

**DOHA BANK Q.S.C.
DOHA - QATAR**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2015

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF DOHA BANK Q.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Doha Bank Q.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2015, comprising of the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month period ended 30 June 2015, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Firas Qoussous
Of Ernst & Young
Auditor's Registration No: 236

Date: 14 July 2015
Doha

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 (Reviewed) QAR'000	30 June 2014 (Reviewed) QAR'000	31 December 2014 (Audited) QAR'000
Assets				
Cash and balances with central banks		6,076,363	3,345,622	3,706,541
Due from banks		10,927,576	11,999,473	12,246,782
Loans and advances to customers	5	53,054,905	45,341,504	48,558,521
Investment securities	6	10,683,895	9,816,185	9,452,828
Investment in an associate		9,142	9,642	9,244
Property, furniture and equipment		764,280	783,990	761,011
Other assets		1,219,443	710,157	782,635
Total assets		82,735,604	72,006,573	75,517,562
Liabilities				
Due to banks		11,459,317	10,866,920	12,794,735
Customer deposits		51,732,098	44,461,084	45,946,575
Debt securities	7	2,585,103	2,579,853	2,582,478
Other borrowings	8	1,731,053	817,836	727,681
Other liabilities		2,158,744	2,344,040	2,173,340
Total liabilities		69,666,315	61,069,733	64,224,809
Equity				
Share capital		2,583,723	2,583,723	2,583,723
Legal reserve		4,313,177	4,311,133	4,313,177
Risk reserve		1,140,000	960,650	1,140,000
Fair value reserve	9	(46,526)	(335)	(57,574)
Foreign currency translation reserve		(13,077)	(6,075)	(10,595)
Proposed dividends	10	-	-	1,033,489
Retained earnings		1,091,992	1,087,744	290,533
Total equity attributable to shareholders of the Bank		9,069,289	8,936,840	9,292,753
Instrument eligible as additional capital	11	4,000,000	2,000,000	2,000,000
Total equity		13,069,289	10,936,840	11,292,753
Total liabilities and equity		82,735,604	72,006,573	75,517,562

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Dr. Raghavan Seetharaman
Group Chief Executive Officer

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2015

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>
Interest income	687,770	628,572	1,357,454	1,256,453
Interest expense	(187,467)	(138,488)	(350,408)	(281,003)
Net interest income	500,303	490,084	1,007,046	975,450
Fee and commission income	117,655	138,959	237,601	235,114
Fee and commission expense	(1,957)	(1,825)	(3,203)	(2,972)
Net fee and commission income	115,698	137,134	234,398	232,142
Gross written premium	17,606	37,279	41,198	59,694
Premium ceded	(5,340)	(23,012)	(15,368)	(31,103)
Net claims paid	(6,196)	(9,288)	(13,935)	(18,481)
Net income from insurance activities	6,070	4,979	11,895	10,110
Foreign exchange gain	25,582	25,158	52,008	47,609
Income from investment securities	22,985	73,170	59,527	147,532
Other operating income	11,958	22,887	31,299	37,905
	60,525	121,215	142,834	233,046
Net operating income	682,596	753,412	1,396,173	1,450,748
Staff cost	(134,718)	(148,440)	(267,956)	(261,294)
Depreciation	(20,536)	(18,869)	(40,371)	(41,995)
Impairment losses on investment securities	(4,877)	(902)	(14,777)	(17,002)
Net impairment loss on loans and advances to customers	(40,465)	(95,463)	(69,020)	(151,912)
Other expenses	(97,773)	(99,256)	(197,008)	(187,968)
	(298,369)	(362,930)	(589,132)	(660,171)
Profit for the period before tax	384,227	390,482	807,041	790,577
Income tax expense	(2,973)	(2,809)	(5,582)	(3,557)
Profit for the period	381,254	387,673	801,459	787,020
Basic and diluted earnings per share (QAR)	1.47	1.50	3.10	3.05
Weighted average number of shares	258,372,300	258,372,300	258,372,300	258,372,300

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
		<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>
Profit for the period		381,254	387,673	801,459	787,020
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation difference for foreign operations		(3,163)	(1,714)	(2,482)	(1,428)
Available-for-sale investment securities:					
Net change in fair value	9	<u>8,825</u>	<u>(8,338)</u>	<u>11,048</u>	<u>43,020</u>
Net other comprehensive income (loss) to be classified to profit or loss in subsequent periods		<u>5,662</u>	<u>(10,052)</u>	<u>8,566</u>	<u>41,592</u>
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss)		<u>5,662</u>	<u>(10,052)</u>	<u>8,566</u>	<u>41,592</u>
Total comprehensive income for the period		<u>386,916</u>	<u>377,621</u>	<u>810,025</u>	<u>828,612</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	<i>Equity attributable to shareholders of the Bank</i>								<i>Instrument eligible as additional capital QAR'000</i>	<i>Total QAR'000</i>
	<i>Share capital QAR'000</i>	<i>Legal reserve QAR'000</i>	<i>Risk reserve QAR'000</i>	<i>Fair value reserve QAR'000</i>	<i>Foreign exchange translation reserve QAR'000</i>	<i>Proposed dividends QAR'000</i>	<i>Retained earnings QAR'000</i>	<i>Total QAR'000</i>		
Balance at 1 January 2014 (Audited)	2,583,723	4,311,133	960,650	(43,355)	(4,647)	1,162,675	300,724	9,270,903	2,000,000	11,270,903
Profit for the period	-	-	-	-	-	-	787,020	787,020	-	787,020
Other comprehensive income	-	-	-	43,020	(1,428)	-	-	41,592	-	41,592
Total comprehensive income for the period	-	-	-	43,020	(1,428)	-	787,020	828,612	-	828,612
Dividends paid for the year 2013 (Note 10)	-	-	-	-	-	(1,162,675)	-	(1,162,675)	-	(1,162,675)
Balance at 30 June 2014 (Reviewed)	<u>2,583,723</u>	<u>4,311,133</u>	<u>960,650</u>	<u>(335)</u>	<u>(6,075)</u>	<u>-</u>	<u>1,087,744</u>	<u>8,936,840</u>	<u>2,000,000</u>	<u>10,936,840</u>
Balance at 1 January 2015 (Audited)	2,583,723	4,313,177	1,140,000	(57,574)	(10,595)	1,033,489	290,533	9,292,753	2,000,000	11,292,753
Profit for the period	-	-	-	-	-	-	801,459	801,459	-	801,459
Other comprehensive income	-	-	-	11,048	(2,482)	-	-	8,566	-	8,566
Total comprehensive income for the period	-	-	-	11,048	(2,482)	-	801,459	810,025	-	810,025
Issuance of additional tier 1 capital (Note 11)	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Dividends paid for the year 2014 (Note 10)	-	-	-	-	-	(1,033,489)	-	(1,033,489)	-	(1,033,489)
Balance at 30 June 2015 (Reviewed)	<u>2,583,723</u>	<u>4,313,177</u>	<u>1,140,000</u>	<u>(46,526)</u>	<u>(13,077)</u>	<u>-</u>	<u>1,091,992</u>	<u>9,069,289</u>	<u>4,000,000</u>	<u>13,069,289</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	<i>Six months ended</i>		<i>Year ended</i>
	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
	<i>Notes</i>		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period/year before tax	807,041	790,577	1,370,238
Adjustments for:			
Net impairment loss on loans and advances to customers	69,020	151,912	439,149
Impairment loss on investment securities	14,777	17,002	30,174
Depreciation	40,371	41,995	83,575
Amortisation of financing cost	2,625	4,022	6,647
Income from investment securities	(59,527)	(147,532)	(185,349)
Share of results of an associate	-	-	(42)
Profits before changes in operating assets and liabilities	874,307	857,976	1,744,392
Change in due from banks	(549,534)	(371,866)	(1,536,448)
Change in loans and advances to customers	(4,741,600)	(4,597,583)	(8,709,320)
Change in other assets	(430,056)	61,940	(10,538)
Change in due to banks	(1,335,418)	3,147,139	5,074,954
Change in customer deposits	5,785,523	1,938,595	3,424,086
Change in other liabilities	137,860	162,071	(721,257)
Social and sports fund contribution	(33,966)	(32,816)	(32,816)
Income tax paid	(23,519)	(2,809)	(11,580)
Net cash (used in) from operating activities	(316,403)	1,162,647	(778,527)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities	(5,595,118)	(4,735,597)	(8,380,613)
Proceeds from sale of investment securities	4,438,295	6,796,539	10,772,456
Acquisition of property, furniture and equipment	(13,188)	(66,514)	(85,160)
Proceeds from sale of property, furniture and equipment	197	-	45
Acquisition of foreign branches, net of cash	16 17,416	-	-
Net cash (used in) from investing activities	(1,152,398)	1,994,428	2,306,728
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings	1,003,372	362,648	272,493
Proceeds from issuance of instrument eligible as additional capital	11 2,000,000	-	-
Dividends paid	10 (1,033,489)	(1,162,675)	-
Net cash from (used in) financing activities	1,969,883	(800,027)	272,493
Net increase in cash and cash equivalents	501,082	2,357,048	1,800,694
Cash and cash equivalents at the beginning of the period/year	10,099,073	8,298,379	8,298,379
Cash and cash equivalents at the end of the period/year	14 10,600,155	10,655,427	10,099,073
Operational cash flows from interest and dividend :			
Interest received	1,339,357	1,308,787	2,586,596
Interest paid	363,878	318,909	554,607
Dividends received	34,026	32,446	36,224

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1 CORPORATE INFORMATION

Doha Bank Q.S.C. (“Doha Bank” or the “Bank”) is an entity domiciled in the State of Qatar and was incorporated on 15 March 1979 as a Joint Stock Company under Emiri Decree No. 51 of 1978. The commercial registration of the bank is 7115. The address of the Bank’s registered office is Doha Bank Tower, Corniche Street, West Bay, P.O. Box 3818, Doha Qatar.

Doha Bank is engaged in conventional banking activities and operates through its head office in Qatar (Doha) and 31 local branches, six overseas branches in the United Arab Emirates (Dubai & Abu Dhabi), State of Kuwait, the Republic of India (two branches in Mumbai & one branch in Kochi) and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany, Australia, Hong Kong, United Arab Emirates (Sharjah), Canada and South Africa. In addition, the Bank owns 100% of the issued share capital of Doha Bank Assurance Company L.L.C., an insurance company registered under Qatar Financial Centre and Doha Finance Limited, a special purpose vehicle set up for the issuance of debt. The interim condensed consolidated financial statements for the six months ended 30 June 2015 comprises the Bank and its subsidiaries (together referred to as “the Group”)

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were authorised for issue by the Board of Directors on 14 July 2015.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34, Interim Financial Reporting and the applicable provisions of Qatar Central Bank regulations.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014. The results for the six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

New and amended standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

The following amended accounting standards became effective in 2015 and have been adopted by the Group in the preparation of these Interim Condensed Consolidated Financial Statements as applicable. Whilst they did not have any material impact on these Interim Condensed Consolidated Financial Statements, they may require additional disclosures in the Annual Consolidated Financial Statements for the year ending 31 December 2015:

Amendments to IAS 19 Defined Benefits Plans: Employee Contributions

Annual Improvement Cycle: 2010-2012

Annual Improvement Cycle: 2011-2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Interim Condensed Consolidated Financial Statements are disclosed below. The Group intends to adopt these, if applicable, when they become effective:

Topic

IFRS 9 Financial Instruments	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to IFRS 11 Joint Arrangement: Accounting for acquisition of interest	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to IAS 27: Equity method in separate financial statements	1 January 2016

The Group is assessing the impact of implementation of these standards.

3 OPERATING SEGMENTS

The Group organizes and manages its operations by 2 business segments, which comprise conventional banking and insurance activities.

Conventional Banking

- Corporate Banking provides a range of product and service offerings to business and corporate customers including funded and non-funded credit facilities deposits to corporate customers. It also undertakes funding and centralized 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.
- Retail Banking provides a diversified range of products and services to individuals. The range includes loans, credit cards, deposits and other transactions with retail customers.

Insurance Activities

Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance, arranging deals in investments and advising on investments.

Details of each segment as of and for the six months ended 30 June 2015 are stated below:

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3 OPERATING SEGMENTS (CONTINUED)

	<i>Conventional banking</i>			<i>Insurance</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
	<i>Corporate</i> <i>banking</i> <i>QAR'000</i>	<i>Retail</i> <i>banking</i> <i>QAR'000</i>	<i>Unallocated</i> <i>QAR'000</i>		
<i>For the six months ended 30 June 2015</i>					
Interest income	1,142,736	214,718	-	-	1,357,454
Net income on insurance activities	-	-	-	11,895	11,895
Other income	256,608	84,154	31,299	5,171	377,232
Segmental revenue	<u>1,399,344</u>	<u>298,872</u>	<u>31,299</u>	<u>17,066</u>	<u>1,746,581</u>
Profit for the period				<u>5,531</u>	<u>801,459</u>
As at 30 June 2015					
Assets	66,948,828	7,523,294	7,972,945	281,395	82,726,462
Investments in an associate					<u>9,142</u>
Total assets					<u>82,735,604</u>
Liabilities	57,699,294	11,351,622	483,506	131,893	69,666,315
Contingent liabilities	34,168,201	268,059	-	-	34,436,260

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3 OPERATING SEGMENTS (CONTINUED)

	<i>Conventional banking</i>			<i>Total</i> <i>QAR'000</i>	<i>Insurance</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
	<i>Corporate</i> <i>Banking</i> <i>QAR'000</i>	<i>Retail</i> <i>Banking</i> <i>QAR'000</i>	<i>Unallocated</i> <i>QAR'000</i>			
<i>For the six month ended 30 June 2014</i>						
Interest income	1,044,878	211,575	-	1,256,453	-	1,256,453
Net income on insurance activities	-	-	-	-	10,110	10,110
Other income	337,109	71,099	50,236	458,444	6,744	465,188
Segmental revenue	<u>1,381,987</u>	<u>282,674</u>	<u>50,236</u>	<u>1,714,897</u>	<u>16,854</u>	<u>1,731,751</u>
Profit for the period				<u>781,776</u>	<u>5,244</u>	<u>787,020</u>
<i>As at 31 December 2014</i>						
Assets	62,540,169	7,526,888	5,159,854	75,226,911	281,407	75,508,318
Investments in an associate						<u>9,244</u>
Total assets						<u>75,517,562</u>
Liabilities	54,218,518	9,383,256	485,919	64,087,693	137,116	64,224,809
Contingent items	32,458,791	364,655	-	32,823,446	-	32,823,446

Geographically, the Group operates in the State of Qatar, the United Arab Emirates, the State of Kuwait and India. Qatar operations contributed approximately 92.32% (30 June 2014: 98.26%) of the Bank's profit for the six month period ended 30 June 2015 and approximately 88.74% (30 June 2014: 95.09%; 31 December 2014: 94.34%) of its assets.

4 FAIR VALUE OF FINANCIAL INSTRUMENTS***Fair value hierarchy***

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2015, the Group held the following classes of financial instruments measured at fair value:

	<i>Level 1</i> <i>QAR'000</i>	<i>Level 2</i> <i>QAR'000</i>	<i>Level 3</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
At 30 June 2015				
Financial assets measured at fair value:				
Available-for-sale investment securities	4,133,604	1,141,500	-	5,275,104
Investment securities classified as held for trading	94,870	-	-	94,870
<i>Derivative instruments:</i>				
Cross currency rate swaps	-	1,006	-	1,006
Interest rate swaps	-	9,049	-	9,049
Forward foreign exchange contracts	-	61,375	-	61,375
Foreign exchange option contracts	-	35	-	35
	<u>4,228,474</u>	<u>1,212,965</u>	<u>-</u>	<u>5,441,439</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Interest rate swaps	-	6,530	-	6,530
Forward foreign exchange contracts	-	29,152	-	29,152
Foreign exchange option contracts	-	367	-	367
	<u>-</u>	<u>36,049</u>	<u>-</u>	<u>36,049</u>

4 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i> <i>QAR'000</i>	<i>Level 2</i> <i>QAR'000</i>	<i>Level 3</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
31 December 2014				
Financial assets measured at fair value:				
Available-for-sale investment securities	4,089,030	1,141,749	-	5,230,779
Investment securities classified as held for trading	36,541	-	-	36,541
<i>Derivative instruments:</i>				
Interest rate swaps	-	11,977	-	11,977
Forward foreign exchange contracts	-	26,152	-	26,152
	<u>4,125,571</u>	<u>1,179,878</u>	<u>-</u>	<u>5,305,449</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Interest rate swaps	-	10,044	-	10,044
Forward foreign exchange contracts	-	42,642	-	42,642
	<u>-</u>	<u>52,686</u>	<u>-</u>	<u>52,686</u>

During the reporting period ended 30 June 2015, there were no transfers between Level 1 and Level 2 fair value measurements. All unquoted available for sale equity investments amounting to QAR 61.3 million (31 December 2014: QAR 61.1 million) are recorded at cost since the fair value cannot be reliably measured.

Valuation techniques

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. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

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5 LOANS AND ADVANCES TO CUSTOMERS

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Gross loans and advances to customers*	54,816,146	46,774,930	50,333,906
Allowance for impairment	(1,761,241)	(1,433,426)	(1,775,385)
Net loans and advances to customers	<u>53,054,905</u>	<u>45,341,504</u>	<u>48,558,521</u>

The aggregate amount of non-performing loans and advances to customers amounted to QAR 1,470 million representing 2.68% of the total loans and advances to customers as at 30 June 2015 (30 June 2014: QAR 1,342 million representing 2.87% of total loans and advances to customers; 31 December 2014: QAR 1,560 million, representing 3.10 % of total loans and advances to customers).

During the period, the Group has written off fully provided non-performing loans amounting to QAR 111.2 million (2014: Nil) as per Qatar Central Bank circular no. 68/2011.

Allowance for impairment of loans and advances to customers includes interest in suspense of QAR 302.3 million (30 June 2014: QAR 226.4 million, 31 December 2014: QAR 290.5 million).

*This includes acceptances pertaining to trade finance amounting to QAR 460.1 million (30 June 2014: QAR 827.1 million, 31 December 2014: QAR 565.2 million).

6 INVESTMENT SECURITIES

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Available-for-sale	5,336,362	5,364,643	5,291,922
Held to maturity	5,252,663	4,416,948	4,124,365
Investment securities classified as held for trading	94,870	34,594	36,541
	<u>10,683,895</u>	<u>9,816,185</u>	<u>9,452,828</u>

The Group has pledged State of Qatar Bonds amounting to QAR 236.7 million as at 30 June 2015 (30 June 2014: QAR 136 million; 31 December 2014: QAR 136 million) against repurchase agreements.

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7 DEBT SECURITIES

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Subordinated debt notes (a)	772,414	771,770	772,092
Senior guaranteed notes (b)	<u>1,812,689</u>	<u>1,808,083</u>	<u>1,810,386</u>
	<u>2,585,103</u>	<u>2,579,853</u>	<u>2,582,478</u>

Note (a)

On 12 December 2006, the Group issued US\$ 340 million subordinated floating rate step up notes at a nominal value of US\$ 100,000 per note. The notes mature in 2016 and carry interest at six months US\$ LIBOR plus 1.32% per annum.

Note (b)

On 14 March 2012, the Group issued US\$ 500 million senior guaranteed notes at 98.964% of nominal value. The notes have a minimum nominal denomination of US\$ 200,000. The notes mature in 2017 and carry interest at fixed rate of 3.50% payable semi-annually.

8 OTHER BORROWINGS

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Term loan facilities	<u>1,731,053</u>	<u>817,836</u>	<u>727,681</u>

The table below shows the maturity profile of other borrowings.

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Up to 1 year	1,366,903	182,075	181,638
Between 1 and 3 years	<u>364,150</u>	<u>635,761</u>	<u>546,043</u>
	<u>1,731,053</u>	<u>817,836</u>	<u>727,681</u>

9 FAIR VALUE RESERVE

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Balance at 1 January	(57,574)	(43,355)	(43,355)
Net unrealized gain on available-for-sale investment securities	1,064	94,095	65,816
Reclassified to interim consolidated statement of income	<u>9,984</u>	<u>(51,075)</u>	<u>(80,035)</u>
Balance at end of the period/year	<u>(46,526)</u>	<u>(335)</u>	<u>(57,574)</u>

10 DIVIDENDS PAID

A cash dividend of 40% (or QAR 4.00 per share) relating to the year ended 31 December 2014 (2013: QAR 4.50 per share), amounting to QAR 1,033.5 million (2013: QAR 1,162.7 million), was approved at the Annual General Assembly held on 4 March 2015 and paid during the period.

11 INSTRUMENT ELIGIBLE AS ADDITIONAL CAPITAL

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Issued on 31 December 2013	2,000,000	2,000,000	2,000,000
Issued on 30 June 2015	2,000,000	-	-
	<u>4,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

The Group has issued regulatory Tier I capital notes totaling to QAR 4 billion. These notes are perpetual, subordinated, unsecured and each has been issued at a fixed interest rate for the first six years and shall be re-priced thereafter. The coupon is discretionary and the event on non-payment is not considered as an event of default. The notes carry no maturity date and have been classified under Tier 1 capital.

12 FINANCIAL COMMITMENTS AND CONTINGENCIES

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
(a) Contingent commitments			
Guarantees	22,909,899	19,981,271	20,231,382
Letter of credit	2,952,933	3,274,712	3,058,424
Unused credit facilities	8,573,428	4,970,812	9,533,640
Others	1,169,634	2,289,198	491,547
	<u>35,605,894</u>	<u>30,515,993</u>	<u>33,314,993</u>
(b) Other commitments			
<i>Derivative financial instruments:</i>			
Forward foreign exchange contracts	9,695,680	3,935,756	5,527,793
Interest rate swaps	700,989	758,888	746,508
	<u>10,396,669</u>	<u>4,694,644</u>	<u>6,274,301</u>
Total	<u>46,002,563</u>	<u>35,210,637</u>	<u>39,589,294</u>

The derivative instruments are reflected in the accompanying interim condensed consolidated financial statements at their fair value and are presented under other commitments at their notional amount.

13 RELATED PARTY TRANSACTIONS

The Group enters into transactions, arrangements and agreements involving members of the Board of Directors and their related concerns in the ordinary course of business at commercial interest and commission rates. Balances with related parties and transactions with related parties at the end of the reporting period were as follows:

	30 June 2015 (Reviewed) QAR'000	30 June 2014 (Reviewed) QAR'000	31 December 2014 (Audited) QAR'000
Statement of financial position items			
Loans and advances to customers	<u>1,227,216</u>	<u>894,830</u>	<u>1,033,716</u>
Customer deposits	<u>495,086</u>	<u>411,087</u>	<u>429,926</u>
Contingent liabilities and other commitments	<u>1,040,056</u>	<u>1,021,329</u>	<u>998,929</u>
Other assets	<u>3,650</u>	<u>-</u>	<u>3,650</u>
	Three Months Ended	30 June	Six Months Ended
	30 June	30 June	30 June
	2015	2014	2015
	(Reviewed)	(Reviewed)	(Reviewed)
	QAR'000	QAR'000	QAR'000
Statement of income items			
Interest, fee and commission income	<u>8,389</u>	<u>6,902</u>	<u>15,935</u>
Interest, fee and commission expenses	<u>3,022</u>	<u>5,537</u>	<u>4,247</u>
Compensation to Board of Directors			
Salaries and other benefits	<u>6,807</u>	<u>4,984</u>	<u>12,517</u>
End of service benefits and pension fund	<u>602</u>	<u>546</u>	<u>1,322</u>
	<u>7,409</u>	<u>5,530</u>	<u>13,839</u>
	<u>13,995</u>		<u>13,995</u>

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14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the interim consolidated statement of cash flows, comprise the following:

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Cash and balances with central banks	4,016,844	1,418,792	1,744,830
Balance due from banks maturing within 3 months	6,583,311	9,236,635	8,354,243
	<u>10,600,155</u>	<u>10,655,427</u>	<u>10,099,073</u>

Cash and balances with central banks do not include the mandatory cash reserves.

15 CAPITAL ADEQUACY

	<i>30 June 2015 (Reviewed) QAR'000</i>	<i>30 June 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Common Equity Tier 1 Capital	8,234,199	8,055,449	8,049,896
Additional Tier 1 Capital	4,000,000	2,000,000	2,000,000
Additional Tier 2 Capital	238,333	367,210	237,338
Total Eligible Capital	<u>12,472,532</u>	<u>10,422,659</u>	<u>10,287,234</u>
Risk Weighted Assets	<u>77,753,804</u>	<u>65,265,841</u>	<u>68,455,918</u>
Total Capital Ratio	<u>16.04%</u>	<u>15.97%</u>	<u>15.03%</u>

16 BUSINESS COMBINATION

On 1 April 2015, the Group acquired the business of HSBC Bank Oman S.A.O.G.'s Mumbai and Kochi branches which specialise in corporate and retail Banking. The acquisition has been accounted for using the acquisition method.

The interim condensed consolidated financial statements include the results of these branches for the three month period from the acquisition date. The fair values of the identifiable assets and liabilities of HSBC Bank Oman S.A.O.G.'s Mumbai and Kochi branches as at the date of acquisition were:

	<i>Fair value recognised on acquisition (Reviewed) QAR'000</i>
Assets	
Property, furniture and equipment	30,649
Cash and balances with central banks	5,026
Due from banks	86,956
Loans and advances to customers	425
Investment securities	17,919
Other assets	7,140
	<u>148,115</u>
Liabilities	
Customer deposits	71,075
Other liabilities	2,086
	<u>73,161</u>
Total identifiable net assets at fair value	74,954
Unrecognised gain on a purchase bargain arising on acquisition (provisional)	<u>(388)</u>
Purchase consideration transferred	<u>74,566</u>
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the branches (included in cash flows from investing activities)	91,982
Cash paid	<u>(74,566)</u>
Net cash flows on acquisition	<u>17,416</u>

The assets and liabilities acquired are required to be measured at their acquisition-date fair values. The above fair values of the identifiable assets and liabilities have been recognised on a provisional basis, as the Group is in the process of finalising the Purchase Price Allocation.