

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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 September 2015, comprising of the interim consolidated statement of financial position as at 30 September 2015 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month period ended 30 September 2015, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-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: 25 October 2015
Doha

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		<i>30 September 2015</i>	<i>30 September 2014</i>	<i>31 December 2014</i>
	<i>Notes</i>	<i>(Reviewed) QAR'000</i>	<i>(Reviewed) QAR'000</i>	<i>(Audited) QAR'000</i>
Assets				
Cash and balances with central banks		3,593,332	3,794,019	3,303,651
Due from banks		10,153,286	10,160,330	12,246,782
Loans and advances to customers	5	54,415,897	44,645,283	48,558,521
Investment securities	6	12,586,491	10,063,314	9,855,718
Investment in an associate		8,874	9,376	9,244
Property, furniture and equipment		756,002	769,031	761,011
Other assets		794,210	829,658	782,635
Total assets		82,308,092	70,271,011	75,517,562
Liabilities				
Due to banks		10,209,316	8,728,532	12,794,735
Customer deposits		52,039,022	43,986,827	45,946,575
Debt securities	7	2,586,415	2,581,166	2,582,478
Other borrowings	8	1,639,586	818,079	727,681
Other liabilities		2,576,805	2,821,245	2,173,340
Total liabilities		69,051,144	58,935,849	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	(194,353)	52,622	(57,574)
Foreign currency translation reserve		(18,441)	(8,812)	(10,595)
Proposed dividends	10	-	-	1,033,489
Retained earnings		1,432,842	1,435,846	290,533
Total equity attributable to shareholders of the Bank		9,256,948	9,335,162	9,292,753
Instrument eligible as additional capital	11	4,000,000	2,000,000	2,000,000
Total equity		13,256,948	11,335,162	11,292,753
Total liabilities and equity		82,308,092	70,271,011	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 nine months ended 30 September 2015

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>
Interest income	723,294	625,759	2,080,748	1,882,212
Interest expense	(205,297)	(137,041)	(555,705)	(418,044)
Net interest income	517,997	488,718	1,525,043	1,464,168
Fee and commission income	114,330	132,585	351,931	367,699
Fee and commission expense	(1,211)	(1,311)	(4,414)	(4,283)
Net fee and commission income	113,119	131,274	347,517	363,416
Gross written premium	31,032	32,966	72,230	92,660
Premium ceded	(15,880)	(18,801)	(31,248)	(49,904)
Net claims paid	(6,462)	(8,561)	(20,397)	(27,042)
Net income from insurance activities	8,690	5,604	20,585	15,714
Foreign exchange gain	19,793	20,735	71,801	68,344
Income from investment securities	23,645	57,149	83,172	204,681
Other operating income	13,532	10,338	44,831	48,243
	56,970	88,222	199,804	321,268
Net operating income	696,776	713,818	2,092,949	2,164,566
Staff cost	(127,659)	(135,705)	(395,615)	(396,999)
Depreciation	(20,254)	(20,747)	(60,625)	(62,742)
Impairment losses on investment securities	(37,872)	-	(52,649)	(17,002)
Net impairment loss on loans and advances to customers	(72,669)	(99,988)	(141,689)	(251,900)
Other expenses	(95,813)	(105,794)	(292,821)	(293,762)
	(354,267)	(362,234)	(943,399)	(1,022,405)
Profit for the period before tax	342,509	351,584	1,149,550	1,142,161
Income tax expense	(1,659)	(3,482)	(7,241)	(7,039)
Profit for the period	340,850	348,102	1,142,309	1,135,122
Basic and diluted earnings per share (QAR)	1.32	1.35	4.42	4.39
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 nine months ended 30 September 2015

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>
Profit for the period	340,850	348,102	1,142,309	1,135,122
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	(5,364)	(2,737)	(7,846)	(4,165)
Net change in fair value of available-for-sale investment securities	9 (147,827)	52,957	(136,779)	95,977
Net other comprehensive (loss) income to be classified to profit or loss in subsequent periods	(153,191)	50,220	(144,625)	91,812
<i>Items not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
Other comprehensive (loss) income	(153,191)	50,220	(144,625)	91,812
Total comprehensive income for the period	187,659	398,322	997,684	1,226,934

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 nine months ended 30 September 2015

Equity attributable to shareholders of the Bank

	<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>	<i>Instrument eligible as additional capital 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	-	-	-	-	-	-	1,135,122	1,135,122	-	1,135,122
Other comprehensive income	-	-	-	95,977	(4,165)	-	-	91,812	-	91,812
Total comprehensive income for the period	-	-	-	95,977	(4,165)	-	1,135,122	1,226,934	-	1,226,934
Dividends paid for the year 2013 (Note 10)	-	-	-	-	-	(1,162,675)	-	(1,162,675)	-	(1,162,675)
Balance at 30 September 2014 (Reviewed)	<u>2,583,723</u>	<u>4,311,133</u>	<u>960,650</u>	<u>52,622</u>	<u>(8,812)</u>	<u>-</u>	<u>1,435,846</u>	<u>9,335,162</u>	<u>2,000,000</u>	<u>11,335,162</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	-	-	-	-	-	-	1,142,309	1,142,309	-	1,142,309
Other comprehensive income	-	-	-	(136,779)	(7,846)	-	-	(144,625)	-	(144,625)
Total comprehensive income for the period	-	-	-	(136,779)	(7,846)	-	1,142,309	997,684	-	997,684
Issuance of additional tier 1 capital instruments (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 September 2015 (Reviewed)	<u>2,583,723</u>	<u>4,313,177</u>	<u>1,140,000</u>	<u>(194,353)</u>	<u>(18,441)</u>	<u>-</u>	<u>1,432,842</u>	<u>9,256,948</u>	<u>4,000,000</u>	<u>13,256,948</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 nine months ended 30 September 2015

	<i>Nine months ended</i>		<i>Year ended</i>
	<i>30 September</i> <i>2015</i> <i>(Reviewed)</i> <i>Notes QAR'000</i>	<i>30 September</i> <i>2014</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>31 December</i> <i>2014</i> <i>(Audited)</i> <i>QAR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period/year before tax	1,149,550	1,142,161	1,370,238
Adjustments for:			
Net impairment loss on loans and advances to customers	141,689	251,900	439,149
Impairment loss on investment securities	52,649	17,002	30,174
Depreciation	60,625	62,742	83,575
Amortisation of financing cost	5,149	5,335	6,647
Income from investment securities	(83,172)	(204,681)	(185,349)
Share of results of an associate	-	-	(42)
Profits before changes in operating assets and liabilities	1,326,490	1,274,459	1,744,392
Change in due from banks	(449,545)	(300,996)	(1,939,338)
Change in loans and advances to customers	(5,905,870)	(4,354,645)	(8,709,320)
Change in other assets	(11,575)	(57,561)	(10,538)
Change in due to banks	(2,585,419)	1,008,751	5,074,954
Change in customer deposits	6,092,447	1,464,338	3,424,086
Change in other liabilities	352,911	994,200	(721,257)
Social and sports fund contribution	(33,966)	(32,816)	(32,816)
Income tax paid	(23,762)	(7,039)	(11,580)
Net cash used in operating activities	(1,238,289)	(11,309)	(1,181,417)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities	(9,138,344)	(6,679,042)	(8,380,613)
Proceeds from sale of investment securities	6,301,685	9,053,288	10,772,456
Acquisition of property, furniture and equipment	(55,823)	(72,302)	(85,160)
Proceeds from sale of property, furniture and equipment	207	-	45
Acquisition of foreign branches, net of cash	16 17,416	-	-
Net cash (used in) from investing activities	(2,874,859)	2,301,944	2,306,728
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings	910,693	362,891	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	1,877,204	(799,784)	272,493
Net (decrease) increase in cash and cash equivalents	(2,235,944)	1,490,851	1,397,804
Cash and cash equivalents at the beginning of the period/year	9,696,183	8,298,379	8,298,379
Cash and cash equivalents at the end of the period/year	14 7,460,239	9,789,230	9,696,183
Operational cash flows from interest and dividend :			
Interest received	2,007,192	1,890,517	2,586,596
Interest paid	536,987	451,125	554,607
Dividends received	38,053	35,823	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 nine months ended 30 September 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 and 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 nine months ended 30 September 2015 comprises the Bank and its subsidiaries (together referred to as “the Group”)

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2015 were authorized for issue by the Board of Directors on 25 October 2015.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2015 are stated below:

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

3 OPERATING SEGMENTS (CONTINUED)

	<i>Conventional banking</i>			<i>Total QAR'000</i>	<i>Insurance QAR'000</i>	<i>Total QAR'000</i>
	<i>Corporate banking QAR'000</i>	<i>Retail banking QAR'000</i>	<i>Unallocated QAR'000</i>			
<i>For the nine months ended 30 September 2015</i>						
Interest income	1,784,064	296,684	-	2,080,748	-	2,080,748
Net income on insurance activities	-	-	-	-	20,585	20,585
Other income	366,966	129,873	44,831	541,670	5,651	547,321
Segmental revenue	2,151,030	426,557	44,831	2,622,418	26,236	2,648,654
Profit for the period				1,133,480	8,829	1,142,309
As at 30 September 2015						
Assets	69,065,280	7,904,984	5,041,852	82,012,116	287,102	82,299,218
Investments in an associate	-	-	-	-	-	8,874
Total assets						82,308,092
Liabilities	57,950,121	10,388,744	577,142	68,916,007	135,137	69,051,144
Contingent liabilities	34,417,754	236,536	-	34,654,290	-	34,654,290

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

3 OPERATING SEGMENTS (CONTINUED)

	<i>Conventional banking</i>			<i>Total QAR'000</i>	<i>Insurance QAR'000</i>	<i>Total QAR'000</i>
	<i>Corporate Banking QAR'000</i>	<i>Retail Banking QAR'000</i>	<i>Unallocated QAR'000</i>			
<i>For the nine month ended 30 September 2014</i>						
Interest income	1,584,027	298,185	-	1,882,212	-	1,882,212
Net income on insurance activities	-	-	-	-	15,714	15,714
Other income	500,593	113,770	62,219	676,582	8,102	684,684
Segmental revenue	2,084,620	411,955	62,219	2,558,794	23,816	2,582,610
Profit for the period				1,127,964	7,158	1,135,122
<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						9,244
Total assets						75,517,562
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 91.86% (30 September 2014: 97.65%) of the Bank's profit for the nine month period ended 30 September 2015 and approximately 89.28% (30 September 2014: 90.37%; 31 December 2014: 94.34%) of its total 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 September 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 September 2015				
Financial assets measured at fair value:				
Available-for-sale investment securities	5,314,134	1,131,874	-	6,446,008
Investment securities classified as held for trading	43,834	-	-	43,834
<i>Derivative instruments:</i>				
Cross currency rate swaps	-	1,710	-	1,710
Interest rate swaps	-	3,204	-	3,204
Forward foreign exchange contracts	-	24,760	-	24,760
	<u>5,357,968</u>	<u>1,161,548</u>	<u>-</u>	<u>6,519,516</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Interest rate swaps	-	24,144	-	24,144
Forward foreign exchange contracts	-	13,295	-	13,295
	<u>-</u>	<u>37,439</u>	<u>-</u>	<u>37,439</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 September 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.

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

5 LOANS AND ADVANCES TO CUSTOMERS

	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Gross loans and advances to customers*	56,304,019	46,201,528	50,333,906
Allowance for impairment	(1,888,122)	(1,556,245)	(1,775,385)
Net loans and advances to customers	<u>54,415,897</u>	<u>44,645,283</u>	<u>48,558,521</u>

The aggregate amount of non-performing loans and advances to customers amounted to QAR 1,663.2 million representing 2.95% of the total loans and advances to customers as at 30 September 2015 (30 September 2014: QAR 1,512 million representing 3.27% 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 335.0 million (30 September 2014: QAR 257.5 million, 31 December 2014: QAR 290.5 million).

*This includes acceptances pertaining to trade finance activities amounting to QAR 658.4 million (30 September 2014: QAR 473.8 million, 31 December 2014: QAR 565.2 million).

6 INVESTMENT SECURITIES

	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Available-for-sale	6,507,272	5,198,883	5,291,922
Held to maturity	6,035,385	4,834,223	4,527,255
Investment securities classified as held for trading	43,834	30,208	36,541
	<u>12,586,491</u>	<u>10,063,314</u>	<u>9,855,718</u>

The Group has pledged State of Qatar Bonds amounting to QAR 236.7 million as at 30 September 2015 (30 September 2014: QAR 135 million; 31 December 2014: QAR 135 million) against repurchase agreements.

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7 DEBT SECURITIES

	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Subordinated debt notes (a)	772,575	771,931	772,092
Senior guaranteed notes (b)	<u>1,813,840</u>	<u>1,809,235</u>	<u>1,810,386</u>
	<u><u>2,586,415</u></u>	<u><u>2,581,166</u></u>	<u><u>2,582,478</u></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 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Term loan facilities	<u>1,639,586</u>	<u>818,079</u>	<u>727,681</u>

The table below shows the maturity profile of other borrowings.

	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Up to 1 year	547,136	271,854	363,531
Between 1 and 3 years	<u>1,092,450</u>	<u>546,225</u>	<u>364,150</u>
	<u><u>1,639,586</u></u>	<u><u>818,079</u></u>	<u><u>727,681</u></u>

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9 FAIR VALUE RESERVE

	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 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	(153,310)	157,836	65,816
Reclassified to interim consolidated statement of income	16,531	(61,859)	(80,035)
Net change in fair value of available-for-sale investment securities	<u>136,779</u>	<u>95,977</u>	<u>(14,219)</u>
Balance at end of the period/year	<u>(194,353)</u>	<u>52,622</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 September 2015 (Reviewed) QAR'000</i>	<i>30 September 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	<u>2,000,000</u>	<u>-</u>	<u>-</u>
	<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 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
(a) Contingent commitments			
Guarantees	23,237,790	20,834,976	20,231,382
Letter of credit	2,843,072	3,367,682	3,058,424
Unused credit facilities	8,573,428	6,136,641	9,533,640
Others	566,250	1,416,064	491,547
	<u>35,220,540</u>	<u>31,755,363</u>	<u>33,314,993</u>
(b) Other commitments			
<i>Derivative financial instruments:</i>			
Forward foreign exchange contracts	10,566,520	6,115,352	5,527,793
Interest rate swaps	949,500	758,889	746,508
	<u>11,516,020</u>	<u>6,874,241</u>	<u>6,274,301</u>
Total	<u>46,736,560</u>	<u>38,629,604</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:

	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Statement of financial position items			
Loans and advances to customers	<u>1,188,272</u>	<u>839,586</u>	<u>1,033,716</u>
Customer deposits	<u>451,763</u>	<u>400,124</u>	<u>429,926</u>
Contingent liabilities and other commitments	<u>992,228</u>	<u>913,761</u>	<u>998,929</u>
Other assets	<u>5,448</u>	<u>-</u>	<u>3,650</u>

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13 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>
Statement of income items				
Interest, fee and commission income	<u>9,092</u>	<u>6,672</u>	<u>25,027</u>	<u>18,639</u>
Interest, fee and commission expenses	<u>1,277</u>	<u>1,641</u>	<u>5,524</u>	<u>8,485</u>
Compensation to Board of Directors				
Salaries and other benefits	<u>3,467</u>	<u>5,604</u>	<u>15,984</u>	<u>18,509</u>
End of service benefits and pension fund	<u>605</u>	<u>551</u>	<u>1,927</u>	<u>1,641</u>
	<u>4,072</u>	<u>6,155</u>	<u>17,911</u>	<u>20,150</u>

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 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Cash and balances with central banks	<u>1,410,870</u>	<u>1,966,940</u>	<u>1,341,940</u>
Balance due from banks maturing within 3 months	<u>6,049,369</u>	<u>7,822,290</u>	<u>8,354,243</u>
	<u>7,460,239</u>	<u>9,789,230</u>	<u>9,696,183</u>

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

15 CAPITAL ADEQUACY

	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2014 (Reviewed) QAR'000</i>	<i>31 December 2014 (Audited) QAR'000</i>
Common Equity Tier 1 Capital	<u>7,998,842</u>	<u>8,133,306</u>	<u>8,049,896</u>
Additional Tier 1 Capital	<u>4,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Additional Tier 2 Capital	<u>238,333</u>	<u>382,083</u>	<u>237,338</u>
Total Eligible Capital	<u>12,237,175</u>	<u>10,515,389</u>	<u>10,287,234</u>
Risk Weighted Assets	<u>79,148,166</u>	<u>64,598,385</u>	<u>68,455,918</u>
Total Capital Ratio	<u>15.46%</u>	<u>16.28%</u>	<u>15.03%</u>

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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 six 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
Gain on a purchase bargain arising on acquisition	<u>(388)</u>
Purchase consideration transferred	<u><u>74,566</u></u>
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the branches	91,982
Cash paid	<u>(74,566)</u>
Net cash flows on acquisition (included in cash flows from investing activities)	<u><u>17,416</u></u>