

**Consolidated Financial Statements**  
**For the Year Ended**  
**31 December 2014**



## **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 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.

#### ***Auditor's 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 whether the consolidated financial statements are free of 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 Auditors 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**

<b>ASSETS</b>	<b>Notes</b>	<b>2014 QR000</b>	<b>2013 QR000</b>
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
<b>Total Assets</b>		<b><u>486,356,676</u></b>	<b><u>443,486,108</u></b>
<b>LIABILITIES</b>			
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
<b>Total Liabilities</b>		<b><u>428,394,750</u></b>	<b><u>389,758,824</u></b>
<b>EQUITY</b>			
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
<b>Total Equity Attributable to Equity Holders of the Bank</b>		<b><u>56,982,824</u></b>	<b><u>52,828,461</u></b>
Non - Controlling Interests	23	979,102	898,823
<b>Total Equity</b>		<b><u>57,961,926</u></b>	<b><u>53,727,284</u></b>
<b>Total Liabilities and Equity</b>		<b><u>486,356,676</u></b>	<b><u>443,486,108</u></b>

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 Ahmad 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**

	<b>Notes</b>	<b>2014</b> <b>QR000</b>	<b>2013</b> <b>QR000</b>
Interest Income	24	18,666,333	16,770,879
Interest Expense	25	<u>(6,404,346)</u>	<u>(5,211,139)</u>
<b>Net Interest Income</b>		<b>12,261,987</b>	<b>11,559,740</b>
Fee and Commission Income	26	2,326,643	2,096,103
Fee and Commission Expense		<u>(211,787)</u>	<u>(167,801)</u>
<b>Net Fee and Commission Income</b>		<b>2,114,856</b>	<b>1,928,302</b>
Foreign Exchange Gain	27	814,952	761,623
Income from Investment Securities	28	96,522	183,728
Other Operating Income		<u>126,532</u>	<u>13,918</u>
<b>Operating Income</b>		<b>15,414,849</b>	<b>14,447,311</b>
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		<u>(50,415)</u>	<u>(65,510)</u>
		<b>(4,605,187)</b>	<b>(4,717,867)</b>
Share of Results of Associates	12	<u>373,053</u>	<u>269,848</u>
<b>Profit Before Income Taxes</b>		<b>11,182,715</b>	<b>9,999,292</b>
Income Tax Expense		<u>(665,077)</u>	<u>(462,032)</u>
<b>Profit for the Year</b>		<b>10,517,638</b>	<b>9,537,260</b>
<b>Attributable to:</b>			
Equity Holders of the Bank		10,454,701	9,478,637
Non - Controlling Interests		<u>62,937</u>	<u>58,623</u>
<b>Profit for the Year</b>		<b>10,517,638</b>	<b>9,537,260</b>
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**

	Notes	2014 QR000	2013 QR000
<b>Profit for the Year</b>		<b>10,517,638</b>	<b>9,537,260</b>
<b><i>Other comprehensive income to be reclassified to income statement in subsequent periods:</i></b>			
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)
<b>Total Other Comprehensive Income for the Year, net of Income Tax</b>		<b>(1,212,776)</b>	<b>641,847</b>
<b>Total Comprehensive Income for the Year</b>		<b>9,304,862</b>	<b>10,179,107</b>
<b>Attributable to:</b>			
Equity Holders of the Bank		9,241,925	10,120,484
Non - Controlling Interests		62,937	58,623
<b>Total Comprehensive Income for the Year</b>		<b>9,304,862</b>	<b>10,179,107</b>

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**

	Issued Capital	Legal Reserve	Risk Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders of Parent	Non Controlling Interests	Total
	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000
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
<b>Total Comprehensive Income for the Year</b>										
Profit for the Year	-	-	-	-	-	-	10,454,701	10,454,701	62,937	10,517,638
<b>Total Other Comprehensive Income</b>	-	-	-	(828,146)	(372,690)	(12,991)	1,051	(1,212,776)	-	(1,212,776)
<b>Total Comprehensive Income for the Year</b>	-	-	-	(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)
<b>Transactions with Equity Holders, Recognised Directly in Equity</b>										
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
<b>Total Transactions with Equity Holders, Recognised Directly in Equity</b>	-	-	-	-	-	-	(4,898,106)	(4,898,106)	17,342	(4,880,764)
<b>Balance at 31 December 2014</b>	<b>6,997,294</b>	<b>23,086,902</b>	<b>3,500,000</b>	<b>573,808</b>	<b>(1,329,797)</b>	<b>1,706,123</b>	<b>22,448,494</b>	<b>56,982,824</b>	<b>979,102</b>	<b>57,961,926</b>
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
<b>Total Comprehensive Income for the Year</b>										
Profit for the Year	-	-	-	-	-	-	9,478,637	9,478,637	58,623	9,537,260
<b>Total Other Comprehensive Income</b>	-	-	-	990,551	(316,644)	(32,060)	-	641,847	-	641,847
<b>Total Comprehensive Income for the Year</b>	-	-	-	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)
<b>Transactions with Equity Holders, Recognised Directly in Equity</b>										
Dividend for the Year 2012	-	-	-	-	-	-	(4,198,377)	(4,198,377)	-	(4,198,377)
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	(70,660)	(70,660)
<b>Total Transactions with Equity Holders, Recognised Directly in Equity</b>	-	-	-	-	-	-	(4,198,377)	(4,198,377)	(70,660)	(4,269,037)
<b>Balance at 31 December 2013</b>	<b>6,997,294</b>	<b>23,086,902</b>	<b>2,750,000</b>	<b>1,401,954</b>	<b>(957,107)</b>	<b>1,719,114</b>	<b>17,830,304</b>	<b>52,828,461</b>	<b>898,823</b>	<b>53,727,284</b>

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**

	Notes	2014 QR000	2013 QR000
<b>Cash Flows from Operating Activities</b>			
Profit for the Year Before Income Taxes		11,182,715	9,999,292
<b>Adjustments for:</b>			
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	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)
		<b>34,274</b>	<b>(51,516)</b>
<b>Changes in:</b>			
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
<b>Cash Used in Operations</b>		<b>6,491,417</b>	<b>(26,183,992)</b>
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)
<b>Net Cash from / (used in) Operating Activities</b>		<b>18,762,842</b>	<b>(15,939,417)</b>
<b>Cash Flows from Investing Activities</b>			
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
<b>Net Cash from / (used in) Investing Activities</b>		<b>7,550,183</b>	<b>(21,208,423)</b>
<b>Cash Flows from Financing Activities</b>			
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)
<b>Net Cash from Financing Activities</b>		<b>(4,787,507)</b>	<b>10,030,246</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>21,525,518</b>	<b>(27,117,594)</b>
Effect of Exchange Rate Fluctuations on Cash Held		812,329	114,351
Cash and Cash Equivalents at 1 January		21,093,480	48,096,723
<b>Cash and Cash Equivalents at 31 December</b>	37	<b>43,431,327</b>	<b>21,093,480</b>

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**

**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	Luxemburg	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 Al AHLI	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 Qatar 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**

**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 consolidated income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in 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 remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in 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 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.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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 consolidated income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

**(iv) Non-Controlling Interests and Transactions therewith**

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

Interests in the equity of subsidiaries not attributable to the Bank are reported in 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.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(iv) Non-Controlling Interests and Transactions therewith (Continued)**

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently 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 will mean that amounts previously recognised in other comprehensive income are transferred to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is transferred to 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 for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in 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.

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.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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 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 consolidated income statement, and other changes in 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'.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(ii) Foreign Operations (continued)**

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

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

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(iii) Derecognition (Continued)**

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

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

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

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

**(iv) Offsetting**

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

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**- Fair Value Measurement (Continued)**

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.

**(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 consolidated income statement as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to 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 reserves.

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**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 changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

**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 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 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 assets. 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 security investments 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.



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**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 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 consolidated income statement.

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**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 reporting date and the corresponding fair value changes is 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 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 consolidated income statement as incurred.

**(iii) Depreciation**

Depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value.

Land is not depreciated.

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

	<b>Years</b>
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.

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**(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.

**(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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. 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 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.

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**(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 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 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.

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**(o) Interest Income and Expense (Continued)**

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

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

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

**(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 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 differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates and applicable legislation enacted as at the reporting date.

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**(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, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

**(w) Repossessed Collateral**

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

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

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**(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.

IFRS 9 - Financial Instruments (Effective 1 January 2018)  
IFRS 14 - Regulatory Deferral Accounts (Effective 1 January 2016)  
IFRS 15 - Revenue from Contracts with Customers (Effective 1 January 2017)  
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (Effective 1 January 2016)  
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016)  
Amendments to IAS 27: Equity Method in Separate Financial Statements (Effective 1 January 2016)

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*(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 as part of each audit which examines both the adequacy and compliance with the procedures in addition to specific audit of 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 the Risk Management on a monthly basis. In a situation of hedge ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

###### **b) Credit Risk**

The Group manages its credit risk exposure through diversification of its investments, capital markets and lending and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains collaterals 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.



**Qatar National Bank S.A.Q.**  
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**4. FINANCIAL RISK MANAGEMENT (Continued)**

**b) Credit Risk (Continued)**

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.

	<b>Gross Maximum Exposure</b>	
	<b>2014</b>	<b>2013</b>
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
	<b>463,581,567</b>	<b>424,503,920</b>
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
<b>Total</b>	<b>554,818,278</b>	<b>496,660,644</b>

**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:

	<b>Gross Maximum Exposure 2014</b>	<b>Net Maximum Exposure 2014</b>	<b>Gross Maximum Exposure 2013</b>	<b>Net Maximum Exposure 2013</b>
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
<b>Total</b>	<b>554,818,278</b>	<b>236,645,200</b>	<b>496,660,644</b>	<b>168,971,665</b>

**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.

	<b>Total 2014</b>	<b>Total 2013</b>
<b>Equivalent Grades</b>		
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+ to B- and Below	59,507,149	34,902,846
Unrated	170,358,978	166,407,474
<b>Total</b>	<b>554,818,278</b>	<b>496,660,644</b>

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.

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**4. FINANCIAL RISK MANAGEMENT (Continued)**

**e) Credit Quality**

	Due from Banks		Loans and Advances to Customers		Investment Securities (Debt)	
	2014	2013	2014	2013	2014	2013
<b>Neither Past Due nor Impaired</b>						
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
<b>Total</b>	<b>29,955,019</b>	<b>13,602,258</b>	<b>337,906,588</b>	<b>310,716,115</b>	<b>65,949,781</b>	<b>76,783,944</b>
<b>Past Due but not Impaired</b>						
A: Low Risk	-	-	161,045	122,536	-	-
B: Standard Risk / Watchlist	-	-	1,409,951	1,078,499	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,570,996</b>	<b>1,201,035</b>	<b>-</b>	<b>-</b>
<b>Impaired</b>						
Substandard	-	-	570,729	1,047,035	-	-
Doubtful	-	-	513,850	478,978	-	-
Loss	-	-	4,494,273	3,680,460	37,071	16,018
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>5,578,852</b>	<b>5,206,473</b>	<b>37,071</b>	<b>16,018</b>
Less: Impairment Allowance	-	-	(6,926,441)	(6,411,577)	(66,035)	(73,143)
<b>Net Carrying Amounts</b>	<b>29,955,019</b>	<b>13,602,258</b>	<b>338,129,995</b>	<b>310,712,046</b>	<b>65,920,817</b>	<b>76,726,819</b>

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

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

**Aging Analysis of Past Dues not Impaired per Category of Loans and Advances to Customers**

<b>As at 31 December 2014</b>	<b>Less than 30 Days</b>	<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>Total</b>
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
<b>Total</b>	<b>1,080,974</b>	<b>347,470</b>	<b>142,552</b>	<b>1,570,996</b>

**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
<b>Total</b>	<b>459,303</b>	<b>571,408</b>	<b>170,324</b>	<b>1,201,035</b>

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**4. FINANCIAL RISK MANAGEMENT (Continued)**

**f) Renegotiated Loans and Advances**

	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b><u>1,894,382</u></b>	<b><u>1,596,122</u></b>

**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:

	<b>Change in Equity Price %</b>	<b>Effect on Other Comprehensive Income</b>	<b>Change in Equity Price %</b>	<b>Effect on Other Comprehensive Income</b>
		<b>2014</b>		<b>2013</b>
<b>Market Indices</b>				
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 risks 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.

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**4. FINANCIAL RISK MANAGEMENT (Continued)**

**k) Interest Rate Risk**

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

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
<b>At 31 December 2014:</b>							
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	
<b>Total Assets</b>	<b>201,718,299</b>	<b>67,186,111</b>	<b>159,631,033</b>	<b>11,265,078</b>	<b>46,556,155</b>	<b>486,356,676</b>	
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	
<b>Total Liabilities and Equity</b>	<b>213,653,026</b>	<b>135,006,089</b>	<b>18,446,602</b>	<b>3,699,947</b>	<b>115,551,012</b>	<b>486,356,676</b>	
Balance Sheet Items	(11,934,727)	(67,819,978)	141,184,431	7,565,131	(68,994,857)	-	
<b>Off-Balance Sheet Items</b>	<b>25,656,149</b>	<b>6,633,300</b>	<b>(21,500,706)</b>	<b>(10,788,743)</b>	<b>-</b>	<b>-</b>	
<b>Interest Rate Sensitivity Gap</b>	<b>13,721,422</b>	<b>(61,186,678)</b>	<b>119,683,725</b>	<b>(3,223,612)</b>	<b>(68,994,857)</b>	<b>-</b>	
<b>Cumulative Interest Rate Sensitivity Gap</b>	<b>13,721,422</b>	<b>(47,465,256)</b>	<b>72,218,469</b>	<b>68,994,857</b>	<b>-</b>	<b>-</b>	
<b>At 31 December 2013:</b>							
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	
<b>Total Assets</b>	<b>163,956,334</b>	<b>53,817,290</b>	<b>143,666,587</b>	<b>41,319,258</b>	<b>40,726,639</b>	<b>443,486,108</b>	
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	
<b>Total Liabilities and Equity</b>	<b>255,945,538</b>	<b>59,239,557</b>	<b>24,219,978</b>	<b>3,701,130</b>	<b>100,379,905</b>	<b>443,486,108</b>	
Balance Sheet Items	(91,989,204)	(5,422,267)	119,446,609	37,618,128	(59,653,266)	-	
<b>Off-Balance Sheet Items</b>	<b>13,123,800</b>	<b>15,986,132</b>	<b>(18,086,142)</b>	<b>(11,023,790)</b>	<b>-</b>	<b>-</b>	
<b>Interest Rate Sensitivity Gap</b>	<b>(78,865,404)</b>	<b>10,563,865</b>	<b>101,360,467</b>	<b>26,594,338</b>	<b>(59,653,266)</b>	<b>-</b>	
<b>Cumulative Interest Rate Sensitivity Gap</b>	<b>(78,865,404)</b>	<b>(68,301,539)</b>	<b>33,058,928</b>	<b>59,653,266</b>	<b>-</b>	<b>-</b>	

Other assets includes property and equipment and intangible assets.

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**4. FINANCIAL RISK MANAGEMENT (Continued)**

**I) 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.

	Increase in Basis Points	Sensitivity of Net Interest Income	Sensitivity of Other Comprehensive Income				Total
			Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	
<b>Currency</b>		<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
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

	Decrease in Basis Points	Sensitivity of Net Interest Income	Sensitivity of Other Comprehensive Income				Total
			Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	
<b>Currency</b>		<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
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)

	Increase in Basis Points	Sensitivity of Net Interest Income	Sensitivity of Other Comprehensive Income				Total
			Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	
<b>Currency</b>		<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
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

	Decrease in Basis Points	Sensitivity of Net Interest Income	Sensitivity of Other Comprehensive Income				Total
			Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	
<b>Currency</b>		<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
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)

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**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 down grades, 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 balance sheet 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.

	<b>Within 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
<b>At 31 December 2014:</b>						
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
<b>Total Assets</b>	<b>80,555,185</b>	<b>20,882,475</b>	<b>66,659,989</b>	<b>237,196,132</b>	<b>81,062,895</b>	<b>486,356,676</b>
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
<b>Total Liabilities and Equity</b>	<b>200,001,136</b>	<b>59,454,670</b>	<b>142,235,889</b>	<b>22,807,725</b>	<b>61,857,256</b>	<b>486,356,676</b>
Difference	<b>(119,445,951)</b>	<b>(38,572,195)</b>	<b>(75,575,900)</b>	<b>214,388,407</b>	<b>19,205,639</b>	-
<b>At 31 December 2013:</b>						
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
<b>Total Assets</b>	<b>64,448,127</b>	<b>15,031,230</b>	<b>53,637,102</b>	<b>192,706,873</b>	<b>117,662,776</b>	<b>443,486,108</b>
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	17,466.00	1,615,222	10,715,516	6,211.00	12,408,154
Other Liabilities and Equity	3,164,986	3,689,174	496,310	1,131,153	53,734,893	62,216,516
<b>Total Liabilities and Equity</b>	<b>218,031,824</b>	<b>72,435,388</b>	<b>56,260,486</b>	<b>39,302,221</b>	<b>57,456,189</b>	<b>443,486,108</b>
Difference	<b>(153,583,697)</b>	<b>(57,404,158)</b>	<b>(2,623,384)</b>	<b>153,404,652</b>	<b>60,206,587</b>	-

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

Other assets includes property and equipment and intangible assets.

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**4. FINANCIAL RISK MANAGEMENT (Continued)**

**m) Liquidity Risk (Continued)**

**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.

	One month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
<b>At 31 December 2014:</b>						
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
<b>Total Liabilities</b>	<b>198,389,820</b>	<b>52,131,943</b>	<b>142,576,116</b>	<b>24,829,888</b>	<b>3,720,256</b>	<b>421,648,023</b>
<b>At 31 December 2013:</b>						
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)
<b>Total Liabilities</b>	<b>215,107,774</b>	<b>69,112,691</b>	<b>56,695,766</b>	<b>40,300,727</b>	<b>3,580,181</b>	<b>384,797,139</b>

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**4. FINANCIAL RISK MANAGEMENT (Continued)**

**n) Liquidity Risk and Funding Management**

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

	<b>On Demand</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>At 31 December 2014:</b>						
Contingent Liabilities	20,755,525	26,216,525	46,872,268	9,894,743	10,619,450	<b>114,358,511</b>
<b>At 31 December 2013:</b>						
Contingent Liabilities	10,148,509	18,481,973	36,280,292	9,988,371	8,773,803	<b>83,672,948</b>

**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:

	<b>QR</b>	<b>US\$</b>	<b>Euro</b>	<b>Pounds Sterling</b>	<b>Other Currencies</b>	<b>Total</b>
<b>At 31 December 2014:</b>						
Assets	257,177,347	112,251,897	19,191,223	18,311,376	79,424,833	<b>486,356,676</b>
Liabilities and Equity	194,429,861	182,908,675	19,950,187	18,225,124	70,842,829	<b>486,356,676</b>
<b>Net Exposure</b>	<b>62,747,486</b>	<b>(70,656,778)</b>	<b>(758,964)</b>	<b>86,252</b>	<b>8,582,004</b>	<b>-</b>
<b>At 31 December 2013:</b>						
Assets	266,810,508	88,866,935	20,019,148	9,513,215	58,276,302	<b>443,486,108</b>
Liabilities and Equity	178,314,754	190,956,798	20,784,642	9,638,513	43,791,401	<b>443,486,108</b>
<b>Net Exposure</b>	<b>88,495,754</b>	<b>(102,089,863)</b>	<b>(765,494)</b>	<b>(125,298)</b>	<b>14,484,901</b>	<b>-</b>

**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:

<b>Currency</b>	<b>Change in Currency Rate</b>	<b>Effect on Consolidated Income Statement</b>	
		<b>2014</b>	<b>2013</b>
US\$	+	(1,413,136)	(2,041,797)
Euro	+	(22,769)	(22,965)
Pounds Sterling	+	1,725	(2,506)
Other Currencies	+	257,460	434,547
US\$	-	1,413,136	2,041,797
Euro	-	22,769	22,965
Pounds Sterling	-	(1,725)	2,506
Other Currencies	-	(257,460)	(434,547)



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**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**

	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Basel III</b>	<b>Basel II</b>	<b>Carrying</b>	<b>Carrying</b>
	<b>Risk</b>	<b>Risk</b>	<b>amount</b>	<b>amount</b>
	<b>weighted</b>	<b>weighted</b>		
	<b>amount</b>	<b>amount</b>		
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
<b>Total Risk Weighted Assets for Credit Risk</b>	<b>246,968,012</b>	<b>177,704,589</b>	<b>698,703,995</b>	<b>598,392,423</b>
Risk Weighted Assets for Market Risk	3,206,990	32,974,788		
Risk Weighted Assets for Operational Risk	22,316,945	18,190,298		
<b>Total Risk Weighted Assets</b>	<b>272,491,947</b>	<b>228,869,675</b>		
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	-		
<b>Total Eligible Capital</b>	<b>44,016,275</b>	<b>35,769,467</b>		
<b>Capital Adequacy Ratio</b>	<b>16.2%</b>	<b>15.6%</b>		

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.

**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 accounting policy.

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

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**5. USE OF ESTIMATES AND JUDGEMENTS (Continued)**

**(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 accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**b) Critical Accounting Judgements in Applying the Group's Accounting Policies**

**(i) Valuation of Financial Instruments**

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

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

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
<b>At 31 December 2014:</b>				
Derivative Assets Held for Risk Management	-	294,046	-	294,046
Investment Securities	17,816,111	15,576,241	-	33,392,352
	<b>17,816,111</b>	<b>15,870,287</b>	-	<b>33,686,398</b>
Derivative Liabilities Held for Risk Management	-	762,038	-	762,038
	<b>-</b>	<b>762,038</b>	<b>-</b>	<b>762,038</b>
<b>At 31 December 2013:</b>				
Derivative Assets Held for Risk Management	-	773,171	-	773,171
Investment Securities	15,342,883	9,676,802	-	25,019,685
	<b>15,342,883</b>	<b>10,449,973</b>	-	<b>25,792,856</b>
Derivative Liabilities Held for Risk Management	-	281,075	-	281,075
	<b>-</b>	<b>281,075</b>	<b>-</b>	<b>281,075</b>

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: QR 317.7 million).

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**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.

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**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, 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 undertake Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate and government debt securities.

**Consumer banking**

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

**Asset and Wealth Management**

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

	<b>Qatar Operations</b>			<b>International Banking</b>	<b>Unallocated and Intra-group Transactions</b>	<b>Total</b>
	<b>Corporate Banking</b>	<b>Consumer Banking</b>	<b>Asset and Wealth Management</b>			
<b>At 31 December 2014:</b>						
<b>External Revenue:</b>						
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
<b>Total Segment Revenue</b>	<b>8,564,122</b>	<b>693,479</b>	<b>829,284</b>	<b>5,542,056</b>	<b>158,961</b>	<b>15,787,902</b>
<b>Reportable Segment Profit</b>	<b>7,181,561</b>	<b>86,420</b>	<b>450,881</b>	<b>2,876,476</b>	<b>(140,637)</b>	<b>10,454,701</b>
<b>Reportable Segment Investments</b>	43,986,077	-	23,474	23,686,362	-	67,695,913
<b>Reportable Segment Loans and Advances</b>	240,780,235	8,371,569	15,802,241	73,175,950	-	338,129,995
<b>Reportable Segment Customer Deposits</b>	167,677,141	19,982,289	40,449,477	132,229,072	-	360,337,979
<b>Reportable Segment Assets</b>	335,002,218	20,634,806	42,694,138	208,563,650	(120,538,136)	486,356,676
<b>At 31 December 2013:</b>						
<b>External Revenue:</b>						
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
<b>Total Segment Revenue</b>	<b>8,176,428</b>	<b>643,273</b>	<b>775,663</b>	<b>5,012,301</b>	<b>109,494</b>	<b>14,717,159</b>
<b>Reportable Segment Profit</b>	<b>6,526,747</b>	<b>87,298</b>	<b>434,515</b>	<b>2,619,518</b>	<b>(189,441)</b>	<b>9,478,637</b>
<b>Reportable Segment Investments</b>	62,146,441	-	22,352	16,133,842	-	78,302,635
<b>Reportable Segment Loans and Advances</b>	227,667,987	7,645,337	15,345,103	60,053,619	-	310,712,046
<b>Reportable Segment Customer Deposits</b>	155,729,347	16,518,766	40,810,294	122,480,764	-	335,539,171
<b>Reportable Segment Assets</b>	318,124,784	17,088,527	41,859,006	184,896,878	(118,483,087)	443,486,108

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**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
<b>At 31 December 2014:</b>						
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
	<b>34,120,869</b>	<b>368,884,163</b>	<b>33,575,044</b>	<b>29,955,019</b>	<b>466,535,095</b>	<b>467,415,701</b>
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
	-	-	-	<b>416,755,418</b>	<b>416,755,418</b>	<b>416,824,431</b>
<b>At 31 December 2013:</b>						
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
	<b>52,965,246</b>	<b>333,621,499</b>	<b>25,337,389</b>	<b>13,602,258</b>	<b>425,526,392</b>	<b>426,231,442</b>
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
	-	-	-	<b>381,269,592</b>	<b>381,269,592</b>	<b>381,283,387</b>

**Investment Securities - Unquoted Equity Securities at Cost**

The above table includes QR166.1 million 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 measurable.

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<b>8. CASH AND BALANCES WITH CENTRAL BANKS</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b>30,754,168</b>	<b>22,909,453</b>

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

<b>9. DUE FROM BANKS</b>	<b>2014</b>	<b>2013</b>
Current Accounts	2,291,073	1,315,408
Placements	25,599,952	11,238,063
Loans	2,063,994	1,048,787
<b>Total</b>	<b>29,955,019</b>	<b>13,602,258</b>

<b>10. LOANS AND ADVANCES TO CUSTOMERS</b>	<b>2014</b>	<b>2013</b>
<b>a) By Type</b>		
Loans	319,600,243	303,220,746
Overdrafts	22,053,598	12,026,993
Bills Discounted	3,540,148	2,102,185
	<b>345,193,989</b>	<b>317,349,924</b>
Deferred Profit	(137,553)	(226,301)
Allowance for Impairment of Loans and Advances to Customers	(6,926,441)	(6,411,577)
<b>Net Loans and Advances to Customers</b>	<b>338,129,995</b>	<b>310,712,046</b>

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 (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).

**b) By Industry**

<b>At 31 December 2014:</b>	<b>Loans &amp; Advances</b>	<b>Overdrafts</b>	<b>Bills Discounted</b>	<b>Total</b>
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
<b>Total</b>	<b>319,600,243</b>	<b>22,053,598</b>	<b>3,540,148</b>	<b>345,193,989</b>
<b>At 31 December 2013:</b>				
	<b>Loans &amp; Advances</b>	<b>Overdrafts</b>	<b>Bills Discounted</b>	<b>Total</b>
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
<b>Total</b>	<b>303,220,746</b>	<b>12,026,993</b>	<b>2,102,185</b>	<b>317,349,924</b>

The amounts above include figures before subtracting specific impairment.

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**10. LOANS AND ADVANCES TO CUSTOMERS (Continued)**

**c) Movement in Impairment of Loans and Advances to Customers**

	<b>2014</b>	<b>2013</b>
Balance 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)
<b>Balance at 31 December</b>	<b>6,926,441</b>	<b>6,411,577</b>

**d) Impairment on Loans and Advances to Customers**

	<b>Corporate Lending</b>	<b>Small Business Lending</b>	<b>Consumer Lending</b>	<b>Residential Mortgages</b>	<b>Total</b>
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)
<b>Balance At 31 December 2014</b>	<b>4,887,479</b>	<b>264,306</b>	<b>1,696,983</b>	<b>77,673</b>	<b>6,926,441</b>
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)
<b>Balance At 31 December 2013</b>	<b>4,630,315</b>	<b>255,399</b>	<b>1,435,655</b>	<b>90,208</b>	<b>6,411,577</b>

**e) Net Impairment during the Year**

	<b>2014</b>	<b>2013</b>
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)
<b>Total</b>	<b>(1,109,301)</b>	<b>(1,515,912)</b>

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**11. INVESTMENT SECURITIES**

Investments as at 31 December 2014 totalled 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
<b>Total</b>	<b>33,322,628</b>	<b>252,416</b>	<b>25,003,759</b>	<b>333,630</b>

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 QAR26.2 million (2013: QR23.7 million)

**b) Held to Maturity Financial Investments**

	2014		2013	
	Quoted	Unquoted	Quoted	Unquoted
<b>- By Issuer</b>				
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
<b>Total</b>	<b>33,028,354</b>	<b>1,092,515</b>	<b>52,529,670</b>	<b>435,576</b>
<b>- By Interest Rate</b>				
Fixed Rate Securities	32,909,412	1,092,515	52,375,290	433,930
Floating Rate Securities	118,942	-	154,380	1,646
<b>Total</b>	<b>33,028,354</b>	<b>1,092,515</b>	<b>52,529,670</b>	<b>435,576</b>

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
<b>Balance at 1 January</b>	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)
<b>Balance at 31 December</b>	<b>7,963,437</b>	<b>5,840,008</b>

Name of Associate	Country	Principal busine:	Ownership %	
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	-

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

Balance At 30 September 2014	Total Assets	Total Liabilities	Equity	Group's Share of Profit	Market Price per Share (QR)
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
<b>Balance At 31 December 2013</b>					
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



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**13. PROPERTY AND EQUIPMENT**

	<b>Land &amp; Buildings</b>	<b>Leasehold Improvements</b>	<b>Equipment &amp; Furniture</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>Balance At 31 December 2014</b>					
<b>Cost:</b>					
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)
	<b>1,691,017</b>	<b>519,604</b>	<b>1,176,861</b>	<b>23,183</b>	<b>3,410,665</b>
<b>Accumulated Depreciation:</b>					
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)
	<b>358,474</b>	<b>381,815</b>	<b>880,189</b>	<b>10,843</b>	<b>1,631,321</b>
<b>Net Carrying Amount</b>	<b>1,332,543</b>	<b>137,789</b>	<b>296,672</b>	<b>12,340</b>	<b>1,779,344</b>

**Balance At 31 December 2013**

<b>Cost:</b>					
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)
	<b>1,240,454</b>	<b>477,539</b>	<b>1,060,708</b>	<b>21,378</b>	<b>2,800,079</b>
<b>Accumulated Depreciation:</b>					
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)
	<b>325,784</b>	<b>321,038</b>	<b>754,798</b>	<b>7,493</b>	<b>1,409,113</b>
<b>Net Carrying Amount</b>	<b>914,670</b>	<b>156,501</b>	<b>305,910</b>	<b>13,885</b>	<b>1,390,966</b>

**14. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Core Deposit Intangibles</b>	<b>Operating licence</b>	<b>Total</b>
<b>Cost</b>				
Balance At 31 December 2013	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	<b>4,144,091</b>	<b>974,042</b>	<b>615,956</b>	<b>5,734,089</b>
<b>Accumulated Amortisation</b>				
Balance At 31 December 2013	-	(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	-	<b>(194,461)</b>	<b>(78,363)</b>	<b>(272,824)</b>
<b>Net Book Value as at 31 December 2014</b>	<b>4,144,091</b>	<b>779,581</b>	<b>537,593</b>	<b>5,461,265</b>
<b>Net Book Value as at 31 December 2013</b>	<b>4,144,091</b>	<b>855,854</b>	<b>549,860</b>	<b>5,549,805</b>

**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 AL AHLI, QR89.6 million (2013: QR89.6 million) in respect of QNB Indonesia, QR111.9 million (2013: QR111.9 million) in respect of 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. Consequently, no impairment was considered necessary as at the end of the reporting period (2013: Nil).

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<b>15. OTHER ASSETS</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b><u>4,617,535</u></b>	<b><u>5,178,937</u></b>

<b>16. DUE TO BANKS</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b><u>22,113,705</u></b>	<b><u>11,568,043</u></b>

<b>17. CUSTOMER DEPOSITS</b>	<b>2014</b>	<b>2013</b>
<b>a) By Type</b>		
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
<b>Total</b>	<b><u>360,337,979</u></b>	<b><u>335,539,171</u></b>

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

<b>b) By Sector</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b><u>360,337,979</u></b>	<b><u>335,539,171</u></b>

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<b>18. DEBT SECURITIES</b>	<b>2014</b>	<b>2013</b>
Face value of bonds	21,843,000	21,843,000
Less: Unamortised discount	(63,639)	(88,776)
<b>Total</b>	<b><u>21,779,361</u></b>	<b><u>21,754,224</u></b>

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

	<b>2014</b>	<b>2013</b>
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	<b><u>21,779,361</u></b>	<b><u>21,754,224</u></b>

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

	<b>2014</b>	<b>2013</b>
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
	<b><u>21,779,361</u></b>	<b><u>21,754,224</u></b>

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:

	<b>2014</b>	<b>2013</b>
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	<b><u>12,524,373</u></b>	<b><u>12,408,154</u></b>

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

	<b>2014</b>	<b>2013</b>
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
	<b><u>12,524,373</u></b>	<b><u>12,408,154</u></b>

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).

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<b>20. OTHER LIABILITIES</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b>11,639,332</b>	<b>8,489,232</b>

**21. OTHER PROVISIONS**

	<b>Staff Indemnity</b>	<b>Legal Provision</b>	<b>Total 2014</b>	<b>Total 2013</b>
Balance 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
	<b>75,251</b>	<b>24,945</b>	<b>100,196</b>	<b>89,303</b>
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)
<b>Balance at 31 December</b>	<b>74,137</b>	<b>33,006</b>	<b>107,143</b>	<b>86,244</b>

**22. SHAREHOLDERS' EQUITY**

**a) Issued Capital**

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

	<b>2014</b>	<b>2013</b>
Number of Shares Outstanding at the Beginning of the Year	699,729,438	699,729,438
<b>Number of Shares Outstanding at the End of the Year</b>	<b>699,729,438</b>	<b>699,729,438</b>

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**22. SHAREHOLDERS' EQUITY (Continued)**

**b) Legal Reserve**

In accordance with Qatar Central Bank Law, at least 10% of 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. Due to the proposal of bonus shares, 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 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
<b>Balance at 31 December</b>	<b>(479,206)</b>	<b>1,053,014</b>	<b>573,808</b>	<b>1,401,954</b>

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:

	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)
<b>Total</b>	<b>1,706,123</b>	<b>1,719,114</b>

**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 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 Al ALAHLI.

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<b>24. INTEREST INCOME</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b>18,666,333</b>	<b>16,770,879</b>
<b>25. INTEREST EXPENSE</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b>6,404,346</b>	<b>5,211,139</b>
<b>26. FEE AND COMMISSION INCOME</b>	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b>2,326,643</b>	<b>2,096,103</b>
<b>27. FOREIGN EXCHANGE GAIN</b>	<b>2014</b>	<b>2013</b>
Dealing in Foreign Currencies	664,164	401,583
Revaluation of Assets and Liabilities	171,417	342,838
Revaluation of Derivatives	(20,629)	17,202
<b>Total</b>	<b>814,952</b>	<b>761,623</b>
<b>28. INCOME FROM INVESTMENT SECURITIES</b>	<b>2014</b>	<b>2013</b>
Net Gains from Sale of Available-for-Sale Securities	12,377	107,991
Dividend Income	84,145	75,737
<b>Total</b>	<b>96,522</b>	<b>183,728</b>
<b>29. STAFF EXPENSES</b>		
Staff Costs	1,834,570	1,630,055
Staff Pension Fund Costs	32,228	29,856
Staff Indemnity Costs	13,297	10,679
<b>Total</b>	<b>1,880,095</b>	<b>1,670,590</b>
<b>30. OTHER EXPENSES</b>	<b>2014</b>	<b>2013</b>
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 Stationary	31,961	28,750
Directors' Fees	11,380	11,380
Others	178,451	171,244
<b>Total</b>	<b>1,144,403</b>	<b>1,072,394</b>

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**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.

	<b>2014</b>	<b>2013</b>
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
<b>Earnings Per Share (QR) - Basic and Diluted</b>	<b>14.9</b>	<b>13.5</b>

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

	<b>2014</b>	<b>2013</b>
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	<b>699,729,438</b>	<b>699,729,438</b>

**32. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

**a) Contingent Liabilities**

	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b>114,358,511</b>	<b>83,672,948</b>

**b) Other Commitments**

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
<b>Total</b>	<b>97,988,808</b>	<b>71,233,367</b>

**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 event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

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**33. GEOGRAPHICAL DISTRIBUTION**

	Qatar	Other GCC Countries	Europe	North America	Others	Total
<b>At 31 December 2014:</b>						
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
	<b>325,530,918</b>	<b>22,718,665</b>	<b>25,691,905</b>	<b>1,804,209</b>	<b>98,752,835</b>	<b>474,498,532</b>
Other Assets						11,858,144
<b>Total Assets</b>						<b>486,356,676</b>
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
	<b>235,016,443</b>	<b>21,143,591</b>	<b>85,666,343</b>	<b>428,270</b>	<b>74,500,771</b>	<b>416,755,418</b>
Other Liabilities						11,639,332
Total Equity						57,961,926
<b>Total Liabilities and Equity</b>						<b>486,356,676</b>
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
<b>At 31 December 2013:</b>						
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
	<b>311,430,468</b>	<b>15,519,389</b>	<b>21,905,377</b>	<b>2,180,009</b>	<b>80,331,157</b>	<b>431,366,400</b>
Other Assets						12,119,708
<b>Total Assets</b>						<b>443,486,108</b>
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
	<b>213,274,920</b>	<b>26,711,533</b>	<b>78,312,300</b>	<b>400,810</b>	<b>62,570,029</b>	<b>381,269,592</b>
Other Liabilities						8,489,232
Total Equity						53,727,284
<b>Total Liabilities and Equity</b>						<b>443,486,108</b>
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.



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**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.

	Positive Fair Value	Negative Fair Value	Notional Amount	Notional / Expected amount by term to maturity			
				Within 3 Months	3 - 12 Months	1-5 Years	More than 5 Years
<b>At 31 December 2014:</b>							
<b>Derivatives Held for Trading:</b>							
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
<b>Derivatives Held as Cash Flow Hedges:</b>							
Interest Rate Swaps	168,967	648,173	41,299,857	4,857,881	4,167,070	21,486,163	10,788,743
<b>Derivatives Held as Fair Value Hedges:</b>							
Interest Rate Swaps	2,100	1,614	180,345	15,452	150,350	14,543	-
<b>Total</b>	<b>294,046</b>	<b>762,038</b>	<b>80,963,132</b>	<b>32,728,260</b>	<b>9,045,577</b>	<b>24,669,475</b>	<b>14,519,820</b>
<b>At 31 December 2013:</b>							
<b>Derivatives Held for Trading:</b>							
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
<b>Derivatives Held as Cash Flow Hedges:</b>							
Interest Rate Swaps	571,759	104,392	31,663,378	-	2,736,836	17,902,752	11,023,790
<b>Derivatives Held as Fair Value Hedges:</b>							
Interest Rate Swaps	5,226	4,468	216,251	11,814	21,047	183,390	-
<b>Total</b>	<b>773,171</b>	<b>281,075</b>	<b>56,425,738</b>	<b>8,423,235</b>	<b>9,252,738</b>	<b>23,261,927</b>	<b>15,487,838</b>

**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.

**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 for 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.

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### **34. DERIVATIVES (Continued)**

#### **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 rates 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 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 to 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 balance sheet.

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 potential increase in 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 favorable 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.

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**35. MUTUAL FUNDS**

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

	<b>2014</b>	<b>2013</b>
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:

	<b>2014</b>	<b>2013</b>
<b>Statement of Financial Position Items</b>		
Loans and Advances	1,659,244	1,122,243
Deposits	397,318	1,279,106
Contingent Liabilities and Other Commitments	53,729	608,267
<b>Income Statement Items</b>		
Interest and Commission Income	42,746	98,457
Interest and Commission Expense	4,711	21,928
<b>Associates</b>	<b>2014</b>	<b>2013</b>
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 the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

**Compensation of key management personnel is as follows:**

	<b>2014</b>	<b>2013</b>
Salaries and Other Benefits	34,929	36,617
End of Service Indemnity Benefits	829	1,138

**37. CASH AND CASH EQUIVALENTS**

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

	<b>2014</b>	<b>2013</b>
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
<b>Total</b>	<b><u>43,431,327</u></b>	<b><u>21,093,480</u></b>

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

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**38. BUSINESS COMBINATIONS DURING 2013**

**Acquisitions in 2013**

**(i) Acquisitions 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 Al Ahli - Egypt. 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:

	<b>Fair Value</b> <b>QR000</b>
<b>Assets</b>	
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
<b>Total assets</b>	<b>39,864,412</b>
<b>Liabilities</b>	
Due to Banks	988,336
Customer Deposits	31,689,386
Deferred tax liability	227,022
Other Liabilities	1,905,452
<b>Total liabilities</b>	<b>34,810,196</b>
Total identifiable net assets at fair value	5,054,216
Non Controlling Interests	(145,329)
Goodwill arising on acquisition	3,865,211
<b>Purchase consideration transferred</b>	<b>8,774,098</b>
<b>Analysis of cash flows on acquisition</b>	
Net cash acquired with the subsidiary	4,054,442
Cash paid	(8,774,098)
<b>Net cash outflow</b>	<b>(4,719,656)</b>

In compliance with IFRS 3, the Group has carried out one time 'Purchase Price Allocation (PPA)' exercise of the value paid for the acquisition of 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 amortized 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.

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**38. BUSINESS COMBINATIONS DURING 2013 (Continued)**

**(ii) Step Acquisitions of QNB Tunisia**

During 2013, the Bank acquired an additional 49.96 per cent stake in QNB Tunisia at a cost of QR235 million bringing its total shareholding to 99.96 per cent. 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.

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**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:**

	<b>2014</b>	<b>2013</b>
	<b>QR000</b>	<b>QR000</b>
<b>ASSETS</b>		
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
<b>Total Assets</b>	<b>428,278,089</b>	<b>398,963,050</b>
<b>LIABILITIES</b>		
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
<b>Total Liabilities</b>	<b>372,757,928</b>	<b>346,766,772</b>
<b>EQUITY</b>		
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
<b>Total Equity</b>	<b>55,520,161</b>	<b>52,196,278</b>
<b>Total Liabilities and Equity</b>	<b>428,278,089</b>	<b>398,963,050</b>

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

	<b>2014</b>	<b>2013</b>
	<b>QR000</b>	<b>QR000</b>
Interest Income	13,771,093	12,883,762
Interest Expense	<b>(3,819,242)</b>	<b>(3,256,126)</b>
<b>Net Interest Income</b>	<b>9,951,851</b>	<b>9,627,636</b>
Fee and Commission Income	1,503,611	1,385,348
Fee and Commission Expense	<b>(208,339)</b>	<b>(165,683)</b>
<b>Net Fee and Commission Income</b>	<b>1,295,272</b>	<b>1,219,665</b>
Foreign Exchange Gain	741,237	560,328
Income from Investment Securities	68,762	167,501
Other Operating Income	77,460	451
<b>Operating Income</b>	<b>12,134,582</b>	<b>11,575,581</b>
Staff Expenses	<b>(1,194,016)</b>	<b>(1,036,927)</b>
Depreciation	<b>(175,416)</b>	<b>(172,992)</b>
Other Expenses	<b>(697,860)</b>	<b>(678,135)</b>
Net Impairment Losses on Investment Securities	<b>(85,876)</b>	<b>(58,399)</b>
Net Impairment Losses on Loans and Advances to Customers	<b>(777,132)</b>	<b>(1,132,944)</b>
Other Provisions	<b>(4,803)</b>	<b>(20,669)</b>
<b>Profit Before Income Taxes</b>	<b>9,199,479</b>	<b>8,475,515</b>
Income Tax Expense	<b>(131,070)</b>	<b>(79,559)</b>
<b>Profit for the Year</b>	<b>9,068,409</b>	<b>8,395,956</b>