



**Interim Condensed Consolidated Financial Statements**

**30 June 2016**

## **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 30 June 2016, comprising of the interim consolidated statement of financial position as at 30 June 2016 and the related interim consolidated statements of income and comprehensive income for the three and six month periods ended 30 June 2016, the related interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-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  
12 July 2016

**Qatar National Bank S.A.Q.**  
**Interim Consolidated Statement of Financial Position**  
**As at 30 June 2016**

	Notes	30 June 2016 (Reviewed) QR000	30 June 2015 (Reviewed) QR000	31 December 2015 (Audited) QR000
<b>ASSETS</b>				
Cash and Balances with Central Banks		48,065,883	33,105,638	31,565,771
Due from Banks		19,292,930	30,044,975	17,100,764
Loans and Advances to Customers	3	496,636,948	356,216,876	388,292,129
Investment Securities	4	95,727,696	70,917,427	81,157,075
Investment in Associates		7,655,697	7,788,403	7,950,721
Property and Equipment		4,090,554	1,731,142	1,753,715
Intangible Assets		5,692,812	5,419,975	5,377,758
Other Assets		14,678,338	5,301,298	5,409,207
<b>Total Assets</b>		<b>691,840,858</b>	<b>510,525,734</b>	<b>538,607,140</b>
<b>LIABILITIES</b>				
Due to Banks		46,209,625	24,592,089	36,281,598
Customer Deposits		488,408,351	377,540,876	395,190,302
Debt Securities		26,406,801	21,791,790	16,342,420
Other Borrowings		23,108,224	13,979,836	15,120,489
Other Liabilities		34,410,813	14,975,476	13,616,933
<b>Total Liabilities</b>		<b>618,543,814</b>	<b>452,880,067</b>	<b>476,551,742</b>
<b>EQUITY</b>				
Issued Capital		8,396,753	6,997,294	6,997,294
Legal Reserve		24,486,361	23,086,902	23,086,902
Risk Reserve		5,000,000	3,500,000	5,000,000
Fair Value Reserve	5	(1,108,462)	879,891	283,607
Foreign Currency Translation Reserve		(2,933,112)	(1,579,988)	(2,033,640)
Other Reserves		1,055,679	1,234,898	1,212,210
Retained Earnings		27,441,013	22,575,100	26,556,932
<b>Total Equity Attributable to Equity Holders of the Bank</b>		<b>62,338,232</b>	<b>56,694,097</b>	<b>61,103,305</b>
Non - Controlling Interests		958,812	951,570	952,093
Instrument Eligible for Additional Tier 1 Capital	12	10,000,000	-	-
<b>Total Equity</b>		<b>73,297,044</b>	<b>57,645,667</b>	<b>62,055,398</b>
<b>Total Liabilities and Equity</b>		<b>691,840,858</b>	<b>510,525,734</b>	<b>538,607,140</b>

This interim condensed consolidated financial statements were approved by the Board of Directors on 12 July 2016 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 14 form an integral part of these interim condensed consolidated financial statements.

**Qatar National Bank S.A.Q.**  
**Interim Consolidated Statement of Income**  
**For the Six Months Period Ended 30 June 2016**

	Three Months to 30 June 2016 (Reviewed) QR000	Three Months to 30 June 2015 (Reviewed) QR000	Six Months to 30 June 2016 (Reviewed) QR000	Six Months to 30 June 2015 (Reviewed) QR000
Interest Income	13,361,119	4,995,750	18,734,543	9,862,702
Interest Expense	(7,749,913)	(1,779,594)	(9,835,811)	(3,493,165)
<b>Net Interest Income</b>	<b>5,611,206</b>	<b>3,216,156</b>	<b>8,898,732</b>	<b>6,369,537</b>
Fees and Commission Income	1,365,696	646,506	1,974,165	1,259,021
Fees and Commission Expense	(99,400)	(64,345)	(169,347)	(124,721)
<b>Net Fees and Commission Income</b>	<b>1,266,296</b>	<b>582,161</b>	<b>1,804,818</b>	<b>1,134,300</b>
Foreign Exchange Gain	218,331	199,395	419,590	406,959
Income from Investment Securities	69,578	22,588	169,613	47,496
Other Operating Income	270,146	4,853	272,347	8,761
<b>Operating Income</b>	<b>7,435,557</b>	<b>4,025,153</b>	<b>11,565,100</b>	<b>7,967,053</b>
Staff Expenses	(1,308,740)	(510,007)	(1,847,629)	(1,010,305)
Depreciation	(146,321)	(60,121)	(207,475)	(120,428)
Other Expenses	(1,132,212)	(291,882)	(1,453,707)	(598,670)
Net Impairment Losses on Investment Securities	(3,384)	(76,387)	(17,277)	(121,161)
Net Impairment Losses on Loans and Advances to Customers	(1,057,850)	(169,957)	(1,077,967)	(324,062)
Amortization of Intangible Assets	(87,462)	(19,773)	(107,469)	(39,295)
Other Provisions	(23,130)	12,570	(42,400)	(8,707)
	<b>(3,759,099)</b>	<b>(1,115,557)</b>	<b>(4,753,924)</b>	<b>(2,222,628)</b>
Share of Results of Associates	28,484	204,960	(40,522)	253,095
<b>Profit Before Income Tax</b>	<b>3,704,942</b>	<b>3,114,556</b>	<b>6,770,654</b>	<b>5,997,520</b>
Income Tax Expense	(306,019)	(193,858)	(488,784)	(385,936)
<b>Profit for the Period</b>	<b>3,398,923</b>	<b>2,920,698</b>	<b>6,281,870</b>	<b>5,611,584</b>
<b>Attributable to:</b>				
Equity Holders of the Bank	3,381,086	2,911,703	6,246,135	5,586,889
Non - Controlling Interests	17,837	8,995	35,735	24,695
<b>Profit for the Period</b>	<b>3,398,923</b>	<b>2,920,698</b>	<b>6,281,870</b>	<b>5,611,584</b>
Earnings Per Share (QR) (Basic and Diluted)	4.0	3.5	7.4	6.7
Weighted Average Number of Shares	839,675,325	839,675,325	839,675,325	839,675,325

The attached notes 1 to 14 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 Six Months Period Ended 30 June 2016**

	Three Months to 30 June 2016 (Reviewed) QR000	Three Months to 30 June 2015 (Reviewed) QR000	Six Months to 30 June 2016 (Reviewed) QR000	Six Months to 30 June 2015 (Reviewed) QR000
<b>Profit for the Period</b>	<b>3,398,923</b>	<b>2,920,698</b>	<b>6,281,870</b>	<b>5,611,584</b>
<b>Other Comprehensive Income, net of Income Tax</b>				
<i>Other comprehensive income to be reclassified to income statement in subsequent periods:</i>				
Foreign Currency Translation Differences for Foreign Operations	8,213	371,738	(874,075)	(250,191)
Share of Other Comprehensive Income of Associates	(149,772)	(422,946)	(156,531)	(471,225)
Effective Portion of Changes in Fair Value of Cash Flow Hedges	(190,065)	455,181	(603,168)	234,480
Available-for-Sale Investment Securities				
Net Change in Fair Value	(165,225)	(99,016)	(662,890)	98,101
Net Amount Transferred to Income Statement	(47,621)	(22,116)	(130,619)	(26,498)
<b>Total Other Comprehensive Income for the Period, net of Income Tax</b>	<b>(544,470)</b>	<b>282,841</b>	<b>(2,427,283)</b>	<b>(415,333)</b>
<b>Total Comprehensive Income for the Period</b>	<b>2,854,453</b>	<b>3,203,539</b>	<b>3,854,587</b>	<b>5,196,251</b>
<b>Attributable to:</b>				
Equity Holders of the Bank	2,815,827	3,194,544	3,798,063	5,171,556
Non - Controlling Interests	38,626	8,995	56,524	24,695
<b>Total Comprehensive Income for the Period</b>	<b>2,854,453</b>	<b>3,203,539</b>	<b>3,854,587</b>	<b>5,196,251</b>

The attached notes 1 to 14 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 Six Months Period Ended 30 June 2016**

	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	Instrument Eligible for Additional Capital QR000	Total QR000
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
<b>Total Comprehensive Income for the Period</b>											
Profit for the Period	-	-	-	-	-	-	5,586,889	5,586,889	24,695	-	5,611,584
<b>Other Comprehensive Income</b>	-	-	-	<b>306,083</b>	<b>(250,191)</b>	<b>(471,225)</b>	-	<b>(415,333)</b>	-	-	<b>(415,333)</b>
<b>Total Comprehensive Income for the Period</b>	-	-	-	<b>306,083</b>	<b>(250,191)</b>	<b>(471,225)</b>	<b>5,586,889</b>	<b>5,171,556</b>	<b>24,695</b>	-	<b>5,196,251</b>
<b>Transactions with Equity Holders,</b>											
<b>Recognised Directly in Equity</b>											
Dividend for the Year 2014	-	-	-	-	-	-	(5,247,971)	(5,247,971)	-	-	(5,247,971)
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	(52,227)	-	(52,227)
Other Movements	-	-	-	-	-	-	(212,312)	(212,312)	-	-	(212,312)
<b>Total Transactions with Equity Holders,</b>											
<b>Recognised Directly in Equity</b>	-	-	-	-	-	-	<b>(5,460,283)</b>	<b>(5,460,283)</b>	<b>(52,227)</b>	-	<b>(5,512,510)</b>
<b>Balance at 30 June 2015</b>	<b>6,997,294</b>	<b>23,086,902</b>	<b>3,500,000</b>	<b>879,891</b>	<b>(1,579,988)</b>	<b>1,234,898</b>	<b>22,575,100</b>	<b>56,694,097</b>	<b>951,570</b>	-	<b>57,645,667</b>
Balance at 1 January 2016	6,997,294	23,086,902	5,000,000	283,607	(2,033,640)	1,212,210	26,556,932	61,103,305	952,093	-	62,055,398
<b>Total Comprehensive Income for the Period</b>											
Profit for the Period	-	-	-	-	-	-	6,246,135	6,246,135	35,735	-	6,281,870
<b>Other Comprehensive Income</b>	-	-	-	<b>(1,392,069)</b>	<b>(899,472)</b>	<b>(156,531)</b>	-	<b>(2,448,072)</b>	<b>20,789</b>	-	<b>(2,427,283)</b>
<b>Total Comprehensive Income for the Period</b>	-	-	-	<b>(1,392,069)</b>	<b>(899,472)</b>	<b>(156,531)</b>	<b>6,246,135</b>	<b>3,798,063</b>	<b>56,524</b>	-	<b>3,854,587</b>
Transfer to Legal Reserve for the Year 2015	-	1,399,459	-	-	-	-	(1,399,459)	-	-	-	-
<b>Transactions with Equity Holders,</b>											
<b>Recognised Directly in Equity</b>											
Dividend for the Year 2015	-	-	-	-	-	-	(2,449,053)	(2,449,053)	-	-	(2,449,053)
Bonus Shares for the Year 2015	1,399,459	-	-	-	-	-	(1,399,459)	-	-	-	-
Issuance of Instrument Eligible for Additional Capital	-	-	-	-	-	-	-	-	-	10,000,000	10,000,000
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	(49,805)	-	(49,805)
Other Movements	-	-	-	-	-	-	(114,083)	(114,083)	-	-	(114,083)
<b>Total Transactions with Equity Holders,</b>											
<b>Recognised Directly in Equity</b>	<b>1,399,459</b>	-	-	-	-	-	<b>(3,962,595)</b>	<b>(2,563,136)</b>	<b>(49,805)</b>	<b>10,000,000</b>	<b>7,387,059</b>
<b>Balance at 30 June 2016</b>	<b>8,396,753</b>	<b>24,486,361</b>	<b>5,000,000</b>	<b>(1,108,462)</b>	<b>(2,933,112)</b>	<b>1,055,679</b>	<b>27,441,013</b>	<b>62,338,232</b>	<b>958,812</b>	<b>10,000,000</b>	<b>73,297,044</b>

The attached notes 1 to 14 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 Six Months Period Ended 30 June 2016**

	Note	Six Months to 30 June 2016 (Reviewed) QR000	Six Months to 30 June 2015 (Reviewed) QR000	Year to 31 December 2015 (Audited) QR000
<b>Net Cash Flows from Operating Activities</b>		<b>3,409,965</b>	<b>6,815,754</b>	<b>8,367,890</b>
<b>Cash Flows from Investing Activities</b>				
Acquisitions of Investment Securities		(32,351,109)	(33,054,441)	(71,073,236)
Proceeds from Sale and Redemption of Investment Securities		28,454,917	28,521,820	55,220,622
Investments in Associates		-	(49,909)	(49,909)
Acquisition of Subsidiary, net of Cash Acquired		(9,597,745)	-	-
Purchase of Property and Equipment		(153,349)	(123,766)	(290,301)
Proceeds from Sale of Property and Equipment		36	1,833	1,833
<b>Net Cash Flows used in Investing Activities</b>		<b>(13,647,250)</b>	<b>(4,704,463)</b>	<b>(16,190,991)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from Issuance of Instrument Eligible for Additional Tier 1 Capital		10,000,000	-	-
Proceeds from Debt Securities		3,999,460	-	-
Repayment of Debt Securities		-	-	(5,460,750)
Proceeds from Other Borrowings		9,274,272	10,838,173	12,556,524
Repayment of Other Borrowings		(3,170,421)	(9,399,850)	(9,993,350)
Dividends Paid		(2,462,204)	(5,229,596)	(5,231,852)
<b>Net Cash Flows from / (used in) Financing Activities</b>		<b>17,641,107</b>	<b>(3,791,273)</b>	<b>(8,129,428)</b>
Net Increase / (Decrease) in Cash and Cash Equivalents		7,403,822	(1,679,982)	(15,952,529)
Effects of Exchange Rate Changes on Cash and Cash Equivalents		(2,681,806)	1,464,234	2,571,816
Cash and Cash Equivalents as at 1 January		30,050,614	43,431,327	43,431,327
<b>Cash and Cash Equivalents at 30 June / 31 December</b>	11	<b>34,772,630</b>	<b>43,215,579</b>	<b>30,050,614</b>

The attached notes 1 to 14 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 Six Months Period Ended 30 June 2016**

**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. These interim condensed consolidated financial statements should be read in conjunction with the 2015 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 six months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015.

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 2015.

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**

IFRS 14 Regulatory Deferral Accounts (Effective 1 January 2016).

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).

Amendments to IAS 1: Disclosure Initiative (Effective 1 January 2016).

Amendments to IFRS 10, IFRS 12 and IAS 28: Applying the Consolidation Exception (Effective 1 January 2016).

Annual Improvements 2012 - 2014 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.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (Effective 1 January 2017)

Amendments to IAS 7 - Disclosure Initiative (Effective 1 January 2017)

IFRS 9 Financial Instruments (Effective 1 January 2018).

IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018).

IFRS 16 Leases (Effective 1 January 2019)



**Qatar National Bank S.A.Q.**

**Notes to the Interim Condensed Consolidated Financial Statements  
For the Six Months Period Ended 30 June 2016**

**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			
	QR000	QR000	QR000			
<b>At 30 June 2016:</b>						
<b>External Revenue:</b>						
Net Interest Income	3,840,702	263,705	246,173	4,527,787	20,365	8,898,732
Net Fees and Commission Income	319,908	102,913	165,225	1,201,042	15,730	1,804,818
Foreign Exchange Gain	173,285	41,973	69,303	129,503	5,526	419,590
Income from Investment Securities	135,712	-	-	33,901	-	169,613
Other Operating Income	1,855	4	5	270,481	2	272,347
Share of Results of Associates	-	-	-	(40,522)	-	(40,522)
<b>Total Segment Revenue</b>	<b>4,471,462</b>	<b>408,595</b>	<b>480,706</b>	<b>6,122,192</b>	<b>41,623</b>	<b>11,524,578</b>
<b>Reportable Segment Profit</b>	<b>3,605,848</b>	<b>63,475</b>	<b>235,589</b>	<b>2,446,816</b>	<b>(105,593)</b>	<b>6,246,135</b>
<b>Reportable Segment Investments</b>	<b>52,469,663</b>	<b>-</b>	<b>24,035</b>	<b>43,233,998</b>	<b>-</b>	<b>95,727,696</b>
<b>Reportable Segment Loans and Advances</b>	<b>280,302,054</b>	<b>9,846,962</b>	<b>19,907,021</b>	<b>186,580,911</b>	<b>-</b>	<b>496,636,948</b>
<b>Reportable Segment Customer Deposits</b>	<b>171,136,097</b>	<b>23,738,203</b>	<b>45,606,928</b>	<b>247,927,123</b>	<b>-</b>	<b>488,408,351</b>
<b>Reportable Segment Assets</b>	<b>402,215,291</b>	<b>24,858,727</b>	<b>46,868,044</b>	<b>391,307,684</b>	<b>(173,408,888)</b>	<b>691,840,858</b>
<b>At 30 June 2015:</b>						
<b>External Revenue:</b>						
Net Interest Income	3,816,021	266,798	249,626	2,020,104	16,988	6,369,537
Net Fees and Commission Income	321,629	95,278	166,709	544,969	5,715	1,134,300
Foreign Exchange Gain	176,135	41,156	69,730	74,832	45,106	406,959
Income from Investment Securities	33,537	-	-	13,959	-	47,496
Other Operating Income	1,158	4	2	7,591	6	8,761
Share of Results of Associates	16,632	-	-	236,463	-	253,095
<b>Total Segment Revenue</b>	<b>4,365,112</b>	<b>403,236</b>	<b>486,067</b>	<b>2,897,918</b>	<b>67,815</b>	<b>8,220,148</b>
<b>Reportable Segment Profit</b>	<b>3,657,558</b>	<b>68,473</b>	<b>253,974</b>	<b>1,652,867</b>	<b>(45,983)</b>	<b>5,586,889</b>
<b>Reportable Segment Investments</b>	<b>45,881,637</b>	<b>-</b>	<b>23,676</b>	<b>25,012,114</b>	<b>-</b>	<b>70,917,427</b>
<b>Reportable Segment Loans and Advances</b>	<b>245,146,690</b>	<b>9,197,900</b>	<b>19,692,206</b>	<b>82,180,080</b>	<b>-</b>	<b>356,216,876</b>
<b>Reportable Segment Customer Deposits</b>	<b>169,814,149</b>	<b>22,518,182</b>	<b>45,318,165</b>	<b>139,890,380</b>	<b>-</b>	<b>377,540,876</b>
<b>Reportable Segment Assets</b>	<b>336,041,505</b>	<b>23,388,664</b>	<b>46,466,533</b>	<b>226,710,664</b>	<b>(122,081,632)</b>	<b>510,525,734</b>

**Qatar National Bank S.A.Q.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**For the Six Months Period Ended 30 June 2016**

**3. LOANS AND ADVANCES TO CUSTOMERS**

	<b>30 June 2016 (Reviewed) QR000</b>	<b>30 June 2015 (Reviewed) QR000</b>	<b>31 December 2015 (Audited) QR000</b>
Loans and Advances to Customers	508,564,207	363,354,145	395,506,256
Deferred Profit	(135,184)	(127,645)	(120,790)
Allowance for Impairment of Loans and Advances to Customers	(11,792,075)	(7,009,624)	(7,093,337)
<b>Net Loans and Advances</b>	<b>496,636,948</b>	<b>356,216,876</b>	<b>388,292,129</b>

The aggregate amount of non performing loans and advances to customers amounted to QR9,279 million or 1.8% of total loans and advances (31 December 2015: QR5,570 million or 1.4% of total loans and advances to customers).

Net Loans and Advances includes QR42.7 million designated as fair value through profit or loss (FVTPL) (31 December 2015: Nil).

**4. INVESTMENT SECURITIES**

	<b>30 June 2016 (Reviewed) QR000</b>	<b>30 June 2015 (Reviewed) QR000</b>	<b>31 December 2015 (Audited) QR000</b>
Held for Trading Investment Securities	91,499	-	-
Available-for-Sale Investment Securities	52,079,519	34,926,972	45,236,429
Held to Maturity Investment Securities	43,556,678	35,990,455	35,920,646
<b>Total</b>	<b>95,727,696</b>	<b>70,917,427</b>	<b>81,157,075</b>

The above includes impairment allowance in respect of debt securities amounting to QR48.7 million (31 December 2015: QR57.7 million).

**5. FAIR VALUE RESERVE**

	<b>30 June 2016 (Reviewed) QR000</b>	<b>30 June 2015 (Reviewed) QR000</b>	<b>31 December 2015 (Audited) QR000</b>
Cash Flow Hedges	(1,099,701)	(244,726)	(496,535)
Available-for-Sale Investment Securities	(8,761)	1,124,617	780,142
<b>Total</b>	<b>(1,108,462)</b>	<b>879,891</b>	<b>283,607</b>

**6. DIVIDEND**

The cash dividend in respect of the year ended 31 December 2015 of QR3.5 per share, amounting to a total of QR2,449 million and a bonus share of 20% of the share capital amounting to QR1,399 million, were approved by the shareholders at the annual general assembly meeting on 31 January 2016.

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**7. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

	<b>30 June 2016 (Reviewed) QR000</b>	<b>30 June 2015 (Reviewed) QR000</b>	<b>31 December 2015 (Audited) QR000</b>
<b>Contingent Liabilities</b>			
Unused Facilities	99,638,433	47,493,152	52,447,682
Guarantees	60,701,380	43,721,314	46,391,681
Letters of Credit	13,145,138	10,340,063	10,837,060
Others	30,985,001	18,009,533	27,087,805
<b>Total</b>	<b>204,469,952</b>	<b>119,564,062</b>	<b>136,764,228</b>
<b>Other Commitments</b>			
Derivative Financial Instruments	285,745,165	76,302,210	90,998,448
Others	12,153,565	15,908,849	14,088,610
<b>Total</b>	<b>297,898,730</b>	<b>92,211,059</b>	<b>105,087,058</b>

**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:

	<b>30 June 2016 (Reviewed) QR000</b>	<b>30 June 2015 (Reviewed) QR000</b>	<b>31 December 2015 (Audited) QR000</b>
<b>Statement of Financial Position Items</b>			
Loans and Advances	1,799,866	1,951,224	1,797,141
Deposits	544,140	541,481	535,298
Contingent Liabilities and Other Commitments	39,163	49,675	41,209
<b>Statement of Income Items</b>			
Interest and Commission Income	21,368	25,901	49,287
Interest and Commission Expense	2,629	2,241	4,545
<b>Associates</b>			
Due from banks	150,152	1,673,629	947,924
Interest and Commission Income	7,808	7,184	18,295
Due to banks	613,543	277,497	901,792
Interest Expense	1,765	1,353	4,285
<b>Compensation of key management personnel is as follows:</b>			
Salaries and Other Benefits	32,871	36,697	44,801
End of Service Indemnity	485	459	1,042

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 QR68,656 million included in loans and advances (31 December 2015: QR52,769 million) and QR8,672 million included in customer deposits (31 December 2015: QR21,799 million).

**9. CAPITAL ADEQUACY**

	<b>30 June 2016 (Reviewed) QR000</b>	<b>30 June 2015 (Reviewed) QR000</b>	<b>31 December 2015 (Audited) QR000</b>
Common Equity Tier 1 (CET 1) Capital	50,705,559	43,207,971	51,847,463
Eligible Additional Tier 1 (AT1) Capital Instruments	10,000,000	-	-
Additional Tier 1 Capital	66,556	72,050	57,145
Additional Tier 2 Capital	44,665	39,284	34,852
<b>Total Eligible Capital</b>	<b>60,816,780</b>	<b>43,319,305</b>	<b>51,939,460</b>
<b>Risk Weighted Assets</b>	<b>428,718,103</b>	<b>300,616,950</b>	<b>318,371,905</b>
Total Capital Ratio	14.2%	14.4%	16.3%

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 and the applicable Domestically Systemically Important Bank ("DSIB") buffer for 2016 is 13.1%.

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**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:

	<b>Level 1 QR000</b>	<b>Level 2 QR000</b>	<b>Level 3 QR000</b>	<b>Total QR000</b>
<b>At 30 June 2016:</b>				
Derivative Assets Held for Risk Management	1,649	5,544,357	-	5,546,006
Loans and Advances to Customers designated at FVTPL	-	-	42,784	42,784
Investment Securities	33,908,082	18,100,450	-	52,008,532
	<u><b>33,909,731</b></u>	<u><b>23,644,807</b></u>	<u><b>42,784</b></u>	<u><b>57,597,322</b></u>
Derivative Liabilities Held for Risk Management	1,811	4,354,701	-	4,356,512
	<u><b>1,811</b></u>	<u><b>4,354,701</b></u>	<u><b>-</b></u>	<u><b>4,356,512</b></u>
<b>At 31 December 2015:</b>				
Derivative Assets Held for Risk Management	-	221,100	-	221,100
Investment Securities	27,144,685	17,919,907	-	45,064,592
	<u><b>27,144,685</b></u>	<u><b>18,141,007</b></u>	<u><b>-</b></u>	<u><b>45,285,692</b></u>
Derivative Liabilities Held for Risk Management	-	676,737	-	676,737
	<u><b>-</b></u>	<u><b>676,737</b></u>	<u><b>-</b></u>	<u><b>676,737</b></u>

The above table does not include QR162.5 million (31 December 2015: QR171.9 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 2015: Nil). Also, there have been no movements in the Level 3 financial instruments.

**11. CASH AND CASH EQUIVALENTS**

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

	<b>30 June 2016 (Reviewed) QR000</b>	<b>30 June 2015 (Reviewed) QR000</b>	<b>31 December 2015 (Audited) QR000</b>
Cash and Balances with Central Banks	22,264,212	20,477,591	19,312,687
Due from Banks Maturing in Three months	12,508,418	22,737,988	10,737,927
<b>Total</b>	<u><b>34,772,630</b></u>	<u><b>43,215,579</b></u>	<u><b>30,050,614</b></u>

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

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**12. ISSUANCE OF INSTRUMENT ELIGIBLE FOR ADDITIONAL TIER 1 CAPITAL**

In June 2016, QNB raised Additional Tier 1 Perpetual Capital ("Note") by issuing unsecured perpetual non-cumulative unlisted note for an amount of QR10 billion. The distributions (i.e. coupon payments) are discretionary and non-cumulative and payable annually until the first call date being six years from date of issuance.

The Note is ranked junior to the QNB's existing unsubordinated obligations including existing depositors, pari-passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank. The Note has no fixed redemption date and the Bank can only redeem the Note in the limited circumstances and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the Note, if a "loss absorption" event is triggered. This Note has been classified within total equity.

**13. BUSINESS COMBINATION**

Further to the Share Sale and Purchase Agreement ("SPA") entered on 21 December 2015, the Group concluded the acquisition of a controlling stake of 99.81% in Finansbank A.Ş. - Turkey, in June 2016. This acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Finansbank for the period ended 30 June 2016.

The fair values of the identifiable assets and liabilities of Finansbank A.Ş. were:

	<b>Fair Value</b>
	<b>QR000</b>
<b>Assets</b>	
Cash and Balances with Central Banks	16,227,331
Due from Banks	1,082,282
Loans and Advances to Customers	77,605,537
Investment Securities	13,770,127
Intangible Assets	364,050
Other Assets	11,417,688
<b>Total assets</b>	<b>120,467,015</b>
<b>Liabilities</b>	
Due to Banks	18,406,080
Customer Deposits	66,259,699
Debt Securities and Other Borrowings	8,001,734
Other Liabilities	16,722,441
<b>Total liabilities</b>	<b>109,389,954</b>
Total identifiable net assets at fair value	11,077,061
Non Controlling Interest	(37,419)
<b>Purchase consideration transferred</b>	<b>11,039,642</b>
<b>Analysis of cash flows on acquisition</b>	
Net cash acquired with the subsidiary	(1,441,897)
Cash paid	11,039,642
<b>Net cash outflow</b>	<b>9,597,745</b>

From the date of acquisition, Finansbank A.Ş. has contributed QR3,349 million of net operating income and QR554 million to the profit for the period.

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 99.81% share in Finansbank. PPA identifies the value paid for the tangible assets, intangible assets and the premium/goodwill arising on the acquisition. Based on preliminary results of PPA, derived values of intangible assets were QR364 million which represents operating licence having indefinite life.

**14. COMPARATIVE FIGURES**

Certain prior year amounts have been reclassified in order to conform with current period presentation. These consist of margins held for direct and indirect facilities amounting to QR 3,742 million which were previously included within Customer Deposits as at 30 June 2015, reclassified to Other Liabilities. Such reclassifications do not affect the previously reported profit or equity.