

Interim Condensed Consolidated Financial Statements

31 March 2015



Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements to the Board of Directors of Qatar National Bank S.A.Q.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar National Bank S.A.Q (the "Bank") and its subsidiaries (the "Group") as at 31 March 2015, comprising of the interim consolidated statement of financial position as at 31 March 2015 and the related interim consolidated statements of income and comprehensive income for the three month period ended 31 March 2015, the related interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended, and the related explanatory notes. The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 - *Interim Financial Reporting* ("IAS 34") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and the applicable provisions of Qatar Central Bank regulations.

Firas Qoussous
of Ernst & Young
Qatar Auditors Registry Number 236

Doha - State of Qatar
8 April 2015

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Financial Position
As at 31 March 2015

	Notes	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
ASSETS				
Cash and Balances with Central Banks		29,715,903	31,136,549	30,754,168
Due from Banks		32,285,630	25,609,062	29,955,019
Loans and Advances to Customers	3	345,378,948	317,089,231	338,129,995
Investment Securities	4	74,260,092	66,153,674	67,695,913
Investment in Associates		7,797,716	5,892,509	7,963,437
Property and Equipment		1,728,493	1,834,870	1,779,344
Intangible Assets		5,441,143	5,526,260	5,461,265
Other Assets		4,953,536	5,242,892	4,617,535
Total Assets		501,561,461	458,485,047	486,356,676
LIABILITIES				
Due to Banks		29,635,295	16,753,654	22,113,705
Customer Deposits		369,174,036	345,562,923	360,337,979
Debt Securities		21,785,471	21,760,471	21,779,361
Other Borrowings		14,259,947	14,030,465	12,524,373
Other Liabilities		12,265,703	9,009,003	11,639,332
Total Liabilities		447,120,452	407,116,516	428,394,750
EQUITY				
Issued Capital		6,997,294	6,997,294	6,997,294
Legal Reserve		23,086,902	23,086,902	23,086,902
Risk Reserve		3,500,000	2,750,000	3,500,000
Fair Value Reserve	6	545,842	1,452,663	573,808
Foreign Currency Translation Reserve		(1,951,726)	(940,570)	(1,329,797)
Other Reserves		1,657,844	1,726,734	1,706,123
Retained Earnings		19,663,397	15,363,354	22,448,494
Total Equity Attributable to Equity Holders of the Bank		53,499,553	50,436,377	56,982,824
Non - Controlling Interests		941,456	932,154	979,102
Total Equity		54,441,009	51,368,531	57,961,926
Total Liabilities and Equity		501,561,461	458,485,047	486,356,676

This interim condensed consolidated financial statements were approved by the Board of Directors on 8 April 2015 and were signed on its behalf by:

Ali Shareef Al-Emadi
Chairman

Ali Ahmed Al Kuwari
Group Chief Executive Officer

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Income
For the Three Months Period Ended 31 March 2015

	Three Months to 31 March 2015 (Reviewed) QR000	Three Months to 31 March 2014 (Reviewed) QR000
Interest Income	4,866,952	4,508,048
Interest Expense	<u>(1,713,571)</u>	<u>(1,551,699)</u>
Net Interest Income	3,153,381	2,956,349
Fees and Commission Income	612,515	543,950
Fees and Commission Expense	<u>(60,376)</u>	<u>(50,897)</u>
Net Fees and Commission Income	552,139	493,053
Foreign Exchange Gain	207,564	179,724
Income from Investment Securities	24,908	22,322
Other Operating Income	<u>3,908</u>	<u>24,748</u>
Operating Income	3,941,900	3,676,196
Staff Expenses	(500,298)	(434,967)
Depreciation	(60,307)	(63,673)
Other Expenses	(306,788)	(312,063)
Net Impairment Losses on Investment Securities	(44,774)	(5,884)
Net Impairment Losses on Loans and Advances to Customers	(154,105)	(360,998)
Amortization of Intangible Assets	(19,522)	(19,363)
Other Provisions	<u>(21,277)</u>	<u>(5,801)</u>
	(1,107,071)	(1,202,749)
Share of Results of Associates	<u>48,135</u>	<u>61,120</u>
Profit Before Income Tax	2,882,964	2,534,567
Income Tax Expense	<u>(192,078)</u>	<u>(89,429)</u>
Profit for the Period	<u>2,690,886</u>	<u>2,445,138</u>
Attributable to:		
Equity Holders of the Bank	2,675,186	2,430,105
Non - Controlling Interests	<u>15,700</u>	<u>15,033</u>
Profit for the Period	<u>2,690,886</u>	<u>2,445,138</u>
Earnings Per Share (QR) (Basic and Diluted)	3.8	3.5
Weighted Average Number of Shares	699,729,438	699,729,438

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Comprehensive Income
For the Three Months Period Ended 31 March 2015

	Three Months to 31 March 2015 (Reviewed) QR000	Three Months to 31 March 2014 (Reviewed) QR000
Profit for the Period	2,690,886	2,445,138
Other Comprehensive Income, net of Income Tax		
<i>Other comprehensive income to be reclassified to income statement in subsequent periods:</i>		
Foreign Currency Translation Differences for Foreign Operations	(621,929)	16,537
Share of Other Comprehensive Income of Associates	(48,279)	8,671
Effective Portion of Changes in Fair Value of Cash Flow Hedges	(220,701)	(107,499)
Available-for-Sale Investment Securities		
Net Change in Fair Value	197,117	161,650
Net Amount Transferred to Income Statement	(4,382)	(3,442)
Total Other Comprehensive Income for the Period, net of Income Tax	<u>(698,174)</u>	<u>75,917</u>
Total Comprehensive Income for the Period	<u>1,992,712</u>	<u>2,521,055</u>
Attributable to:		
Equity Holders of the Bank	1,977,012	2,506,022
Non - Controlling Interests	15,700	15,033
Total Comprehensive Income for the Period	<u>1,992,712</u>	<u>2,521,055</u>

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Changes in Equity
For the Three Months Period Ended 31 March 2015

	Issued Capital QR000	Legal Reserve QR000	Risk Reserve QR000	Fair Value Reserve QR000	Foreign Currency Translation Reserve QR000	Other Reserves QR000	Retained Earnings QR000	Equity Attributable to Equity Holders of the Bank QR000	Non Controlling Interests QR000	Total 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
Total Comprehensive Income for the Period										
Profit for the Period	-	-	-	-	-	-	2,430,105	2,430,105	15,033	2,445,138
Other Comprehensive Income	-	-	-	50,709	16,537	7,620	1,051	75,917	-	75,917
Total Comprehensive Income for the Period	-	-	-	50,709	16,537	7,620	2,431,156	2,506,022	15,033	2,521,055
Transactions with Equity Holders,										
Recognised Directly in Equity										
Dividend for the Year 2013	-	-	-	-	-	-	(4,898,106)	(4,898,106)	-	(4,898,106)
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	18,298	18,298
Total Transactions with Equity Holders,										
Recognised Directly in Equity	-	-	-	-	-	-	(4,898,106)	(4,898,106)	18,298	(4,879,808)
Balance at 31 March 2014	6,997,294	23,086,902	2,750,000	1,452,663	(940,570)	1,726,734	15,363,354	50,436,377	932,154	51,368,531
Balance at 1 January 2015	6,997,294	23,086,902	3,500,000	573,808	(1,329,797)	1,706,123	22,448,494	56,982,824	979,102	57,961,926
Total Comprehensive Income for the Period										
Profit for the Period	-	-	-	-	-	-	2,675,186	2,675,186	15,700	2,690,886
Other Comprehensive Income	-	-	-	(27,966)	(621,929)	(48,279)	-	(698,174)	-	(698,174)
Total Comprehensive Income for the Period	-	-	-	(27,966)	(621,929)	(48,279)	2,675,186	1,977,012	15,700	1,992,712
Transactions with Equity Holders,										
Recognised Directly in Equity										
Dividend for the Year 2014	-	-	-	-	-	-	(5,247,971)	(5,247,971)	-	(5,247,971)
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	(53,346)	(53,346)
Other Movements	-	-	-	-	-	-	(212,312)	(212,312)	-	(212,312)
Total Transactions with Equity Holders,										
Recognised Directly in Equity	-	-	-	-	-	-	(5,460,283)	(5,460,283)	(53,346)	(5,513,629)
Balance at 31 March 2015	6,997,294	23,086,902	3,500,000	545,842	(1,951,726)	1,657,844	19,663,397	53,499,553	941,456	54,441,009

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank S.A.Q.
Interim Condensed Consolidated Statement of Cash Flows
For the Three Months Period Ended 31 March 2015

	Note	Three Months to 31 March 2015 (Reviewed) QR000	Three Months to 31 March 2014 (Reviewed) QR000	Year to 31 December 2014 (Audited) QR000
Net Cash Flows from Operating Activities		11,180,962	8,325,743	18,762,842
Cash Flows from Investing Activities				
Acquisitions of Investment Securities		(16,927,818)	(14,020,712)	(32,053,642)
Proceeds from Sale and Redemption of Investment Securities		8,940,852	26,364,148	42,314,443
Investments in Associates		(49,909)	-	(2,101,929)
Acquisition of Subsidiaries, net of Cash Acquired		-	-	-
Purchase of Property and Equipment		(58,618)	(510,415)	(691,901)
Proceeds from Sale of Property and Equipment		349	1,225	83,212
Net Cash Flows (used in) / from Investing Activities		(8,095,144)	11,834,246	7,550,183
Cash Flows from Financing Activities				
Proceeds from Issue of Debt Securities		-	-	-
Proceeds from Other Borrowings		1,729,422	1,794,824	99,754
Dividends Paid		(5,165,538)	(4,858,902)	(4,887,261)
Net Cash Flows used in Financing Activities		(3,436,116)	(3,064,078)	(4,787,507)
Net (Decrease) / Increase in Cash and Cash Equivalents		(350,298)	17,095,911	21,525,518
Effects of Exchange Rate Changes on Cash and Cash Equivalents		1,665,229	32,088	812,329
Cash and Cash Equivalents as at 1 January		43,431,327	21,093,480	21,093,480
Cash and Cash Equivalents at 31 March / 31 December	11	44,746,258	38,221,479	43,431,327

The attached notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements are prepared in accordance with IAS 34 - "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank Regulations. This interim condensed consolidated interim financial statements should be read in conjunction with the 2014 annual consolidated financial statements of the Group.

The interim condensed consolidated financial statements does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three months period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

The following amendments to standards have been applied by the Group in preparation of these interim condensed consolidated financial statements. The amendments to the below standards did not have any material impact to the Group, but they may result in additional disclosures at year end:

Amendments to Standards

Defined Benefit Plans: Employee Contributions (Amendment to IAS 19)

Annual Improvements 2010 - 2012 Cycle

Annual Improvements 2011 - 2013 Cycle

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

Standards Issued but not yet Effective

The below mentioned standards, interpretations and amendments to standards are not yet effective.

The Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates.

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).

Qatar National Bank S.A.Q.

**Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2015**

2. SEGMENT INFORMATION

The Group is organised into four main operating segments. The results of each of the operating segments which are being monitored regularly by the Chief Operating Decision Maker, are stated below:

	Qatar Operations			International Banking	Unallocated and Intra-group Transactions	Total
	Corporate Banking	Consumer Banking	Asset and Wealth Management			
At 31 March 2015:						
External Revenue:						
Net Interest Income	1,909,118	106,267	120,983	1,007,545	9,468	3,153,381
Net Fees and Commission Income	157,420	44,703	87,558	256,210	6,248	552,139
Foreign Exchange Gain	74,424	22,696	41,302	48,377	20,765	207,564
Income from Investment Securities	18,860	-	-	6,048	0	24,908
Other Operating Income	1,162	1	-	2,737	8	3,908
Share of Results of Associates	-	-	-	48,135	-	48,135
Total Segment Revenue	2,160,984	173,667	249,843	1,369,052	36,489	3,990,035
Reportable Segment Profit	1,795,737	17,266	115,870	763,209	(16,896)	2,675,186
Reportable Segment Investments	49,170,893	-	23,514	25,065,685	-	74,260,092
Reportable Segment Loans and Advances	243,498,301	8,593,381	17,128,012	76,159,254	-	345,378,948
Reportable Segment Customer Deposits	168,727,517	22,455,310	45,072,554	132,918,655	-	369,174,036
Reportable Segment Assets	323,788,250	23,132,793	46,026,474	213,430,593	(104,816,649)	501,561,461
At 31 March 2014:						
External Revenue:						
Net Interest Income	1,814,868	102,889	117,588	913,152	7,852	2,956,349
Net Fees and Commission Income	151,190	43,869	85,744	212,522	(272)	493,053
Foreign Exchange Gain	72,633	20,079	40,657	23,600	22,755	179,724
Income from Investment Securities	14,155	-	-	9,218	(1,051)	22,322
Other Operating Income	-	3	142	24,545	58	24,748
Share of Results of Associates	-	-	-	61,120	-	61,120
Total Segment Revenue	2,052,846	166,840	244,131	1,244,157	29,342	3,737,316
Reportable Segment Profit	1,717,554	16,138	113,426	669,345	(86,358)	2,430,105
Reportable Segment Investments	47,784,926	-	22,715	18,346,033	-	66,153,674
Reportable Segment Loans and Advances	235,875,206	7,924,211	11,285,367	62,004,447	-	317,089,231
Reportable Segment Customer Deposits	153,076,799	18,389,247	49,722,573	124,374,304	-	345,562,923
Reportable Segment Assets	317,754,137	18,885,682	51,078,532	192,115,139	(121,348,443)	458,485,047

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2015

3. LOANS AND ADVANCES TO CUSTOMERS

	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
Loans and Advances to Customers	352,421,257	323,833,650	345,193,989
Deferred Profit	(114,645)	(206,736)	(137,553)
Allowance for Impairment of Loans and Advances to Customers	(6,927,664)	(6,537,683)	(6,926,441)
Net Loans and Advances	<u>345,378,948</u>	<u>317,089,231</u>	<u>338,129,995</u>

The aggregate amount of non performing loans and advances to customers amounted to QR5,378 million or 1.5% of total loans and advances (31 December 2014: QR5,579 million or 1.6% of total loans and advances to customers).

4. INVESTMENT SECURITIES

	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
Available-for-Sale Investment Securities	35,147,749	26,601,677	33,575,044
Held to Maturity Investment Securities	39,112,343	39,551,997	34,120,869
Total	<u>74,260,092</u>	<u>66,153,674</u>	<u>67,695,913</u>

The above includes impairment allowance in respect of debt securities amounting to QR65.5 million (31 December 2014: QR66.0 million)

5. DIVIDEND

The cash dividend in respect of the year ended 31 December 2014 of QR7.5 per share, amounting to a total of QR5,248 million was approved by the shareholders at the annual general assembly meeting on 1 February 2015.

6. FAIR VALUE RESERVE

	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
Cash Flow Hedges	(699,907)	355,145	(479,206)
Available-for-Sale Investment Securities	1,245,749	1,097,518	1,053,014
Total	<u>545,842</u>	<u>1,452,663</u>	<u>573,808</u>

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2015

7. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
Contingent Liabilities			
Unused Facilities	44,394,021	34,628,393	44,457,004
Guarantees	40,137,849	32,000,946	37,758,889
Letters of Credit	7,849,841	7,072,934	9,020,818
Others	20,996,070	10,294,290	23,121,800
Total	113,377,781	83,996,563	114,358,511
Other Commitments			
Derivative Financial Instruments	71,784,884	63,885,035	80,963,132
Others	15,919,399	16,878,425	17,025,676
Total	87,704,283	80,763,460	97,988,808

8. RELATED PARTY DISCLOSURES

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities of which they have significant influence and control. As at the reporting date, such significant items included:

	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
Statement of Financial Position Items			
Loans and Advances	1,930,369	1,058,426	1,659,244
Deposits	730,065	631,360	397,318
Contingent Liabilities and Other Commitments	55,731	608,691	53,729
Statement of Income Items			
Interest and Commission Income	12,318	11,474	42,746
Interest and Commission Expense	1,006	1,577	4,711
Associates			
Due from banks	734,493	605,963	749,581
Interest and Commission Income	3,365	117	7,096
Due to banks	414,057	366,517	15,801
Interest Expense	406	1,576	7,610
Compensation of key management personnel is as follows:			
Salaries and Other Benefits	32,841	23,291	34,929
End of Service Indemnity	249	221	829

The Group also has significant commercial transactions with the State of Qatar, which owns 50% of the Bank's outstanding shares through Qatar Investment Authority, amounting to QR41,286 million included in loans and advances (31 December 2014: QR37,962 million) and QR30,133 million included in customer deposits (31 December 2014: QR20,163 million).

9. CAPITAL ADEQUACY

	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
Common Equity Tier 1 (CET 1) Capital	43,363,726	40,547,145	43,911,402
Additional Tier 1 Capital	90,984	60,304	63,239
Additional Tier 2 Capital	40,783	49,430	41,634
Total Eligible Capital	43,495,493	40,656,879	44,016,275
Risk Weighted Assets	288,694,818	250,131,269	272,491,947
Total Capital Ratio	15.1%	16.3%	16.2%

The Bank has followed Basel III Capital Adequacy Ratio (CAR) with effect from 1 January 2014 in accordance with Qatar Central Bank regulations. The minimum accepted Capital Adequacy Ratio under Basel III as per Qatar Central Bank Requirements are as follows:
Minimum limit without Capital Conservation Buffer is 10%.
Minimum limit including Capital Conservation Buffer is 12.5%.

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2015

10. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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
At 31 March 2015:				
Derivative Assets Held for Risk Management	-	190,854	-	190,854
Investment Securities	18,752,803	16,217,125	-	34,969,928
	<u>18,752,803</u>	<u>16,407,979</u>	<u>-</u>	<u>35,160,782</u>
Derivative Liabilities Held for Risk Management		806,841	-	806,841
	<u>-</u>	<u>806,841</u>	<u>-</u>	<u>806,841</u>
At 31 December 2014:				
Derivative Assets Held for Risk Management	-	294,046	-	294,046
Investment Securities	17,816,111	15,576,241	-	33,392,352
	<u>17,816,111</u>	<u>15,870,287</u>	<u>-</u>	<u>33,686,398</u>
Derivative Liabilities Held for Risk Management	-	762,038	-	762,038
	<u>-</u>	<u>762,038</u>	<u>-</u>	<u>762,038</u>

The above table does not include QR177.8 million (31 December 2014: QR182.7 million) of available-for-sale equity investments that were measured at cost.

They have been no transfers between Level 1 and Level 2 (31 December 2014: Nil).

11. CASH AND CASH EQUIVALENTS

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

	31 March 2015 (Reviewed) QR000	31 March 2014 (Reviewed) QR000	31 December 2014 (Audited) QR000
Cash and Balances with Central Banks	17,095,881	19,140,520	18,676,251
Due from Banks Maturing in Three months	27,650,377	19,080,959	24,755,076
Total	<u>44,746,258</u>	<u>38,221,479</u>	<u>43,431,327</u>

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