**	**52,529,670**	**435,576**

The above includes impairment allowance in respect of debt securities amounting to QR39.8 million (2013: QR49.4 million). The carrying amount and fair value of securities pledged under repurchase agreements amounted to QR3,136 million and QR3,721 million respectively (2013: QR3,655 million and QR3,669 million respectively).

12. Investments in Associates

	2014	2013
Balance at 1 January	5,840,008	5,795,307
Foreign Currency Translation	(173,849)	17,331
Investments Acquired during the Year	2,101,929	103
Share in Profit	373,053	269,848
Cash Dividend	(141,635)	(119,038)
Associates Sold / Transferred	(15,841)	(106,895)
Related to Subsidiary	-	12,349
Other Movements	(20,228)	(28,997)
Balance at 31 December	**7,963,437**	**5,840,008**

			Ownership %	
Name of Associate	Country	Principal business	2014	2013
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	19.4	-

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (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)
30 September 2014					
Housing Bank for Trade and Finance	38,593,397	33,178,357	5,415,040	195,331	46.72
Commercial Bank International	18,409,248	16,053,689	2,355,559	83,776	1.73
Ecobank Transnational Incorporated	85,267,944	76,507,532	8,760,412	70,745	0.43
31 December 2013					
Housing Bank for Trade and Finance	37,137,847	31,705,748	5,432,099	172,219	44.71
Commercial Bank International	14,688,734	12,517,080	2,171,654	63,322	1.78

13. Property and Equipment

	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Balance at 31 December 2014					
Cost:					
Balance 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 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**
Balance at 31 December 2013					
Cost:					
Balance at 1 January	688,133	370,951	705,532	8,272	1,772,888
Additions	88,260	45,634	125,221	13,334	272,449
Relating to Subsidiary	530,652	70,276	249,873	5,448	856,249
Disposals	(30,892)	(1,600)	(5,308)	(4,030)	(41,830)
Foreign Currency Translation	(35,699)	(7,722)	(14,610)	(1,646)	(59,677)
	1,240,454	**477,539**	**1,060,708**	**21,378**	**2,800,079**
Accumulated Depreciation:					
Balance at 1 January	128,219	218,079	464,138	5,396	815,832
Charged during the Year	47,678	73,061	131,675	2,948	255,362
Relating to Subsidiary	152,213	34,101	170,929	3,192	360,435
Disposals	-	(2,189)	(4,717)	(2,828)	(9,734)
Foreign Currency Translation	(2,326)	(2,014)	(7,227)	(1,215)	(12,782)
	325,784	**321,038**	**754,798**	**7,493**	**1,409,113**
Net Carrying Amount	**914,670**	**156,501**	**305,910**	**13,885**	**1,390,966**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

14. Intangible Assets

	Goodwill	Core Deposit Intangibles	Operating Licence	Total
Cost				
Balance at 1 January 2014	4,144,091	976,002	607,627	5,727,720
Foreign Currency Translation	-	(1,976)	(2,345)	(4,321)
Additions	-	16	10,674	10,690
Balance at 31 December 2014	**4,144,091**	**974,042**	**615,956**	**5,734,089**
Accumulated Amortisation				
Balance at 1 January 2014	-	(120,148)	(57,767)	(177,915)
Foreign Currency Translation	-	1,252	719	1,971
Amortisation Charge	-	(75,565)	(21,315)	(96,880)
Balance at 31 December 2014	**-**	**(194,461)**	**(78,363)**	**(272,824)**
Net Book Value as at 31 December 2014	**4,144,091**	**779,581**	**537,593**	**5,461,265**
Net Book Value as at 31 December 2013	4,144,091	855,854	549,860	5,549,805

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

Net book value of goodwill as at 31 December 2014 includes QR3.9 billion (2013: QR3.9 billion) in respect of QNB ALAHLI, QR89.6 million (2013: QR89.6 million) in respect of QNB Indonesia, QR111.9 million (2013: QR111.9 million) in respect of Al-Mansour Bank and QR77.4 million (2013: 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% (2013: 19.3%) and a terminal growth rate of 2% (2013: 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. Consquently, no impairment was considered necessary as at the end of the reporting period (2013: Nil).

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

15. Other Assets

	2014	2013
Interest Receivable	2,415,757	2,596,598
Prepaid Expenses	84,651	61,615
Positive Fair Value of Derivatives (Note 34)	294,046	773,171
Sundry Debtors	1,073,536	464,234
Others	749,545	1,283,319
Total	**4,617,535**	**5,178,937**

16. Due to Banks

	2014	2013
Balances Due to Central Banks	6,470,577	235,713
Current Accounts	1,393,108	1,302,239
Deposits	10,784,485	6,374,813
Repurchase Agreements	3,465,535	3,655,278
Total	**22,113,705**	**11,568,043**

17. Customer Deposits

a) By Type

	2014	2013
Current and Call Accounts	99,465,219	79,679,198
Saving Accounts	9,080,494	7,394,238
Time Deposits	251,792,266	248,465,735
Total	**360,337,979**	**335,539,171**

Customer deposits include QR2,847 million (2013: QR1,376 million) of margins held for direct and indirect facilities.

b) By Sector

	2014	2013
Government	25,014,938	32,685,288
Government Agencies	118,466,571	132,755,968
Individuals	80,898,178	67,416,794
Corporate	135,958,292	102,681,121
Total	**360,337,979**	**335,539,171**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

18. Debt Securities

	2014	2013
Face Value of Bonds	21,843,000	21,843,000
Less: Unamortised Discount	(63,639)	(88,776)
Total	**21,779,361**	**21,754,224**

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

	2014	2013
Balance at 1 January	21,754,224	12,674,706
Issuances during the Year	-	9,057,937
Other movements	25,137	21,581
Balance at 31 December	**21,779,361**	**21,754,224**

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

	2014	2013
2015	5,451,308	5,440,661
2016	2,730,376	2,730,376
2017	3,634,728	3,632,063
2018	6,344,193	6,336,409
2020	3,618,756	3,614,715
	21,779,361	**21,754,224**

The above debt securities are denominated in USD and comprise of fixed and floating interest rates. The interest rate paid on the above averaged 2.84% p.a in 2014 (2013: 2.91% p.a).

19. Other Borrowings

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

	2014	2013
Balance at 1 January	12,408,154	6,836,376
Issuances during the year	2,119,611	5,616,929
Repayments	(1,523,009)	(245,733)
Other movements	(480,383)	200,582
Balance at 31 December	**12,524,373**	**12,408,154**

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

	2014	2013
2014	-	1,686,427
2015	10,143,005	8,844,641
2016	2,028,497	1,656,159
2017	264,361	141,140
2018	85,912	73,576
2020	2,598	6,211
	12,524,373	**12,408,154**

The above are denominated in USD, CHF, EUR, HKD, EGP and comprise of fixed and floating interest rates. The interest rate paid on the above averaged 0.95% p.a in 2014 (2013: 1.07% p.a).

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

20. Other Liabilities

	2014	2013
Interest Payable	2,836,532	2,573,626
Expense Payable	956,411	792,960
Other Provisions (Note 21)	107,143	86,244
Tax Payable	625,808	488,744
Negative Fair Value of Derivatives (Note 34)	762,038	281,075
Unearned Revenue	1,261,386	1,588,337
Social and Sports Fund	189,456	171,478
Deferred Tax Liability	183,744	202,119
Others	4,716,814	2,304,649
Total	**11,639,332**	**8,489,232**

21. Other Provisions

	Staff Indemnity	Legal Provision	Total 2014	Total 2013
Balance as at 1 January	61,954	24,290	86,244	58,719
Foreign Currency Translation	-	(296)	(296)	-
Provisions Made during the Year	13,297	951	14,248	30,584
	75,251	**24,945**	**100,196**	**89,303**
Provisions Relating to Subsidiary	-	11,872	11,872	-
Provisions Recovered during the Year	-	(1,308)	(1,308)	-
Provisions Paid and Written Off during the Year	(1,114)	(2,503)	(3,617)	(3,059)
Balance as at 31 December	**74,137**	**33,006**	**107,143**	**86,244**

22. Shareholders' Equity

a) Issued Capital

The authorised, issued and fully paid up share capital of the Bank totaling QR6,997 million consists of 699,729,438 ordinary shares of QR10 each (2013: 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 at the end of the year:

	2014	2013
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**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

22. Shareholders' Equity (Continued)

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 No. 5 of 2002 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 as per the Qatar Commercial Companies Law No. 5 of 2002.

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 Government and exposures against cash collaterals.

d) Fair Value Reserve

	Cash Flow Hedges	Available-for-Sale Investments	Total 2014	Total 2013
Balance at 1 January	462,644	939,310	1,401,954	411,403
Foreign Currency Translation	52	(8,171)	(8,119)	(3,537)
Revaluation Impact	(941,902)	134,252	(807,650)	1,080,069
Reclassified to Consolidated Income Statement	-	(12,377)	(12,377)	(107,991)
Related to Subsidiary	-	-	-	22,010
Net Movement during the Year	(941,850)	113,704	(828,146)	990,551
Balance at 31 December	**(479,206)**	**1,053,014**	**573,808**	**1,401,954**

Fair value reserve for available-for-sale investment securities as at 31 December 2014 includes a negative fair value amounting to QR1.9 million (2013: QR52.8 million).

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:

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

22. Shareholders' Equity (Continued)

	2014	2013
General Reserve	1,792,272	1,769,073
Share of Changes Recognised Directly in Associates' Equity, excluding Share of Profit	(86,149)	(49,959)
Total	**1,706,123**	**1,719,114**

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 75% of the nominal share value (QR7.5 per share) for the year ended 31 December 2014 (2013: cash dividend 70% of the nominal share value (QR7.0 per share). The amounts are subject to the approval of the Annual 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

	2014	2013
Due from Central Banks	48,485	69,779
Due from Banks	220,479	371,980
Debt Securities	4,129,503	3,922,538
Loans and Advances	14,267,866	12,406,582
Total	**18,666,333**	**16,770,879**

25. Interest Expense

	2014	2013
Due to Banks	394,666	341,444
Customer Deposits	5,103,129	4,203,359
Debt Securities	662,112	512,839
Others	244,439	153,497
Total	**6,404,346**	**5,211,139**

26. Fee and Commission Income

	2014	2013
Loans and Advances	654,986	572,944
Off-Balance Sheet Items	530,786	501,835
Bank Services	840,699	734,259
Investment Activities for Customers	279,745	233,763
Others	20,427	53,302
Total	**2,326,643**	**2,096,103**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (All amounts are shown in thousands of Qatari Riyals)

27. Foreign Exchange Gain

	2014	2013
Dealing in Foreign Currencies	664,164	401,583
Revaluation of Assets and Liabilities	171,417	342,838
Revaluation of Derivatives	(20,629)	17,202
Total	**814,952**	**761,623**

28. Income from Investment Securities

	2014	2013
Net Gains from Sale of Available-for-Sale Securities	12,377	107,991
Dividend Income	84,145	75,737
Total	**96,522**	**183,728**

29. Staff Expenses

	2014	2013
Staff Costs	1,834,570	1,630,055
Staff Pension Fund Costs	32,228	29,856
Staff Indemnity Costs	13,297	10,679
Total	**1,880,095**	**1,670,590**

30. Other Expenses

	2014	2013
Training	33,387	37,165
Advertising	238,976	251,382
Professional Fees	88,721	95,071
Communication and Insurance	137,381	136,351
Occupancy and Maintenance	239,298	216,244
Computer and IT Costs	184,848	124,807
Printing and Stationery	31,961	28,750
Directors' Fees	11,380	11,380
Others	178,451	171,244
Total	**1,144,403**	**1,072,394**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014 (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.

	2014	2013
Profit for the Year Attributable to Equity Holders of the Bank	10,454,701	9,478,637
Weighted Average Number of Shares	699,729,438	699,729,438
Earnings Per Share (QR) - Basic and Diluted	**14.9**	**13.5**

The Weighted Average Number of Shares have been Calculated as follows:

	2014	2013
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

	2014	2013
Unutilised Credit Facilities	44,457,004	34,353,777
Guarantees	37,758,889	30,634,508
Letters of Credit	9,020,818	7,168,439
Others	23,121,800	11,516,224
Total	**114,358,511**	**83,672,948**

b) Other Commitments

	2014	2013
Forward Foreign Exchange Contracts	30,815,972	14,490,471
Interest Rate Swaps	48,207,898	39,534,591
Options, Caps and Floors	1,939,262	2,400,676
Mutual Funds	17,025,676	14,807,629
Total	**97,988,808**	**71,233,367**

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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(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 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	228,108,907	15,582,628	55,581,858	410,865	60,653,721	360,337,979
Debt Securities	-	-	21,779,361	-	-	21,779,361
Other Borrowings	-	-	5,804,550	-	6,719,823	12,524,373
	235,016,443	**21,143,591**	**85,666,343**	**428,270**	**74,500,771**	**416,755,418**
Other Liabilities						11,639,332
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
As at 31 December 2013:						
Cash and Balances with						
Central Banks	13,086,105	813,794	97,968	-	8,911,586	22,909,453
Due from Banks	1,636,276	1,575,727	4,496,295	636,573	5,257,387	13,602,258
Loans and Advances	250,658,427	9,099,984	16,759,851	638,930	33,554,854	310,712,046
Investments	46,049,660	4,029,884	551,263	904,506	32,607,330	84,142,643
	311,430,468	**15,519,389**	**21,905,377**	**2,180,009**	**80,331,157**	**431,366,400**
Other Assets						12,119,708
Total Assets						**443,486,108**
Due to Banks	216,513	8,576,568	746,385	165,920	1,862,657	11,568,043
Customer Deposits	213,058,407	18,134,965	50,131,632	234,890	53,979,277	335,539,171
Debt Securities	-	-	21,754,224	-	-	21,754,224
Other Borrowings	-	-	5,680,059	-	6,728,095	12,408,154
	213,274,920	**26,711,533**	**78,312,300**	**400,810**	**62,570,029**	**381,269,592**
Other Liabilities						8,489,232
Total Equity						53,727,284
Total Liabilities and Equity						**443,486,108**
Guarantees	15,791,682	635,541	4,268,921	124,957	9,813,407	30,634,508
Letters of Credit	5,325,180	676,211	364,050	-	802,998	7,168,439
Unutilised Credit Facilities	23,542,688	3,462,882	3,298,422	14,562	4,035,223	34,353,777

Other assets includes property and equipment and intangible assets.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(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 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**
As at 31 December 2013:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	149,264	140,483	14,490,471	8,411,421	6,041,215	37,835	-
Caps and Floors	30,159	30,159	2,400,676	-	-	2,400,676	-
Interest Rate Swaps	16,763	1,573	7,654,962	-	453,640	2,737,274	4,464,048
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	571,759	104,392	31,663,378	-	2,736,836	17,902,752	11,023,790
Derivatives Held as Fair Value Hedges:							
Interest Rate Swaps	5,226	4,468	216,251	11,814	21,047	183,390	-
Total	**773,171**	**281,075**	**56,425,738**	**8,423,235**	**9,252,738**	**23,261,927**	**15,487,838**

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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

35. Mutual Funds

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

	2014	2013
Funds Marketed	134,700	15,318

The Group's investment activities also include management of certain investment funds. As at 31 December 2014, third party funds under management amounted to QR17,026 million (2013: QR14,808 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.

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:

	2014	2013
Statement of Financial Position Items		
Loans and Advances	1,659,244	1,122,243
Deposits	397,318	1,279,106
Contingent Liabilities and Other Commitments	53,729	608,267
Income Statement Items		
Interest and Commission Income	42,746	98,457
Interest and Commission Expense	4,711	21,928

	2014	2013
Associates		
Due from Banks	749,581	364,050
Interest and Commission Income	7,096	2,541
Due to Banks	15,801	377,927
Interest Expense	7,610	7,444

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.

	2014	2013
Compensation of key management personnel is as follows:		
Salaries and Other Benefits	34,929	36,617
End of Service Indemnity Benefits	829	1,138

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

37. Cash and Cash Equivalents

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

	2014	2013
Cash and Balances with Central Banks	18,676,251	12,140,314
Due from Banks Maturing in Three Months	24,755,076	8,953,166
Total	**43,431,327**	**21,093,480**

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

38. Business Combinations During 2013

Acquisitions in 2013

(i) Acquisition of QNB ALAHLI (previously known as NSGB - Egypt)

On 31 March 2013, the Group concluded the acquisition of a controlling stake of 97.12% in QNB ALAHLI. This acquisition has been accounted for using the acquisition method.

The consolidated financial statements include the results of QNB ALAHLI for the year ended 31 December 2013.

The fair values of the identifiable assets and liabilities of QNB ALAHLI were:

	Fair Value
Assets	
Cash and Balances with Central Banks	3,598,370
Due from Banks	1,058,928
Loans and Advances to Customers	21,074,638
Investment Securities	11,728,863
Intangible Assets	1,353,855
Other Assets	1,049,758
Total Assets	**39,864,412**
Liabilities	
Due to Banks	988,336
Customer Deposits	31,689,386
Deferred Tax Liability	227,022
Other Liabilities	1,905,452
Total Liabilities	**34,810,196**
Total Identifiable Net Assets at Fair Value	5,054,216
Non-Controlling Interests	(145,329)
Goodwill Arising on Acquisition	3,865,211
Purchase Consideration Transferred	**8,774,098**
Analysis of Cash Flows on Acquisition	
Net Cash Acquired with the Subsidiary	4,054,442
Cash Paid	(8,774,098)
Net Cash Outflow	**(4,719,656)**

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2014
(All amounts are shown in thousands of Qatari Riyals)

38. Business Combinations During 2013 (Continued)

In compliance with IFRS 3, the Group has carried out a one time 'Purchase Price Allocation (PPA)' exercise for the value paid for the acquisition of the 97.12% share in QNB ALAHLI. PPA identifies the value paid for the tangible assets, intangible assets and the premium/goodwill arising on the acquisition. Derived values of intangible assets are QR882 million amortised over the 12 years useful life of the intangible assets comprising of core deposit intangibles. Remaining intangibles represent operating license which has an indefinite life. Goodwill represents expected synergies and other benefits from combining the assets and activities of QNB ALAHLI.

(ii) Step Acquisition of QNB Tunisia

During 2013, the Bank acquired an additional 49.96% stake in QNB Tunisia at a cost of QR235 million bringing its total shareholding to 99.96%. In compliance with IFRS 3, the Group has carried out one time 'Purchase Price Allocation (PPA)' exercise of the value paid for the acquisition. PPA identifies the value paid for the tangible assets, intangible assets and the premium/goodwill arising on the acquisition. Derived values of intangible assets are QR51.4 million. Goodwill represents expected synergies and other benefits from combining the assets and activities of QNB Tunisia net assets at the date of acquisition were QR77.4 million.

39. Comparative Figures

Certain prior year amounts have been reclassified in order to conform with the current year presentation.

Qatar National Bank S.A.Q.
Supplementary Information to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(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:

	2014	2013
ASSETS		
Cash and Balances with Central Banks	22,988,077	15,616,496
Due from Banks	31,311,591	14,240,711
Loans and Advances to Customers	305,386,869	284,559,923
Investment Securities	44,441,009	62,467,659
Investments in Subsidiaries and Associates	19,723,782	17,175,914
Property and Equipment	1,089,539	763,528
Other Assets	3,337,222	4,138,819
Total Assets	**428,278,089**	**398,963,050**
LIABILITIES		
Due to Banks	54,390,564	45,892,635
Customer Deposits	303,734,723	288,538,371
Other Borrowings	6,542,700	6,526,435
Other Liabilities	8,089,941	5,809,331
Total Liabilities	**372,757,928**	**346,766,772**
EQUITY		
Issued Capital	6,997,294	6,997,294
Legal Reserve	23,086,902	23,086,902
Risk Reserve	3,500,000	2,750,000
Fair Value Reserve	372,002	1,084,679
Foreign Currency Translation Reserve	(586,417)	(368,740)
Other Reserves	1,683,885	1,720,075
Retained Earnings	20,466,495	16,926,068
Total Equity	**55,520,161**	**52,196,278**
Total Liabilities and Equity	**428,278,089**	**398,963,050**

Qatar National Bank S.A.Q.
Supplementary Information to the Consolidated Financial Statements
For the Year Ended 31 December 2014

(All amounts are shown in thousands of Qatari Riyals)

(ii) Income Statement for the Year Ended 31 December:

	2014	2013
Interest Income	13,771,093	12,883,762
Interest Expense	(3,819,242)	(3,256,126)
Net Interest Income	**9,951,851**	**9,627,636**
Fee and Commission Income	1,503,611	1,385,348
Fee and Commission Expense	(208,339)	(165,683)
Net Fee and Commission Income	**1,295,272**	**1,219,665**
Foreign Exchange Gain	741,237	560,328
Income from Investment Securities	68,762	167,501
Other Operating Income	77,460	451
Operating Income	**12,134,582**	**11,575,581**
Staff Expenses	(1,194,016)	(1,036,927)
Depreciation	(175,416)	(172,992)
Other Expenses	(697,860)	(678,135)
Net Impairment Losses on Investment Securities	(85,876)	(58,399)
Net Impairment Losses on Loans and Advances to Customers	(777,132)	(1,132,944)
Other Provisions	(4,803)	(20,669)
Profit Before Income Taxes	**9,199,479**	**8,475,515**
Income Tax Expense	(131,070)	(79,559)
Profit for the Year	**9,068,409**	**8,395,956**

QNB Local Branches and Offices

Head Office
P.O. Box 1000, Doha, State of Qatar Tel. +974 4425 2444, Fax +974 4441 3753 Website: www.qnb.com, E-mail: ccsupport@qnb.com

Branches	
Airforce Branch	Lagoona Branch
Al Bidda Tower Branch	LandMark Branch
Al Gharafa Branch	Madina Cetrale Branch
Al Khor Branch	Marriot Hotel Branch
Al Khor Ladies Branch	Mesaeed Branch
Al Khraitiyat Branch	Mortgage Loans Centre Branch
Al Rayyan Branch	Mushaireb Branch
Al Rowdha Branch	Ooredoo Branch
Al Sadd Branch	Qatar Foundation Branch
Al Shahaniya Branch	Qatar Gas (Navigation Tower) Branch
Al Shamal Branch	QSTP Branch
Al Wakra Branch	Ras Gas Branch (HO Tower)
Al-Udeid Base Branch	Ras Laffan Branch
Bin Omran Branch	Ritz Carlton Hotel Branch
C Ring Road Branch	Salwa Road (Ain Khalid) Branch
Cards Center Branch West Bay	Sharq Branch
Cards Centre Branch C-Ring Road	Sheraton Hotel Branch
City Center Branch	Souq Waqif Branch
D-Ring Road - Ladies Branch	The Mall Branch
ECCH Branch	Umm Al Dom Branch
Exhibition Centre Branch	Umm Salal Branch
GR & SIA Branch	University Branch
Grand Hamad Branch	Vehicle Loans Centre Branch
Hamad Hospital Branch	Villaggio Branch
Industrial Area Branch	West Bay Branch
Katara Branch	

Corporate Branches	
Al Khor Corporate Branch	Customs Branch
Al Wakrah Corporate Branch	Industrial Area Corporate Branch
Corporate Head Office Branch	MBT Corporate Branch
Corporate Salwa Road (Ain Khalid) Branch	Mesaieed Corporate Branch

QNB First Branches	
Al Gharafa QNB First Branch	University QNB First Branch
D-Ring Road QNB First Branch	West Bay QNB First Branch
Main Branch QNB First (Freej)	Woqod Office
Salwa QNB First Branch	

Offices	
Ministry of Education Office	Qatar Petroleum Office (West Bay)
Q Post Office	Ras Gas Office (Ras Laffan)
Qatar Gas Office (Ras Laffan)	University Office (Female)
Qatar Petroleum Office (Al Sadd Plaza)	Urban Planning Office

e-Branch	
Al Khor Mall e-Branch	Pearl/ Porto Arabia/ Parcel 3
Dar Al-Salam e-Branch	

3 Mobile Branches

24-Hour Call Centre 4440 7777

Branches can be contacted through the Call Centre

QNB International Branches and Representative Offices

China
Representative Office
Shanghai World Financial Center
9 Floor, Room 930, 100 Century Avenue,
Pudong New Area
Shanghai, China
Zip Code: 200120
Tel: +86 21 6877 8980
Fax: +86 1363 635 0982

Lebanon
Ahmad Shawki Street
Capital Plaza Building
Mina El Hosn, Solidere – Beirut
Lebanon
Tel: +961 1 762 222
Fax: +961 1 377 177
QNBLebanon@qnb.com

South Sudan
Juba
P.O. Box: 587
South Sudan
QNBSouthSudan@qnb.com

France
65 Avenue d'lena
75116 Paris
France
Tel: +33 1 53 23 0077
Fax: +33 1 53 23 0070
QNBParis@qnb.com

Mauritania
Al-Khaima City Center
10, Rue Mamadou Konate
Mauritania
Tel: +222 45249651
Fax: +222 4524 9655
QNBMauritania@qnb.com

Sudan
QNB Tower – Africa Road
St.17Amarat
Khartoum - Sudan
Tel: +249 183 48 0000
Fax: +249 183 486666
QNBSudan@qnb.com

Iran
Representative Office
No.17 Africa Highway
Navak building, 6th Floor, Unit 14
Tehran - Iran
Tel.: +9821 88889814-22
Fax: +9821 88889824
QNBIran@qnb.com

Oman
QNB Building
MBD Area - Matarah
Opposite to Central Bank of Oman
P.O. Box: 4050
Postal Code: 112, Ruwi
Oman
Tel: +968 2478 3555
Fax: +968 2477 9233
QNBOman@qnb.com

United Kingdom
51 Grosvenor Street
London W1K 3HH
United Kingdom
Tel: +44 207 647 2600
Fax: +44 207 647 2647
QNBLondon@qnb.com

Kuwait
Al-Arabia Tower
Ahmad Al-Jaber Street
Sharq Area
P.O. Box: 583
Dasman 15456
Kuwait
Tel: +965 2226 7023
Fax: +965 2226 7021
QNBKuwait@qnb.com

Singapore
Three Temasek Avenue
#27-01 Centennial Tower
Singapore 039190
Singapore
Tel: +65 6499 0866
Fax: +65 6884 9679
QNBSingapore@qnb.com

Yemen
QNB Building
Al-Zubairi Street
P.O. Box: 4310 Sana'a
Yemen
Tel: +967 1 517517
Fax: +967 1 517666
QNBYemen@qnb.com

QNB Subsidiaries and Associate Companies

Algeria
16 Rue Ahmed Ouaked -
Dely Ibrahim-Alger
P.O.Box: 103
Postal Code 16 320 Dey Ibrahim
Tel: +213 21918787
Fax: +213 21918881

Bahrain
Manama Centre
P.O.Box: 5929, Manama
Kingdom of Bahrain
Tel: +973 17225227 Ext.:800
Fax: +973 17212822

Egypt
QNB ALAHLI
Subsidiary
Dar Champollion
5 Champollion St, Downtown 2664
Cairo - Egypt
Tel: +202 2770 7000
Fax: +202 2770 7799
QNBAA@QNBALAHLI.com

India
QNB India Private Limited
802 TCG Financial Centre
C 53, G Block
Bandra Kurla Complex,
Bandra East, Mumbai 400 051
Tel: +91 22 26525613

Indonesia
PT Bank QNB Indonesia Tbk
QNB Kesawan Tower
18 Parc SCBD
Jl.Jend. Sudirman Kav.52-53
Jakarta 12190
Tel: +62 21 515 5155
Fax: +62 21 515 5388
www.qnb.com.id

Iraq
Mansour Bank
Subsidiary
P.O. Box: 3162
Al Alawiya Post Office
Al Wihda Area, district 14 building 51,
Baghdad
Tel: +964 1 7175586
Fax: +964 1 7175514

Jordan
The Housing Bank for Trade
and Finance (HBTF)
Associate Company
P.O. Box: 7693
Postal Code 11118 Amman
Jordan
Tel: +962 6 500 5555
Fax: +962 6 56781211

Libya
Bank of Commerce and Development
Associate Company
BCD Tower, Gamol A Nasse Street
P.O. Box: 9045, Al Berka
Benghazi - Libya
Tel: +218 619 080 230
Fax: +218 619 097 115
www.bcd.ly

Palestine
The Housing Bank for Trade
and Finance (HBTF)
Tel: +970 2 2986270
Fax +970 2 2986275

Qatar
Al Jazeera Finance Company
Associate Company
P.O. Box: 22310
Doha - Qatar
Tel: +974 4405 0444
Fax: +974 4405 0445

Switzerland
QNB Banque Privée
Subsidiary
3 Rue des Alpes
P.O. Box: 1785
1211 Genève-1 Mont Blanc
Switzerland
Tel: +41 22907 7070
Fax: +41 22907 7071

Syria
QNB Syria
Subsidiary
Al Abbassiyeen Square,
Baghdad Street
P.O. Box: 33000
Damascus - Syria
Tel: +963 11 2290 1000
Fax: +963 11 44 32221

Tunisia
QNB Tunisia
Subsidiary
Rue de la cité des sciences
P.O. Box: 320 - 1080 Tunis Cedex
Tunisia
Tel: +216 71 754 911
Fax: +216 70 728 533
www.qnb.com.tn

UAE
Commercial Bank International p.s.c
Associate Company
P.O. Box: 4449, Dubai,
Al Riqqa Street,
Deira - UAE
Tel: +971 4 2275 265
Fax: +971 4 2279 038