QNB

Demonstrating strength and resilience to deliver profitable growth

Annual Report 2017

Our global reach

Over 5,500 touch points supported by 28,000 employees.

International network with presence in more than 31 countries.

Solid financial strength resulting in top-tier ratings.

#1 bank in the Middle East and Africa across all financial metrics.

Aspiring to become a leading bank in the Middle East, Africa and Southeast Asia.

The leading bank across the Middle East and Africa (MEA), QNB Group is a trusted financial partner in more than 31 countries.

Through controlled growth, we are expanding our international footprint with an aim to become a leading bank in the Middle East, Africa and Southeast Asia (MEASEA) by 2020 and a global bank by 2030.

Our vision encompasses connecting and enabling growth across multiple, strategically selected regions, so we can continue to create sustainable value for individuals, institutions, countries and our shareholders.

Read more about our strategy on page 18

Net profit

QR13.1 bn +6%

Assets

QR811.1 bn +13%

Earnings per share

QR13.7 +5%

Read more in our Financial statements section on page 75

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Board of Directors

H.E. Mr. Ali Shareef Al-Emadi
Chairman of the Board of Directors (BOD) since 2013

H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani
Vice Chairman of the Board of Directors since 2016
BOD member since 2015

H.E. Sheikh Abdulrahman Bin Saud Bin Fahad Al-Thani
BOD member since 2016
Member of the Group Board Nomination, Remuneration, Governance and Policies Committee

H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani
BOD member since 2004
Chairman of the Group Board Risk Committee
Chairman of the Group Board Executive Committee
Member of the Group Board Nomination, Remuneration, Governance and Policies Committee

Mr. Ali Hussain Ali Al-Sada
BOD member since 1998
Member of the Group Board Risk Committee
Member of the Group Board Executive Committee

Mr. Bader Abdullah Darwish Fakhroo
BOD member since 2001
Member of the Group Board Risk Committee
Member of the Group Board Executive Committee

Mr. Fahad Mohammed Fahad Buzwair
BOD member since 2001
Chairman of the Group Board Nomination, Remuneration, Governance and Policies Committee

Mr. Mansoor Ebrahim Al-Mahmoud
BOD member since 2004
Chairman of the Group Board Audit and Compliance Committee

Mr. Ahmad Yousuf Hussain Ali Kamal
BOD member since 2016
Member of the Group Board Audit and Compliance Committee

Mr. Khaled Hamad Al-Hajeri
BOD member since 2016
Member of the Group Board Audit and Compliance Committee

Chairman of the Board of Directors' statement

QNB Group demonstrated strength and resilience to deliver profitable growth

We have embarked on our journey to become a leading bank in the Middle East, Africa and Southeast Asia (MEASEA) by 2020.

H.E. Mr. Ali Shareef Al-Emadi
Chairman of the Board of Directors

> “QNB Group has once again delivered another year of stellar performance.”

On behalf of the Board of Directors, I am pleased to introduce QNB Group's Annual Report for 2017.

QNB Group has once again delivered another year of stellar performance. I am delighted to see that we are making significant progress towards our goal of becoming a leading bank in MEASEA by 2020.

The global economic recovery has continued to gain pace in 2017, with particularly strong performance in some of QNB's key MEASEA markets. Although there are, as ever, some global macroeconomic challenges on the horizon – including the impact of monetary tightening and rising debt – we are confident that we will continue to achieve our growth targets.

Notwithstanding the blockade of the State of Qatar, QNB Group continues to perform in line with its growth targets as per our MEASEA 2020 vision and strategy. We see the recent developments as an opportunity to nurture the local private economy but also to further diversify QNB's balance sheet in line with our international expansion plans.

6%
growth in net profit

36%
international contribution to net profit

This year, QNB has once again demonstrated its commitment to support the local business community, as well as act as an incubator to further nurture local production. QNB has proven resilient through our financial strength and robust balance sheet. It demonstrates that even under stressed conditions, our book is of the highest quality and that we can rely on the growing contribution of our expanding network.

QNB Group will continue to support the economic development of Qatar and its national strategic projects. We are committed to investing in Qatar's future and continue to support the entire range of economic activity, from major state-sponsored projects, through to small and medium enterprises.

We continue to pursue our vision to become one of the leading banks in MEASEA by 2020 and a global bank by 2030. This will positively contribute to QNB's growth and add additional strength to the Group by diversifying our sources of revenue and profit. Domestically, our focus is to maintain our market share and profitability in the public sector, while growing our market share and profitability with private sector firms and individuals. Internationally, QNB Group aims to continue its international expansion in MEASEA through organic and inorganic growth.

The Group's continuing diversification – both geographically and in terms of our products and services – positively contributes to lowering the risk and volatility of our business; in 2017, international operations contributed 36% to net profit.

QNB Group experienced the highest profit in absolute terms in the Group's history, with 6% growth in net profit to QR13.1 billion in 2017. To reward our shareholders, the Board of Directors is recommending to the General Assembly the distribution of a cash dividend at the rate of 60% of the nominal value of the share, equating to QR6 per share.

Underpinning this success is a robust, effective and responsible governance framework. We have continued to strengthen this framework by further introducing additional controls through policies and processes with our international branches and subsidiaries. We see good governance as vital to our prosperity and reputation, especially as we continue to expand into new jurisdictions.

We see increasing demand from investors, customers, regulators and our own employees about sustainability and social responsibility. We aim to engage with our partners to promote social and economic development that drive sustainable growth, to minimise the impact on our environment and to invest in our communities.

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

I would like to conclude by offering our sincere thanks to our customers, business partners and employees. With this continued support and QNB Group's clear strategy for diversification and growth, we believe we are in a strong position to continue to generate solid shareholder returns over the long term and make a positive contribution in the many countries where we operate.

Left: Vietnam is one of the high-growth markets in Southeast Asia.

Group Chief Executive Officer's statement

QNB Group experienced another year of outstanding performance

We have continued to demonstrate sustainable, profitable growth.

Mr. Ali Ahmed Al-Kuwari
Group Chief Executive Officer

"We have seen another year of strong and stable growth across QNB Group's expanding network."

I am delighted to be able to highlight the achievements and progress we have made in 2017 in this report.

Demonstrating resilience due to solid foundations

Despite the blockade of the State of Qatar, we have demonstrated strong growth across all key financial metrics, in line with our targets.

The strategic initiatives we have undertaken throughout 2017 have allowed us to make strong progress against our 2020 vision. We are diversifying our earnings and risk by expanding into new products, services and markets. Thanks to our prudent approach to managing our balance sheet, we are well capitalised, well-funded and have low non-performing loans (NPLs). One of our key differentiators is our ability to maintain top-tier credit ratings with international rating agencies. As a testament to our strength, in September we issued a USD630 million tranche of Formosa bonds under our EMTN programme.

Progressing with our strategy

Our aspiration to become a leading bank in MEASEA by 2020 is underpinned by a long-term strategy that encompasses protecting our dominant position in Qatar and accelerating international growth.

Domestically, we maintained our leading position in corporate banking by remaining focused on four primary areas: utilities, transport, 2022 FIFA World Cup® infrastructure, and real estate. In addition to these four core areas, we are supporting a number of private sector initiatives to make Qatar more self-sufficient in the areas of food production, logistics and manufacturing to ensure long-term economic sustainability. This year we have also seen substantial growth in small and medium-sized enterprises (SME) across almost every sector, from manufacturing and food, all the way through to education and health.

QR584.3 bn +12%
net loans

QR585.5 bn +16%
deposits

29.1%
cost to income ratio

16.5%
capital adequacy ratio

In retail banking, we are meeting the needs of our customers through a range of innovations within our product and service offerings. Product innovations include the 'Smart instalment plan', which allows customers to conveniently convert high value purchases into monthly interest-free instalments.

QNB Group aims to build a specialised global wholesale business by expanding our presence and refining our value proposition. With product coverage focused in Asia, Africa and Europe, we have expanded our geographic coverage in our hubs in Singapore and London, and set up satellite teams in subsidiaries and associates in Turkey, UAE, Egypt and Indonesia.

This focus has helped us deliver solid performance in our two key international subsidiaries, QNB Finansbank and QNB Al Ahli. We have seen strong corporate loan growth in both markets, with loans growing by 26% in Turkey and 23% in Egypt.

Our aim is to raise QNB Group's profile as the global payment provider and the 'gateway to MEA' across the globe. To support this goal, we have managed to increase our transaction banking business from the international network between our geographies.

Our Asset and Wealth Management is expanding into new markets and asset classes, both in Qatar and on the international stage. The UCITS fund platform we set up last year is now fully operational, enabling us to distribute funds to institutional and individual investors across Europe.

As part of our international expansion strategy, we have opened new branches in India and the Kingdom of Saudi Arabia. Elsewhere, we have grown our presence in our existing international markets, expanding our range of products and services. Moreover, we have started a new programme to identify additional levers to generate revenue and cost synergies across the Group.

We have also continued our unrelenting focus on innovation. We have also commenced a dedicated innovation programme to foster an innovation culture across the Group. We see this as an additional revenue generating opportunity to complement our 2020 strategy.

Delivering sustainable results

Our financial returns reflect the strength of QNB as an institution and validates our strategy of controlled expansion. We retain our position as the largest bank in the Middle East and Africa across all financial metrics, with a presence in more than 31 countries and assets of more than QR811.1 billion. Our profitability for 2017 was QR13.1 billion (up 6% on last year). Our growth comprised 12% in loans, while deposits also grew by 16%. Our cost control efforts have ensured that we have grown profitably, improving our efficiency ratio to 29.1%. I am also pleased with the liquidity position of the bank, with a loans-to-deposits ratio of 99.8% and capital adequacy ratio of 16.5%.

Our strategy has also allowed us to diversify our exposure across multiple countries, rather than being focused on just domestic and regional operations. As a result, the profit contribution of our international operations was 36%.

To continue to generate value for our stakeholders now and for the long term, this year we initiated a comprehensive sustainability programme aligned with the objectives of the Qatar National Vision 2030, United Nations Sustainable Development Goals and the Qatar Stock Exchange.

These results would not be possible without our most important asset – our people. As part of our diversity efforts, we are strengthening our gender pipeline, enabling women to fulfil their career aspirations and promoting the inclusion of women into leadership positions. Our Executive Management team has 29% female representation – a considerable achievement and one of the highest for any major bank in the region.

Ensuring a solid foundation for future growth

This year we have enhanced the governance, compliance and anti-money laundering (AML) framework at our international branches and subsidiaries by strengthening our documentation, IT infrastructure and training. These achievements help us to manage any potential areas of operational, regulatory and reputational risk.

Looking into 2018 and beyond, we will keep investing in our domestic capabilities to maintain our leading market position and keep expanding internationally to grow and diversify our portfolio.

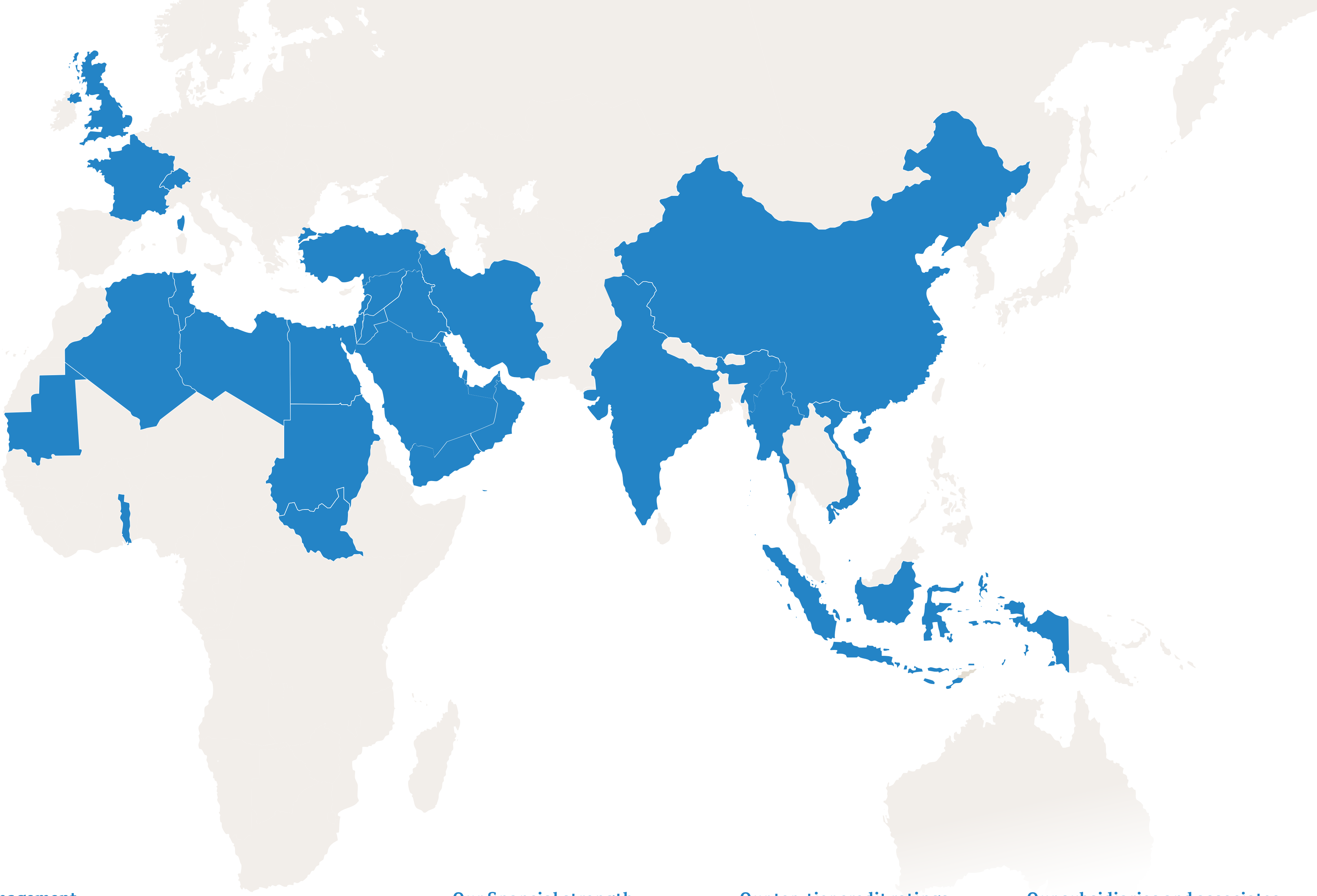
I would therefore like to thank our customers and employees for contributing to QNB's sustainable growth and their enduring support on our journey to become a leading bank in MEASEA by 2020. I am confident that we are well positioned to deliver long-term sustainable value to all of our stakeholders in 2018 and beyond.

Left: We are the market leader in our home country, Qatar.

QNB at a glance

QNB remains a strong and highly-rated bank with a growing international footprint. We are proud of our Qatari heritage and our substantial contribution to the region and beyond.

Our heritage
Established in 1964 as the first Qatari-owned bank, QNB is the leading financial institution in the Middle East and Africa (MEA). QNB Group today is present in more than 31 countries spanning across three continents, with more than 28,000 employees serving 22 million customers.



Our businesses

Wholesale and Commercial Banking
A comprehensive suite of wholesale and commercial banking products and services. These include structured finance, project finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

Read more about Wholesale and Commercial Banking on page 24

Asset and Wealth Management
A powerful collection of onshore and offshore private banking and asset management products, with a bespoke relationship-driven approach for our institutional, high net and ultra-high net worth clients. These offerings are complemented by brokerage and custody services in Qatar.

Read more about Asset and Wealth Management on page 36

Retail Banking
A broad array of retail banking products and services across a multichannel network with more than 1,235 branches*. These include premium banking services through QNB First and QNB First Plus, designed for our affluent clients.

*Including subsidiaries and associates

Read more about Retail Banking on page 32

International Business
Focuses on connecting the network to the head office, expanding QNB international presence and enabling international cooperation by providing oversight of Group offices, subsidiaries and other key stakeholders, including regulators.

Read more about International Business on page 38

Our financial strength

USD222.8 bn
Assets

USD3.6 bn
Net profit

6%
Net profit growth

USD3.8
Earnings per share

16.5%
Capital adequacy ratio (Basel III)

Our top-tier credit ratings

A
Standard & Poor's

Aa3
Moody's

A+
Fitch

AA-
Capital Intelligence

Our subsidiaries and associates

Name	% stake
QNB Finansbank (Turkey)	99.88%
QNB Al Ahli (Egypt)	97.12%
QNB Indonesia	82.6%
QNB Tunisia	99.96%
QNB Syria	50.8%
QNB Suisse (Switzerland)	100.0%
QNB Capital LLC (Qatar)	100.0%
QNB Financial Services (Qatar)	100.0%
Mansour Bank (Iraq)	50.8%
Bank of Commerce & Development (Libya)	49.0%
Commercial Bank International (CBI) (UAE)	40.0%
Housing Bank for Trade and Finance (HBTF) (Jordan)	34.5%
Ecobank Transnational Incorporated (Ecobank) (Togo)	20.1%
Al Jazeera Finance Company (Qatar)	20.0%

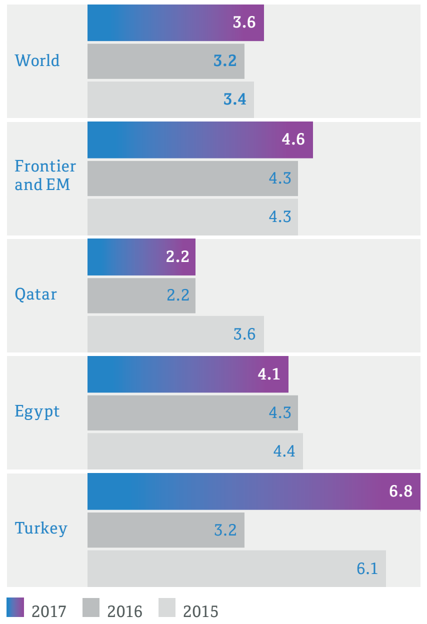
Strategic report

Our journey to achieve our aspiration to become a leading bank in the Middle East, Africa and Southeast Asia (MEASEA) by 2020 is well underway. This year we have successfully navigated our **operating environment (page 14), creating and delivering value (page 16)** by rigorously adhering to our **strategy (page 18)**, and delivering **sustainable results (page 20)**. By doing so, we have continued to help support individuals, organisations, nations and our shareholders on their journey to increased growth.

Operating environment

Despite economic headwinds, QNB Group is on track to achieve our growth objectives

GDP growth %



Brent oil price USD/barrel

The recent revival in global growth and trade provides a number of opportunities for QNB Group. However, the global recovery remains fragile and could be impacted by risks ranging from financial instability, to emerging geopolitical tensions across the globe. Furthermore, in QNB Group's own network countries, persistent headwinds in a few countries are set to continue to constrain growth, making the environment challenging. We are confident that we will continue to achieve our growth objectives and targets despite the global macroeconomic challenges.

Global growth turned a corner in 2017, rising to 3.6% from 3.2% in 2016, the highest level since the financial crisis. The uplift was broad-based in both advanced economies and emerging markets. The large-scale monetary policy easing by the world's major central banks has helped improve global financial conditions and resulted in stronger employment, consumption and investment.

As a result, growth in advanced economies has picked up to 2.2% in 2017 from 1.7% in 2016, in large part due to stronger growth in the US, but also due to higher growth in the Euro area and Japan.

Emerging market growth has been lifted to 4.6% in 2017 from 4.3% in 2016 by the stronger demand in advanced economies, combined with persistently low global interest rates and improving investor sentiment. Various measures taken in China to support credit and investment have been key to higher global growth in 2017.

The upswing in the global economy has generated a broad positive outlook in growth projections and financial markets. However, it is important to remain guarded against a number of risks that lurk beneath the surface.

First, loose monetary policy since the financial crisis has led to a build-up in global leverage. G20 countries collectively have a non-financial debt stock of over 244% of GDP, an increase of 50 percentage points since 2007. A reversal in the direction of monetary policy and higher global interest rates could raise the burden of that debt and hold back growth. The US Federal Reserve expects to raise interest rates three times by the end of 2018 and the European Central Bank is expected to taper its quantitative easing programme in 2018. In China, a reversal of current credit and investment policy could spill over into a sharp growth slowdown.

Second, oil prices could fall if, for example, US shale oil production rises more than expected or if OPEC fails to agree on an extension to its output cut agreement throughout 2018. Lower prices of oil or other commodities would exacerbate the struggle against slow growth that a number of commodity-exporting countries are already facing.

Finally, a number of geopolitical risks could spark wider crises. Brexit, unpredictable US policy, tensions in North Korea, and conflicts in the Middle East could all weigh on global growth.

Middle East and North Africa (MENA)

While global growth picked up in 2017, the MENA region has continued adjusting to the low oil price era. Ongoing fiscal consolidation, including subsidy cuts and higher taxes, and OPEC mandated oil production cuts have dragged on growth, especially in the Gulf Cooperation Council (GCC). Some bright spots stood out in 2017, with growth recovering firmly in Egypt and Turkey, but overall, for 2018, the outlook remains clouded by further fiscal consolidation and flat oil production. However, over the medium term, the region's fundamentals remain robust with investment potential and expanding populations likely to drive growth, predominantly in the GCC.

Right: Malaysia was one of the key contributors to growth in Southeast Asia.

Southeast Asia

2017 was a favourable year for Southeast Asia's open economies. The pick up in global growth and trade boosted growth in these export-intensive countries. The bounce-back in China spilled over to the rest of Asia. Fears about greater US protectionism harming trade and growth failed to materialise. A weaker US dollar and improved global risk appetite led to steady capital inflows and allowed some relaxation of monetary policy. As a result, growth in the ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam) accelerated to 5.2% in 2017 from 4.9% in 2016, and is expected to rise further in 2018.

Sub-Saharan Africa

Sub-Saharan Africa emerged from its depression in 2017, but growth of 2.6% remains well below historical levels. The broad picture obscures sizeable differences between countries. The region's largest commodity-based economies, Nigeria and South Africa, experienced particularly weak performance in 2016 and, although they recovered in 2017, growth remains anaemic. Fuel-importing countries in the region are performing considerably better, with an overall growth rate of 3.9% in 2017. Recovering prices of oil and other commodities in 2018 should help lift growth for the region as a whole.

Qatar

Qatar's economy has proven remarkably resilient during 2017. The impact from the blockade quickly faded and the economy is moving forward, already back at pre-crisis levels. Rising oil prices, the large infrastructure programme and the expanding workforce will continue to support non-hydrocarbon growth, which is expected to remain over 4.5% in 2017 to 2018. Looking at the longer-term outlook, the fundamentals of Qatar's economy remain robust and intact. The infrastructure investment programme continues and a renewed drive for self-sufficiency is likely to boost investment in a number of sectors. Additionally, in the hydrocarbon sector, Qatar's recent announcement that it plans to increase liquified natural gas (LNG) production by 30% in five to seven years' time, cementing its position as the world's leading exporter of LNG for the long term, will further bolster Qatar's long-term growth.

Expansion

Although the macroeconomic headwinds in our network countries present challenges to achieving our vision, MEASEA markets will remain the focal point for long-term global growth. These regions require further investment and trade flows to support the building of the foundation for socioeconomic development, such as infrastructure, including transport, real estate, power, telecoms, healthcare, education and tourism. This will, in turn, drive population growth, consumer demand and consumption, resulting in higher economic growth across the region.

By strategically positioning our business towards and across these markets, we are securing our vision to become a leading bank in MEASEA by 2020. We believe that through our own network, as well as through our partners and alliances, we have the necessary local knowledge, expertise and understanding of the risks and opportunities to successfully create and capture significant value in those markets. This positively contributes to QNB's growth and adds additional strength to the Group by diversifying our sources of revenue and profit.

> “MEASEA markets will remain the focal point for long-term global growth.”

Creating and delivering value

Our capital strength, expanding international network and first-class customer service deliver real, sustainable value to all our clients

Creating meaningful value for our clients is a fundamental part of our mission at QNB. We do this by leveraging our core strengths across the markets in which we are present. We stand out as a strong international bank, operating as a full-service financial institution in our core markets of Qatar, Turkey and Egypt, and as a wholesale commercial bank across a range of frontier and emerging markets in MEASEA. We also have a growing presence in more developed economies, such as UK, France, Switzerland and Singapore. By doing so, we help to grow and protect wealth for all our clients through our range of banking services. This includes financial returns for our shareholders as a long-term growth and value stock.

We offer a wide range of benefits for our customers in a professional and ethical manner, and contribute to local, national and regional economies. We do not limit our engagement to financial contribution alone, but also bring a social contribution to the countries and communities in which we operate.

While doing this, we offer fulfilling careers for our highly-motivated and engaged employees.

Our ability to support the aspirations of those who bank with us is further strengthened by:

Solid capital strength and ratings from global institutions

Since our foundation in 1964, we have used our extensive experience and prudent nature to create and maintain a strong balance sheet. This means that, unlike many other banks, we have the capital and agility to take immediate advantage of the opportunities we see in our markets.

QNB Group is one of the highest-rated regional banks from leading rating agencies including Standard & Poor's (A), Moody's (Aa3), Fitch (A+) and Capital Intelligence (AA-).

An expanding international footprint

Our growing international footprint is largely in frontier and emerging markets. As we expand, so too do the opportunities across our network.

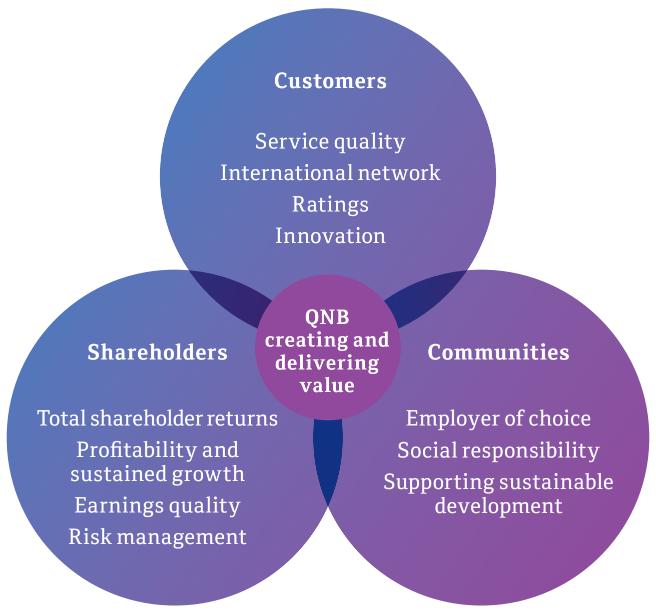
We are now present in more than 31 countries across Asia, Africa and Europe.

We position ourselves as the financial gateway to the MEA region. Our competitive advantage is to leverage our strong rating and presence in markets that are often neglected by global banks or which are underserved by regional players. This enables us to create wealth, as well as facilitate trade and investment flows between Asia, Africa and Europe.

As the leading bank in the MEA region across all major financial metrics and the fourth largest publicly traded company by market capitalisation in the GCC, we are the preferred choice for major corporations, institutions, SMEs and individuals seeking a trusted financial partner.

Our network continues to expand in line with our strategy. We are also proud to have opened our first branch in India, the seventh largest economy globally. Furthermore, we opened our first branch in the Kingdom of Saudi Arabia.

Creating and delivering value



This, in turn, enhances our ability to successfully expand our business as we enter new territories and develop new product lines.

Innovation and digital transformation

We are determined to lead the way when it comes to developing better and more personalised banking. QNB Group has started to actively engage in innovation, not only through innovative products and services, but also by embedding a culture of innovation within the Group. We see innovation as employee-driven as well as market-driven. Employee-driven means that we will leverage our own employees to identify opportunities for innovation every day, from new ways of engaging with customers through to improvements in how we work. Market-driven will be through alliances with partners, incubators and startups, which allows us to be at the forefront of new trends and technologies to remain competitive in a challenging and ever-evolving landscape.

Brand recognition and consistency

QNB has one of the strongest brands in the MEA region, both in comparison to our banking competitors and across sectors. This brand recognition is a powerful enabler for our Group's business. It is built on numerous achievements, including our consistent delivery of strong returns, maintaining our position as the leading MEA bank across all financial metrics, our top-tier ratings, and our continued positive recognition by international institutions. In addition, we continue to be recognised through a string of awards from leading international specialised financial publications.

In 2017, we continued to deliver value by:

- diversifying our sources of earnings to reduce our exposure to any single market;
- growing our loan book while maintaining an excellent non-performing loan ratio;
- maintaining low costs and high operating efficiency;
- maintaining a strong capital adequacy ratio; and
- enhancing long-term shareholder value through growth in earnings per share.

Read more in our Operational performance section on page 23

Below: This year we have opened our first branch in India.

QNB Group's strategy

Our aspiration to become a leading bank in MEASEA by 2020 is built on a consistent, prudent growth strategy

> "QNB's focus is to capture risk-adjusted returns in attractive markets that allow the bank to continue its strong growth."

Our overarching strategy remains focused on two growth engines: to protect our dominant market position in Qatar; and to grow our international presence organically and inorganically, particularly in MEASEA.

In Qatar, we aim to maintain our market share and profitability in the public sector. We are also committed to growing our share and profitability in the increasingly important private sector, as well as continuing to support our individual customers across the country.

International organic expansion is one of the cornerstones of QNB Group's strategy to achieve its vision of becoming a leading bank in MEASEA by 2020. Through this expansion and the diversification of our revenues and risks, our objective is to ensure 50% of our net income will be derived from the international markets by 2020. QNB's focus is to capture risk-adjusted returns in attractive markets that allow the bank to continue its strong growth.

We have formulated specific strategies for our core markets Turkey and Egypt, which are key contributors to QNB Group's 2020 vision. As a result, we have started a new programme to identify additional levers to generate revenue and cost synergies across the Group.

One of our objectives is to capture market share in countries which demonstrate strong macroeconomic and banking sector growth, higher than average net interest margins (NIMs) and a good mix between interest and non-interest income.

To realise these opportunities, we will continue to build a specialised global wholesale business by expanding to regional hubs and origination centres such as Hong Kong and Mumbai. We will also continue to expand in the asset and wealth management arena by broadening our fund offering and strengthening our fund distribution capabilities internationally.

QNB will be very selective with regards to further inorganic expansion and carefully consider this through relevant market feasibility and market entry studies. Markets of relevance would be considered based on their macroeconomic outlook, banking sector penetration, growth potential and regulatory requirements for market entry. We will consider the potential of acquisitions on a purely opportunistic basis if suitable targets are available in these markets.

The financial services industry is evolving and is at the cusp of a paradigm shift due to disruption and disintermediation by non-financial players. In response, we have defined innovation as a new strategic component. We view this as an additional revenue-generating opportunity and have commenced a group-wide innovation programme. Our mission is to incubate an innovation culture through an employee-led component, as well as to identify new trends in technology through a market-led element.

Strategic pillar	Measured by our six key performance aspirations
Protect dominant market position in Qatar Accelerate international growth	1. To maintain a strong rating 2. To be a financial institution of choice 3. To be an employer of choice 4. To be a leading brand 5. To be a leader in customer service 6. To enhance long-term shareholder value through sustainable, profitable growth

Read more on page 20

Growth engine	Steps taken and achievements in 2017	2020 strategic initiatives
Protect dominant market position in Qatar Maintain our market share and profitability in the public sector Grow our market share and profitability from the private sector and individuals	Enhanced transaction banking infrastructure Refined SME sector-specific offerings Streamlined SME credit processes Forged new alliances with strategic partners Augmented digital and remote offering within our channel mix Revamped and launched new high net worth individuals (HNWI) value proposition Deepened private sector relationship for commercial	Increase transaction banking's share of wallet within Qatar Enhance specific SME value propositions Further enhance customer experience in our physical and remote distribution channels Develop innovative services across the consumer banking multichannel mix Deepen our product offering for HNWI and ultra-high net worth individuals (UHNWI) Continue to expand our share in the private sector
Accelerate international growth Build a specialised international wholesale bank Expand asset and wealth management Significantly focus and scale up current international footprint Selectively explore inorganic opportunities	Enhanced transaction banking infrastructure across the network Enhanced capabilities and governance to maintain a robust control environment Obtained approval and launched funds distribution in Europe through the UCITS platform Strengthened monitoring of country and sector-specific limits Increased specialist coverage teams across hubs for structured finance, transaction banking and FI teams Strengthened cross-border mortgage and non-resident offering across selected countries Commenced extraction of synergies from previous acquisitions Streamlined the international corporate credit process Upgraded our representative office in India to a branch Opened our first branch in the Kingdom of Saudi Arabia Formulated a new five-year strategy for QNB Finansbank Completed the execution of QNB Al Ahli's strategy as Egypt's second largest privately-owned bank	Continue to expand business origination centres across MEASEA Refine the value proposition and position QNB as a niche player Ramp up our international asset management fund offering across selected markets Strengthen fund distribution capabilities in Europe, Asia and Africa Enhance QNB's risk appetite to support growth in new geographies and segments/sectors Continue to expand structured finance capabilities across regional hubs Augment the QNB First international offering through additional value-added services Deepen relationships with our strategic partners across MEA Continue to strengthen our infrastructure capabilities across regions to improve efficiency

Delivering sustainable results

Our strategy is underpinned by six key performance aspirations

> QNB remains the highest-rated bank in Qatar and one of the highest-rated banks in the world.

28,275
employees worldwide

4,308
ATMs

1,235
branches

Read more in our Operational performance section on page 23

1. To maintain a strong rating

QNB Group remains a highly-rated bank, demonstrating a strength that continues to attract institutional, corporate and individual customers to bank with us, and for investors and markets to believe in us.

Due to the blockade, the State of Qatar sovereign ratings were downgraded with a negative outlook by the major rating agencies. The sovereign remains highly rated, currently at three notches below the highest rating. This in turn resulted in a follow-through downgrade of the banks in Qatar, including QNB.

Despite this, we are pleased to say that QNB remains the highest-rated bank in Qatar and one of the highest-rated banks in the world with the fourth-highest rating from the major rating agencies of Moody's, Standard & Poor's and Fitch.

These ratings are a testament to our capital strength, strategy, governance, prudent risk management, business and operating model.

This provides us with a competitive advantage to access global capital markets for wholesale funding and enables us to continue our growth and expansion plans in line with our strategy.

2. To be a financial institution of choice

The quality of our executive management team, robust cost controls, market-leading capital ratios and strong and growing relationships with both the public and private sectors, help make QNB Group the first choice for prospective customers. QNB is at the forefront of their mind when considering a financial partner and we are pleased to have been awarded the top-listed bank in The Banker's list of the Top 100 Arab Banks for 2017 and Forbes' Top 100 Companies in the Arab World.

It is also important to us that existing customers and partners act as ambassadors for our business. Our goal is to be regarded as a valued participant and partner in the economies and business landscape across every region in which we operate.

These goals will be met by continuing to operate our business with professionalism, independence and objectivity, integrity and ethical conduct – listening and responding to our customers, business partners and employees in an atmosphere of mutual respect and trust.

3. To be an employer of choice

Our employees are paramount to our business success. By fostering a high-performance culture, investing in ongoing training and development, and by encouraging loyalty and respect, we empower and reward our staff.

This year we increased the frequency of our employee engagement survey from every two years to annually. We have also bolstered our international mobility scheme and continued to grow our graduate training scheme.

Regularly placed among the top employers in the Middle East, our most recent employee engagement survey placed us 6% above the Middle East financial sector benchmark. In comparison to regional and industry benchmarks, QNB is above or in line with the markets for most performance metrics. However, as the search for talent continues to create challenges, we are not complacent.

56%
year-on-year growth in brand value

6%
above Middle East benchmark in employee engagement

53.7%
local Qatari workforce

> Our mission is to offer an unrivalled customer experience, making the entire process of banking easier, safer and more efficient.

Attracting and retaining superior talent in Qatar and across our diverse international network remains paramount. We employ some 80 different nationalities across our operations, which drives a culture of mutual trust, innovation, loyalty, meritocracy and respect in our highly-diverse talent pool.

Our Qatarisation drive, which is in line with the 2030 National Vision, has created a local Qatari workforce of more than 53.7% – one of the highest rates in the Qatari banking sector. Our staff turnover is one of the lowest in the industry – in 2017 it stood at only 6.5%, even lower than 2016.

4. To be a leading brand

This year QNB has become one of the top 500 global brands according to the Brand Finance® Global 500 2017 report. Our brand value rose 56% year-on-year driven by its continued robust financial performance and its successful international expansion. QNB is ranked as the most valuable banking brand (USD3.83 billion) in the MEA region and the second-ranked in the MEASEA region. Globally, QNB is ranked as the 60th most valuable bank brand. In addition, The Banker magazine continues to place QNB in the world's top 100 banks.

This reflects the Group's continuous strong performance, expanding international presence and growing brand recognition. We will continue to cultivate our brand by further expanding internationally and by serving the needs of our growing and diverse customer base.

5. To be a leader in customer service

Our mission is to offer an unrivalled customer experience, making the entire process of banking easier, safer and more efficient. From individuals to the largest global corporations, we aim to ensure each receives excellent value from us and that we always appropriately support their needs and guide them in their financial and business aspirations.

We do this by listening to and understanding our customers, encouraging innovation from within our business, working with external partners to develop new digital technology and ways of working, and providing ongoing training for our staff.

For us to stand out in terms of customer service, we require excellence in people, technology and processes to clearly understand and respond to our customers' needs. These do not operate in isolation, but reinforce each other.

6. To enhance long-term shareholder value through sustainable, profitable growth

Over the past year, QNB continued to see strong growth across assets, loans, deposits and net profit. The strength of our capital allowed us to grow our balance sheet in a controlled way and take opportunities within, across and beyond our network.

Meanwhile, a strong credit rating and a stable long-term outlook with leading agencies also enabled us to access capital markets for funding our future growth plans.

Our geographic diversification and expansion has resulted in a profit contribution from the international network of 36%.

We do this by successfully executing upon our strategy of controlled organic expansion, selective acquisitions, and leveraging our competitive advantage. Further details can be found in the Group Chief Financial Officer's report on page 76.

Operational performance

Here we examine the key achievements and developments across our businesses. Read about **Wholesale and Commercial Banking (page 24), Retail Banking (page 32), Asset and Wealth Management (page 36)** and the **International Business (page 38)** for 2017 and discover the strategic plans that will help us fulfil our ambition to become a leading bank in the Middle East, Africa and Southeast Asia (MEASEA) by 2020.

Wholesale and Commercial Banking

The strength and depth of our relationships drive our success, promoting long-term prosperity

What we do

We offer a selection of products and services created specifically for our wide range of diverse customers. They are tailored to individual industry sectors and specific customer needs and help to ensure a strong competitive advantage. These include:

> wholesale, commercial and SME banking services;

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

> transaction banking, including trade finance solutions and global cash management;

> financial institutions, with an extensive correspondent banking network;

> investment banking via QNB Capital, offering comprehensive corporate advisory services covering all aspects of corporate finance; and

> treasury, with a full suite of treasury products and services.

Domestic Corporate

This year was fundamentally solid in Domestic Corporate Banking with many new opportunities on which to capitalise, in addition to being part of key national projects.

As before, we remain focused on four primary areas: utilities, transport, 2022 FIFA World Cup® infrastructure, and real estate, all of which continue to forge ahead. As well as financing principal projects, we have also been involved with many other underlying projects related to each of these sectors, allowing us to create additional value for stakeholders.

Within the utilities sector we have financed substantial water, power and sewerage projects throughout the country.

Within transport, we continued to help with the financing of vessels and aircraft for prime shipping and transport companies, and worked with Qatar Rail to provide support in the development of its network across Qatar. We are financing several different components of the rail infrastructure, including elevated, underground, stations and equipment.

The 2022 FIFA World Cup® in Qatar presents a wonderful showcase opportunity for the State of Qatar. This opportunity to build large-scale infrastructure and development projects is in line with Qatar National Vision 2030 goals and nationwide development principles to diversify the economy. With the FIFA World Cup just four years away, we remain extremely active in a wide range of projects, such as highways, stadium construction and general infrastructure projects. Qatar has the financial resources, commitment and drive necessary to meet the opportunities and challenges presented by hosting such a significant and global event.

We have been equally busy in the real estate sector. In addition to the iconic Lusail City development, we are supporting the growth in hotel accommodation needed for the World Cup. Around 60,000 hotel rooms will be needed by 2022 and beyond, while only some 24,000 exist in Qatar today. We are also financing several significant new retail projects, supporting both infrastructure and retail development.

Share of QNB Group net profit

59%

Wholesale and Commercial Banking net profit (QR billion)

Top: We are extremely active in a wide range of national projects that support Qatar National Vision 2030 goals.

Left: Transportation and logistics firms will benefit from the opening of the new Hamad Port.

> “QNB has been awarded the ‘Best Bank in Qatar 2017’ by Global Finance magazine.”

Despite the blockade, several opportunities have presented themselves to allow us to further support the Qatari private sector. Our aim is to build self-sufficiency and ensure sustainability of the local economy.

Certain domestic industries are already benefiting from the opportunities created by the blockade. For example, a number of private sector initiatives to make Qatar more self-dependent in food production have been launched, such as large-scale dairy and poultry farms. Local production of other goods is also being encouraged through government support. Transportation and logistics firms will gradually benefit through an increase in trade volumes arriving directly in Qatar at the new Hamad Port, which opened in September 2017.

Finally, visa restrictions have been lifted and new hotels and other tourism initiatives have been launched in a renewed drive to attract international tourists. This provided us with many new business opportunities in these sectors.

The recipe for our success derives from our capability to create value from each underlying project, such as extending our services across the entire value chain. This allows us to offer superior services and capture new clients.

Domestically, QNB Group will continue to support the economic development of Qatar and its national strategic projects. QNB Group is committed to invest in Qatar's future and it continues today with significant financing support deployed on major projects, in addition to its overall SME value proposition with sector-specific lending programmes.

Wholesale and Commercial Banking
continued

> QNB is committed to helping the economies of the countries in which we operate by supporting the SME sectors with flexible and innovative products.

SME banking

QNB is fully committed to, and supports, the goals of Qatar's National Vision 2030. The primary goal is to diversify the economy by strengthening the private sector. As a financial intermediary, we view ourselves as a natural catalyst to nurture the growth of the private sector, specifically SMEs.

QNB Group continued to build on the successful launch of its SME unit as a one-stop shop. We have broadened our value proposition for SMEs to enable a seamless service to support them throughout all lifecycle stages. This service helps to drive our competitive advantage in this segment, supported by fast turnaround times in the approval process, and sector-specific product bundles.

We remain committed to the SME community with a representative at the Qatar Business Incubation Centre (QBIC), which enables SMEs to have many of their needs addressed by the various government institutions and QNB at a single location. We have also nurtured existing strategic alliances, such as with Qatar Businesswomen's Association and Manateq, the latter being a government-led initiative to accelerate entrepreneurship in the private sector.

This year, we have seen substantial growth in the SME business across a range of sectors, from manufacturing and food, all the way through to education and health.

In addition to the launch of an award-winning new corporate credit card scheme with MasterCard, we have successfully piloted an e-commerce platform called 'QNB Simplify'. This is designed to provide lightweight e-commerce solutions for small businesses and enable them to enter the e-commerce business without any technology prerequisites.

Additionally, we have recruited more highly-qualified relationship managers, simplified our account opening procedures, launched new customer-friendly products and further strengthened ties with the various Qatari government programmes. Because of these initiatives, the number of new accounts opened in Qatar has increased by more than 16%.

Looking ahead, in Qatar we will continue to enhance our overall SME value proposition for our sector-specific lending programmes for manufacturing, trading, tourism, healthcare and education to cater for the segment-specific needs of our clients.

Throughout our network, QNB is committed to helping the economies of the countries in which we operate by supporting the SME sectors with flexible and innovative products. In Oman, we have seen expansion of SME clients in the manufacturing, food and logistics sectors.

Right: In Egypt, QNB Al Ahli's branch network has more than 210 branches across the country, supporting SMEs.

16%
growth in new SME accounts opened in Qatar

In Turkey, SME banking continues to be a core business focus of QNB Finansbank, which is continuously expanding its capabilities and launching innovative products to serve more than 390,000 active SME customers. Over the past five years, QNB Finansbank increased the number of specialist staff serving this segment in Turkey by over 30% to 1,400 team members. Furthermore, the 'SME Cloud', another innovative channel staffed by qualified remote relationship managers (RMs), can handle all sales and service needs for our customers over the phone. We are the first in the market to offer loan disbursement on the phone or via internet banking for SME customers and have the widest range of SME products available over the phone in Turkey.

In Egypt, QNB Al Ahli's branch network of more than 210 branches across the country continued to support the SME sector. QNB Al Ahli's SME success story started in 2009, and today we have a long list of outstanding achievements and awards. Most recently, we have been awarded the '2017 Best SME Bank in Egypt' from Global Banking & Finance Review, International Finance Magazine and Capital Finance International Magazine.

Continuing on this success, this year QNB Al Ahli initiated the spin-off and development of a standalone SME business with dedicated and experienced SME relationship managers and a dedicated call centre. Moreover, we reinforced our support for the industrial sector by signing agreements with the Roubaiky industrial area, as well as the Industrial Development Authority (IDA) to support SMEs. We are facilitating access to financial services for clients in remote areas, supporting one of the key focus areas for the Central Bank of Egypt (CBE), as well as the Egyptian economy in general. These initiatives are helping QNB Al Ahli become the preferred bank in Egypt across all customer segments, from micro to large corporates.

International Corporate

Our international banking business contribution continues to grow as in previous years. We have deepened our relationships with our existing clients, forged new relationships and grown net profit from our international markets.

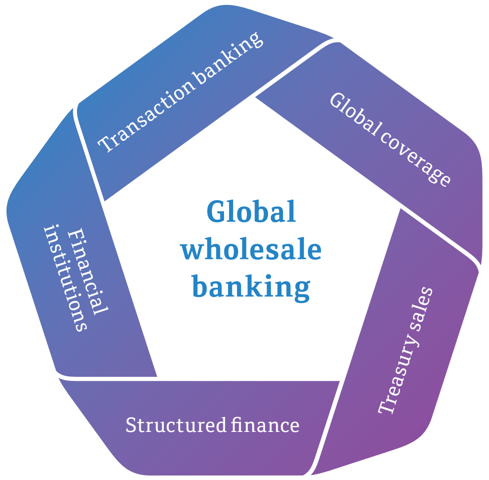
Despite the difficult macro and competitive environment, we have been particularly active and successful in raising large corporate deposits from key clients in Europe and Asia, helping us to generate greater liquidity for QNB as a whole. Our financial strength and strong ratings enable us to be an attractive partner for large corporate and financial institutions, allowing us to access liquidity in markets where QNB does not have a presence.

The consolidation of our Global Account Management model introduced in May 2015 continues to strengthen our proposition. The model provides greater opportunities for cross-selling and has enabled us to better cater to our global customer needs. Throughout 2017, we have strengthened our relationship management model with our international branches and subsidiaries. It has already served to attract more multinational customers and has deepened the relationships we have with existing customers. This will continue to be a focus area for the Bank in 2018 and beyond, as we believe we still have a lot of room to better serve our customers and grow fee income.

In Turkey, Corporate Banking recorded a cash loan growth of 44% and non-cash loans growth of 48%. QNB Finansbank provided significant support to critical projects for Turkey's development. Accordingly, project finance loans grew by 30% during the year. The Bank's project financing portfolio comprises projects in infrastructure, energy, real estate and public-private partnerships (PPP).

Become the gateway to the Middle East and Africa across the globe

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



Wholesale and Commercial Banking
continued

QNB Al Ahli won three prestigious awards:

Best Telecommunication Deal in Africa 2016
EMEA Finance

Best Transport Infrastructure Deal in Africa 2016
EMEA Finance

2016 MENA Transport Deal of the Year
IJ Global Awards

Project finance loan amounts in infrastructure projects grew by approximately USD300 million, energy projects by USD100 million, real estate projects by USD240 million and PPP projects by USD37 million. Corporate Banking deposit volume grew by 51% year-to-date.

With a solid footprint, QNB Al Ahli maintained its market leadership in Egypt. Its adaptive corporate banking model enabled it to adapt to a challenging market and to stand side by side with its clients to record a loan portfolio growth of 23% in 2017. We have arranged several large-ticket transactions, from financing mobile operators to acquire 4G licences, to oil and gas funding needs, to electricity generation and distribution projects in Egypt.

In Indonesia, we have expanded our wholesale banking business while improving the quality of the portfolio. We grew our portfolio prudentially and focused on several key industries such as property, FMCG, manufacturing, construction and building materials, trading and retail, palm oil plantations and refineries, hospitality and infrastructure. In 2017, we established the QNB Indonesia Transaction Banking division, which enriched our product suite for our corporate banking customers.

One of the landmark deals closed by QNB Indonesia in 2017 was the loan syndication for Gajah Tunggal, the largest tyre manufacturer in Indonesia, with significant market share in the Southeast Asia region. QNB Indonesia was awarded Mandated Lead Arranger (MLA), along with three other banks, for a syndicated financing amount of USD250 million with a five-year tenure.

Looking forward, market opportunities throughout our international network still offer us exciting growth potential. We will continue to broaden and deepen our MEASEA network to better serve our current and future customers.

Global transaction banking

Business today is becoming global faster than ever. The need for efficiency, working capital and commercial risk management on a national, regional and international scale is increasing as companies establish manufacturing and sales organisations overseas. Our aim is to further raise QNB Group's profile as the global payment provider and the trade finance gateway to MEA.

Efficient management of global trade and supply chains is critical for sustainable growth. The achievement of business goals also requires sufficient working capital and commercial risk mitigation. We are partnering with various global clients to establish regional supply chain and receivables finance programmes to help them improve the efficiency of their cash conversion cycle.

Our success this year has been driven by: working closely with our international network, particularly with our subsidiaries, to align our services; introducing a variety of new products which helped us capture more business; and establishing deeper relationships with a number of multinational companies with significant trade volumes. These initiatives have been assisted by a continued rollout of our front-end platform, 'Trade Portal', across the network. Specifically, we have managed to increase business from our international network in the UK, France, Singapore, India and our strategic partner Ecobank in Africa.

Below: In Indonesia, we have expanded our wholesale banking business while improving our portfolio quality.

> “We continue to develop new ways to connect with our customers and to deliver innovative banking solutions.”

Companies are increasingly looking to implement standardised fully-integrated end-to-end corporate treasury solutions for higher efficiency and streamlined processes to connect businesses across continents.

Our hubs in the Middle East, Europe and Asia demonstrate our commitment to supporting our corporate customers with their global cash management needs. Our modern, scalable internet banking capabilities can support fully automated international payments and collections processing across the globe. In addition, our international branches are linked to local clearing networks.

As a leading bank, we continue to develop new ways to connect with our customers and to deliver innovative banking solutions.

One of our major initiatives this year was to design a new internet-based global cash management platform with more user-friendly and easy-to-manage features to better meet global standards.

We have also further developed our 'single window' concept. Our corporate clients can view their account statements and initiate payments across multiple geographies 24/7. The success of these developments and product lines are clearly demonstrated by the rapid growth of our cash management customer base, payment numbers and straight-through-processing ratio.

Security remains a key focus and we have continued to invest to ensure that our safeguards comply with the highest global standards. Dual-factor authentication, mobile and physical tokens with dynamic password generation capability, and multiple authorisation levels with sophisticated user setups are examples of the superior security we use to ensure that our clients can undertake transactions in a convenient, yet secure, fashion.

We have created a designated customer help desk to offer more personal support for our customers, helping them to secure even greater success in their business expansion and developments across the globe.

Next year we will continue deepening our relationships with key clients and building our capability infrastructure.

QNB's Global transaction banking strengths

- Investment in technology and keeping up with latest formats/standards
- Leading domestic presence in Qatar
- Leading regional presence and growing international network
- Ability to support high-volume transactions via automation
- Comprehensive product offering to support trade and investment flows
- Experienced transaction banking teams located in key hubs and markets
- Strong credit ratings
- Multitude of proprietary and multi-bank channels

Wholesale and Commercial Banking
continued

Global structured finance

Our innovative structured finance solutions serve to meet the complex requirements of our customers on major capital projects and in corporate financing. These include syndication, project and agency financing, acquisition financing, real estate and asset-backed financing, such as aircraft and shipping fleets.

With product coverage focused in the Middle East, Southeast Asia, Europe and Africa, we have expanded our geographic coverage in our hubs in Singapore and London, and set up satellite teams in subsidiaries and associates in Turkey, the UAE, Egypt and Indonesia. We cover both conventional and Islamic facilities in markets where QNB has a presence and in other selected markets.

In the syndication space, QNB Group arranged and underwrote several large deals in the Middle East, Europe and Asia, including a USD1 billion syndication for the Government of Sri Lanka, a USD820 million syndicated facility for a major highway project in Qatar, a USD350 million syndication for Puma Energy, Turkish contractor financings for offshore projects, refinancing for a UK utility and a syndicated facility for a manufacturing concern in Asia.

In project finance, QNB was at the top level, including as an MLA, in a number of transactions, including deals of over USD1.4 billion in Oman. We were also very active in acquisition finance within our large footprint, with Middle Eastern investors acquiring in the European market, European clients acquiring in Turkey and mergers of Asian and European corporates.

In asset-backed and real estate finance, QNB Group arranged and underwrote several large deals, including aircraft financing for over 25 aircraft and real estate developments in the Middle Eastern and European markets.

QNB Capital

As the investment banking arm of QNB Group, we are an established leader in the Qatari corporate advisory market and have also become increasingly active on the international stage.

This year, our corporate finance team has been supporting domestic and international clients on many mandates with a comprehensive range of advisory services, including mergers and acquisitions, equity and debt capital markets and project finance. We have also provided strategic advice on corporate restructuring and real estate.

In the equity capital markets, we have had a positive year, being involved in several major IPO advisory mandates and supporting financial and organisational restructures both within Qatar and abroad.

In debt capital markets, we have also been very active. This year we acted as joint lead manager on various significant deals. These included:

- a USD500 million bond for Ahli Bank;
- Republic of Tunisia sovereign bond of USD1 billion;
- Standard Chartered Additional Tier 1 bond for USD1 billion;
- Republic of Turkey sovereign bond of USD2 billion; and
- QNB Finansbank bond of USD750 million.

In addition, we continue to advise a range of government agencies, particularly on self-sufficiency and resilience, as well as international businesses on their ongoing financial strategies. We are supporting Qatar in its economic diversification, especially in commodities, agriculture and food security.

Our dialogue with our colleagues in QNB Finansbank and across the wider QNB Group geographic footprint has continued to drive results, creating opportunities in new markets that we will further develop in 2018 and beyond.

QNB Capital offers comprehensive advisory services covering all aspects of investment banking

Left: Our dialogue with our colleagues in QNB Finansbank has continued to drive results, creating greater opportunities.

Treasury

QNB's treasury function is split into treasury trading and treasury sales activities. Trading activities consist of asset and liability management, foreign exchange, fixed income and hedging.

Sales activities are focused on corporate and retail customers, including high net worth individuals and institutional customers. Within the framework of a centralised governance through treasury in Qatar, the Group's approach is to ensure self-funding of all QNB branches/relevant network countries and an autonomous asset and liability management, complemented by a proactive treasury sales approach.

Building out the treasury business, we have enhanced our treasury offerings across the Bank's international network. Furthermore, we have hired a new head of structured products and derivatives, who will be responsible for bringing new products and services on board. This role reflects the strength of the function and adds an extra layer of expertise.

The treasury systems upgrade we began at the end of last year was completed in December for Qatar and the UK and will be extended into our Asia hub in Singapore over the next year. This will help us to offer a far broader suite of treasury products to our clients, with significantly enhanced risk management.

We have a well-established and diverse international wholesale funding platform consisting of deposits, structured deposits, Certificates of Deposit (CDs), and both public and private placement bond issuance under our Euro Medium-Term Note (EMTN) programme. The Bank has an extremely broad investor base, and liabilities are raised in many currencies across the full tenor range.

We have built on the success we saw last year in growing our markets in Southeast Asia, and particularly in Taiwan. In September 2017, QNB Group successfully completed the issuance of Formosa bonds under its EMTN programme, listed on the Taipei Stock Exchange. Under this programme, a USD630 million tranche was issued with a maturity of 30 years callable every five years. The 30-year structure is a first for QNB for long-term financing, assisting us in taking further steps in asset and liability matching. The issuance was part of QNB Group's ongoing strategy to ensure diversification of funding in terms of type, tenor and geography. This Reg S issue attracted strong interest from Taiwanese investors. This success is a testament to the trust of international investors in QNB Group's strategy and the strength of its financial position.

The deal followed a successful series of investor engagement roadshows which emphasised the strength, health and agility of QNB Group. This is an example of a highly diversified international and local funding base spread across various geographies in terms of currencies, tenors and product mix.

While there have been some minor adjustments to our funding strategy since the blockade began, the Bank continues to have good access to funding and maintains a strong and robust liquidity profile, as reflected by all key ratios. QNB Group follows a very conservative approach to managing its liquidity needs and a prudent liquidity management programme is in place to address urgent and exceptional business requirements.

Retail Banking

Our multichannel products and services keep customers perfectly connected at home and abroad, allowing them to bank anytime, anywhere

What we do

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

- 65 branches in Qatar and 1,170 abroad;
- more than 800 branch staff in Qatar and 17,000 abroad;
- more than 434 ATMs in Qatar – the largest network in the country – and 3,874 abroad;
- innovative and user-friendly internet and mobile banking offerings;
- market-leading premium proposition through the QNB First and QNB First Plus offering; and
- international retail offering through the QNB First Global Recognition programme with global account access across our international network.

The shift from physical to digital banking continues to evolve and, once again, we are at the forefront of this developing trend. We have been firmly focused on improving our outstanding customer service, complemented by tailor-made innovative products and services for each segment we serve through our multichannel offering.

In 2017, the number of active online customers rose to 70% of our total customer base. Meanwhile, cash deposits at our ATMs make up more than three quarters of total deposit transactions, demonstrating our successful approach at transitioning transactional activities to remote channels.

Embracing digital innovation

We have once again seen a rise in our e-channel activity – up 17% on last year.

This year, we enhanced our mobile app with the introduction of 'Mobile Cash', allowing customers to pay bills to a growing number of suppliers or to send cash to anyone instantly. There is also an augmented reality feature that locates the nearest ATM in seconds. Also new is the ability to track bank payments and local and international bank transfers. Customers can instantly redeem 'Life Rewards' points with our vast range of partners and alliances as part of our rewards programme.

To provide upmost security in all our banking services, we are committed to leveraging technology to enhance security. As part of this initiative, we have continued to roll out iris scanning across our ATM network – the first Qatari bank to do so – alongside fingerprint recognition in our mobile banking apps.

Iris registrations have continued to grow, reflecting customer demand for innovative solutions that provide fast and convenient access to the most popular electronic services, while at the same time ensuring tighter security.

We are capitalising on the success of the launch of our Interactive Teller Machines (ITMs). In branches that have an ITM, around two-thirds of transactions are conducted on the machines, resulting in major savings and an increase in customer satisfaction. We have also seen a large uptake from SMEs using this service. As a result, we have expanded the number of ITMs available in branches across Qatar in our Retail, Corporate and SME branches.

Earlier this year, we introduced self-service cheque deposit machines that allow customers to deposit cheques at ATMs 24 hours a day, seven days a week.

Above: We have enhanced the features and functions in our mobile banking app.

Right: We have once again seen a rise in our e-channel activity.

18%
growth of e-commerce volumes

21%
growth in digital customers in Turkey

In 2017, QNB Finansbank worked relentlessly on its mobile banking offering, its most frequently touched and widely-used banking channel. The Bank brought Western Union© money transfers to mobile banking, the first in Turkey. Our customers can now send money to more than 200 countries around the world via mobile banking. We also added the capability to send money from our mobile banking app to any mobile phone number, enabling the recipient – either unbanked or banked – to directly withdraw money from any QNB Finansbank ATM. We launched 'KrediGo', Turkey's first dedicated mobile app for consumer loans. Both customers and non-customers can obtain loans through the app.

Continuously improving in every facet of digital banking, QNB Finansbank faces increasing demand for innovation from our customers. Our digital retail customer base has continued to grow – up 21% with two million customers using online banking or mobile banking channels.

In Egypt, new digital products were launched as a result of the Bank's continuous efforts to introduce diversified advanced payment solutions. This year, we expanded our mobile banking offering, making it easier for our Egyptian clients to perform various banking transactions. We have also launched an 'e-wallet' service, which allows our customers to transfer money, pay bills, or make donations directly from their mobile in a convenient, fast and secure way.

Similarly, we have expanded 'DooEt', our innovative virtual account and mobile banking platform in Indonesia. With 'DooEtflexi', we make it easier for prospective customers to open a savings account without visiting the bank. In 2018, we will continue to expand this innovative product by rolling out digital loan services that will integrate with multiple external platforms.

Delivering first-class customer experience

With only a small number of our customers' transactions now being done over the counter, our branches have become a destination for customers seeking advice and more complex assistance with their banking needs.

We continued our programme of customer-centricity. For us, this means focusing on customers' holistic financial needs with solutions around financing, savings, investments and bancassurance. Our branches primarily offer customer advice on our products and services, while we leverage our electronic channels to enhance convenience for customers to conduct their transactions. To support this, we have customer service specialists at every branch in Qatar, offering immediate expert help on arrival. They act as a guide to our unique remote services, such as our ITM and cheque deposit machines, to save time and reduce activity inside the branches themselves.

Retail Banking
continued

We have continued to develop our staff training programmes. Every branch employee benefits from a workshop to ensure we offer a best-in-class customer experience. Our success in this area is not limited by borders and we continue to be active in supporting our Envoy and Ambassador programmes that share learning and best practices across our international network.

Growing the card business

The performance of our card business is particularly strong, with growth in all areas with regards to value, volume and profitability. This has been driven by a combination of new products and services and using strong consumer insight, such as:

> 'Smart Instalment Plan', which allows customers to convert high-value purchases made anywhere in the world to affordable monthly interest-free instalments using QNB Internet Banking;

> 'One Time Password' security feature, enabling greater peace of mind for credit card holders when purchasing on the internet;

> 'Payment Holiday', which allows customers to defer monthly credit card payments for greater financial flexibility;

> limits for bill payments, along with the ability to track transfers and any payment history across all our channels;

> more utility bill payment options for customer convenience, including a new American Express card payment facility; and

> PayPal services on our e-channels – QNB Group is the first bank in Qatar to do so.

Supplementing our growing product suite, we continue to implement exclusive campaigns throughout the year to promote the acquisition and usage of our business through world-class partnerships and experiences, such as an exclusive partnership with the UEFA Champions League. We have also opened a third state-of-the-art card centre in Doha, and have rolled out some of our card services to branches in our network to provide our customers with faster access to cards. As a result of these initiatives, we have managed to keep acquisition, attrition and limit utilisation at very healthy rates.

Below: Global premium banking experience for our QNB First members.

We are proud to have been awarded six notable awards reflecting our achievements in 2017:

Best Mobile App in Qatar
QITCOM

Most Innovative Marketing Programme in MENA
MasterCard

Best Smart Branch Project in MEA
The Asian Banker

Best Mobile Banking App in MEA
The Asian Banker

Best Mobile Banking Project in the region
The Asian Banker

Best Retail Banker for the Middle East
The Asian Banker

The number of new merchants has risen substantially, averaging 50%, above our expectations. As well as making it easier and faster for merchants to get set up with us, we have improved our point of sale (PoS) terminals and added new features. We continued to introduce Dynamic Currency Conversion (DCC) for businesses and hotels that need a multi-currency settlement option and rolled out Chip and PIN acceptance, called Pay@Table – which synchronises PoS terminals with restaurant ordering systems.

We also launched the QPay Payment Gateway platform for the Bank's e-commerce merchants. This platform is the latest online card acceptance solution in Qatar that allows all domestic debit card holders to purchase goods online. It offers a simple, secure, convenient and fast way for customers to pay online, anywhere and at any time – to their advantage and to the advantage of merchants. This initiative has helped us grow our e-commerce gateway volumes by more than 10%.

In the same context, QNB Al Ahli in Egypt introduced 'm-Visa', an advanced cashless payment technology that allows cardholders to pay – and merchants to receive money – through their mobile phones without the need for a PoS unit. A first in the market, this product will expand the acceptance of digital payments and drive financial inclusion in Egypt.

Looking ahead, we will maintain a high priority in deepening our card proposition throughout our international network. Initiatives include the implementation of cards in new markets such as India and introducing the contactless Maestro card in Switzerland. Our aim is to further influence and change consumer behaviour by providing the most innovative, non-cash alternative in the markets that we operate in.

Enhancing our local and international premium banking offering

Our goal is to deliver a global premium banking experience for our QNB First and First Plus customers, no matter where they are located. We offer a wide range of innovative products and services across the countries where we have a retail presence.

To achieve this, our dedicated team of customer relationship managers (CRMs) work closely with individual customers to create tailor-made, affordable and flexible banking solutions based on their requirements.

Under the global recognition programme, QNB customers can open an account in several international markets such as the UK, France, Turkey, Egypt, Jordan, Kuwait, Oman and Lebanon, by visiting any local QNB branch. Along with the account opening, the programme offers customers several free services, including concierge services and cross-border mortgages.

Cross-border account opening and cross-border mortgages form the backbone of our global services and we have seen growth in both areas. Our cross-border mortgage services, supported by our real estate advisory service, are available in the UK, France, Lebanon, UAE, Turkey, Egypt and Jordan. This year we have attracted even more customers seeking to buy properties abroad, particularly in the UK.

Cross-border account openings have also flourished and we now have around 58% net growth in account opening versus last year across eight markets, including Jordan and Turkey, which have been added this year. Customers benefit from instant access, cash transfers and other benefits.

QNB First members also have global access to their accounts with QNB in Qatar, the UK, France, Oman, Kuwait and Lebanon in one global view with internet/mobile banking. Customers can conduct free and instant transfers across these accounts.

This year, our UK branch received approval from the Prudential Regulation Authority and the Financial Conduct Authority for a regulated home finance licence. This product is designed to help customers interested in buying property in the UK, whether it is buying an apartment for their children studying, a home for when the family is visiting, or building up a property investment portfolio.

The UK branch has obtained the Certificate in Mortgage Advice and Practice. Our home finance advisers assist customers from the beginning of the process through to the day they walk into their new UK home.

To further enhance our global customer experience, this year we launched QNB Explorer, our new and exclusive mobile app designed to support our Lifestyle Privileges programme. Replacing our 240-page printed booklet, the app provides our members with a continually updated showcase of exclusive global offers and account services, including GPS mapping.

We will continue to concentrate on enhancing the global experience for our members, expanding our network and developing more customised offers.

Asset and Wealth Management

Unrivalled insight and advice, alongside carefully considered new products, have helped us retain our leadership position

What we do

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

We also play an important role in promoting Qatar as a high-quality investment destination. Being one of the two GCC markets in the MSCI Emerging Markets group, Qatar is increasingly playing an important role in this investment space.

We are expanding into new markets and asset classes, attracting greater revenue into the business, both in Qatar and on the international stage, as we continue to deliver on our strategy of expansion. Our growing team of highly-experienced investment specialists provides advice to institutional clients, high net worth and ultra-high net worth customers, enabling them to take advantage of a greater range of opportunities than ever before.

Asset Management

We aspire to become one of the leading emerging and frontier fund managers, with a particular focus on MEASEA. We are planning to gradually expand the scope of our funds in the next year and beyond into MEA and Southeast Asian markets.

We continue to be Qatar's leading fund manager. The UCITS fund platform we set up last year is now fully operational, offering four funds to institutional and individual investors. These are the QNB MENA Equity Fund, the QNB MENA Debt Fund, QNB Global REIT, and the QNB ZyFin India consumption fund. The latter provides a unique opportunity for global investors to be a part of the remarkable and ongoing economic growth in Indian domestic consumption.

Meanwhile, we are seeing more opportunities for growth in Southeast Asia and the Far East. Yield-seeking institutional investors from Brunei, Malaysia, Singapore and Korea are among those who are showing increasing interest in capitalising on the fixed income space in the region.

As we continue to improve our customer experience, in 2018 we will launch our new reporting dashboard, giving clients easy access to instant and in-depth analysis of their funds – all in one place. Expanding our international distribution, we aim to explore new opportunities in Africa through direct marketing or other existing channels of distribution. We will also continue to execute our plans to enhance funds distribution in the UK, Switzerland, the EU and Singapore.

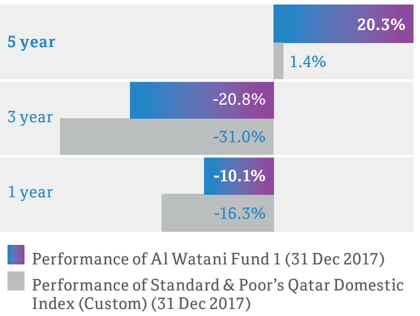
Private Banking

We remain the leading private bank in Qatar and continue to grow our offshore private banking services in Switzerland, one of the global hubs for private banking. This offering allows us to capture a share of wealth flows across our network. Through this, we have increased our ability to offer tailored investment solutions and bespoke wealth management services to high and ultra-high net worth individuals.

Share of QNB Group net profit

4%

Performance of Al Watani Fund 1



QNB was recognised as:

Asset Manager of the Year in Qatar
Global Investor Magazine

Best Broker in Qatar 2017
EMEA Finance Magazine

The Best Broker in Qatar
Global Investor Magazine

Above: We are continuing to grow our offshore private banking services in Switzerland.

Left: We offer unrivalled personal support for ultra-high net worth clients.

Many clients are also looking to diversify their investments, bringing new opportunities for us as a bank. A growing number of select clients are moving away from traditional deposits to explore investing their money in international investments that will yield a greater return.

As part of our new value proposition, our concierge service is one of the best and most comprehensive in the market. We have also strengthened the Private Banking team with new hires, continuing to decrease the ratio of clients per banker in order to increase the amount of time available to our clients. New certification standards for all our relationship managers ensure high levels of qualification and technical expertise.

Finally, we have built a stronger bond with our Asset Management unit, leveraging the investment strategists to assist our clients in managing their increasingly complex portfolios. With this background, our assets under management (AuM) in Private Banking have increased by more than 101% from last year. We have also experienced 21% growth in loans, demonstrating that the Private Banking strategy we embarked on two years ago is beginning to materialise.

Our plan next year is to continue to expand our services and grow our customer base to drive net new money growth domestically and internationally.

Brokerage and custody services

We provide bespoke brokerage services in Qatar though our fully-owned subsidiary, QNB Financial Services. We currently hold the top position in institutional trading activity in the Qatari market and aim to position ourselves as the leading fully-fledged service provider on the Qatar Stock Exchange. As the only domestic brokerage firm offering research on Qatari equities, we are a strong contributor to the growth and development of the national financial market. In addition to Qatar, we provide access to several international markets. By doing this, we provide investment opportunities and solutions across a range of diverse products and markets, capitalising on the in-depth knowledge and experience of our team to deliver first-rate services.

We have expanded our research and analysis capabilities, enabling customers to make sound investment decisions. Besides our research, we have unmatched corporate access, encouraging major global institutions and brokers to use us to connect with key Qatari companies.

This year, we continued to see interest from international investors. We remain a trusted partner for the Qatar Exchange, collaborating on a two-day roadshow in New York, where we provided market intelligence and support. The event provided an opportunity for the senior management of Qatar's listed companies to meet key decision makers from many the world's largest international fund managers.

We are proud to be the first brokerage firm in Qatar to be awarded the latest international standard for the management of information security, ISO 27001. The award is a testament to our innovative and relevant solutions that maintain the security and integrity of our customers' data.

We are equally pleased to have increased our market share of brokerage and custody services, a goal we will continue with into next year.

In our custody business, we conducted the ISAE 3402 external audit assurance certification exercise. The ISAE 3402 certification is a necessary prerequisite to allow international custodians to select QNB as their custodian for the securities listed on the Qatar Exchange. Additionally, we engaged one of the industry's top consultants to conduct an assessment of QNB's risk profile and capabilities. Global custodians use these types of assessment from these consultants as part of their due diligence on sub-custodians. QNB is pleased to make the outcome of this assessment available to clients subscribing to the services offered by the consultant. Finally, we have also actively engaged with the Qatar Central Securities Depository to advocate for the adoption of best practices for servicing international clients investing in Qatar.

International Business

Capitalising on our strong relationships, we were able to contribute to the further diversification of QNB Group

What we do

International Business is responsible for oversight of our expansion strategy, ensuring that we diversify QNB Group's revenue streams and manage the control environment of our network. Our mission is to connect, enable and deliver sustainable growth.

We have a clear line of sight across the entirety of QNB's operations, and work to ensure we are effectively leveraging our brand, our expanding international network and our competitive advantages as a Group. We do this by striving for excellence in the execution of our strategy and by embedding a consistent culture of best practice, regulatory compliance, governance and risk management while ensuring we have fit-for-purpose processes and technologies.

International Business helps connect and enable QNB's network for sustainable growth in the key hubs in Asia, Europe and the Middle East and Africa (MEA).

QNB's international network is a key differentiator for our clients and provides diversification for QNB Group. Following an organic and inorganic expansion strategy, our network currently spans more than 31 countries across three continents. As a result of QNB's successful international expansion, the contribution of International Business to QNB Group's net profit increased from 21% five years ago to 36% currently.

In line with our strategy, we have continued to expand our international network, both by scaling up our presence in existing markets and by establishing branches in new markets. Our aim is to grow our customer base across our entire footprint and deliver a wider range of products and services.

Continuing our journey of international expansion

QNB opened its first branch in India as part of our drive to expand in Asia. The start of the Group's operations in India complements our 2020 vision. Through the new branch, QNB offers a full spectrum of wholesale banking products and services, including transaction banking and structured finance.

The Indian economy is the seventh largest in the world, with an annual GDP of USD2.3 trillion last year. It is the world's second most populated country and one of the fastest growing major economies. It has expanding trade and population ties with Qatar, the Middle East and Southeast Asia more broadly. In particular, India is the third largest importer of liquefied natural gas from Qatar.

We also opened our first branch in the Kingdom of Saudi Arabia, the largest economy in the GCC. This cements our presence in the GCC. The branch is fully functional, serving customers and continuing business as usual.

Strengthening our presence in the region, QNB received approval from the Central Bank of Oman to augment our existing network of six branches. QNB is also in the final stages of opening an additional branch in Kuwait.

QNB Group has already benefited from opportunities in markets further afield, particularly in the Far East, where we have built deeper relationships with institutional investors. Looking ahead, we plan to further strengthen our presence in Asia through the opening of a branch in Hong Kong. Hong Kong is one of the world's global financial hubs and a gateway to China and Far East Asia.

Besides these markets, we are specifically targeting the Association of Southeast Asian Nations (ASEAN) economies – export-oriented economies that exceeded global economic growth in the last two decades. Growth in these markets is expected to continue, driven by trade opportunities, direct investments and large infrastructure spending opportunities, complemented by favourable demographics characterised by a young, growing, urbanising and increasingly educated middle class.

Left: Next year we plan to further strengthen our presence in Asia through the opening of a branch in Hong Kong.

Looking ahead, we will maintain our objective of strategically investing both organically and inorganically to continue to expand our geographic footprint, primarily in the MEASEA region.

Maximising the value from our network

As part of our strategy, we have started a new programme to identify additional levers to generate revenue and cost synergies across the Group. Following the completion of QNB Finansbank acquisition in Turkey in 2016, we have intensified our cooperation to further identify integration opportunities. This will further harmonise our operations, establish best-practices and enable more opportunities for sharing expertise and business leads.

We are also working closely with QNB Al Ahli, our subsidiary in Egypt, to build wholesale finance capabilities and leverage relationships to maximise growth opportunities across consumer and corporate segments, and build necessary trade, cash management and transaction offerings.

Throughout our international branch network, we are tailoring QNB's value proposition to our local customers' expectations. Illustrating this point, QNB's award-winning mobile banking application was rolled out in Oman and France.

To realise growth opportunities, we will continue to build a specialised global wholesale business in our regional hubs and new business origination centres. We also plan to expand in the asset and wealth management arena by broadening our fund offering and strengthening our fund distribution capabilities internationally.

Managing the control environment

As part of our continuous improvement journey, we are enhancing the control environment across our international branches. Improved risk and control assessment tools and dashboards help identify and manage operational risks.

> "Earlier this year we opened our first branch in India, which cements our presence in Asia."

Above: QNB Kuwait offers a comprehensive range of banking products.

Right: This year our UK branch received approval for a regulated home finance licence.

Risk

Risk management is a fundamental component of our banking success, safeguarding our clients, our profits and our own reputation.

Risk management

Our centralised approach to risk management is complemented by local expertise and a risk culture in which every employee is responsible for potential risks in the course of their work

“ The day-to-day governance is delegated through an Enterprise Risk Management (ERM) oversight structure and a robust risk control framework. ”

Risk is an integral part of our business and decision-making process. QNB Group's sustainable performance depends on our ability to manage risk at all levels. As a result, we have a robust risk management governance structure and framework that ensures a crucial balance between risk and reward.

QNB's risk profile and appetite are approved by the Board of Directors (BOD) and Group Board Risk Committee (GBRC) and then cascaded down to every division, department and employee.

QNB Group's Risk Appetite Statement is central to the Group's integrated approach to risk management and articulates the risk culture, governance and boundaries of QNB Group. The Risk Appetite Statement provides a framework for QNB Group's attitude toward risk-taking and is reviewed, reassessed and agreed alongside QNB Group's strategic and financial planning process. Our Group risk appetite is in accordance with risk management principles that govern our overall approach to risk management and our risk culture. This year we continued to enhance our risk culture by further embedding the Three Lines of Defence model, which delineates responsibilities for risk management and control.

This allows us to cascade the Group's risk appetite and allocations down to a regional and country level. The risk appetite framework ensures alignment with the Group's vision and strategy by tracking current performance against risk appetite targets.

In addition, QNB Group ensures regulatory compliance at a country level in line with best risk management practices.

Risk identification, monitoring and controlling

The identification of principal risks is a process overseen by Group Risk. The material risks are regularly reported to the GBRC and Group Management Risk Committee (GMRC), together with a regular evaluation of the effectiveness of the risk-operating controls. The day-to-day governance is delegated through an Enterprise Risk Management (ERM) oversight structure and a robust risk control framework.

This framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report risk in a consistent and effective manner across the Group. The framework is essential to support our strategic objectives and acts as a platform for our growth.

Our centralised approach to risk management is complemented by local expertise and knowledge and every employee in the Group is responsible for highlighting and dealing with potential risks in the course of their work.

To reinforce this, and to ensure all our regional hubs and territories embrace a consistent approach, we continue to rotate Group-level representatives of our Credit, Market, Liquidity and Operational Risk teams throughout our branches and representative offices to train and advise staff. The two placement programmes in place, the secondment programme and the ambassador programme, encourage and empower staff to undertake their roles with a deeper understanding of their risk mitigation, reporting and escalation obligations.

“ The risk management oversight process provides assurance that the Group's resources are sufficient in amount and diversity. ”

We continue to improve our frameworks for risk identification to ensure timely early-warning indicators and decision making. In particular, we have a strong country and cross-border risk framework to enable the measurement and tracking of country exposures against Board-approved limits.

This year, we have strengthened our senior management team with key internal and external appointments of several new department heads. From an organisational perspective, the risk function is split between Group Risk, headed by the Group Chief Risk Officer and Group Credit Risk, headed by the Group Chief Credit Officer.

The strategic risk function manages strategic risk, market risk, liquidity risk and performs stress testing and scenario analysis. In tandem with Group Finance, we have also implemented IFRS 9, the new set of accounting standards developed in response to the 2008 global financial crisis. The standards have a package of measures that include a logical model for classification and measurement, a single, forward-looking ‘expected loss' impairment model, and a substantially reformed approach to hedge accounting.

We also carried out a major benchmarking exercise of our risk management capabilities. This comprehensive process affirmed our position as a leading institution in the MEA region and has served to validate our current approach on our journey towards becoming a leading MEASEA bank by 2020.

The Bank has implemented a number of new models in 2017 aimed at enhancing the speed and robustness of the decision-making process, notably in the evaluation of Retail customers and Expected Credit Loss (ECL) arenas. To complement these developments, and in recognition of the increasing sophistication of the risk management process, we have further enhanced our model risk governance processes. The availability of accurate, timely risk information is key to making the right decisions at all levels, and we continue to make major strides in enhancing the transparency of risk metrics including key risk indicators, early warning indicators and emerging risk trends.

Liquidity risk

QNB considers the prudent management of liquidity as essential in ensuring a sustainable and profitable business and in retaining the confidence of the financial markets. Ultimate responsibility for liquidity management resides with the BOD, with day-to-day management oversight being delegated to the Group Assets and Liabilities Committee (ALCO).

The risk management oversight process provides assurance that the Group's resources are sufficient in amount and diversity. This allows for planned and unplanned increases in funding requirements to be accommodated routinely without material adverse impact on earnings or on the Bank's perception in the market.

Finally, we have further strengthened our liquidity control framework to manage the Group's liquidity and funding risk in a robust manner. Through this framework, we control and optimise the risk-return profile of the Group.

Stress testing and Internal Capital Adequacy Assessment Process (ICAAP)

QNB Group intends to maintain sustainable funding and liquidity across our network of countries in order to withstand unforeseen macroeconomic headwinds and shocks. The ICAAP process is an important component of assessing capital adequacy of the Group, as well as providing a forward-looking assessment of QNB Group's ability to operate in a more stressed economic situation. The results of this process help us to determine and plan how to position QNB Group in the strongest possible way. Through this, we ensure that we maintain healthy risk metrics in line with our approved Group risk appetite and regulatory limits.

Market risk

Oversight of market risk is delegated by the BOD to the Group ALCO. Market risk exposures primarily relate to interest rate risk in the banking book and exchange rate risks that generally arise as a result of the Bank's day-to-day business activities and client facilitation activities. Our market risk function monitors all market risks within the Group ALCO-approved delegated authority limits and product mandates. The market risk limits are set at very conservative levels to reflect a limited appetite for this type of risk exposure.

Risk management
continued

> Our three key pillars approach to cybersecurity is key to the success of our strategy and maintaining ISO certification.

Operational risk

A number of new key appointments at senior level in operational risk have helped to drive enhancements in 2017. We made further significant improvements to our operational risk frameworks, reflecting the growing complexity of our business as it continues to expand internationally, and invested in new tools to help build awareness.

We are currently in the process of designing and implementing a new operational risk framework that allows a holistic and consistent approach to operational risk embedded across all divisions and countries. We aim to establish the operational risk function as a centre of excellence in line with the Three Lines of Defence model. The operational risk team will continuously challenge the businesses to assume greater accountability through identification, measurement, assessment and control of their own risks.

We have implemented a risk control assurance programme coupled with key risk indicator (KRI) monitoring in order to reinforce the accountability of risk management both in Qatar and throughout the international network. Multiple on-site visits within our international network have been conducted with a view to ensure improved levels of inspection and oversight.

Our business continuity management system remains world class, and was this year recertified with an ISO 22301.

Cybersecurity

Digital security is critical to the success of the Bank and a key focus area.

We live in a connected world, where the bulk of our communication and commerce happens online. While this makes life easier, enabling financial and social inclusion, it also presents a threat from those seeking to benefit through cybercrime.

These threats are becoming more frequent and more complex, including attacks specifically targeting GCC companies. They have become large in scale, high profile and extremely damaging to the companies involved from a financial and reputational perspective. That is why we place the highest priority on our data security and deploy the strongest measures possible to ensure we maintain our customers' trust and the integrity of their information.

There are three key pillars to our approach: technology, people and policies. Each of these pillars needs to be strong and continually strengthened to support and protect the Bank, and we invest in each accordingly. On the technology pillar, we have invested and deployed new technologies, which help us defend against distributed denial of service (DDOS) attacks. Our Service Operations Centre allows us to immediately identify and block any malicious activity 24 hours a day, 365 days a year. On the people pillar, we have strengthened our cybersecurity team, including the hire of a new Chief Information Security Officer. We have also strengthened the process pillar, where we conducted a security maturity review and are continuously enhancing our cybersecurity controls.

As a testament to our investments and preparedness in cybersecurity, QNB has achieved ISO 270001 certification.

Credit risk

We manage credit risk through a framework of models, policies and procedures that measure and facilitate the management of credit risk. We ensure a strict segregation of duties between front-line transaction originators and the Credit Risk function as reviewers and approvers. Our credit exposure limits are approved within a set credit approval and authority framework.

> The application of consistent standards globally continues to be a key focus for the credit department.

Following the aforementioned benchmark study, we performed a detailed review of our overall credit risk management practices. Consequently, we standardised credit policies, processes and credit documentation requirements for the international branches and subsidiaries.

We have also expanded our head office credit review team, with a significant increase in international staff bringing in expertise familiar with the new markets in which we operate.

As well as having a full credit risk function in our head office and subsidiaries, we have local credit risk teams of varying sizes in our international branches. In addition to complying with local country regulations, these teams have reporting lines and are managed as an extension of the centralised credit team in head office.

To enhance the understanding of financial principles and comprehensive credit initiation, assessment and approval processes, all staff involved in the credit approval chain and loan administration must undertake specialist global credit training run by a leading external professional credit training programme.

This ensures advanced skills in managing risk, improves portfolio quality and protects the Group's interests based on fundamental risk management principles and current international market best practices.

Loan approval and review policies and procedures are robustly applied and updated regularly. The bank has an integrated process covering credit initiation, rating validation, analytics, approvals, credit administration and documentation, model risk validation controls, collateral management and limits monitoring at multiple levels. International integration and the application of consistent standards globally continue to be a key focus for the credit department.

Wholesale borrowers are assessed through a combination of expert judgement, experience and analysis together with the use of credit models. Credit applications pass through multiple levels of review and validation.

As well as regulatory large exposure limits, the Bank imposes its own internal limits on obligor groups and individual obligors, as well as portfolio limits, which are expressed in terms of sector, country, rating etc.

The Bank's credit policy includes restrictions and prohibitions on lending to several sectors e.g., the Bank does not fund equity lending, and lending to the real estate sector is subject to tight internal lending criteria and QCB regulation, including high collateral coverage requirements and restricted salary multiples. Furthermore, many of the largest exposures benefit from the State of Qatar's government guarantees and support, with the majority (by value) of real estate projects funded by the Bank being government infrastructure segment-related projects.

As per QCB regulations, obligors that do not fulfil their commitments in conformity with their contracts for a period of three months or more, or if there are indicators that such may be the case, then such accounts are classified as substandard (>= three months), doubtful (>= six months) or bad (>= nine months).

We hold provisions at minimum QCB levels or higher on non-performing assets. The bank calculates provisioning (providing the resulting provision is greater than or equal to the QCB minimums) based on IAS 39. Although permitted under QCB regulations, QNB does not take collateral into account when calculating provisions.

QCB performs regular reviews on watch-list and non-performing portfolios and requires the Bank's external auditors to review and report on 100% of the Banks' non-performing loans over QR100,000.

Similar to all banks operating in a diverse international environment, QNB has faced challenges in its operational footprint during the last year, including:

- continuation of the lower oil and gas prices;
- impact of the currency devaluation of the Egyptian Pound in November 2016 and resultant inflationary pressures;
- uncertainty arising from 'Brexit';
- political and social undercurrents in Turkey, volatility of the Turkish Lira and sovereign rating downgrades; and
- the Qatar blockade, requiring some of our customers having to resource materials and commodities from alternative suppliers and routes.

Despite these challenges, our overall portfolio quality and diversification has offered resilience to these issues.

Corporate governance

Corporate governance in QNB Group is robust, effective and responsible, providing a solid framework to manage all risks.

Corporate governance

Our corporate governance framework and strong execution allows us to successfully manage the principal-agency conflict of interest across our growing footprint, thus protecting our image and reputation

Corporate governance involves a set of relationships between a company's management, its board, shareholders and other stakeholders. The commitment to our corporate culture motivates directors, managers and employees to maximise operational efficiency and comply with sound principles of conduct, which we believe creates high returns on investment and long-term productivity growth.

Effective corporate governance is not an end in itself. It is a means to ensure proper functioning of a financial institution and the banking sector overall. QNB Group's safety and solidity are key to its financial stability. The way we conduct business, therefore, is central to create market confidence and business integrity.

The Corporate Governance Report, issued as a supplement to the 2017 Annual Report, reflects QNB Group's efforts to comply with the supervisory and regulatory requirements issued by Qatar Central Bank (QCB), Qatar Financial Markets Authority (QFMA) and all relevant regulatory authorities across our operating footprint.

Roles of QNB Group's Board of Directors (BOD)

The main roles of QNB Group's BOD are to:

> provide overall strategic direction and oversight;

> review and approve Board-level policies through agreed risk parameters and limits;

> review and approve the annual budget, business plans and all capital expenditures;

> regularly review achievements against strategy and request modifications as required;

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

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

Board composition

The BOD is constituted according to QNB Group's Articles of Association and other pertinent regulatory directives. The Government of Qatar, through its investment arm Qatar Investment Authority (QIA), owns 50% of QNB Group. The other 50% is held by the public.

QNB Group's BOD consists of 10 members, of which five were elected during the General Assembly Meeting of QNB held on 31 January 2016 for a three-year term from 2016 to 2018. The remaining five were appointed by QIA.

The Chairman and the Vice Chairman are elected among the BOD members. The BOD has the widest authority to manage QNB Group and has the right to appoint several managers or authorised persons and to vest in them the right to sign jointly or separately on behalf of QNB Group.

Of the 10 members of the BOD, all members are non-executive and four are independent as per QCB instructions. No member holds a managerial position and, in accordance with QFMA Corporate Governance Code, no member of the BOD holds a full-time job within QNB Group.

QNB BOD members have adequate expertise and knowledge to effectively perform their functions in the best interests of QNB Group and sufficient time and attention to fulfil their role as BOD members.

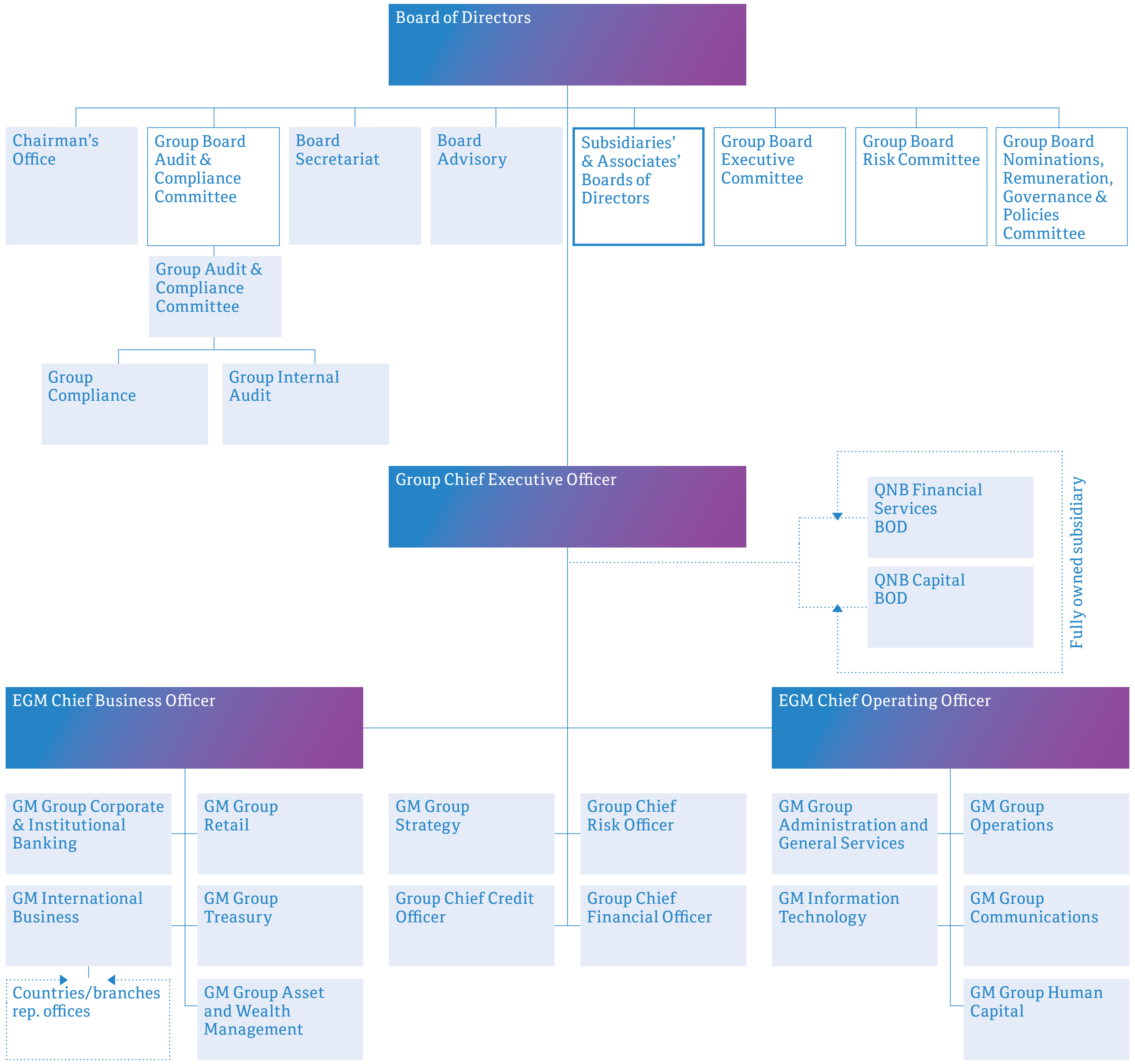
Nominations and appointments of BOD members are made according to formal, rigorous and transparent procedures and are in line with QNB Group's Articles of Association, QCB and QFMA requirements as applicable.

QNB BOD members are elected among the shareholders based on the applicable rules and regulations. The BOD will identify and adopt appropriate and objective criteria for the BOD candidature, taking into consideration QCB and QFMA requirements.

Nominations take into account the candidates' sufficient availability to perform their duties as BOD members, in addition to their skills, knowledge and experience as well as professional, technical, academic qualifications and based on the fit-and-proper guidelines for the nomination of BOD members.

The nomination of the members of the BOD is assigned to the Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC). The committee adopts clear and objective criteria for accepting nominations after obtaining QCB's pre-approval for all BOD candidates, considering QCB instructions in this regard in order to preserve the principle of transparency and to ensure the rights of all shareholders to run for membership of the BOD without exclusion or deprivation.

QNB Group organisation structure



Corporate governance continued

Remuneration of the BOD and executive management

The remuneration system within QNB Group forms a key component of the governance and incentive structure through which the BOD and executive management promote good performance, convey acceptable risk-taking behaviour and reinforce the Bank's operating and risk culture.

The BOD, through the GBNRGPC, by delegation, is responsible for the overall oversight of management's implementation of the remuneration system for the entire Bank.

QNB Group adopted a special remuneration policy for the BOD in line with the Commercial Companies Law and QCB instructions, whereby the Group's Articles of Association have established a framework for the BOD members' remuneration which is far below the limits referred to in Commercial Companies Law.

The remuneration policy of the BOD members was duly acknowledged to be in line with QCB instructions; whereas the remuneration of the BOD members is presented on an annual basis to the General Assembly for approval. The GBNRGPC defines a specific policy for remuneration of the executive management before presenting it to the BOD for approval.

The policy defines a mechanism whereby the remuneration is directly linked to the effort and performance at both department and employee levels. In accordance with the balanced scorecard approach, we measure performance through the assignment of goals and objectives across four dimensions covering financial, customer and process, organisation and control environment.

Board committees

As per corporate governance practices and regulatory requirements, the BOD of QNB Group has established committees to assist in carrying out its supervisory responsibilities.

Each BOD committee is assigned to handle one or more of the tasks of the BOD. The responsibilities of the BOD committees are duly documented in the terms of reference, which are approved by the BOD.

QNB Group BOD committees are as follows:

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

Composition of the BOD committees

Board of Directors		Group BOD committees: GBEC	GBACC	GBNRGPC	GBRC
Chairman	H.E. Mr. Ali Shareef Al-Emadi*				
Vice Chairman	H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani*				
Members	H.E. Sheikh Abdulrahman Bin Saud Bin Fahad Al-Thani**			■	
	H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani*	■		■	■
	Mr. Ali Hussain Ali Al-Sada**	■			■
	Mr. Bader Abdullah Darwish Fakhroo**	■			■
	Mr. Fahad Mohammed Fahad Buzwair**			■	
	Mr. Mansoor Ebrahim Al-Mahmoud*		■		
	Mr. Ahmad Yousuf Hussain Ali Kamal**		■		
	Mr. Khaled Hamad Al-Hajeri*		■		

* Representing QIA ** Elected by shareholders

Group Board Executive Committee (GBEC) primary responsibilities

> Review and endorse BOD approval of the long-term strategy, annual business plans and budgets of QNB Group based on economic and market conditions and BOD directives;

> Review and approve credit proposals as per the QNB Group approved authority matrix;

> Review and approve QNB's corporate social responsibility strategy in light of QNB's brand values across the Group;

> Review and consolidate marketing and communication plans and resource distribution plans to efficiently and effectively align them to support QNB's business development and growth;

> Review and consolidate business developments, products alignment and resources distribution across QNB Group; and

> Review and recommend the action to be taken on impaired loans in line with the delegated limits and authorities as approved by the BOD and in line with QCB regulations.

Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC) primary responsibilities

> Identify and assess eligible and qualified candidates for the BOD and executive management positions according to the fit-and-proper criteria set by the committee in addition to the independent/non-executives requirements;

> Monitor the induction, training and continuous professional development of directors pertaining to corporate governance matters;

> Approve and review the Group's remuneration and incentives guidelines and ensure that the remuneration of the BOD and executive management are in line with the criteria and limits set forth by QCB and Commercial Companies Law; and

> Direct and oversee the preparation and update of the Corporate Governance manual in collaboration with the executive management and Group Board Audit.

"The commitment to our corporate culture motivates directors, managers and employees to maximise operational efficiency and comply with sound principles of conduct."

Group Board Risk Committee (GBRC) primary responsibilities

> Review and endorse the Board's approval of the risk management strategy of the Group as well as Group risk appetite and portfolio strategies recommended by the GMRC and review any changes in risk strategy/risk appetite arising;

> Approve risk frameworks, policies and control structures in accordance with the approved strategy and oversee implementation of policies pertaining to the Bank's internal control system;

> Evaluate the monitoring process made by GMRC on Group entities in the identification of operational, credit, market, strategic, legal and reputational risks, and action plans implemented to monitor and manage these risks;

> Ensure that there is no material impact/risk identified by GMRC related to anti-money laundering and terrorist financing, as well as the 'know your customer' requirements; and

> Review any breaches of risk limits or internal control failures (if any) and review investigation results performed by GMRC.

Group Board Audit and Compliance Committee (GBACC) primary responsibilities

> Review and endorse the annual financial statements, and consider whether they are complete, consistent and reflect appropriate accounting standards and principles before submission to the BOD for final approval;

> Review with management and external auditors all matters required to be communicated or disclosed under generally-accepted auditing standards or regulatory requirements;

> Consider with internal and external auditors any fraud, illegal acts or deficiencies in internal control or other similar areas;

> Review with Group Compliance and external auditors any fines imposed by the regulators and/or other bodies;

> Appoint or remove the Group Chief Audit Executive;

> Review and approve the charter, plans, activities, staffing and organisational structure of Group Internal Audit;

> Ensure there are no unjustified restrictions or limitations on the functioning of Group Internal Audit, as well as on internal audit's access to the Group's records, documents, personnel as and when required in performance of their functions;

> Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' (IIA) standards for the Professional Practice of Internal Auditing and other applicable standards and best practices;

> Appoint or remove the Group Chief Compliance Officer;

> Ensure the efficiency of the compliance function in detecting the deviations and breaches within the Group, and ensure the non-existence of any factors that would impact its independency and objectivity, as well as proper reporting of the compliance function with appropriate consideration to Basel Committee requirements and the Financial Action Task Force (FATF) on money laundering recommendations;

> Evaluate the critical issues reports submitted by the Group Chief Compliance Officer and Group Chief Audit Executive, including those related to QNB Group's subsidiaries; and

> Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Group, including non-audit services.

Corporate governance
continued

Management committees membership structure

Management committee membership	GMRC	GCC	GALCO	GSC	GITC	GBDC	GOSC	GHCC	CPC	SMC
GCEO	●	●	●	●					●	●
EGM – GCBO	■	■	■	▲		●			■	■
EGM – GCOO	■		■	■	●		●	●	■	■
GM – GCRO	▲	■	■	■					■	■
GM – GCFO	■		▲	■					▲	■
GM – GCCO	■	▲	■	■					■	■
GM – Group Strategy	■		■	■	■	■		■		○
GM – Group Chief Compliance Officer	□								□	
GM – Group Chief Audit Executive	□								□	
GM – Group Asset and Wealth Management		■				■				
GM – Group Communications						■				
GM – Group Corporate and Institutional Banking		■	■			▲	■			
GM – Group Administration and General Services					■		■			
GM – Group Human Capital								▲		
GM – Group Information Technology					▲		■			
GM – Group International Business Division		■			■	■	■	■		
GM – Group Retail Banking					■	■	■	■		
GM – Group Treasury			■			■				
GM – Group Operations					■		▲			
CEO – QNB Capital						■				
AGM – Retail and Corporate Operations							□			
AGM – Treasury Operations, Custody and Trade Finance							□			
AGM – Strategy and Business Development				○						
AGM – Trading			○							
AGM – Group Credit		■								
AGM – HC Strategy and Integration								■		
AGM – HC Services								■		
AGM – Operations Control and Excellence							■○			
AGM – Group Operational Risk	○				■		□			
Senior Credit Officer		○								
Head of Infrastructure					■					
Head of Development and User Services					■					
Head of Legal									□	
EM – IT Strategy and Governance					○					
Head of Global Cash Management						○				
Head of Tenders and Contracts Admin									○	
EM – International Global Operations Support							□			
EM – International HR Integration								■○		
Number of meetings held during 2017	4	40	12	12	4	8	4	4	◇	12

● Chairman ▲ Vice Chairman ■ Member □ Non-voting member ○ Secretary

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

Abbreviations used above: Group Management Risk Committee (GMRC); Group Credit Committee (GCC); Group Assets and Liabilities Committee (GALCO); Group Strategy Committee (GSC); Group Information Technology Committee (GITC); Group Business Development Committee (GBDC); Group Operations and Services Committee (GOSC); Group Human Capital Committee (GHCC); Central Purchasing Committee (CPC); Senior Management Committee (SMC)

BOD meetings

The BOD meetings are held regularly and according to QNB Group's Articles of Association. The BOD meets at least six times a year. Meetings may be held at the request of the Chairman of the BOD or based on a request of two members. The BOD met six times during 2017, with the Chairman of the BOD attending and presiding at all meetings. The number of meetings held by the BOD committees is detailed below.

Number of BOD committee meetings held during 2017

Group BOD committees	Number of meetings
Group Board Executive Committee	4
Group Board Audit and Compliance Committee	8
Group Board Nomination, Remuneration, Governance and Policies Committee	4
Group Board Risk Committee	4

Segregation of duties

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

Executive management team

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

> the Executive General Manager – Group Chief Business Officer;

> the Executive General Manager – Group Chief Operating Officer;

> the General Manager – Group Chief Risk Officer;

> the General Manager – Group Chief Credit Officer;

> the General Manager – Group Chief Financial Officer; and

> the General Manager – Group Strategy.

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

There are a number of management committees attended by executive management in order to effectively and efficiently handle the responsibilities and run the day-to-day activities of the Bank. Management committees are endowed with full executive powers to take decisions and actions related to their field, scope, and structured hierarchy.

Currently, the management committees established at head office are structured as follows:

> Tier 1 'Executive committees', the 'decision-making' committees which include Central Purchasing, Risk, Credit, ALCO and Strategy will report to the BOD via the relevant BOD committee;

> Tier 2 'Management committees', the 'working committees' which include Business Development, IT, HR and Operations and Services will report to the parent committee in Tier 1; and

> Senior Management Committee: chaired by the GCEO and represented by the five Chiefs (Executive General Manager – Group Chief Business Officer, Executive General Manager – Group Chief Operating Officer, Group Chief Financial Officer, Group Chief Credit Officer and Group Chief Risk Officer). The Committee discusses the critical topics and strategic matters related to QNB Group activities; oversees and monitors the activities related to the operations management committees (Tier 2); decision-making/preparation of BOD decisions by collecting facts from related committees and providing opinions; monitors the capital and operating expenditure budget assigned to IT projects and services; reviews yearly the information technology strategy across the Group; and monitors the performance related to QNB divisions, branches and subsidiaries.

QNB Group subsidiaries form their respective management committees according to their own needs, size and nature taking into consideration the Corporate Governance Framework of QNB Group. For supervision and coordination purposes, those committees report and coordinate directly with the corresponding general manager at QNB Group head office level.

The overseas branches form one or more committees to strengthen the control environment in the various processes and banking activities. Such committees depend on the volume of business and the country risk where QNB Group operates and are decided by QNB management. The overseas branch committees report the critical issues handled by them to the relevant QNB head office division.

Risk management and internal control framework

1. Risk governance
2. Group Compliance
3. Group Internal Audit

Risk governance

QNB Group's continued profitability depends on our ability to identify, assess and manage risks at all levels

> "Risk management policies and procedures are established in order to identify, assess and monitor the risks at Group level."

QNB risk exposures are mitigated through various mechanisms for risk assessment and control. Risk management is considered a fundamental element for QNB Group to ensure continued profitability, and every employee in the Group is responsible for dealing with potential risks when carrying out their duties. The BOD assumes the ultimate responsibility for monitoring QNB Group's risks through the Group Board Risk Committee in coordination with the GCEO, the Group Management Risk Committee, the Group Credit Committee and the Group Assets and Liabilities Committee.

The BOD assumes full responsibility for the development of strategic risks and the application of the relevant principles, frameworks and policies. This includes the implementation of appropriate restrictions with respect to products, issuer, geographic location and maturity. However, separate and independent entities responsible for the management and control of certain risks are nominated and pre-defined. Accordingly, QNB Group's Treasury, Risk Management and Internal Audit divisions are responsible for the Group's commitment to trading restrictions imposed by the BOD. In this regard, detailed monthly reports are submitted to the Group Assets and Liabilities Committee.

The BOD also supervises the credit, market and operational risks affecting the Group. The BOD has determined the objectives and framework of the Group's risk management policy. As such, the Bank monitors its risks on a daily basis through the various committees based on the objectives and mechanisms identified by the Board. The Group Risk Management Division, headed by the Group Chief Risk Officer, undertakes the implementation of the policy. Risk management policies and procedures are established in order to identify, assess and monitor the risks at Group level.

The Group Management Risk Committee is considered the ultimate executive authority vested to deal with the various risk aspects at Group level. Group Risk Division undertakes the formulation and review of the risk management strategy, defines the risk management policies, evaluates the activities of risk management and control mechanisms, and assesses and determines the Group's operational, credit, market, strategic, legal, and reputational risks. Group Risk also ensures the implementation of operational plans to monitor and manage these risks, reviews and monitors cases of fraud and operating losses, and oversees the legal disputes at all levels.

QNB risk management reporting to GMRC, GBRC and BOD – 2017

QNB risk function

Group Management Risk Committee (GMRC)

1. Create and recommend to the GBRC risk management framework, strategy and Group risk appetite.
2. Review the Group portfolio risk profile and related risk management strategies.
3. Review the effectiveness of the risk policies control structure and framework.
4. Develop, review and recommend the Group's annual ICAAP regulatory submission.
5. Communication of Contingency Funding Planning (CFP).
6. Maintain risk register and exposure evaluation sheet covering strategic, credit, legal, reputation, operational and market risks.

Memo addressed by GCEO to GBRC:

1. GMRC minutes/action plans or main decisions.
2. Key risk issues.
3. Results of portfolio review.
4. Risk register and exposure evaluation summary.
5. Recommendations.

Periodical memo addressed by GCEO to GBRC and GBEC:

6. Approved risk issues.
7. Risk profile assessment (QNB overseas branches and subsidiaries).

Group Board Risk Committee (GBRC)

1. Review and endorse for the Board approval: the risk management strategy, Group risk appetite and portfolio strategies recommended by GMRC.
2. Review the Group portfolio risk profile with the approved Group risk appetite.
3. Evaluate risk exposure accepted or authorised by GMRC and ensure that it is within the risk appetite approved by the Board.
4. Approve and oversee stress testing scenarios and results.
5. Approve risk frameworks, and Group risk policies and control structures.

Periodical report by Chairman of GBRC to the BOD:

1. Two dashboards on QNB risk profile assessment (QNB Doha and overseas branches and subsidiaries).
2. Key risk issues/deviations on risk appetite.
3. Key deviations/breaches on risk management strategy.
4. Recommendations.

Board of Directors

1. Approve the Group risk management strategy, Group risk appetite and portfolio strategies.
2. Approve the setting of particular parameterised risk appetite limits.
3. Ensure the implementation of an appropriate risk governance and effective internal control framework across the Group.
4. Continuously appraise the overall risk appetite of the Group.
5. Manage an Enterprise Risk Management (ERM) Group policy.
6. Approve GBRC recommendations and/or confirm its decisions.

Group Compliance

A robust compliance function helps QNB Group maintain a strong regulatory framework and protect its reputation

> QNB Group Code of Ethics extends to the Bank's subsidiaries.

Compliance risk management within QNB Group is a key focus area of the BOD and, of course, a priority for the GBACC, as well as for the executive management.

Our compliance strategy consists of effectively managing the compliance across QNB Group to ensure that we are working in line with all the regulatory requirements and instructions. Hence, we aim to gain the trust of all of our shareholders and stakeholders and consolidate our competitive position. Integrating a strong compliance culture into the daily business and strategic planning gives QNB Group a competitive advantage. Moreover, a robust compliance function helps QNB Group protect its reputation, maintain a strong regulatory framework and reduce costs.

QNB's Group Compliance function reports directly to the GBACC. It is headed by the Group Chief Compliance Officer who is empowered within the organisation and is responsible for overseeing and managing all the compliance-related matters of the Group's businesses and operations.

Group Compliance staff members are well qualified and trained and have the required experience and exposure to implement and be in control of the day-to-day activities related to the compliance function scope.

In 2017, Group Compliance continued the ongoing efforts to enhance the governance of compliance across the Group while abiding by the regulatory rules and instructions.

QNB Group Code of Ethics: promoting ethical behaviour

Acting ethically and responsibly is expected of all QNB Group staff members. It is fundamental that all QNB staff act – and be seen to act – with the utmost integrity and responsibility at all times.

QNB Group's Code of Ethics serves as a guide to the everyday professional conduct of its employees. The Code covers all applicable laws and regulations and the highest standards of business ethics that the Bank employees should be aware of and comply with in the conduct of their day-to-day business activities.

The Code extends to the Bank's subsidiaries and outsourced staff and covers the following specific topics:

> adherence to laws, regulations and QNB Group policies and procedures;

> relationship of trust;

> protection of Group's and customers' assets and interests;

> avoidance of conflict of interest;

> disclosure of confidential information;

> personal transactions;

> media relations and publicity;

> relations between employees and the Bank;

> use of proprietary and insider information and stakeholder information;

> employee information and privacy; and

> respect for human rights and prohibition of discrimination within the workplace.

During 2017, to enhance the awareness among the employees at all levels, QNB launched an online 'QNB Group Code of Ethics' exercise. This was aimed at enabling staff to develop responsiveness about the required behaviours and actions, 'dos and don'ts' which lead to protecting and upholding the interest of QNB as an organisation.

> Bribery, fraud and other forms of corruption are regularly assessed and updated using the fraud risk assessment programme.

Compliance self assessment mechanism: embedding the culture of compliance

A new tool for compliance awareness and monitoring – the 'Compliance Self-Awareness Assessment' – was introduced this year. This is a process initiated by Group Compliance in cooperation with Group Strategy to raise awareness about compliance and compliance responsibilities within each division. It aims to encourage self assessment, so staff can track their performance in meeting their obligations to identify, mitigate and manage any potential area of compliance risk.

In our continuous efforts to promote and build a strong compliance culture, we have also enhanced our internal processes to monitor regulatory changes and to integrate them immediately into our business and operations processes.

Consolidated supervision approach at Group level: enabling strong oversight

Compliance officers in our international branches are supervised by Group Compliance, which is responsible for ensuring their actions are in line with the control and monitoring headlines that are approved by the GBACC. In this regard, Group Compliance is responsible for periodically reviewing their reporting systems and protocols, activity dashboards and their annual plans for enhancements.

In 2017, Group Compliance enhanced the governance, compliance and anti-money laundering (AML) framework at overseas branches and subsidiaries by strengthening the compliance/AML documentation and IT infrastructure. We have introduced the necessary criteria and components to reflect a sound corporate governance structure and empowered the independency of the compliance function in the international network.

Furthermore, a new approach for the oversight and communication protocols has been developed for QNB Group's subsidiaries to enhance the monitoring mechanism and to get closer to the different needs of the compliance function counterparts.

Data privacy and security: keeping our customers safe

QNB has made a strong pledge to ensure customer data privacy and security in its Privacy Policy, and has deployed different measures to ensure customer data privacy and security. QNB adheres to international regulations and standards regarding information security management and is ISO 27001:2013 certified. The bank has a dedicated data security department in which staff members are engaged in detecting, monitoring and managing incidents of cyber threats.

Group Compliance
continued

> QNB has implemented strategic initiatives to align with global standards safeguarding against financial crime.

Prevention of corruption: ensuring adequate controls

QNB has made a formal commitment to prevent corruption and bribery through the adoption and implementation of an anti-bribery and corruption policy. The controls dedicated to assessing corruption risks are embedded within QNB's relevant policies and procedures. Bribery, fraud and other forms of corruption are regularly assessed and updated using the fraud risk assessment programme which goes through different products, processes, key functions and divisions to assess the inherent corruption risks. Based on the identified risks and their related likelihood, a dedicated mitigation programme is designed to put in place relevant controls to deter corruption risks. The programme is being reassessed periodically to include the latest trends, enhance and improve existing controls and reconsider the risk of corruption assessment.

Shareholder's rights: protecting our stakeholders

The shareholders are bestowed all the rights granted to them under the relevant laws and regulations. The BOD ensures that the shareholders' rights are respected so as to achieve justice and equality. According to QNB's Articles of Association, any decision issued by the Ordinary or Extraordinary General Assembly which would affect the rights of the shareholders granted by law or under QNB Articles of Association shall be null and void.

Evaluation of the BOD and BOD members' performance: governance starts at the top

The BOD recognise that a performance evaluation is important to optimise the BOD effectiveness and that the evaluation should be appropriate to both the BOD members individually and the BOD collectively. The evaluation, conducted in 2017, was performed in line with the approved policy requirements and focused on the following factors:

- BOD composition and committees;
- BOD dynamics and behaviour;
- BOD key responsibilities;
- leadership strategy, performance and talent;
- BOD member skills and experience;
- relationship with QNB executive management;
- work accomplishment;
- communication; and
- planning and organising.

Combating financial crime: at the heart of the corporate values

During 2017, a global diagnostic assessment was performed using components of the standard AML and combating financing of terrorism (CTF) framework. The assessed elements include policies and procedures, systems and controls, training and other AML/CTF components. Each component was assessed according to a scoring model to determine the order in which to conduct the reviews and enhancements of the projects. This diagnostic exercise was primarily oriented towards identifying the areas where corrective and enhancement actions are required.

The AML/CTF risk-based approach methodology has been reshaped for onboarding new customers coming from high-risk jurisdictions. Several initiatives in the AML/CTF areas were embedded in a training strategy which was shared with all QNB staff to guide them through the following topics:

- building global governance structures;
- enhancing the efficiency of reporting suspicious transactions;
- ensuring automation of controls and monitoring tools;
- following global safeguarding standards against financial crime; and
- AML/CTF trends and responsibilities strategy.

In connection with the above, the AML profiling and monitoring system has been customised to strengthen our financial crime detection and investigation capabilities within our business teams, including delivering enhanced training to relevant staff. We are adopting a global approach and we continue to make progress towards putting in place a robust and sustainable AML framework.

Furthermore, we are currently enhancing our Know Your Customer (KYC) monitoring capabilities by implementing a global KYC platform, which is expected to give an accurate view of the quality of the customers' KYC information and enhance the profiling and monitoring processes.

Sanctions compliance activities across QNB Group: safety first

Sanctions compliance is a key part of protecting the Bank channels from being used for illicit purposes. Through several initiatives, QNB closely monitors all emergent risks and trends linked to financial crime in order to avoid being part of any ill-gotten proceeds. For this purpose, a number of tools have been implemented or enhanced targeting the following:

- processing trade finance transactions connected with high-risk countries;
- banking relationships with shipping and logistics agencies;
- controlling dual-use goods;
- automating the process of reviewing trade finance transactions; and
- integrating correspondent banks' instructions at QNB electronic payment channels.

Moreover, a new correspondent bank AML, KYC and sanctions questionnaire has been established which was tailored to include the current Wolfsberg requirements, together with more enquiries intended to provide greater clarity and details on the nature and activity of each financial institution together with their frameworks pertaining to their AML/CTF activities and sanctions risks exposure.

Furthermore, due to the risks involved in dealing with goods that could be used for civil and military applications (dual-use goods), an action plan has been prepared to ensure that the international commitments and responsibilities regarding non-proliferation and transfers of dual-use items are complied with by preparing a 'Guidance to control dual-use items' that covers all risk indicators and red flags.

Compliance initiatives and awareness for effective corporate governance: ensure global standards

QNB has implemented strategic initiatives to align with the global standards safeguarding against financial crime and covering several topics.

The training and awareness strategy, framework and programme have also been revisited to introduce a new effective approach by conducting on-site training to alert frontline staff to the AML/CTF risks, Suspicious Transaction Report (STR) responsibilities and escalation of suspicious activities. The number of AML/CTF inquiries received from the businesses has increased, which is a positive result for this new awareness approach, which is an ongoing exercise.

The Group Compliance strategy training framework and programmes cover head office, overseas branches and all domestic and international subsidiaries. The trainings are frequently conducted using face-to-face or online tools depending on the targeted audience, level of experience, nature of job requirements, etc.

In order to enforce the training requirements, the attendance and learning objectives are included into the international and domestic division and individual Key Performance Indicators (KPIs) to ensure proper and effective monitoring.

Group Internal Audit

Rigorous internal audit processes are a critical component of QNB Group's business practice that ensure a sound corporate governance framework

> " Our audit staff are professionally qualified and hold globally recognised professional certifications. "

The scope of QNB Group's Internal Audit activities has grown as the Bank has expanded into new territories with more subsidiaries and partnerships. We have full and unrestricted access to any of the Group's records, documentation, systems, properties and personnel, including executive management and the BOD.

Assurance to key stakeholders

Our purpose is to provide:

- an independent assurance service to the BOD and the GBACC, to review the effectiveness of the Group's governance, risk management and control processes; and
- advice to management on governance risks and controls.

The regulatory authorities in all jurisdictions of the Bank's operations rely on Internal Audit's coverage and assurance. Several mandatory audit assignments are also carried out based on regulatory requirements.

The Group Internal Audit Division is headed by the Group Chief Audit Executive who reports to the BOD and the GBACC.

We maintain and promote the confidence of all our stakeholders – including the BOD, home and host regulators, and executive management – by executing all our tasks with consistent objectivity, rigour and discipline, backed by a process of continuous improvement.

This year we have expanded our organisation to create new roles to better support the Group's growing business.

We recruit people with expert knowledge and experience in specific fields, fostering subject matter expertise to better tackle the growing sophistication and challenges of 21st century banking. It is vital that the audit team possesses the level of understanding that is equal to the business. Our team must have very detailed knowledge of all the business lines and related risks.

Internal control framework 'Three Lines of Defence/Control' approach

In line with Basel guidelines, the Group has adopted the 'Three Lines of Defence/Control' model.

1. Business and process functions
Responsible and accountable for identifying, assessing and controlling the risks of their activities

2. Risk and control functions
(Risk Management, Compliance, legal and financial control)

Introduce policies and systems to ensure that the risks in the business and process units have been appropriately identified and managed

3. Internal audit function
Independently assesses the effectiveness of the processes created in the first and second lines of control

Provides assurance on these processes and value added recommendations to improve the process and promote best practice

We have a mature environment in audit and our philosophy is to act as a partner to the business, influencing and challenging to facilitate the best result for the Group and its stakeholders.

As part of QNB's drive towards continuous improvement, an Internal Audit Survey will be implemented in 2018.

Professional practices and resources

We adhere to the International Professional Practice Framework (IPPF) of the Institute of Internal Auditors (IIA), as well as Basel Committee recommendations and other leading standards. Our team is composed of individuals with experience from leading financial institutions and audit firms across the globe.

More than 60% of our audit staff are professionally qualified and hold globally recognised professional certifications. We also have an intensive programme of staff development, including our commitment to developing our Qatari workforce through focused training and certification programmes.

In addition, our audit staff maintains continuous professional development, awareness and training, sharing knowledge and best practice wherever possible. This allows us to maintain quality assurance across all aspects of the internal audit function and to increase the efficiency and effectiveness of the division.

Group audit universe and coverage

Group Internal Audit is responsible for audit and assurance services covering all the Bank's divisions, branches and subsidiaries in all jurisdictions.

In line with relevant regulations and management control agreements, we provide support for our subsidiaries and affiliates. As well as sharing knowledge and best practices, we also deliver programmes and provide policy advice, alongside high-level assessments. Our support is carefully monitored and refined to best support our Group business strategy and to protect against emerging risks.

An annual audit plan is developed using best practice risk-based assessments of all the Group's businesses and activities. This is complemented with additional focus on regulatory requirements including Basel III capital adequacy and liquidity requirements, as well as management areas of concern and emerging risks. The plan is continually reviewed and adjusted, as necessary, throughout the year, in response to changes in the Group's business activities, operations, systems and controls that change the risk structure of the Group.

As part of our remit, we contribute to the analysis of the Group's quarterly and annual financial statements and other performance data. The presentation to the GBACC has been refined to focus on critical data and information that enables effective monitoring and oversight of performance in various activities and jurisdictions.

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

Audit programmes and techniques

We conform to the best professional practices for implementation and delivery of audit services across the Group. In our audit implementation practices, we place emphasis on the following for providing enhanced value:

- introducing data analytics and extrapolation techniques;
- focusing on identifying systemic issues;
- conducting root cause analysis and recommending appropriate remedial action to address the root causes;
- providing awareness across all levels;
- continuously updating audit methodologies and techniques with a focus on a risk-based audit approach; and
- developing audit programmes to incorporate the latest business strategies and developments and associated risks with a focus on emerging risks.

Promoting transparency

Final audit reports incorporating audit issues, management's action plans and target dates for implementation are regularly issued to the management, GCEO and GBACC. In addition, a quarterly report summarising activities and outcomes is also issued and discussed with the GBACC and the BOD.

We ensure timely and appropriate follow-up and validation of all pending audit issues including issues reported by the QCB and the external auditors. These are facilitated by the Audit Management System (AMS).

The periodical status report (dashboard) on the follow-up activities is issued to the GBACC, GCEO and the GMRC. The report also serves as an escalation to apprise the executive management, GBACC and the BOD on the implementation status to remediate pending audit issues, which are also used as part of the performance indicators for our control environment.

Sustainability

Doing business the right way is important for our success and benefits our people, our customers and the communities we serve.

Sustainability

We hold a unique position in shaping the future of the economies and communities we serve

> We have started a comprehensive sustainability programme to maximise the value we generate for our stakeholders.

Corporate sustainability is the delivery of long-term value in financial, environmental, social and ethical terms. As a growing international bank, QNB Group plays an important role in contributing to financial stability and economic growth in the markets where we operate.

We hold a unique position in shaping the future of the economies and communities we serve. There is now increasing demand from investors, customers, regulators and our own employees for greater information about our strategy for sustainability and social responsibility, not least because funds that incorporate ethical and sustainable strategies have grown continuously.

The impact of a positive and proactive approach to sustainability is significant and helps QNB Group to:

- strengthen our brand – by considering environmental protection and social responsibility;
- reduce risk – by taking an attentive and prudent approach to environmental, social and governance (ESG) issues, steering us away from hazardous actions that contradict our commitment to sustainability;
- drive value creation – by developing a deeper understanding and respect for the communities we serve; and
- improve operational efficiency – by focusing on reducing waste and enforcing effective governance and management practices to support this.

For these reasons, we have created a comprehensive sustainability programme to maximise the shared value we generate for our business and our stakeholders now and for the long term.

We have done so after consultation with our key stakeholder groups – our customers, investors, employees, regulators and government, society and suppliers – taking into account their concerns and priorities. We have therefore identified the most material issues that we believe have the biggest impact on us as a bank and on our group of stakeholders. Through this framework, we have developed our sustainability strategy with careful consideration for the needs and expectations of our key stakeholder groups.

Materiality

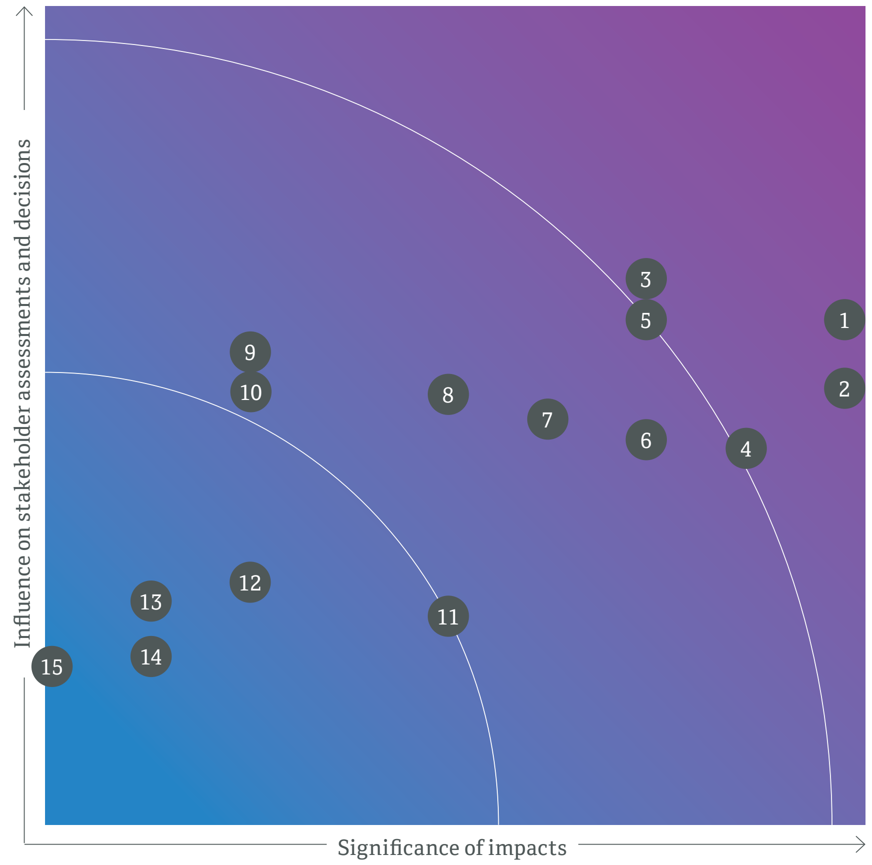
By identifying and prioritising the most material sustainability issues, we achieve a better understanding of the full range of value created by our business for society. This, in turn, allows the Bank to be able to improve its operations – and to communicate those improvements – to create high-potential medium- and long-term value-for-money opportunities.

In line with the materiality assessment process set forth by the GRI G4 Sustainability Reporting Guidelines, QNB Group has compiled a comprehensive list of relevant sustainability issues based on a detailed review of national and international sustainable development initiatives, guidelines and standards. We have aligned our sustainability goals with the objectives of the Qatar National Vision 2030 (QNV 2030), United Nations Sustainable Development Goals (UN SDGs) and the Qatar Stock Exchange ESG guidance.

Our senior management team conducted a final review of the Group's materiality matrix to ensure that the range of issues included provides a complete representation of the organisation's significant sustainability impacts.

The materiality analysis prioritises the material aspects that reflect QNB's significant economic, environmental and social impacts and substantively influence the assessments and decisions of stakeholders. In total, we have identified 15 material aspects.

QNB Group materiality matrix



Rank	Material topic
1	Governance, business ethics and compliance
2	Financial performance
3	Financial stability and systemic risk management
4	Customer experience
5	Customer privacy and data security
6	Talent attraction, development and retention
7	Responsible customer communication and marketing
8	Supporting SMEs and entrepreneurship
9	Sustainable investment, lending, products and services
10	Digital innovation and transformation
11	Diversity and inclusion
12	Community investment and socio-economic development
13	Financial inclusion, accessibility and financial education
14	Environmental impact of operations
15	Responsible procurement

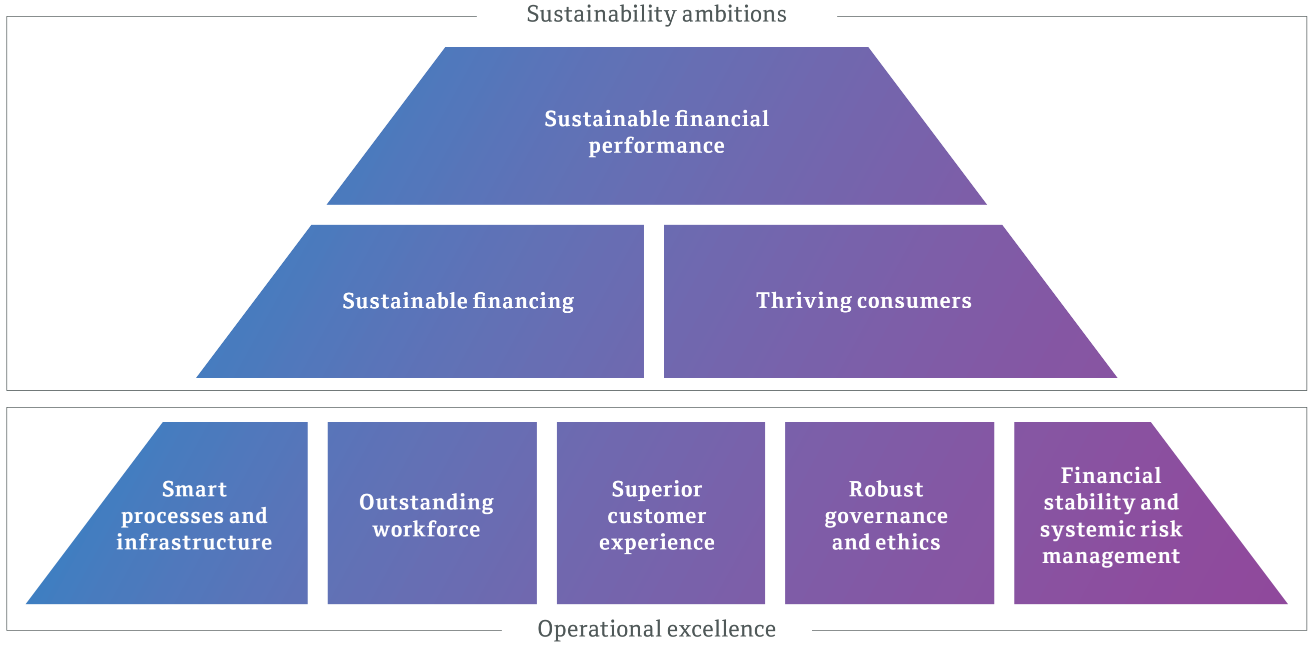
QNB's sustainability framework and strategy

QNB's sustainability framework summarises what sustainability means for QNB by identifying the key areas that need to be balanced to drive the creation of shared value for all our stakeholders. The framework captures all of QNB's material issues and forms the foundation for the Bank's sustainability strategy, which is also aligned with both QNB Group's Strategy and the overall Qatar National Vision 2030.

At the apex of the framework is the achievement of sustainable financial performance through the integration of sustainability in QNB's lending decisions, products and operational practices. Providing the foundation for thriving consumers and sustainable financing is operational excellence, encompassing smart processes and infrastructure, an outstanding workforce, a superior customer experience, robust governance and ethics, and financial stability and systemic risk management.

Sustainability
continued

QNB's sustainability framework



We have defined three strategic sustainability ambitions:

- Sustainable financial performance: achieve strong profitability and attract investment by continuing to diversify our sources of income, growing our loan book, maintaining high operating efficiency;
- Thriving consumers: empower consumers to fulfil their aspirations by offering innovative products, services and tools that make it easier for them to manage their money and to make smart financial decisions, now and for the future. Leverage our expertise, products and services and support initiatives for more inclusive economic growth and social development. Moreover, this implies actively engaging in contributing to society and social development causes; and
- Sustainable financing: facilitate the transition to a stronger, cleaner, fairer economy by implementing sustainable finance. Support customers from all sectors in managing their environmental and social risks and impacts, and lend to – and invest in – businesses that offer solutions to environmental and social challenges.

To achieve these strategic sustainability ambitions, we seek to achieve operational excellence across five main areas:

- Smart processes and infrastructure: implement smart, efficient, secure processes and infrastructure, using the latest technology and industry best-practice to minimise our operational costs and environmental impact, and deliver an excellent customer experience;
- Outstanding workforce: build an outstanding workforce through attracting, developing and retaining the best talent, and inspiring our people to achieve their full potential and deliver against our strategic objectives;
- Superior customer experience: ensure that every customer receives excellent value from us and that we always support their needs with first-class delivery of products and services to become the most trusted financial partner in the MEASEA;
- Robust governance and ethics: conduct our business with transparency, accountability and integrity by maintaining the highest standards of corporate governance, and taking appropriate measures to prevent any form of bribery, corruption or financial crime, including money laundering, terrorism financing and fraud; and
- Financial stability and systematic risk management: proactively manage financial and macroeconomic risks by ensuring adequate capital reserves to absorb losses, continue operations and meet obligations in the event of adverse economic and financial conditions.

29%
percentage of women in executive management

0
incidents of non-compliance with laws and regulations

7.0%
of loan portfolio allocated to microenterprises and SME

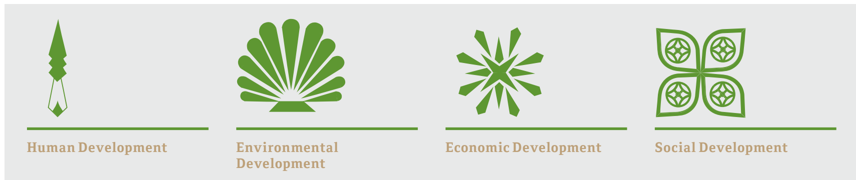
2.6%
community investment as a percentage of pre-tax profit

Alignment and contribution to national and international frameworks

In developing our sustainability framework and strategy, we have also sought to align with national and international sustainable development objectives. As part of the Sustainable Stock Exchange Initiatives (SSEI) of 2016, the Qatar Stock Exchange this year released its ESG guidance to encourage voluntary ESG reporting by listed companies. We are also committed to the objectives of the QNV 2030 and the UN SDGs. The QNV 2030 serves as a clear road map for Qatar's future, guiding economic, social, human and environmental development in the coming decades. The UN highlights 17 global goals across which society needs to mobilise efforts to end all forms of poverty, fight inequalities and tackle climate change, ensuring that no one is left behind.

We are committed to alignment with:

Qatar Vision 2030 and National Development Strategy 2011–2016



United Nations Sustainable Development Goals

Sustainability
continued

Case study: Supporting disadvantaged customers

QNB has made its branches accessible to customers who are differently-abled by constructing ramps at the branch entrance, enabling wheelchair access. Moreover, some key branches have product applications written in braille as well as audio-enabled ATMs (through headphones) enabling visually-impaired customers to use our services with ease. In Egypt, QNB Al Ahli has 21 branches offering special and dedicated services to cater for the banking needs of deaf-mute customers.

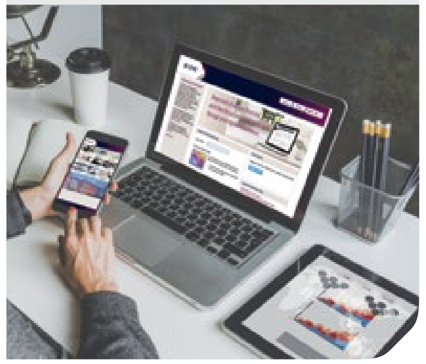
Below: QNB has made its branches accessible to customers who are differently-abled.

Case study: QNB Qatar's Mobile Money Wallet

QNB Qatar has partnered with Ooredoo to provide a Mobile Money Wallet for the low-waged and often unbanked population in Qatar. This solution offers a comprehensive suite of financial services such as international remittance, payroll, bill payment, school fee payment, mobile top-up, peer-to-peer payment, cash withdrawal and bank to wallet transfers in one single mobile application.

Many companies in Qatar are now using the Mobile Money Wallet to distribute salaries electronically, which offers convenience as well as compliance with the local Wages Protection System (WPS) regulation. This service also includes a bank card that employees can use at any ATM or point-of-sale machine both in Qatar and internationally.

In 2017, more than 3.5 million transactions were performed via the Mobile Money Wallet service, a 50% increase compared to 2016.



Sustainability performance summary

	Key performance indicator	2013	2014	2015	2016	2017
Sustainable financial performance	Pre-tax profit (QR million)	9,999	11,183	12,002	13,343	14,055
	Net loans and advances to customers (QR million)	310,712	338,130	388,292	520,417	584,319
	Cost-to-income ratio (%)	20.4%	20.8%	21.5%	30.4%	29.1%
Sustainable financing	Number of products or services helping customers to meet an environmental or social challenge	0	0	0	8	14
	Credit facilities extended to microenterprises (QR million)*	–	–	6,270	13,178	17,084
	Credit facilities extended to SMEs (QR million)*	–	–	4,144	19,400	23,499
	Lending portfolio financing microenterprises and SMEs (%)*	–	–	2.8%	6.6%	7.0%
Thriving consumers	Non-performing loan ratio for lending	1.6%	1.6%	1.4%	1.8%	1.8%
	Community investment as a percentage of pre-tax profits (%)	2.3%	4.1%	3.0%	2.4%	2.6%
Smart processes and infrastructure	Digital transactions (online and mobile as a % of total)*	26.6%	26.9%	28.1%	36.2%	45.2%
	Number of data security breaches	0	0	0	1	0
	Amount of fraudulent transaction activity (QR million)*	2.1	4.7	2.5	2.5	0.2
	Energy intensity (GJ/full-time employee)*	–	–	27.3	31.4	27.7
	GHG emissions intensity (tonnes CO_2e/full-time employee)*	–	–	4.7	4.2	3.7
	Water intensity (m^3/full-time employee)*	–	–	38.4	22.5	20.4
	Paper consumption intensity (kg/full-time employee)*	94	101	93	83	57
Outstanding workforce	Employee engagement score (%, QNB Qatar and its international branches)	–	56%	–	53%	59%
	Average number of training hours provided per employee	25.6	27.8	25.4	41.1	30.8
	Employee turnover rate (voluntary) (%)	4.2%	4.2%	4.7%	7.0%	6.7%
	Female employment rate (%)	40%	39%	39%	48%	48%
	Women in senior management (%)	9%	11%	13%	15%	16%
	Number of grievances filed during reporting period	285	272	205	296	358
Outstanding customer experience	Net promoter score – Qatar	–	44	63	47	54
Robust governance and ethics	Incidents of non-compliance with laws and regulations	0	0	0	0	0
	Total amount of legal and regulatory fines and settlements (QR million)	0	0	0	0	0
	Confirmed incidents of bribery or corruption	–	–	–	0	0
	Percentage of Board seats occupied by independent directors	50%	50%	30%	40%	40%
Financial stability and systemic risk management	Basel III Liquidity Coverage Ratio (LCR)	–	–	87%	85%	135%

* September 2017 year-on-year
Note: Includes QNB Qatar, selected international branches, QNB Finansbank and QNB Al Ahli

Corporate social responsibility

We are committed to creating a positive social footprint in the communities we serve

Corporate social responsibility (CSR) is a fundamental part of our sustainability programme and our business. Like our clients, we believe that a consistent approach to CSR helps us to deliver a better business performance and build an even stronger brand.

Our people and CSR

Through our services, we seek to enable economic and social inclusion across our network, particularly in developing and emerging economies, by helping individuals and companies achieve their aspirations. This helps us raise living standards and help communities more broadly – one of our aims as an organisation.

This starts with our people. With approximately 80 different nationalities working together in more than 31 countries across three continents, we are proud of our diversity. We work in an atmosphere of mutual respect and support, and share the same values that define the Bank and our approach to doing business. It is perhaps because of this that we have such a consistently high engagement score.

All QNB Group employees are encouraged to participate in our CSR initiatives. Many choose to do so by contributing time and expertise to worthy causes which the Bank supports.

Over the years, our volunteers have supported a wide range of community projects, including annual keep-clean rallies, assisting in numerous international events, helping young people to learn a new skill at a local community centre, fundraising activities, coaching a children's sports team or even providing a warm meal to those less fortunate.

Arts and culture

Our cultural heritage helps to define who we are and what we want to become. This year, we were proud to add our support to this important subject by:

> embracing our culture. QNB celebrates the Garangaoh night every year during the 15th night of the holy month of Ramadan. This year, we organised events to give sweets and gifts to children in Qatar;

> sponsoring drama. The Bank supported two comedy plays: Dirat al-Izz (Country of Pride) and Al Hesar (The Blockade) as part of our commitment to encouraging artistic production and contributing to the enrichment of Qatar's cultural landscape; and

> renewing our support and collaboration with Qatar National Day Organizing Committee. The Qatar National Day is the national holiday for the country and is celebrated every year on 18 December as a recognition of the unification of the State of Qatar in 1878 by Sheikh Jassim bin Mohammed Al Thani.

Left: QNB celebrates the Garangaoh night every year during the 15th night of the holy month of Ramadan.

Right: Our Solidarity Walls encouraged staff to show their support for World Autism Day.

Below: The visit of H.H. the Emir Sheikh Tamim bin Hamad Al-Thani to QNB's booth at the QITCOM Conference 2017.

Economic and international affairs

Financial empowerment and enhancing the understanding of international affairs helps everyone, from individuals to multinationals, successfully navigate the increasingly complex world we live in. To foster both, we:

> supported the Second Annual SME Conference in Qatar. Organised by the Qatar Chamber of Commerce and Industry and the International Chamber of Commerce (ICC) under the patronage of His Excellency the Prime Minister, the event aims at improving and developing the SME sector to enable them to capitalise on a greater range of business opportunities. This year, the conference also focused on Turkey's SME experience, with Qatar benefiting from the country's international standards and best practices to provide innovative solutions and encourage creative thinking among entrepreneurs and investors;

> sponsored QITCOM conference and exhibition 2017. This is the largest annual digital event held in Qatar. The focus this year was on the provision of smart technology services, solutions and applications to Qatar's five key sectors: transport, environment, health, sports and logistics, in line with the QNV 2030;

> supported Expo Turkey by Qatar in Doha, a trade exhibition held under the patronage of His Highness the Emir Sheikh Tamim Bin Hamad Al-Thani, designed to enhance diplomatic and trade relations; and

> acted as the main sponsor for the annual Reyada Award. Launched by the Social Development Centre in 2011, this national competition encourages initiatives and innovation in the field of entrepreneurship, and strengthens the spirit of competition between Qatari entrepreneurs.

Health and environment

Promoting good health and improving our environment are two vitally important areas of CSR for us. This year we did this by:

> celebrating World Autism Day. We installed Solidarity Walls in two of our main offices in Doha so that staff could visibly demonstrate their support by placing a blue palm print on the wall; and

> donating blood. Working in partnership with the Indonesian Red Cross Society, QNB Indonesia held a blood donation event for employees entitled 'Give the Gift of Life, Donate Your Blood'. Throughout the course of the event, held at the Bank's head office, almost 80 staff donated blood at the event.

Corporate social responsibility continued

Below: QNB's booth at Darb Al Saai as part of its participation in Qatar's National Day celebrations.

Social and humanitarian

Our commitment to help build a better society and contribute to a better world is unwavering. This year we:

- in conjunction with the Shafallah Centre, sponsored the 'A Small Contribution, A Great Hope' initiative, which encourages children with special needs to express their pride for the National Day celebration through their drawing talents;
- sponsored the Orphans Day in Egypt. In recognition of our long-standing commitment and support for young orphans in Egypt, QNB Al Ahli was awarded a special certificate by the Egyptian Stock Exchange to celebrate this year's Orphans Day; and
- helped with homes. QNB Al Ahli also provided 30 families in need with new homes in the village of Ahmed Al Masri. The initiative was made in cooperation with Egypt's Al Orman Association.

Sport

Sport provides a positive experience no matter whether you are a participant or a spectator. It promotes a culture of cooperation, healthy competition, activity and fitness. In 2017, we supported sport by:

- acting as the main sponsor of the prestigious H.H. The Emir's Sword Event at the Qatar Racing and Equestrian Club. Now in its 26th year, the event, under the patronage of His Highness the Emir Sheikh Tamim Bin Hamad Al-Thani, features a number of horse races and a show jumping event;
- renewing our sponsorship agreement with the Qatar Football Association (QFA) and Qatar Stars League Management (QSLM) for six more seasons. The latter has been renamed the QNB Stars League. Our sponsorship covers all competitions, including The Emir Cup and the Qatar National Team;
- renewing our partnership with the Asian Football Confederation (AFC) as the official sponsor of the confederation's international footballing events, including its sponsorship of the AFC Champions League for 2017 to 2020, the AFC Cup from 2017 to 2020, and the AFC Asian Cup in 2019;
- sponsoring the Paris Saint-Germain and Trabzonspor football clubs in France and Turkey, respectively;

Above: QNB and the Shafallah Centre encourage children with special needs to express their pride during the National Day celebrations.

- sponsoring the annual Sports Day activities, where our staff joined those from other banks across the capital in the 10km walk across Doha organised by Qatar Central Bank; and
- acting as the national sponsor for the FINA Swimming World Cup 2017 in Qatar. The two-day swimming event was held at the Hamad Aquatic Centre and attracted top swimmers from around the world.

Youth and education

Our future lies in the hands of our youth and in their education. This year, we were proud to support both by:

- acting as a sponsor to the annual Doha Jewellery and Watches Exhibition in Qatar, where young, up-and-coming Qatari designers are invited to showcase their work alongside renowned international brands, opening a world of opportunity;
- supporting the education initiatives in Qatar by being the main sponsor of all Ministry of Education activities held throughout the year;
- supporting literacy. QNB Tunisia participated in the Reading Open Day event held by Ben Arous school and organised by the Ministry of Education. As well as reading, the event included a play, a book fair, drawing and painting workshops, and a fashion show;
- creating the Math Amazing mobile exhibition in Turkey. QNB Finansbank was behind the success of an educational exhibition in Istanbul designed to help children learn more about maths, while also developing their analytical skills in a fun and interactive way. The event attracted more than 100,000 children and their families;
- boosting academic success. QNB Finansbank collaborated with the Turkish Education Association and the Ministry of National Education to increase academic success, as well as cultural and sport development for students in eight primary schools in Ankara and Adana. Almost 7,000 children received specialist coaching in tennis, basketball and volleyball tournaments across the country; and
- supporting the renovation of a school. QNB Tunisia worked with the Ministry of Education to help support renovation work at Ben Arous school, which included fixing the school's windows, painting all the walls, and building a sports court and reading hall.

Above: Boosting academic success in Turkey.

Right: QNB was official sponsor of all activities held by the Ministry of Education in 2017.

Left: H.H. The Emir's Sword Event at the Qatar Racing and Equestrian Club.

Financial statements

Group Chief Financial Officer's report

QNB Group has demonstrated resilience and robustness to deliver another year of outstanding performance

Performance highlights

QNB Group had another outstanding year and continued to set performance milestones in 2017. As a result of the disciplined execution of our strategy to become a leading bank in MEASEA by 2020, we delivered income growth, while maintaining cost control and asset quality. This year total assets increased by 13% to QR811.1 billion and net profit increased by 6% to QR13.1 billion.

Despite the challenging geopolitical environment, QNB Group has demonstrated resilience and robustness, comfortably surpassing the minimum liquidity and leverage ratios required by both QCB and Basel III throughout 2017.

Continuing to grow in a challenging year

QNB Group's continuing growth in earnings has been driven by focusing on the customers' needs, which enabled growth across our different revenue streams. The results have been secured by QNB's geographic diversity, the customer-focused product suite and efficient distribution channels.

In summary, QNB Group reported another year of strong operating results:

> net profit reached QR13.1 billion, up by 6% from December 2016;

> total assets reached QR811.1 billion, up by 13% from December 2016;

> net loans and advances increased to QR584.3 billion, up by 12% from December 2016; and

> customer deposits increased to QR585.5 billion, up by 16% from December 2016.

“The Group's strategic cost management approach, operational excellence and strong revenue growth allowed QNB to sustain an efficiency ratio of 29.1%.”

Net profit (QR billion)

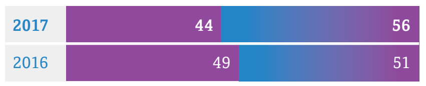
Total assets (QR billion)

Loans and advances (QR billion)

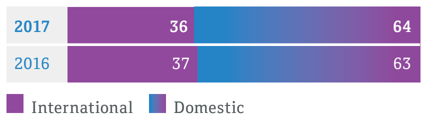
Customer deposits (QR billion)

Loans and advances (%)

Customer deposits (%)



Net profit (%)



The Group's strategic cost management approach, operational excellence and strong revenue growth allowed QNB to sustain an efficiency ratio of 29.1%, one of the best ratios among financial institutions in the region. These results reflect the consistently high profitability and revenue-generating capacity of the QNB network, despite the impact of the devaluation of the Egyptian Pound at the end of last year, which impacted the income statement.

Furthermore, the Group was able to efficiently manage the non-performing loans ratio to be stable at 1.8%, one of the lowest among banks in the MEA region. This is a reflection of the Group's prudent management of credit risk and the high quality of the loan portfolio. The Group's conservative policy in regard to the loan portfolio improved the coverage ratio to reach 112%.

Enhancing shareholder value

We create value for our shareholders by effectively leveraging our competitive advantages such as our rating, balance sheet strength and unique international footprint. This year we have delivered growth by building organically, through an effective implementation of our strategic objectives and expansion plans. QNB Group continues to deliver sustainable earnings increases as EPS increased to QR13.7 per share in December 2017.

> Total equity increased to QR78.7 billion, up by 11% from December 2016; and

> EPS reached QR13.7, compared to QR13.1 in December 2016.

Ensuring robust capitalisation

QNB Group's Capital Adequacy Ratio (CAR), in line with the QCB and Basel III requirements, stood well above the minimum requirements, at 16.5%. The Group is well capitalised in order to support the future strategic plans.

QNB Group has continued to build strong investor confidence by increasing the number of investor roadshows, increasing transparency and disclosure.

Diversified liquidity management

During the year, QNB Group successfully completed a Formosa issuance under its Euro Medium-Term Note (EMTN) programme and listed on the Taipei Stock Exchange. USD630 million was issued with a maturity of 30 years callable every five years. This Reg S issue attracted strong interest from Taiwanese investors, and its success is a testament to the trust of international investors in QNB Group's strategy and the strength of its financial position. The issuance was part of QNB Group's ongoing strategy to ensure diversification of funding in terms of product type, currencies, tenor and geography.

QNB Group follows a very conservative approach to manage its liquidity needs and a prudent liquidity management policy is in place to address any urgent and exceptional business requirements.

QNB Group was successful in attracting new customer deposits. These deposit mobilisation efforts resulted in increased customer funding by 16% to reach QR585.5 billion from December 2016. This led to the reduction in the Group's loan to deposit ratio to 99.8%, compared with 102.7% in December 2016. This clearly demonstrates the success of QNB's strategy to diversify its funding sources.

The Group maintains a very high balance of short-term liquid assets, comprising of cash and balances with banks, time placements and investment securities, representing 24% of total assets, giving the Group more than adequate reserves.

Left: The Group continued to diversify its international revenue streams.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Qatar National Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters where addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addresses the key audit matter
Impairment of loans and advances to customers	
There is a potential risk that loans and advances are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank (QCB) regulations as determining the adequacy of impairment allowance on loans and advances to customers is a key area of judgment for the management. Accordingly, loans and advances might be carried at amounts greater than estimated recoverable amounts, therefore the impairment test of these loans and advances is considered to be a key audit matter. Note 10 to the consolidated financial statements provides details relating to the impairment of loans and advances.	Our procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and advances. We also assessed whether impairment losses for loans and advances were reasonably determined in accordance with the requirements of IFRS and applicable provisions of QCB regulations. In addition, we considered, assessed and tested the relevant controls over credit granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and advances and the required provisions against them.

Key Audit Matter	How our audit addresses the key audit matter
Impairment of Investment securities	
The Group's investment securities, as set out in Note 11 to the consolidated financial statements, consist of held for trading, available-for-sale ("AFS") and held-to-maturity ("HTM") financial investments. Held for trading and available-for-sale financial investments are carried at fair value while held-to-maturity investments are carried at amortised cost. There is a potential risk that investment securities are impaired and no such reasonable impairment losses/provisions are provided in accordance with the requirements of International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank (QCB) regulations. Due to the subjectivity in assessment of impairment indicators such as significant or prolonged decline in fair value for equity investments, use of estimations and assumptions in measuring impairment losses, investment securities might be carried at amounts greater than estimated recoverable amounts, therefore the impairment test of these investment securities is considered to be a key audit matter.	Our procedures included, amongst others, selecting a sample of investment securities based on our judgement and checking whether there is objective evidence that impairment exists on these investment securities. We then recalculated the amount of impairment losses/provisions required for impaired investment securities and determined whether they had been provided reasonably in accordance with the requirements of IFRS and applicable provisions of QCB regulations.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Group Board Audit and Compliance Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

Qatar National Bank (Q.P.S.C.)
Independent auditor's report to the shareholders of Qatar National Bank (Q.P.S.C.)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Group Board Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Group Board Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Group Board Audit and Compliance Committee, we determine those matters that were most of significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015, during the financial year that would materially affect its activities or its financial position.

Firas Qoussous
Partner of Ernst & Young
Qatar Auditors Registry Number 236

Doha – State of Qatar
16 January 2018

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Financial Position
As at 31 December 2017
(All amounts are shown in thousands of Qatari Riyals)

	Notes	2017	2016
ASSETS			
Cash and balances with central banks	8	52,768,616	43,183,576
Due from banks	9	43,630,943	45,721,215
Loans and advances to customers	10	584,319,216	520,417,231
Investment securities	11	97,234,282	79,993,550
Investments in associates	12	7,411,867	7,340,355
Property and equipment	13	4,538,364	4,208,679
Intangible assets	14	3,833,339	3,882,648
Other assets	15	17,341,363	14,947,261
Total assets		**811,077,990**	**719,694,515**
LIABILITIES			
Due to banks	16	67,741,685	61,834,516
Customer deposits	17	585,523,114	506,694,587
Debt securities	18	26,707,284	28,825,874
Other borrowings	19	24,079,316	23,728,887
Other liabilities	20	28,280,251	27,757,233
Total liabilities		**732,331,650**	**648,841,097**
EQUITY			
Issued capital	22	9,236,429	8,396,753
Legal reserve	22	25,326,037	24,486,361
Risk reserve	22	7,500,000	7,000,000
Fair value reserve	22	(1,169,875)	24,456
Foreign currency translation reserve	22	(12,369,012)	(11,604,928)
Other reserves	22	832,429	608,600
Retained earnings	22	38,397,772	31,112,008
Total equity attributable to equity holders of the Bank		**67,753,780**	**60,023,250**
Non-controlling interests	23	992,560	830,168
Instrument eligible for Additional Tier 1 Capital	24	10,000,000	10,000,000
Total equity		**78,746,340**	**70,853,418**
Total liabilities and equity		**811,077,990**	**719,694,515**

These consolidated financial statements were approved by the Board of Directors on 16 January 2018 and were signed on its behalf by:

Ali Shareef Al-Emadi
Chairman of the Board of Directors

Ali Ahmed Al-Kuwari
Group Chief Executive Officer

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Income Statement
For the year ended 31 December 2017
(All amounts are shown in thousands of Qatari Riyals)

	Notes	2017	2016
Interest income	25	41,958,662	36,936,478
Interest expense	26	(24,070,437)	(19,049,363)
Net interest income		**17,888,225**	**17,887,115**
Fee and commission income	27	4,245,918	4,056,830
Fee and commission expense		(602,632)	(603,652)
Net fee and commission income		**3,643,286**	**3,453,178**
Foreign exchange gain	28	874,319	1,013,328
Income from investment securities	29	318,230	240,105
Other operating income		82,272	314,062
Operating income		**22,806,332**	**22,907,788**
Staff expenses	30	(3,433,558)	(3,628,234)
Depreciation	13	(489,261)	(544,462)
Other expenses	31	(2,751,564)	(2,850,244)
Net impairment losses on investment securities		(44,429)	(52,300)
Net impairment losses on loans and advances to customers	10	(2,014,419)	(2,493,012)
Amortisation of intangible assets		(71,377)	(77,754)
Other provisions		(68,049)	(95,379)
		(8,872,657)	**(9,741,385)**
Share of results of associates	12	120,960	176,924
Profit before income taxes		**14,054,635**	**13,343,327**
Income tax expense	32	(913,565)	(939,048)
Profit for the year		**13,141,070**	**12,404,279**
Attributable to:			
Equity holders of the Bank		13,128,138	12,364,637
Non-controlling interests		12,932	39,642
Profit for the year		**13,141,070**	**12,404,279**
Basic and diluted earnings per share (QR)	33	13.7	13.1

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017
(All amounts are shown in thousands of Qatari Riyals)

	2017	2016
Profit for the year	**13,141,070**	**12,404,279**
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Foreign currency translation differences for foreign operations	(608,587)	(9,676,445)
Share of other comprehensive income of associates	223,755	(603,726)
Effective portion of changes in fair value of cash flow hedges	338,891	(24,609)
Effective portion of changes in fair value of net investment in foreign operations	(1,363,943)	581,930
Available-for-sale investment securities:		
– Net change in fair value	46,161	(653,595)
– Net amount transferred to income statement	(213,497)	(160,185)
Total other comprehensive income for the year, net of income tax	**(1,577,220)**	**(10,536,630)**
Total comprehensive income for the year	**11,563,850**	**1,867,649**
Attributable to:		
Equity holders of the Bank	11,393,552	1,930,588
Non-controlling interests	170,298	(62,939)
Total comprehensive income for the year	**11,563,850**	**1,867,649**

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(All amounts are shown in thousands of Qatari Riyals)

	Issued capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to equity holders of the Bank	Non-controlling interests	Instrument eligible for Additional Tier 1 Capital	Total
Balance as at 1 January 2017	8,396,753	24,486,361	7,000,000	24,456	(11,604,928)	608,600	31,112,008	60,023,250	830,168	10,000,000	70,853,418
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	13,128,138	13,128,138	12,932	–	13,141,070
Total other comprehensive income	–	–	–	(1,194,331)	(764,084)	223,829	–	(1,734,586)	157,366	–	(1,577,220)
Total comprehensive income for the year	**–**	**–**	**–**	**(1,194,331)**	**(764,084)**	**223,829**	**13,128,138**	**11,393,552**	**170,298**	**–**	**11,563,850**
Transfer to legal reserve for the year 2016	–	839,676	–	–	–	–	(839,676)	–	–	–	–
Transfer to risk reserve	–	–	500,000	–	–	–	(500,000)	–	–	–	–
Transfer to social and sports fund	–	–	–	–	–	–	(209,324)	(209,324)	–	–	(209,324)
Transactions with equity holders, recognised directly in equity											
Dividend for the year 2016 (note 22)	–	–	–	–	–	–	(2,938,864)	(2,938,864)	–	–	(2,938,864)
Bonus shares for the year 2016 (note 22)	839,676	–	–	–	–	–	(839,676)	–	–	–	–
Dividend appropriation for instrument eligible for Additional Tier 1 Capital	–	–	–	–	–	–	(450,000)	(450,000)	–	–	(450,000)
Net movement in non-controlling interests	–	–	–	–	–	–	–	–	(7,906)	–	(7,906)
Other movements	–	–	–	–	–	–	(64,834)	(64,834)	–	–	(64,834)
Total transactions with equity holders, recognised directly in equity	**839,676**	**–**	**–**	**–**	**–**	**–**	**(4,293,374)**	**(3,453,698)**	**(7,906)**	**–**	**(3,461,604)**
Balance as at 31 December 2017	**9,236,429**	**25,326,037**	**7,500,000**	**(1,169,875)**	**(12,369,012)**	**832,429**	**38,397,772**	**67,753,780**	**992,560**	**10,000,000**	**78,746,340**
Balance as 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
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	12,364,637	12,364,637	39,642	–	12,404,279
Total other comprehensive income	–	–	–	(259,151)	(9,571,288)	(603,610)	–	(10,434,049)	(102,581)	–	(10,536,630)
Total comprehensive income for the year	**–**	**–**	**–**	**(259,151)**	**(9,571,288)**	**(603,610)**	**12,364,637**	**1,930,588**	**(62,939)**	**–**	**1,867,649**
Transfer to legal reserve for the year 2015	–	1,399,459	–	–	–	–	(1,399,459)	–	–	–	–
Transfer to risk reserve	–	–	2,000,000	–	–	–	(2,000,000)	–	–	–	–
Transfer to social and sports fund	–	–	–	–	–	–	(195,007)	(195,007)	–	–	(195,007)
Transactions with equity holders, recognised directly in equity											
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 Tier 1 Capital (note 24)	–	–	–	–	–	–	–	–	–	10,000,000	10,000,000
Dividend appropriation for instrument eligible for Additional Tier 1 Capital	–	–	–	–	–	–	(252,500)	(252,500)	–	–	(252,500)
Net movement in non-controlling interests	–	–	–	–	–	–	–	–	(58,986)	–	(58,986)
Other movements	–	–	–	–	–	–	(114,083)	(114,083)	–	–	(114,083)
Total transactions with equity holders, recognised directly in equity	**1,399,459**	**–**	**–**	**–**	**–**	**–**	**(4,215,095)**	**(2,815,636)**	**(58,986)**	**10,000,000**	**7,125,378**
Balance as at 31 December 2016	**8,396,753**	**24,486,361**	**7,000,000**	**24,456**	**(11,604,928)**	**608,600**	**31,112,008**	**60,023,250**	**830,168**	**10,000,000**	**70,853,418**

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Cash Flows
For the year ended 31 December 2017
(All amounts are shown in thousands of Qatari Riyals)

	Notes	2017	2016
Cash flows from operating activities			
Profit before income taxes		14,054,635	13,343,327
Adjustments for:			
Interest income		(41,958,662)	(36,936,478)
Interest expense		24,070,437	19,049,363
Depreciation	13	489,261	544,462
Net impairment losses on loans and advances to customers	10	2,014,419	2,493,012
Net impairment losses on investment securities		44,429	52,300
Other provisions		72,052	73,124
Dividend income	29	(104,733)	(79,920)
Net (gain) / loss on sale of property and equipment		(9,266)	2,542
Net gain on sale of investment securities	29	(213,497)	(160,185)
Amortisation of intangible assets		71,377	77,754
Net amortisation of premium or discount on financial investments		(11,606)	(11,606)
Net share of results of associates		25,411	7,644
		(1,455,743)	**(1,544,661)**
Changes in:			
Due from banks		(3,831,699)	(6,208,185)
Loans and advances to customers		(68,598,794)	(78,453,499)
Other assets		(1,647,937)	44,406
Due to banks		6,868,281	8,085,183
Customer deposits		74,000,655	85,380,684
Other liabilities		2,711,283	(3,985,840)
Cash from operations		**8,046,046**	**3,318,088**
Interest received		41,074,906	36,561,563
Interest paid		(23,211,230)	(18,079,917)
Dividends received		104,733	79,920
Income tax paid		(713,603)	(567,803)
Other provisions paid		(48,313)	(66,005)
Net cash from operating activities		**25,252,539**	**21,245,846**
Cash flows from investing activities			
Acquisition of investment securities		(79,576,452)	(63,962,428)
Proceeds from sale/redemption of investment securities		62,712,207	59,714,925
Investments in associates	12	(8,124)	–
Acquisition of a subsidiary, net of cash acquired		–	(9,610,068)
Additions to property and equipment	13	(867,040)	(1,105,261)
Proceeds from disposal of property and equipment		11,294	596
Net cash used in investing activities		**(17,728,115)**	**(14,962,236)**
Cash flows from financing activities			
Proceeds from issuance of instrument eligible for Additional Tier 1 Capital		–	10,000,000
Payment of coupon on instrument eligible for Additional Tier 1 Capital		(450,000)	–
Proceeds from issuance debt securities	18	5,534,904	13,026,589
Repayment of debt securities	18	(5,254,720)	(5,228,893)
Proceeds from issuance of other borrowings	19	3,124,001	10,998,695
Repayment of other borrowings	19	(2,661,108)	(4,033,225)
Dividends paid		(2,930,666)	(2,468,978)
Net cash (used in) / from financing activities		**(2,637,589)**	**22,294,188**
Net increase in cash and cash equivalents		**4,886,835**	**28,577,798**
Effects of exchange rate fluctuations on cash held		(261,007)	(5,764,365)
Cash and cash equivalents at 1 January		52,864,047	30,050,614
Cash and cash equivalents at 31 December	39	**57,489,875**	**52,864,047**

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017
(All amounts are shown in thousands of Qatari Riyals)

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

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

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Year of incorporation/ acquisition	Ownership %
QNB International Holdings Limited	Luxembourg	2004	100%
CSI QNB Property	France	2008	100%
QNB Capital LLC	Qatar	2008	100%
QNB Suisse S.A.	Switzerland	2009	100%
QNB Syria	Syria	2009	50.8%
QNB Finance Ltd.	Cayman Islands	2010	100%
QNB Indonesia	Indonesia	2011	82.6%
QNB Financial Services	Qatar	2011	100%
Al-Mansour Investment Bank	Iraq	2012	50.8%
QNB India Private Limited	India	2013	100%
QNB Tunisia	Tunisia	2013	99.96%
QNB ALAHLI	Egypt	2013	97.12%
QNB Finansbank	Turkey	2016	99.88%
QNB (Derivatives) Limited	Cayman Islands	2017	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;
> Held for trading financial assets;
> Financial assets designated at fair value through profit or loss;
> Available-for-sale financial investments; and
> Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships to the extent of risks being hedged.

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

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

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

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

3. Significant accounting policies

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

a) Basis of consolidation

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

(i) Business combinations

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

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

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

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

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

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

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

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

(ii) Subsidiaries

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

(iii) Loss of control

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

(iv) Non-controlling interests and transactions therewith

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

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

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

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

3. Significant accounting policies (continued)

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

(v) Transactions eliminated on consolidation

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

(vi) Associates

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

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

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

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

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

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

(vii) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements, except when the Group controls the entity. Information about the Group's funds management is set out in note 37.

b) Foreign currency

(i) Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated into the functional currency at the spot exchange rate on the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

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

3. Significant accounting policies (continued)

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

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

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

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

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

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

c) Financial assets and financial liabilities

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

(ii) Classification

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

> Held-for-trading;
> Fair value through profit or loss;
> Loans and receivables;
> Held to maturity; or
> Available-for-sale.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the consolidated income statement over the remaining life of the investment, using the effective interest rate method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the consolidated income statement.

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

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

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

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

3. Significant accounting policies (continued)

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

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

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

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

(v) Measurement principles

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

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

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

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

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

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

d) Cash and cash equivalents

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

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

e) Due from banks

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

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

f) Loans and advances to customers

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

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

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

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

g) Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either 'fair value through profit or loss', 'held-for-trading', 'held to maturity' or 'available-for-sale'.

(i) Held to maturity financial assets
Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest rate method.

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

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

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3. Significant accounting policies (continued)

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

h) Derivatives

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

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

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

Hedges of a net investment in foreign operation
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated income statement.

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

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

i) Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

	Years
Buildings	10 to 50
Equipment and furniture	3 to 12
Motor vehicles	4 to 7
Leasehold improvements	4 to 10

Freehold land is stated at cost.

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

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

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

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

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

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

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3. Significant accounting policies (continued)

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date, for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

n) Employee benefits

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

Defined contribution scheme – Qatari employees
With respect to Qatari employees, the Group makes a contribution to the State administered Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of staff expenses and is disclosed in note 30.

o) Share capital and reserves

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

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

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

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

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

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

(All amounts are shown in thousands of Qatari Riyals)

3. Significant accounting policies (continued)

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

q) Fee 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.

r) Income from investment securities

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

s) Dividend income

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

t) Taxation

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

u) Earnings per share

The Bank presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank, further adjusted for the dividend appropriation for instrument eligible for Additional Tier 1 Capital, if any, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

v) Segment reporting

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

w) Fiduciary activities

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

x) Repossessed collateral

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

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

y) Comparatives

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

z) Parent bank financial information

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

3. Significant accounting policies (continued)

(aa) New Standards and Amendments to Standards

The following amendments to IFRS and new IFRSs have been applied by the Group in preparation of these consolidated financial statements. The below were effective from 1 January 2017:

Amendments to Standards
Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40 – Transfers of Investment Property
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 7 – Disclosure Initiative

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.

Standards	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 Leases	1 January 2019

IFRS 9 Financial Instruments

The Group will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information in accordance with applicable Qatar Central Bank (QCB) guidelines. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on Expected Credit Losses (ECL) for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The Group has assessed the estimated impact on the initial application of IFRS 9 will have on the consolidated financial statements as shown below:

	Retained earnings	Non-controlling interests	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	**38,397,772**	**992,560**	**(1,169,875)**
(a) Impact on reclassification and remeasurements:			
– Reclassification of FVOCI investment securities to amortised cost	–	–	74,175
– Reclassification of amortised cost investment securities to FVOCI	–	–	22,060
	–	**–**	**96,235**
(b) Impact on recognition of Expected Credit Losses:			
– Due from banks at amortised cost	(69,471)	(342)	–
– Loans and advances at amortised cost including loan commitments and financial guarantees	(2,172,525)	(37,295)	–
– Investment securities (debt) at FVOCI and amortised cost	(63,567)	(2,762)	–
	(2,305,563)	**(40,399)**	**–**
Estimated adjusted opening balance under IFRS 9 on the date of initial application (1 January 2018)	**36,092,209**	**952,161**	**(1,073,640)**

A number of significant judgments are required in determining whether the risk of default on a financial instrument has increased significantly since initial recognition. The Group considers all reasonable and supportable information that includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward looking information, to make a relative assessment of any deterioration of credit quality as per IFRS9 and the applicable QCB regulations.

The above assessment of Significant Increase in Credit Risk (SICR) reflects the transitional estimate of ECL impact arising after considering all reasonable and supportable information from prior periods up to the reporting date.

(a) Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: (a) measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

(All amounts are shown in thousands of Qatari Riyals)

3. Significant accounting policies (continued)

Based on the Group's assessment, the new IFRS 9 classification requirements are not expected to have a material impact on its accounting for due from banks, loans and advances, investments in debt securities and investments in equity securities.

(b) Expected credit losses

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

> Determining criteria for SICR;
> Choosing appropriate models and assumptions for the measurement of ECL;
> Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
> Establishing groups of similar financial assets for the purposes of measuring ECL.

(c) Financial liabilities

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at FVTPL to FVOCI.

No significant changes are expected for financial liabilities, other than changes in the fair value of financial liabilities designated at FVTPL that are attributable to changes in the instrument's credit risk, which will be presented in other comprehensive income.

(d) Hedge accounting

IFRS 9 hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

When initially applying IFRS 9, the Group has the option to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. However, the Group determined that all existing hedge relationships that are currently designated in effective hedging relationships would continue to qualify for hedge accounting under IFRS 9. The new hedge accounting requirements under IFRS 9 will not have a material impact on hedge accounting applied by the Group.

(e) Disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'

The Group will implement this new revenue recognition standard with effect from 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The Group has assessed the impact of IFRS 15 and expects that the standard will have no material effect, when applied, on the consolidated financial statements of the Group.

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.

4. Financial risk management (continued)

Risk management structure

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

Risk Committee

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

Risk measurement and reporting systems

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

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

Internal Audit

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

Risk mitigation

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

b) Credit risk

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

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

Note 10 discloses the distribution of loans and advances and financing activities by industry wise sector. Note 35 discloses the geographical distribution of the Group's assets and liabilities.

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

	Gross maximum exposure	
	2017	2016
Cash and balances with central banks (excluding cash on hand)	45,559,487	37,877,059
Due from banks	43,630,943	45,721,215
Loans and advances to customers	584,319,216	520,417,231
Investment securities	95,217,160	78,044,718
Other assets	12,948,480	12,344,996
	781,675,286	694,405,219
Guarantees	62,997,566	64,719,723
Letters of credit	31,272,727	34,068,287
Unutilised credit facilities	132,602,038	105,786,136
Total	**1,008,547,617**	**898,979,365**

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

c) Risk concentration for maximum exposure to credit risk by industry sector
An industry sector analysis of the Group's financial assets and contingent liabilities, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross maximum exposure 2017	Net maximum exposure 2017	Gross maximum exposure 2016	Net maximum exposure 2016
Government	213,182,340	–	173,585,573	–
Government agencies	188,052,349	57,591,253	170,544,293	46,763,219
Industry	43,418,570	38,101,126	34,854,144	30,914,623
Commercial	25,107,342	12,920,612	24,097,501	10,399,708
Services	158,601,175	115,380,362	156,365,459	118,498,753
Contracting	17,183,030	13,210,054	13,447,744	9,954,403
Real estate	57,134,479	36,366,527	53,149,655	28,661,297
Personal	66,850,949	49,680,743	58,842,366	41,657,236
Others	12,145,052	9,630,883	9,518,484	6,627,062
Guarantees	62,997,566	62,997,566	64,719,723	64,719,723
Letters of credit	31,272,727	31,272,727	34,068,287	34,068,287
Unutilised credit facilities	132,602,038	132,602,038	105,786,136	105,786,136
Total	**1,008,547,617**	**559,753,891**	**898,979,365**	**498,050,447**

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

Equivalent grades	2017	2016
AAA to AA-	311,987,314	290,686,854
A+ to A-	293,533,362	237,848,873
BBB+ to BBB-	315,819,261	286,868,718
BB+ and below	31,170,073	28,647,241
Unrated	56,037,607	54,927,679
Total	**1,008,547,617**	**898,979,365**

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. As at 31 December 2017, based on Group's internal rating methodology, 26% (2016: 25%) represents Low Risk (Grade A) and 74% (2016: 75%) represents Standard Risk (Grade B).

4. Financial risk management (continued)

e) Credit quality

	Due from banks		Loans and advances to customers		Investment securities (debt)	
	2017	2016	2017	2016	2017	2016
Neither past due nor impaired						
A: Low risk	38,970,435	39,619,592	317,647,091	289,925,219	63,175,686	48,061,538
B: Standard risk	4,660,508	6,101,623	259,578,416	223,528,524	32,065,764	30,010,404
Sub total	**43,630,943**	**45,721,215**	**577,225,507**	**513,453,743**	**95,241,450**	**78,071,942**
Past due but not impaired						
A: Low risk	–	–	700,020	309,629	–	–
B: Standard risk/watchlist	–	–	7,641,669	7,972,832	–	–
Sub total	**–**	**–**	**8,341,689**	**8,282,461**	**–**	**–**
Impaired						
Substandard	–	–	3,191,639	2,008,697	–	–
Doubtful	–	–	1,272,991	1,262,188	–	–
Loss	–	–	5,988,145	6,194,010	55,272	41,108
Sub total	**–**	**–**	**10,452,775**	**9,464,895**	**55,272**	**41,108**
Less: Impairment allowance	–	–	(11,700,755)	(10,783,868)	(79,562)	(68,332)
Net carrying amounts	**43,630,943**	**45,721,215**	**584,319,216**	**520,417,231**	**95,217,160**	**78,044,718**

At 31 December 2017 and 2016, none of the other assets were either past due or impaired.

Investment securities – debt	2017	2016
Held for trading	50,521	33,894
Held to maturity	45,492,863	43,132,898
Available-for-sale	49,753,338	34,946,258
	95,296,722	**78,113,050**
Less: Impairment allowance	(79,562)	(68,332)
Net carrying amounts	**95,217,160**	**78,044,718**

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

	Less than 30 days	31-60 days	61-90 days	Total
As at 31 December 2017				
Corporate lending	1,505,794	379,362	465,079	2,350,235
Small business lending	1,623,460	516,618	429,657	2,569,735
Consumer lending	1,868,471	593,306	125,700	2,587,477
Residential mortgages	362,650	128,470	343,122	834,242
Total	**5,360,375**	**1,617,756**	**1,363,558**	**8,341,689**
As at 31 December 2016				
Corporate lending	1,541,215	424,387	630,631	2,596,233
Small business lending	1,711,749	428,974	394,683	2,535,406
Consumer lending	1,992,028	445,135	138,055	2,575,218
Residential mortgages	385,544	138,016	52,044	575,604
Total	**5,630,536**	**1,436,512**	**1,215,413**	**8,282,461**

4. Financial risk management (continued)

f) Renegotiated loans and advances

	2017	2016
Corporate lending	1,548,229	1,456,964
Small business lending	827,482	1,143,679
Consumer lending	942,831	837,628
Residential mortgages	17,464	15,291
Total	**3,336,006**	**3,453,562**

g) Market risk

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

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

	Change in equity price %	Effect on other comprehensive income 2017	Change in equity price %	Effect on other comprehensive income 2016
Market indices				
Qatar exchange	±5	17,577	±5	20,846

h) Operational risk

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

i) Other risks

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

j) Risk of managing customer investments

The Group provides custody and corporate administration to third parties in relation to mutual funds marketed or managed by the Group. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 37 lists the funds marketed by the Group.

Qatar National Bank (Q.P.S.C.)
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(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

k) Interest rate risk

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

	Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Total	Effective interest rate
As at 31 December 2017:							
Cash and balances with central banks	14,164,506	–	–	–	38,604,110	52,768,616	
Due from banks	40,018,017	495,099	105,419	–	3,012,408	43,630,943	1.98%
Loans and advances to customers	317,328,404	82,612,278	161,180,198	15,787,499	7,410,837	584,319,216	5.74%
Investments	15,585,217	15,815,118	45,695,526	18,121,299	9,428,989	104,646,149	7.45%
Other assets	–	–	–	–	25,713,066	25,713,066	
Total assets	**387,096,144**	**98,922,495**	**206,981,143**	**33,908,798**	**84,169,410**	**811,077,990**	
Due to banks	48,404,402	12,728,361	2,754,830	640,842	3,213,250	67,741,685	2.51%
Customer deposits	372,119,181	88,611,970	60,829,420	1,643,281	62,319,262	585,523,114	2.92%
Debt securities	10,063,498	5,551,313	8,819,071	2,273,402	–	26,707,284	
Other borrowings	21,079,581	79,134	2,902,659	17,942	–	24,079,316	
Other liabilities	–	–	–	–	28,280,251	28,280,251	
Total equity	–	–	–	–	78,746,340	78,746,340	
Total liabilities and equity	**451,666,662**	**106,970,778**	**75,305,980**	**4,575,467**	**172,559,103**	**811,077,990**	
Balance sheet items	(64,570,518)	(8,048,283)	131,675,163	29,333,331	(88,389,693)	–	
Off-balance sheet items	43,816,675	(5,402,532)	(27,455,769)	(7,773,732)	(3,184,642)	–	
Interest rate sensitivity gap	**(20,753,843)**	**(13,450,815)**	**104,219,394**	**21,559,599**	**(91,574,335)**	**–**	
Cumulative interest rate sensitivity gap	**(20,753,843)**	**(34,204,658)**	**70,014,736**	**91,574,335**	**–**	**–**	
As at 31 December 2016:							
Cash and balances with central banks	12,291,499	–	–	–	30,892,077	43,183,576	
Due from banks	39,956,011	391,746	214,429	–	5,159,029	45,721,215	1.48%
Loans and advances to customers	273,726,476	82,966,892	144,565,797	15,886,055	3,272,011	520,417,231	5.12%
Investments	16,148,573	14,790,254	33,059,147	14,046,744	9,289,187	87,333,905	7.56%
Other assets	155,288	–	–	–	22,883,300	23,038,588	
Total assets	**342,277,847**	**98,148,892**	**177,839,373**	**29,932,799**	**71,495,604**	**719,694,515**	
Due to banks	46,603,092	12,446,037	2,235,682	28,824	520,881	61,834,516	1.69%
Customer deposits	283,659,470	136,384,447	32,019,009	827,567	53,804,094	506,694,587	2.55%
Debt securities	11,910,307	1,597,599	15,317,968	–	–	28,825,874	
Other borrowings	21,485,178	2,143,637	100,072	–	–	23,728,887	
Other liabilities	270,735	990	305	491	27,484,712	27,757,233	
Total equity	–	–	–	–	70,853,418	70,853,418	
Total liabilities and equity	**363,928,782**	**152,572,710**	**49,673,036**	**856,882**	**152,663,105**	**719,694,515**	
Balance sheet items	(21,650,935)	(54,423,818)	128,166,337	29,075,917	(81,167,501)	–	
Off-balance sheet items	44,724,949	(3,106,834)	(27,045,297)	(10,805,613)	(3,767,205)	–	
Interest rate sensitivity gap	**23,074,014**	**(57,530,652)**	**101,121,040**	**18,270,304**	**(84,934,706)**	**–**	
Cumulative interest rate sensitivity gap	**23,074,014**	**(34,456,638)**	**66,664,402**	**84,934,706**	**–**	**–**	

Other assets includes property and equipment and intangible assets.

For the year ended 31 December 2017

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

l) Interest rate sensitivity

The following table demonstrates the sensitivity to a possible and reasonable change in interest rates, with all other variables held constant, of the Group's income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities including the effect of hedging instruments.

2017	Increase in basis points	Sensitivity of net interest income
Currency		
Qatari Riyal	10	36,908
US$	10	(38,281)
Euro	10	(20,318)
Pound Sterling	10	(1,600)
Other currencies	10	1,045

2017	Decrease in basis points	Sensitivity of net interest income
Currency		
Qatari Riyal	10	(36,908)
US$	10	38,281
Euro	10	20,318
Pound Sterling	10	1,600
Other currencies	10	(1,045)

2016	Increase in basis points	Sensitivity of net interest income
Currency		
Qatari Riyal	10	25,240
US$	10	(36,215)
Euro	10	(15,951)
Pound Sterling	10	7,630
Other currencies	10	8,109

2016	Decrease in basis points	Sensitivity of net interest income
Currency		
Qatari Riyal	10	(25,240)
US$	10	36,215
Euro	10	15,951
Pound Sterling	10	(7,630)
Other currencies	10	(8,109)

For the year ended 31 December 2017

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

m) Liquidity risk

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

	Within 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2017:						
Cash and balances with central banks	18,321,271	–	–	–	34,447,345	52,768,616
Due from banks	38,131,249	1,037,355	3,508,502	953,837	–	43,630,943
Loans and advances to customers	72,836,013	31,135,814	82,190,604	293,019,785	105,137,000	584,319,216
Investments	5,247,895	7,451,744	12,180,066	49,612,036	30,154,408	104,646,149
Other assets	14,205,671	706,561	1,881,563	7,246,295	1,672,976	25,713,066
Total assets	**148,742,099**	**40,331,474**	**99,760,735**	**350,831,953**	**171,411,729**	**811,077,990**
Due to banks	40,930,590	5,550,785	9,589,716	7,861,422	3,809,172	67,741,685
Customer deposits	256,676,823	75,943,944	119,743,982	126,475,172	6,683,193	585,523,114
Debt securities	–	3,429,046	6,993,873	13,825,412	2,458,953	26,707,284
Other borrowings	147,869	10,997,392	2,958,472	9,975,583	–	24,079,316
Other liabilities and equity	16,484,975	2,509,163	4,401,440	3,894,031	79,736,982	107,026,591
Total liabilities and equity	**314,240,257**	**98,430,330**	**143,687,483**	**162,031,620**	**92,688,300**	**811,077,990**
Difference	**(165,498,158)**	**(58,098,856)**	**(43,926,748)**	**188,800,333**	**78,723,429**	**–**
As at 31 December 2016:						
Cash and balances with central banks	13,816,989	–	–	–	29,366,587	43,183,576
Due from banks	36,890,649	2,156,409	4,968,389	1,705,768	–	45,721,215
Loans and advances to customers	57,597,910	25,505,748	83,399,142	264,745,539	89,168,892	520,417,231
Investments	9,536,449	4,090,954	11,845,178	35,889,642	25,971,682	87,333,905
Other assets	11,405,251	717,889	1,955,580	7,826,635	1,133,233	23,038,588
Total assets	**129,247,248**	**32,471,000**	**102,168,289**	**310,167,584**	**145,640,394**	**719,694,515**
Due to banks	35,406,197	9,323,930	12,125,857	4,386,901	591,631	61,834,516
Customer deposits	245,287,382	78,281,393	141,415,956	41,533,171	176,685	506,694,587
Debt securities	729,552	4,569,289	1,807,182	21,656,418	63,433	28,825,874
Other borrowings	1,231,354	268,585	2,326,165	19,902,783	–	23,728,887
Other liabilities and equity	8,867,904	10,799,730	4,212,090	3,211,137	71,519,790	98,610,651
Total liabilities and equity	**291,522,389**	**103,242,927**	**161,887,250**	**90,690,410**	**72,351,539**	**719,694,515**
Difference	**(162,275,141)**	**(70,771,927)**	**(59,718,961)**	**219,477,174**	**73,288,855**	**–**

The Group is required to maintain its liquidity coverage ratio at a minimum of 90% for the year ended 31 December 2017 (80% for December 2016).

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (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.

	Within 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2017:						
Due to banks	40,990,566	6,480,832	9,624,159	8,585,442	4,091,492	69,772,491
Customer deposits	257,835,572	80,295,146	122,896,938	129,991,963	7,699,675	598,719,294
Debt securities	34,560	3,901,000	7,486,275	14,708,153	2,917,026	29,047,014
Other borrowings	148,230	11,107,075	3,099,242	10,062,198	–	24,416,745
Derivative financial instruments						
– Contractual amounts payable – forward contracts	28,019,172	16,730,376	19,914,626	1,506,866	–	66,171,040
– Contractual amounts receivable – forward contracts	(27,812,752)	(16,406,071)	(19,361,822)	(1,434,783)	–	(65,015,428)
– Contractual amounts payable/ (receivable) – others	(91,920)	(22,544)	(318,366)	271,743	(535,526)	(696,613)
Total	**299,123,428**	**102,085,814**	**143,341,052**	**163,691,582**	**14,172,667**	**722,414,543**
As at 31 December 2016:						
Due to banks	35,501,436	9,443,419	12,458,013	4,753,165	591,631	62,747,664
Customer deposits	247,739,597	80,322,776	144,020,740	42,228,058	176,920	514,488,091
Debt securities	886,209	4,709,877	1,944,982	22,304,628	64,283	29,909,979
Other borrowings	1,232,380	269,256	2,343,611	20,150,839	–	23,996,086
Derivative financial instruments						
– Contractual amounts payable – forward contracts	21,961,803	19,991,591	26,404,869	599,896	–	68,958,159
– Contractual amounts receivable – forward contracts	(21,401,605)	(19,648,436)	(25,775,950)	(601,752)	–	(67,427,743)
– Contractual amounts payable/ (receivable) – others	5,827	126,851	485,502	603,413	(37,659)	1,183,934
Total	**285,925,647**	**95,215,334**	**161,881,767**	**90,038,247**	**795,175**	**633,856,170**

n) Liquidity risk and funding management

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

	On demand	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2017:						
Contingent liabilities	94,375,998	32,345,953	63,052,952	42,223,679	20,807,027	**252,805,609**
As at 31 December 2016:						
Contingent liabilities	70,430,934	28,486,468	60,021,248	45,604,237	18,159,002	**222,701,889**

4. Financial risk management (continued)

o) Currency risk

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

	QR	US$	Euro	Pound Sterling	Other currencies	Total
As at 31 December 2017:						
Assets	328,100,962	265,479,108	64,065,334	27,775,804	125,656,782	811,077,990
Liabilities and equity	222,933,823	372,874,037	64,413,639	27,831,034	123,025,457	811,077,990
Net exposure	**105,167,139**	**(107,394,929)**	**(348,305)**	**(55,230)**	**2,631,325**	**–**
As at 31 December 2016:						
Assets	289,212,331	212,895,292	49,760,497	42,700,460	125,125,935	719,694,515
Liabilities and equity	205,833,812	299,286,373	48,885,017	42,695,636	122,993,677	719,694,515
Net exposure	**83,378,519**	**(86,391,081)**	**875,480**	**4,824**	**2,132,258**	**–**

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

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

	Change in currency rate %	Effect on consolidated income statement 2017	2016
Currency			
US$	+2	(2,147,899)	(1,727,822)
Euro	+3	(10,449)	26,264
Pound Sterling	+2	(1,105)	96
Egyptian Pound	+3	(11,334)	(7,440)
Turkish Lira	+3	6,912	1,650
Other currencies	+3	83,362	69,758
US$	-2	2,147,899	1,727,822
Euro	-3	10,449	(26,264)
Pound Sterling	-2	1,105	(96)
Egyptian Pound	-3	11,334	7,440
Turkish Lira	-3	(6,912)	(1,650)
Other currencies	-3	(83,362)	(69,758)

q) Capital management

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

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

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

r) Capital Adequacy

	2017	2016
Common Equity Tier 1 (CET 1) Capital	63,105,668	55,651,754
Eligible Additional Tier 1 (AT1) Capital Instrument	10,000,000	10,000,000
Additional Tier 1 Capital	87,561	69,093
Additional Tier 2 Capital	68,996	68,637
Total eligible capital	**73,262,225**	**65,789,484**
Risk weighted assets for credit risk	374,210,046	361,057,135
Risk weighted assets for market risk	3,786,487	4,858,656
Risk weighted assets for operational risk	32,690,877	27,984,180
Total risk weighted assets	**410,687,410**	**393,899,971**
CET 1 ratio*	14.0%	13.4%
Tier 1 Capital ratio*	16.5%	15.9%
Total Capital ratio*	16.5%	16.0%

* The above ratios are calculated on Total Eligible capital, net of proposed dividends.

The minimum requirements for Capital Adequacy Ratio under Basel III for QNB as per QCB regulations are as follows:

	Without Capital Conservation Buffer	Capital Conservation Buffer	Additional DSIB charge	ICAAP Capital Charge	Total
Minimum limit for CET 1 ratio	6.0%	2.5%	1.25%	0.0%	9.75%
Minimum limit for Tier 1 Capital ratio	8.0%	2.5%	1.25%	0.0%	11.75%
Minimum limit for Total Capital ratio	10.0%	2.5%	1.25%	1.0%	14.75%

5. Use of estimates and judgements

a) Key sources of estimation uncertainty

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

(i) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has resources to continue in the business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. Use of estimates and judgements (continued)

(ii) Allowances for credit losses

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

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances to customers and investment securities measured at amortised cost with similar credit risk characteristics, when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot 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.

(iii) Determining fair value

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

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

(i) Valuation of financial instruments

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

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

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

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

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

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

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

5. Use of estimates and judgements (continued)

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

	Level 1	Level 2	Level 3	Total
As at 31 December 2017:				
Derivative assets held for risk management	945	5,760,291	–	5,761,236
Loans and advances to customers designated at FVTPL	–	9,509	–	9,509
Investment securities	40,769,976	10,830,829	–	51,600,805
Total	**40,770,921**	**16,600,629**	**–**	**57,371,550**
Derivative liabilities held for risk management	361	3,342,645	–	3,343,006
Total	**361**	**3,342,645**	**–**	**3,343,006**
As at 31 December 2016:				
Derivative assets held for risk management	3,900	6,848,267	–	6,852,167
Loans and advances to customers designated at FVTPL	–	23,558	–	23,558
Investment securities	25,287,123	11,453,003	–	36,740,126
Total	**25,291,023**	**18,324,828**	**–**	**43,615,851**
Derivative liabilities held for risk management	518	4,198,464	–	4,198,982
Total	**518**	**4,198,464**	**–**	**4,198,982**

There have been no transfers between Level 1 and Level 2 (2016: Nil).

The above table does not include QR202.3 million as at 31 December 2017 of available-for-sale equity investments that were measured at cost (2016: QR180.7 million).

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

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

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

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

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

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

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5. Use of estimates and judgements (continued)

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

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

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

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

(viii) Funds Management
All the funds are governed by the respective regulations where the appointment and removal of managers is controlled through respective regulations and the Group's aggregate economic interest in each fund is not significant. As a result, the Group has concluded that it acts as an agent for the investors in these funds, and therefore has not been consolidated.

6. Operating segments

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

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

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

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

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

(All amounts are shown in thousands of Qatari Riyals)

6. Operating segments (continued)

	Qatar operations					
	Corporate banking	Consumer banking	Asset and wealth management	International banking	Unallocated and intra-group transactions	Total
As at 31 December 2017:						
External revenue:						
Net interest income	7,846,341	512,835	543,214	8,911,092	74,743	17,888,225
Net fee and commission income	690,934	227,092	260,770	2,470,224	(5,734)	3,643,286
Foreign exchange gain	330,844	98,235	120,665	318,682	5,893	874,319
Income from investment securities	276,215	–	–	42,015	–	318,230
Other operating income	78	4	1	82,189	–	82,272
Share of results of associates	77,756	–	–	43,204	–	120,960
Total segment revenue	**9,222,168**	**838,166**	**924,650**	**11,867,406**	**74,902**	**22,927,292**
Reportable segment profit	**7,962,598**	**153,293**	**512,900**	**4,755,175**	**(255,828)**	**13,128,138**
Reportable segment investments	63,452,345	–	14,854	33,767,083	–	97,234,282
Reportable segment loans and advances	360,447,446	10,068,609	21,160,141	192,643,020	–	584,319,216
Reportable segment customer deposits	252,756,620	24,532,520	47,910,191	260,323,783	–	585,523,114
Reportable segment assets	519,989,202	24,051,004	53,489,724	394,540,345	(180,992,285)	811,077,990
As at 31 December 2016:						
External revenue:						
Net interest income	7,580,327	460,363	457,751	9,347,910	40,764	17,887,115
Net fee and commission income	719,134	215,163	315,118	2,177,771	25,992	3,453,178
Foreign exchange gain	352,003	80,421	108,005	466,816	6,083	1,013,328
Income from investment securities	194,499	–	–	45,606	–	240,105
Other operating income	2,100	6	9	311,944	3	314,062
Share of results of associates	187,819	–	–	(10,895)	–	176,924
Total segment revenue	**9,035,882**	**755,953**	**880,883**	**12,339,152**	**72,842**	**23,084,712**
Reportable segment profit	**7,414,276**	**144,836**	**476,985**	**4,564,338**	**(235,798)**	**12,364,637**
Reportable segment investments	47,730,066	–	4,592	32,258,892	–	79,993,550
Reportable segment loans and advances	327,050,024	9,864,436	19,353,829	164,148,942	–	520,417,231
Reportable segment customer deposits	192,016,685	22,830,938	46,073,434	245,773,530	–	506,694,587
Reportable segment assets	460,115,608	24,099,669	47,284,937	387,647,257	(199,452,956)	719,694,515

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:

	FVTPL/ Held for trading	Held to maturity	Loans and advances	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
As at 31 December 2017:							
Cash and balances with central banks	–	–	52,768,616	–	–	52,768,616	52,768,616
Due from banks	–	–	–	–	43,630,943	43,630,943	43,630,943
Loans and advances to customers	23,558	–	584,295,658	–	–	584,319,216	584,595,104
Investment securities:							
– Measured at fair value	95,070	–	–	51,708,081	–	51,803,151	51,803,151
– Measured at amortised cost	–	45,431,131	–	–	–	45,431,131	46,089,759
	118,628	**45,431,131**	**637,064,274**	**51,708,081**	**43,630,943**	**777,953,057**	**778,887,573**
Due to banks	–	–	–	–	67,741,685	67,741,685	66,907,578
Customer deposits	–	–	–	–	585,523,114	585,523,114	585,523,114
Debt securities	–	–	–	–	26,707,284	26,707,284	26,513,979
Other borrowings	–	–	–	–	24,079,316	24,079,316	24,077,365
	–	**–**	**–**	**–**	**704,051,399**	**704,051,399**	**703,022,036**
As at 31 December 2016:							
Cash and balances with central banks	–	–	43,183,576	–	–	43,183,576	43,183,576
Due from banks	–	–	–	–	45,721,215	45,721,215	45,721,215
Loans and advances to customers	23,558	–	520,393,673	–	–	520,417,231	520,743,019
Investment securities:							
– Measured at fair value	60,324	–	–	36,860,490	–	36,920,814	36,920,814
– Measured at amortised cost	–	43,072,736	–	–	–	43,072,736	43,476,660
	83,882	**43,072,736**	**563,577,249**	**36,860,490**	**45,721,215**	**689,315,572**	**690,045,284**
Due to banks	–	–	–	–	61,834,516	61,834,516	61,865,305
Customer deposits	–	–	–	–	506,694,587	506,694,587	506,694,587
Debt securities	–	–	–	–	28,825,874	28,825,874	28,723,028
Other borrowings	–	–	–	–	23,728,887	23,728,887	23,701,870
	–	**–**	**–**	**–**	**621,083,864**	**621,083,864**	**620,984,790**

Investment securities – unquoted equity securities at cost

The above table includes QR202.3 million as at 31 December 2017 (2016: QR180.7 million) of equity investment securities in both the carrying amount and fair value columns that were measured at cost and for which disclosure of fair value was not provided, because their fair value were not considered to be reliably measurable.

8. Cash and balances with central banks

	2017	2016
Cash	7,209,129	5,306,517
Cash reserve with Qatar Central Bank	17,289,898	14,069,874
Other balances with Qatar Central Bank	1,175,939	1,184,879
Balances with other central banks	27,093,650	22,622,306
Total	**52,768,616**	**43,183,576**

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

Balances with Other Central Banks include mandatory reserves amounting to QR17,157 million (2016: QR15,297 million) which cannot be used to fund the Group's day-to-day operations.

9. Due from banks

	2017	2016
Current accounts	6,755,995	8,031,530
Placements	35,823,561	36,515,148
Loans	1,051,387	1,174,537
Total	**43,630,943**	**45,721,215**

10. Loans and advances to customers

a) By type

	2017	2016
Loans	545,931,252	493,293,761
Overdrafts	47,505,368	34,586,820
Bills discounted	2,632,912	3,411,948
	596,069,532	531,292,529
Deferred profit	(49,561)	(91,430)
Allowance for impairment of loans and advances to customers	(11,700,755)	(10,783,868)
Net loans and advances to customers	**584,319,216**	**520,417,231**

Net Loans and Advances includes QR9.5 million (2016: QR23.6 million) designated as fair value through profit or loss ('FVTPL').

The aggregate amount of non-performing loans and advances to customers amounted to QR10,453 million, which represents 1.8% of total loans and advances (2016: QR9,465 million, 1.8% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR1,090 million of interest in suspense (2016: QR900.3 million).

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10. Loans and advances to customers (continued)

b) By industry

	Loans and advances	Overdrafts	Bills discounted	Total
As at 31 December 2017:				
Government	111,750,172	22,511,117	–	134,261,289
Government agencies	133,289,348	3,738,649	–	137,027,997
Industry	40,907,083	2,159,505	351,982	43,418,570
Commercial	23,655,044	1,248,761	203,537	25,107,342
Services	103,757,862	5,477,427	892,777	110,128,066
Contracting	16,189,102	854,630	139,298	17,183,030
Real estate	53,829,615	2,841,691	463,173	57,134,479
Personal	57,882,005	8,427,002	541,942	66,850,949
Others	4,671,021	246,586	40,203	4,957,810
Total	**545,931,252**	**47,505,368**	**2,632,912**	**596,069,532**
As at 31 December 2016:				
Government	90,148,988	15,965,997	–	106,114,985
Government agencies	129,449,147	1,880,416	–	131,329,563
Industry	34,125,988	3,648,055	741,255	38,515,298
Commercial	21,573,242	2,097,971	426,290	24,097,503
Services	101,733,529	21,442	14,790	101,769,761
Contracting	12,039,067	1,170,783	237,894	13,447,744
Real estate	47,582,127	4,627,298	940,229	53,149,654
Personal	52,678,517	5,122,914	1,040,935	58,842,366
Others	3,963,156	51,944	10,555	4,025,655
Total	**493,293,761**	**34,586,820**	**3,411,948**	**531,292,529**

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

c) Movement in impairment of loans and advances to customers

	2017	2016
Balance as at 1 January	10,783,868	7,093,337
Foreign currency translation	(271,128)	(1,708,804)
Net allowance during the year	2,216,675	2,578,547
Allowances made during the year	3,782,327	4,650,189
Recoveries during the year	(1,565,652)	(2,071,642)
Impairment allowance relating to acquired subsidiary	–	5,436,816
Written off/transfers during the year	(1,028,660)	(2,616,028)
Balance as at 31 December	**11,700,755**	**10,783,868**

(All amounts are shown in thousands of Qatari Riyals)

10. Loans and advances to customers (continued)

d) Impairment on loans and advances to customers

	Corporate lending	Small business lending	Consumer lending	Residential mortgages	Total
Balance as at 1 January 2017	5,571,293	1,408,915	3,724,065	79,595	10,783,868
Foreign currency translation	(63,722)	(84,931)	(121,894)	(581)	(271,128)
Allowances made during the year	1,665,142	897,672	1,213,412	6,101	3,782,327
Recoveries during the year	(1,045,880)	(191,174)	(315,104)	(13,494)	(1,565,652)
Written off/transfers during the year	(486,023)	(216,850)	(324,725)	(1,062)	(1,028,660)
Balance as at 31 December 2017	**5,640,810**	**1,813,632**	**4,175,754**	**70,559**	**11,700,755**
Balance as at 1 January 2016	4,987,879	303,499	1,728,049	73,910	7,093,337
Foreign currency translation	(999,237)	(218,676)	(485,273)	(5,618)	(1,708,804)
Allowances made during the year	2,403,301	871,701	1,367,656	7,531	4,650,189
Recoveries during the year	(1,517,144)	(143,382)	(403,847)	(7,269)	(2,071,642)
Impairment allowance relating to acquired subsidiary	1,999,528	862,573	2,563,604	11,111	5,436,816
Written off/transfers during the year	(1,303,034)	(266,800)	(1,046,124)	(70)	(2,616,028)
Balance as at 31 December 2016	**5,571,293**	**1,408,915**	**3,724,065**	**79,595**	**10,783,868**

e) Net impairment during the year

	2017	2016
Corporate lending	(528,314)	(816,803)
Small business lending	(677,913)	(716,888)
Consumer lending	(815,666)	(959,397)
Residential mortgages	7,474	76
Total	**(2,014,419)**	**(2,493,012)**

11. Investment securities

	2017	2016
Held for trading financial investments	95,070	60,324
Available-for-sale financial investments (note 11a)	51,708,081	36,860,490
Held to maturity financial investments (note 11b)	45,431,131	43,072,736
Total	**97,234,282**	**79,993,550**

The carrying amount and fair value of securities under repurchase agreements amounted to QR22,278 million and QR22,343 million respectively (2016: QR17,483 million and QR18,040 million respectively).

a) Available-for-sale financial investments

	2017		2016	
	Quoted	Unquoted	Quoted	Unquoted
Equities	910,508	187,770	917,771	165,343
State of Qatar debt securities	31,276,605	–	14,784,608	–
Other debt securities	18,327,449	131,454	20,086,653	66,827
Mutual funds	859,719	14,576	823,943	15,345
Total	**51,374,281**	**333,800**	**36,612,975**	**247,515**

Fixed rate securities and floating rate securities amounted to QR45,248 million and QR4,489 million respectively (2016: QR31,317 million and QR3,621 million respectively).

The above includes impairment allowance in respect of debt securities amounting to QR17.8 million (2016: QR8.2 million).

b) Held to maturity financial investments

	2017		2016	
	Quoted	Unquoted	Quoted	Unquoted
By issuer				
State of Qatar debt securities	12,307,843	–	19,015,274	–
Other debt securities	30,257,738	2,865,550	21,914,396	2,143,066
Total	**42,565,581**	**2,865,550**	**40,929,670**	**2,143,066**
By interest rate				
Fixed rate securities	39,307,745	2,865,550	37,870,195	2,059,906
Floating rate securities	3,257,836	–	3,059,475	83,160
Total	**42,565,581**	**2,865,550**	**40,929,670**	**2,143,066**

The above includes impairment allowance in respect of debt securities amounting to QR61.7 million (2016: QR60.2 million).

12. Investments in associates

	2017	2016
Balance as at 1 January	7,340,355	7,950,721
Foreign currency translation	10,556	(39,795)
Investments acquired during the year	8,124	–
Share in profit	120,960	176,924
Cash dividend	(146,371)	(184,568)
Relating to subsidiary acquired	–	137,905
Other movements	78,243	(700,832)
Balance as at 31 December	**7,411,867**	**7,340,355**

			Ownership %	
	Country	Principal business	2017	2016
Housing Bank for Trade and Finance	Jordan	Banking	34.5	34.5
Al Jazeera Finance Company	Qatar	Financing	20.0	20.0
Commercial Bank International	UAE	Banking	40.0	40.0
Bank of Commerce and Development	Libya	Banking	49.0	49.0
Senouhi Company for Construction Materials	Egypt	Construction	23.0	23.0
Ecobank Transnational Incorporated	Togo	Banking	20.1	20.0
Bantas	Turkey	Security Services	33.3	33.3
Cigna Finans	Turkey	Pension Fund	49.0	49.0

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

	Total assets	Total liabilities	Equity	Group's share of profit	Market price per share (QR)
As at 30 September 2017					
Housing Bank for Trade and Finance	40,076,438	34,533,586	5,542,852	205,800	42.97
Commercial Bank International	20,836,142	18,457,339	2,378,803	43,689	0.89
Ecobank Transnational Incorporated	76,299,681	68,894,209	7,405,472	(192,757)	0.20
As at 31 December 2016					
Housing Bank for Trade and Finance	40,126,357	34,687,132	5,439,225	227,250	47.72
Commercial Bank International	20,138,010	17,809,979	2,328,031	(43,668)	1.97
Ecobank Transnational Incorporated	74,670,201	68,248,075	6,422,126	(16,101)	0.12

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13. Property and equipment

	Land and buildings	Leasehold improvements	Equipment and furniture	Motor vehicles	Total
Balance as at 31 December 2017					
Cost:					
Balance as at 1 January	3,373,125	1,049,710	3,293,750	14,595	7,731,180
Additions	330,936	99,009	436,959	136	867,040
Disposals	(3,549)	(1,543)	(23,956)	(486)	(29,534)
Foreign currency translation and others	(2,871)	(33,560)	(146,639)	(115)	(183,185)
	3,697,641	**1,113,616**	**3,560,114**	**14,130**	**8,385,501**
Accumulated depreciation:					
Balance as at 1 January	346,388	811,907	2,353,275	10,931	3,522,501
Charged during the year	49,840	89,696	347,468	2,257	489,261
Disposals	(2,750)	(1,027)	(23,253)	(476)	(27,506)
Foreign currency translation and others	(1,627)	(27,504)	(107,860)	(128)	(137,119)
	391,851	**873,072**	**2,569,630**	**12,584**	**3,847,137**
Net carrying amount	**3,305,790**	**240,544**	**990,484**	**1,546**	**4,538,364**
Balance as at 31 December 2016					
Cost:					
Balance as at 1 January	1,675,546	574,892	1,292,007	22,421	3,564,866
Additions	584,799	88,513	430,823	1,126	1,105,261
Relating to subsidiary acquired	1,507,419	522,101	2,168,241	1,766	4,199,527
Disposals	(666)	(852)	(28,804)	(695)	(31,017)
Foreign currency translation and others	(393,973)	(134,944)	(568,517)	(10,023)	(1,107,457)
	3,373,125	**1,049,710**	**3,293,750**	**14,595**	**7,731,180**
Accumulated depreciation:					
Balance as at 1 January	381,732	426,376	989,374	13,669	1,811,151
Charged during the year	57,285	102,498	381,214	3,465	544,462
Relating to subsidiary acquired	43,517	391,475	1,429,907	1,623	1,866,522
Disposals	(392)	(430)	(26,433)	(624)	(27,879)
Foreign currency translation and others	(135,754)	(108,012)	(420,787)	(7,202)	(671,755)
	346,388	**811,907**	**2,353,275**	**10,931**	**3,522,501**
Net carrying amount	**3,026,737**	**237,803**	**940,475**	**3,664**	**4,208,679**

14. Intangible assets

	Goodwill	Core deposit intangibles	Operating licence	Total
Cost				
Balance as at 1 January 2017	1,768,096	932,583	1,552,219	4,252,898
Foreign currency translation	30,325	550	1,157	32,032
Additions	–	–	9,646	9,646
Balance as at 31 December 2017	**1,798,421**	**933,133**	**1,563,022**	**4,294,576**
Accumulated amortisation				
Balance as at 1 January 2017	–	(327,438)	(42,812)	(370,250)
Foreign currency translation	–	(519)	(716)	(1,235)
Amortisation charge	–	(77,196)	(12,556)	(89,752)
Balance as at 31 December 2017	**–**	**(405,153)**	**(56,084)**	**(461,237)**
Net book value as at 31 December 2017	**1,798,421**	**527,980**	**1,506,938**	**3,833,339**
Net book value as at 31 December 2016	**1,768,096**	**605,145**	**1,509,407**	**3,882,648**

Impairment tests for goodwill and intangible assets with indefinite lives

Net book value of goodwill as at 31 December 2017 includes QR1.5 billion (2016: QR1.5 billion) in respect of QNB ALAHLI, QR89.6 million (2016: QR89.6 million) in respect of QNB Indonesia, QR111.9 million (2016: QR111.9 million) in respect of Al-Mansour Investment Bank and QR77.4 million (2016: 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 24.8% (2016: 24.8%) and a terminal growth rate of 2% (2016: 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 (2016: Nil).

15. Other assets

	2017	2016
Interest receivable	5,324,546	4,482,659
Prepaid expenses	649,410	593,274
Positive fair value of derivatives (note 36)	5,761,236	6,852,167
Sundry debtors	1,862,698	1,010,170
Others	3,743,473	2,008,991
Total	**17,341,363**	**14,947,261**

16. Due to banks

	2017	2016
Balances due to central banks	1,059,214	1,073,159
Current accounts	2,139,927	1,839,470
Deposits	45,047,566	42,973,734
Repurchase agreements	19,494,978	15,948,153
Total	**67,741,685**	**61,834,516**

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17. Customer deposits

a) By type

	2017	2016
Current and call accounts	112,756,780	104,570,572
Saving accounts	13,112,792	12,750,812
Time deposits	459,653,542	389,373,203
Total	**585,523,114**	**506,694,587**

b) By sector

	2017	2016
Government	27,659,217	21,769,514
Government agencies	171,692,128	90,909,170
Individuals	112,279,541	98,353,201
Corporate	273,892,228	295,662,702
Total	**585,523,114**	**506,694,587**

18. Debt securities

	2017	2016
Face value of bonds	26,762,015	28,969,178
Less: Unamortised discount	(54,731)	(143,304)
Total	**26,707,284**	**28,825,874**

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

	2017	2016
Balance as at 1 January	28,825,874	16,342,420
Relating to subsidiary acquired	–	6,130,421
Issuances during the year	5,534,904	13,026,589
Repayments	(5,254,720)	(5,228,893)
Other movements	(2,398,774)	(1,444,663)
Balance as at 31 December	**26,707,284**	**28,825,874**

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

Year of maturity	2017	2016
2017	–	7,106,023
2018	10,422,919	10,401,875
2019	1,732,497	1,731,768
2020	4,559,456	4,644,555
2021	4,811,736	4,878,220
2022	2,721,723	–
2024	167,610	63,433
2047	2,291,343	–
Total	**26,707,284**	**28,825,874**

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

The interest rate paid on the above averaged 3.92% p.a. in 2017 (2016: 3.77% 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:

	2017	2016
Balance as at 1 January	23,728,887	15,120,489
Relating to subsidiary acquired	–	1,871,313
Issuances during the year	3,124,001	10,998,695
Repayments	(2,661,108)	(4,033,225)
Other movements	(112,464)	(228,385)
Balance as at 31 December	**24,079,316**	**23,728,887**

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

	2017	2016
2017	–	3,826,104
2018	14,103,733	10,965,512
2019	9,860,709	8,586,890
2020	111,984	350,381
2021	2,838	–
2022	52	–
Total	**24,079,316**	**23,728,887**

The above are mainly denominated in US$, EUR, EGP, TRY and comprise of fixed and floating interest rates. The interest rate paid on the above averaged 1.99% p.a. in 2017 (2016: 1.00% p.a.).

The Group hedges part of the currency risk of its net investment in foreign operations using foreign currency borrowings. Included in other borrowings was an amount of EUR2.72 billion designated as a hedge of the Group's net investment in foreign operations, and is being used to hedge the Group's exposure to foreign exchange risk on this investment.

Throughout the reporting period, the net investment hedge was highly effective.

20. Other liabilities

	2017	2016
Interest payable	4,912,373	4,053,166
Expense payable	957,867	879,325
Other provisions (note 21)	329,568	286,719
Tax payable	859,124	579,560
Negative fair value of derivatives (note 36)	3,343,006	4,198,982
Unearned revenue	2,054,842	1,967,996
Social and sports fund	209,324	195,007
Deferred tax liability	128,569	146,944
Margin accounts	923,127	873,656
Others	14,562,451	14,575,878
Total	**28,280,251**	**27,757,233**

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21. Other provisions

	Staff indemnity	Legal provision	Total 2017	Total 2016
Balance as at 1 January	248,112	38,607	286,719	115,435
Foreign currency translation and others	20,326	(1,216)	19,110	(41,062)
Provisions made during the year	62,096	9,956	72,052	79,155
	330,534	**47,347**	**377,881**	**153,528**
Relating to subsidiary acquired	–	–	–	205,685
Provisions recovered during the year	–	–	–	(6,031)
Provisions paid and written off during the year	(46,564)	(1,749)	(48,313)	(66,463)
Balance as at 31 December	**283,970**	**45,598**	**329,568**	**286,719**

22. Shareholders' equity

a) Issued capital

The authorised, issued and fully paid up share capital of the Bank totalling QR9,236 million consists of 923,642,857 ordinary shares of QR10 each (2016: 839,675,325 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:

	2017	2016
Number of shares outstanding at the beginning of the year	839,675,325	699,729,438
Effect of bonus shares	83,967,532	139,945,887
Number of shares outstanding at the end of the year	**923,642,857**	**839,675,325**

b) Legal reserve

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

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

c) Risk reserve

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

d) Fair value reserve

	Hedges of a net investment	Cash flow hedges	Available-for-sale investments	Total 2017	Total 2016
Balance as at 1 January	581,930	(521,444)	(36,030)	24,456	283,607
Foreign currency translation	–	(15,861)	12,963	(2,898)	151,235
Revaluation impact	(1,363,943)	354,776	31,231	(977,936)	(250,201)
Reclassified to income statement	–	–	(213,497)	(213,497)	(160,185)
Net movement during the year	(1,363,943)	338,915	(169,303)	(1,194,331)	(259,151)
Balance as at 31 December	**(782,013)**	**(182,529)**	**(205,333)**	**(1,169,875)**	**24,456**

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22. Shareholders' equity (continued)

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:

	2017	2016
General reserve	1,930,179	1,784,591
Share of changes recognised directly in associates' equity, excluding share of profit	(1,097,750)	(1,175,991)
Total	**832,429**	**608,600**

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 60% of the nominal share value (QR6.0 per share) for the year ended 31 December 2017 (2016: cash dividend 35% of the nominal share value (QR3.5 per share) and a bonus share of 10% of the share capital). 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, 2.88% in QNB ALAHLI and 0.12% in QNB Finansbank.

24. Instrument eligible for Additional Tier 1 Capital
In 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 are payable annually until the first call date being six years from the date of issuance.

The Note ranked junior to 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.

25. Interest income

	2017	2016
Due from central banks	128,644	48,659
Due from banks	5,379,381	4,005,506
Debt securities	5,432,370	5,834,859
Loans and advances	31,018,267	27,047,454
Total	**41,958,662**	**36,936,478**

26. Interest expense

	2017	2016
Due to banks	8,115,522	6,172,504
Customer deposits	14,428,110	11,708,567
Debt securities	1,023,957	887,683
Others	502,848	280,609
Total	**24,070,437**	**19,049,363**

27. Fee and commission income

	2017	2016
Loans and advances	924,646	907,796
Off-balance sheet items	638,099	605,411
Bank services	2,118,892	2,023,443
Investment activities for customers	422,818	356,822
Others	141,463	163,358
Total	**4,245,918**	**4,056,830**

28. Foreign exchange gain

	2017	2016
Dealing in foreign currencies	776,416	57,265
Revaluation of assets and liabilities	52,141	923,019
Revaluation of derivatives	45,762	33,044
Total	**874,319**	**1,013,328**

29. Income from investment securities

	2017	2016
Net gains from sale of available-for-sale securities	213,497	160,185
Dividend income	104,733	79,920
Total	**318,230**	**240,105**

30. Staff expenses

	2017	2016
Staff costs	3,329,411	3,517,055
Staff pension fund costs	42,051	41,312
Staff indemnity costs	62,096	69,867
Total	**3,433,558**	**3,628,234**

31. Other expenses

	2017	2016
Training	61,067	68,406
Advertising	576,250	554,692
Professional fees	274,395	283,735
Communication and insurance	259,549	273,387
Occupancy and maintenance	659,812	724,850
Computer and IT costs	355,632	326,082
Printing and stationery	52,759	49,880
Directors' fees	11,740	11,740
Others	500,360	557,472
Total	**2,751,564**	**2,850,244**

32. Income taxes

	2017	2016
Current income tax	1,014,377	944,035
Deferred tax benefit	(105,124)	(3,650)
Adjustments to prior periods corporate taxes	4,312	(1,337)
Income tax expense	**913,565**	**939,048**
Profit before tax	**14,054,635**	**13,343,327**
Less: Profit not subject to tax	(9,560,794)	(9,252,681)
Profit subject to tax	**4,493,841**	**4,090,646**
Effective tax rate applicable in overseas jurisdictions	21.44%	21.31%
Tax calculated based on the current tax rate (effective rate)	963,480	871,627
Effect of income not subject to taxation	(75,911)	(74,976)
Effect of expenses not deductible for tax purposes	21,684	143,734
Adjustments to prior periods corporate taxes	4,312	(1,337)
Income tax expense	**913,565**	**939,048**

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32. Income taxes (continued)

Movement in deferred tax asset

	2017	2016
Balance as at 1 January	217,827	145,175
Relating to subsidiary acquired	–	62,453
Deferred tax recognised in consolidated income statement		
Loans and advances to customers	74,957	39,631
Property and equipment	(7,594)	(7,637)
Employee related accruals	677	25,295
Unearned revenue	15,952	(3,682)
Others	21,132	(49,957)
	105,124	**3,650**
Deferred tax recognised in consolidated statement of comprehensive income		
Effect on fair value reserve	(100,782)	96,697
Others	10,603	(609)
	(90,179)	**96,088**
Foreign exchange translation	(5,271)	(89,539)
Balance as at 31 December	**227,501**	**217,827**

33. 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, further adjusted for the dividend appropriation for instrument eligible for Additional Tier 1 Capital, by the weighted average number of ordinary shares in issue during the year.

The previously reported earnings per share as at 31 December 2016 have been restated for the effect of the bonus share issue.

	2017	2016
Profit for the year attributable to equity holders of the Bank	13,128,138	12,364,637
Less: Dividend appropriation for instrument eligible for Additional Tier 1 Capital	(450,000)	(252,500)
Net profit for the year attributable to equity holders of the Bank	**12,678,138**	**12,112,137**
Weighted average number of shares	923,642,857	923,642,857
Earnings per share (QR) – basic and diluted	**13.7**	**13.1**

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

	2017	2016
Weighted average number of shares at the beginning of the year	923,642,857	839,675,325
Effect of bonus share issue	–	83,967,532
Weighted average number of shares at the end of the year	**923,642,857**	**923,642,857**

34. Contingent liabilities and other commitments

a) Contingent liabilities

	2017	2016
Unutilised credit facilities	132,602,038	105,786,136
Guarantees	62,997,566	64,719,723
Letters of credit	31,272,727	34,068,287
Others	25,933,278	18,127,743
Total	**252,805,609**	**222,701,889**

b) Other commitments

	2017	2016
Forward foreign exchange contracts	66,312,385	73,549,192
Interest rate swaps	118,030,392	108,194,024
Options, caps and floors	8,378,412	10,506,943
Futures	200,608	76,804
Credit default swaps	600,795	910,763
Cross currency swaps	121,485,482	97,674,074
Mutual funds	12,007,005	13,897,029
Total	**327,015,079**	**304,808,829**

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

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

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35. Geographical distribution

	Qatar	Other GCC countries	Europe	North America	Others	Total
As at 31 December 2017:						
Cash and balances with central banks	23,533,488	1,473,364	15,614,094	–	12,147,670	52,768,616
Due from banks	14,903,682	361,507	15,336,507	7,657,229	5,372,018	43,630,943
Loans and advances to customers	391,676,196	24,154,525	116,254,430	5,328,647	46,905,418	584,319,216
Investments	53,274,295	6,338,790	16,878,573	851,513	27,302,978	104,646,149
	483,387,661	**32,328,186**	**164,083,604**	**13,837,389**	**91,728,084**	**785,364,924**
Other assets						25,713,066
Total assets						**811,077,990**
Due to banks	11,580,260	1,024,135	42,164,868	1,605,600	11,366,822	67,741,685
Customer deposits	325,199,331	13,884,987	158,701,797	4,175,018	83,561,981	585,523,114
Debt securities	–	–	15,603,401	–	11,103,883	26,707,284
Other borrowings	–	–	13,162,061	–	10,917,255	24,079,316
	336,779,591	**14,909,122**	**229,632,127**	**5,780,618**	**116,949,941**	**704,051,399**
Other liabilities						28,280,251
Total equity						78,746,340
Total liabilities and equity						**811,077,990**
Guarantees	30,227,256	1,089,991	15,423,556	264,330	15,992,433	62,997,566
Letters of credit	14,155,960	1,355,564	1,957,910	–	13,803,293	31,272,727
Unutilised credit facilities	87,661,142	9,366,941	11,378,487	–	24,195,468	132,602,038
As at 31 December 2016:						
Cash and balances with central banks	18,556,184	1,018,976	13,820,669	–	9,787,747	43,183,576
Due from banks	2,625,506	7,565,993	22,524,338	8,779,801	4,225,577	45,721,215
Loans and advances to customers	356,268,289	18,098,370	96,460,054	2,976,849	46,613,669	520,417,231
Investments	41,278,181	5,652,419	16,695,933	503,963	23,203,409	87,333,905
	418,728,160	**32,335,758**	**149,500,994**	**12,260,613**	**83,830,402**	**696,655,927**
Other assets						23,038,588
Total assets						**719,694,515**
Due to banks	4,897,471	10,737,898	32,712,284	529,765	12,957,098	61,834,516
Customer deposits	245,370,792	28,886,302	155,733,801	3,247,989	73,455,703	506,694,587
Debt securities	–	–	23,623,465	–	5,202,409	28,825,874
Other borrowings	–	–	12,839,150	–	10,889,737	23,728,887
	250,268,263	**39,624,200**	**224,908,700**	**3,777,754**	**102,504,947**	**621,083,864**
Other liabilities						27,757,233
Total equity						70,853,418
Total liabilities and equity						**719,694,515**
Guarantees	29,717,605	1,777,332	14,803,303	243,695	18,177,788	64,719,723
Letters of credit	15,181,128	1,454,650	1,736,365	–	15,696,144	34,068,287
Unutilised credit facilities	77,280,555	4,763,939	4,388,002	–	19,353,640	105,786,136

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

36. Derivatives

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

				Notional/expected amount by term to maturity			
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	More than 5 years
As at 31 December 2017:							
Derivatives held for trading:							
Forward foreign exchange contracts	122,134	160,268	66,312,385	44,943,711	19,897,849	1,470,825	–
Caps and floors	12,164	12,164	1,066,708	371,518	–	695,190	–
Interest rate swaps	212,407	146,876	47,005,498	40,718	4,217,852	13,340,217	29,406,711
Futures	23	98	200,608	46,351	154,257	–	–
Credit default swaps	78	–	600,795	–	291,296	309,499	–
Cross currency swaps	2,160,207	1,722,990	95,071,824	44,449,010	30,367,165	19,731,769	523,880
Options	59,766	21,540	7,311,704	5,559,164	1,752,540	–	–
Derivatives held as cash flow hedges:							
Interest rate swaps	446,841	994,564	64,998,604	7,633,902	11,670,104	28,581,341	17,113,257
Cross currency swaps	839,466	67,299	13,215,632	638,120	2,561,379	10,016,133	–
Derivatives held as fair value hedges:							
Interest rate swaps	13,840	189,051	6,026,290	–	–	3,374,428	2,651,862
Cross currency swaps	1,894,310	28,156	13,198,026	1,819,575	2,387,081	8,905,885	85,485
Total	**5,761,236**	**3,343,006**	**315,008,074**	**105,502,069**	**73,299,523**	**86,425,287**	**49,781,195**
As at 31 December 2016:							
Derivatives held for trading:							
Forward foreign exchange contracts	222,158	320,741	73,549,192	45,396,454	27,536,259	616,479	–
Caps and floors	2,182	2,182	615,064	–	–	615,064	–
Interest rate swaps	140,405	203,188	39,286,691	1,570,334	4,595,926	9,223,544	23,896,887
Futures	400	(344)	76,804	3,474	1,972	71,358	–
Credit default swaps	1,368	–	910,763	–	291,444	601,104	18,215
Cross currency swaps	2,549,536	2,222,260	80,510,465	50,685,254	16,734,831	12,998,709	91,671
Options	59,681	52,137	9,891,879	8,141,589	1,738,685	11,605	–
Derivatives held as cash flow hedges:							
Interest rate swaps	344,220	1,202,256	62,947,869	584,099	13,789,837	34,847,915	13,726,018
Cross currency swaps	1,092,612	–	6,803,097	1,292,534	993,343	4,517,220	–
Derivatives held as fair value hedges:							
Interest rate swaps	19,092	196,562	5,959,464	–	–	2,955,008	3,004,456
Cross currency swaps	2,420,513	–	10,360,512	538,835	2,286,054	7,447,540	88,083
Total	**6,852,167**	**4,198,982**	**290,911,800**	**108,212,573**	**67,968,351**	**73,905,546**	**40,825,330**

36. Derivatives (continued)

Cash collaterals given for derivative transactions amounted to QR1,051 million (2016: QR651.9 million) which are included under Due from Banks in note 9. Collaterals received for derivative transactions amounted to QR2,788 million (2016: QR3,376 million) which are included under Due to Banks in note 16.

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 of the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

Options

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

Caps and floors

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

Derivatives held for hedging purposes

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

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

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

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

Derivatives held for trading purposes

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

(All amounts are shown in thousands of Qatari Riyals)

37. Mutual funds

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

	2017	2016
Funds marketed	336,828	52,183

The Group's investment activities also include management of certain investment funds. As at 31 December 2017, third party funds under management amounted to QR12,007 million (2016: QR13,897 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.

38. 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:

	2017	2016
Statement of financial position items		
Loans and advances	3,395,869	1,945,372
Deposits	605,087	286,328
Contingent liabilities and other commitments	79,177	65,246
Income statement items		
Interest and commission income	101,057	57,589
Interest and commission expense	2,115	3,973

	2017	2016
Associates		
Due from banks	1,118,482	197,162
Interest and commission income	18,581	6,991
Due to banks	294,711	524,740
Interest and commission expense	2,378	2,559

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

	2017	2016
Compensation of key management personnel is as follows:		
Salaries and other benefits	43,732	41,296
End of service indemnity benefits	1,131	932

39. Cash and cash equivalents

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

	2017	2016
Cash and balances with central banks	18,321,271	13,816,989
Due from banks maturing in three months	39,168,604	39,047,058
Total	**57,489,875**	**52,864,047**

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

40. Prior year business combination

The Group concluded the acquisition of Finansbank A.Ş. (now renamed as 'QNB Finansbank'), in June 2016. This acquisition was accounted for using the acquisition method.

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

Assets	
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	984,932
Other assets	10,796,806
Total assets	**120,467,015**
Liabilities	
Due to banks	18,406,080
Customer deposits	66,259,699
Debt securities and other borrowings	8,001,734
Other liabilities	16,722,441
Total liabilities	**109,389,954**
Total identifiable net assets at fair value	11,077,061
Non-controlling interests	(37,419)
Purchase consideration transferred	**11,039,642**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	(1,441,897)
Cash paid	11,039,642
Net cash outflow	**9,597,745**

In compliance with IFRS 3, the Group completed 'Purchase Price Allocation (PPA)' exercise of the value paid for the acquisition in QNB Finansbank. Based on the final results of PPA, intangible assets were QR984.9 million, which represents operating licence having indefinite life.

Subsequent to 30 June 2016, the Group increased its ownership in QNB Finansbank, from 99.81% to 99.88% through buying from non-controlling interests for a total cost of QR12.3 million. The additional increase in stake has been considered as part of post acquisition equity adjustment.

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:

	2017	2016
ASSETS		
Cash and balances with central banks	27,338,069	21,295,688
Due from banks	44,213,034	49,285,661
Loans and advances to customers	467,530,284	425,047,901
Investment securities	66,386,574	51,961,550
Investments in subsidiaries and associates	31,751,837	30,797,683
Property and equipment	1,739,336	1,479,965
Other assets	10,733,311	8,029,997
Total assets	**649,692,445**	**587,898,445**
LIABILITIES		
Due to banks	71,736,982	76,135,207
Customer deposits	461,472,568	402,710,073
Other borrowings	20,658,072	20,568,775
Other liabilities	15,245,829	13,171,191
Total liabilities	**569,113,451**	**512,585,246**
EQUITY		
Issued capital	9,236,429	8,396,753
Legal reserve	25,326,037	24,486,361
Risk reserve	7,500,000	7,000,000
Fair value reserve	(1,138,781)	295,432
Foreign currency translation reserve	(1,159,742)	(1,106,367)
Other reserves	672,284	594,043
Retained earnings	30,142,767	25,646,977
Total equity attributable to equity holders of the Bank	**70,578,994**	**65,313,199**
Instrument eligible for Additional Tier 1 Capital	10,000,000	10,000,000
Total equity	**80,578,994**	**75,313,199**
Total liabilities and equity	**649,692,445**	**587,898,445**

Qatar National Bank (Q.P.S.C.)
Supplementary Information to the Consolidated Financial Statements
As at and for the year ended 31 December 2017
(All amounts are shown in thousands of Qatari Riyals)

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

	2017	2016
Interest income	20,148,689	15,945,919
Interest expense	(9,052,822)	(5,982,333)
Net interest income	**11,095,867**	**9,963,586**
Fee and commission income	1,816,168	1,760,357
Fee and commission expense	(413,028)	(361,708)
Net fee and commission income	**1,403,140**	**1,398,649**
Foreign exchange gain	622,894	543,835
Income from investment securities	294,854	199,486
Other operating income	85	2,119
Operating income	**13,416,840**	**12,107,675**
Staff expenses	(1,494,287)	(1,373,777)
Depreciation	(170,963)	(164,429)
Other expenses	(866,032)	(791,298)
Net impairment losses on investment securities	(44,429)	(50,041)
Net impairment losses on loans and advances to customers	(559,427)	133,483
Other provisions	(2,943)	4,573
Profit before income taxes	**10,278,759**	**9,866,186**
Income tax expense	(153,868)	(174,978)
Profit for the year	**10,124,891**	**9,691,208**

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