QNB

Consolidated Financial Statements

31-Dec-12

KPMG
Audit
2nd Floor
Area 25, C Ring Road
PO Box 4473, Doha
State of Qatar

Telephone +974 4457 6444
Fax +974 4442 5626
Website www.kpmg.com.qa

Independent Auditor's Report to the Shareholders of Qatar National Bank S.A.Q.

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar National Bank S.A.Q (the "Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Bank's preparation and fair presentation of the consolidated financial statements 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 Bank's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and applicable provisions of the Qatar Central Bank regulations.

KPMG

Report on other legal and regulatory requirements

We have obtained all the information and explanations which we consider necessary for the purpose of our audit. The Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained therein is in agreement with the books and records of the Group. We are not aware of any violations of the applicable provisions of Qatar Central Bank Law No. 33 of 2006, Qatar Commercial Law No. 5 of 2002 and the terms of Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position as at 31 December 2012.

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

13 January 2013
Doha
State of Qatar

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Position
As at 31 December 2012

	Note	2012 QR000	2011 QR000
ASSETS			
Cash and Balances with Central Banks	8	19,829,576	10,279,130
Due from Banks	9	37,021,743	38,565,554
Loans and Advances to Customers	10	249,936,341	193,943,227
Investment Securities	11	50,047,924	50,382,609
Investments in Associates	12	5,795,307	4,703,260
Property and Equipment	13	957,056	979,059
Intangible Assets	14	261,216	141,955
Other Assets	15	3,004,669	2,960,537
Total Assets		**366,853,832**	**301,955,331**
LIABILITIES			
Due to Banks	16	22,201,770	39,482,435
Customer Deposits	17	270,039,961	200,122,837
Debt Securities	18	12,674,706	5,419,160
Other Borrowings	19	6,836,376	6,732,483
Other Liabilities	20	7,112,327	7,563,112
Total Liabilities		**318,865,140**	**259,320,027**
EQUITY			
Issued Capital	22	6,997,294	6,361,177
Legal Reserve	22	23,086,902	21,178,549
Risk Reserve	22	1,750,000	1,600,000
Fair Value Reserve	22	411,403	496,958
Foreign Currency Translation Reserve	22	(640,463)	(189,282)
Other Reserves	22	1,751,174	1,786,634
Retained Earnings	22	13,721,522	10,786,714
Total Equity Attributable to Equity Holders of the Bank		**47,077,832**	**42,020,750**
Non - Controlling Interest	23	910,860	614,554
Total Equity		**47,988,692**	**42,635,304**
Total Liabilities and Equity		**366,853,832**	**301,955,331**

These consolidated financial statements were approved by the Board of Directors on 13 January 2013 and were signed on its behalf by:

Yousef Hussain Kamal
Chairman

Ali Shareef Al-Emadi
Group Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Income Statement
For the Year Ended 31 December 2012

	Note	2012 QR000	2011 QR000
Interest Income	24	12,342,468	10,694,573
Interest Expense	25	(3,192,737)	(2,895,745)
Net Interest Income		**9,149,731**	**7,798,828**
Fee and Commission Income	26	1,429,197	1,393,044
Fee and Commission Expense		(124,394)	(96,042)
Net Fee and Commission Income		**1,304,803**	**1,297,002**
Foreign Exchange Gain	27	598,441	515,104
Income from Investment Securities	28	175,852	370,935
Other Operating Income		9,455	36,066
Operating Income		**11,238,282**	**10,017,935**
Staff Expenses	29	(1,078,756)	(834,127)
Depreciation	13	(185,665)	(189,972)
Net Impairment Losses on Investment Securities		(22,981)	32,344
Net Impairment Losses on Loans and Advances to Customers	10	(1,055,956)	(1,034,767)
Other Expenses	30	(667,942)	(579,967)
		(3,011,300)	**(2,606,489)**
Share of Results of Associates	12	252,978	166,157
Profit Before Income Taxes		**8,479,960**	**7,577,603**
Income Tax Expense		(56,920)	(23,606)
Profit for the Year		**8,423,040**	**7,553,997**
Attributable to:			
Equity Holders of the Bank		8,338,822	7,508,970
Non - Controlling Interest		84,218	45,027
Profit for the Year		**8,423,040**	**7,553,997**
Basic and Diluted Earnings Per Share (QR)	31	11.9	11.3

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2012

	Note	2012 QR000	2011 QR000
Profit for the Year		**8,423,040**	**7,553,997**
Other Comprehensive Income, net of Income Tax			
Foreign Currency Translation Differences for Foreign Operations		(451,181)	(124,370)
Share of Other Comprehensive Income of Associates		(35,460)	(10,921)
Effective Portion of Changes in Fair Value of Cash Flow Hedges	22	(4,903)	(1,965)
Available-for-Sale Investment Securities			
Net Change in Fair Value	22	25,448	104,522
Net Amount Transferred to Income Statement	22	(106,100)	(306,003)
Total Other Comprehensive Income for the Year, net of Income Tax		**(572,196)**	**(338,737)**
Total Comprehensive Income for the Year		**7,850,844**	**7,215,260**
Attributable to:			
Equity Holders of the Bank		7,766,626	7,170,233
Non - Controlling Interest		84,218	45,027
Total Comprehensive Income for the Year		**7,850,844**	**7,215,260**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2012

	Issued Capital	Legal Reserve	Risk Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders of Parent	Non Controlling Interest	Total
	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000
Balance at 1 January 2012	6,361,177	21,178,549	1,600,000	496,958	(189,282)	1,786,634	10,786,714	42,020,750	614,554	42,635,304
Total Comprehensive Income for the Year										
Profit for the Year	-	-	-	-	-	-	8,338,822	8,338,822	84,218	8,423,040
Total Other Comprehensive Income	-	-	-	(85,555)	(451,181)	(35,460)	-	(572,196)	-	(572,196)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(85,555)**	**(451,181)**	**(35,460)**	**8,338,822**	**7,766,626**	**84,218**	**7,850,844**
Transfer to Legal Reserve for the Year 2011	-	1,908,353	-	-	-	-	(1,908,353)	-	-	-
Transfer to Risk Reserve	-	-	150,000	-	-	-	(150,000)	-	-	-
Transfer to Social and Sports Fund							(165,071)	(165,071)		(165,071)
Transactions with Equity Holders, Recognised Directly in Equity										
Dividend for the year 2011	-	-	-	-		-	(2,544,473)	(2,544,473)	-	(2,544,473)
Bonus Shares for the Year 2011	636,117	-	-	-	-	-	(636,117)	-	-	-
Net Movement in Non-controlling Interest	-	-	-	-	-	-	-	-	212,088	212,088
Total Transactions with Equity Holders, Recognised Directly in Equity	**636,117**	**-**	**-**	**-**		**-**	**(3,180,590)**	**(2,544,473)**	**212,088**	**(2,332,385)**
Balance at 31 December 2012	**6,997,294**	**23,086,902**	**1,750,000**	**411,403**	**(640,463)**	**1,751,174**	**13,721,522**	**47,077,832**	**910,860**	**47,988,692**
Balance at 1 January 2011	3,914,570	8,554,060	1,500,000	700,404	(64,912)	1,797,555	7,835,787	24,237,464	555,224	24,792,688
Total Comprehensive Income for the Year										
Profit for the Year	-	-	-	-	-	-	7,508,970	7,508,970	45,027	7,553,997
Total Other Comprehensive Income	-	-	-	(203,446)	(124,370)	(10,921)	-	(338,737)	-	(338,737)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(203,446)**	**(124,370)**	**(10,921)**	**7,508,970**	**7,170,233**	**45,027**	**7,215,260**
Transfer to Legal Reserve for the Year 2010	-	1,174,371	-	-	-	-	(1,174,371)	-	-	-
Transfer to Risk Reserve			100,000				(100,000)	-	-	-
Transfer to Social and Sports Fund							(152,016)	(152,016)		(152,016)
Transactions with Equity Holders,								-		-
Recognised Directly in Equity								-		-
Dividend for the Year 2010							(1,957,285)	(1,957,285)		(1,957,285)
Bonus Shares for the Year 2010	1,174,371						(1,174,371)	-		-
Rights Issue	1,272,236							1,272,236		1,272,236
Premium on Rights Issue		11,450,118						11,450,118		11,450,118
Net Movement in Non-controlling Interest	-	-	-	-	-	-	-	-	14,303	14,303
Total Transactions with Equity Holders, Recognised Directly in Equity	**2,446,607**	**11,450,118**	**-**	**-**	**-**	**-**	**(3,131,656)**	**10,765,069**	**14,303**	**10,779,372**
Balance at 31 December 2011	**6,361,177**	**21,178,549**	**1,600,000**	**496,958**	**(189,282)**	**1,786,634**	**10,786,714**	**42,020,750**	**614,554**	**42,635,304**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2012

	Note	2012 QR000	2011 QR000
Cash Flows from Operating Activities			
Profit for the Year Before Income Taxes		8,479,960	7,577,603
Adjustments for:			
Interest Income		(12,342,468)	(10,694,573)
Interest Expense		3,192,737	2,895,745
Depreciation	13	185,665	189,972
Net Impairment Losses on Loans and Advances	10	1,055,956	1,034,767
Net Impairment Losses on Investment Securities		22,981	(32,344)
Other Provisions		11,311	9,730
Dividend Income on Available-for-Sale Securities	28	(64,096)	(59,289)
Net Gain on Sale of Property and Equipment		-	
Net Gain on Sale of Available-for-Sale Securities	28	(111,756)	(311,646)
Amortization of Intangible Assets	14	3,730	3,455
Net Amortisation of Premium or Discount on Financial Investments		(179,788)	(27,717)
Share in Profit of Associates, net of Dividends Received	12	(135,778)	(55,623)
Provision for Property Acquired Against Settlement of Debts		-	
		118,454	**530,080**
Changes in:			
Due from Banks		(1,313,606)	(1,014,137)
Loans and Advances to Customers		(56,830,870)	(62,493,304)
Other Assets		172,223	544,208
Due to Banks		(17,280,665)	25,131,850
Customer Deposits		69,623,941	33,597,428
Other Liabilities		663,834	620,012
Cash Used in Operations		**(4,846,689)**	**(3,083,863)**
Interest Received		11,812,334	10,441,539
Interest Paid		(4,798,084)	(2,744,187)
Dividends Received		64,096	59,289
Income Tax Paid		(32,244)	(14,706)
Other Provisions Paid		(6,452)	(3,379)
Net Cash from Operating Activities		**2,192,961**	**4,654,693**
Cash Flows from Investing Activities			
Acquisition of Investment Securities		(30,368,008)	(32,683,315)
Proceeds from Sale / Redemption of Investment Securities		31,215,848	6,560,487
Investments in Associates	12	(1,070,217)	(17,873)
Proceeds from Sale of Associates		-	-
Acquisition of Subsidiary, Net of Cash Acquired		(76,177)	140,195
Acquisition of Property and Equipment	13	(221,731)	(261,844)
Proceeds from Sale of Property and Equipment		2,420	1,385
Net Cash used in Investing Activities		**(517,865)**	**(26,260,965)**
Cash Flows from Financing Activities			
Proceeds from Rights Issue		-	12,722,354
Proceeds from Issue of Debt Securities		7,241,828	-
Proceeds from Other Borrowings		85,088	-
Dividends Paid		(2,541,713)	(1,955,014)
Net Cash from Financing Activities		**4,785,203**	**10,767,340**
Net Increase / (Decrease) in Cash and Cash Equivalents		**6,460,299**	**(10,838,932)**
Effect of Exchange Rate Fluctuations on Cash Held		232,730	70,194
Cash and Cash Equivalents at 1 January		41,403,694	52,172,432
Cash and Cash Equivalents at 31 December	37	**48,096,723**	**41,403,694**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Qatar National Bank S.A.Q. ("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 in 24 countries worldwide through its branches, associates and subsidiaries.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of Incorporation	Share Capital QR000	Year of Incorporation	Ownership %
QNB International Holdings Limited	Luxemburg	412,373	2004	100%
QNB Property	France	23,992	2008	100%
QNB Capital LLC	Qatar	54,608	2008	100%
QNB Switzerland	Switzerland	198,750	2009	100%
QNB Syria	Syria	705,550	2009	50.8%
QNB Finance Ltd.	Cayman Islands	0.40	2010	100%
QNB Financial Services SPC	Qatar	50,000	2011	100%
QNB Kesawan	Indonesia	357,643	2011	69.6%
Al-Mansour Investment Bank	Iraq	739,388	2012	50.8%

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") 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 material items on the consolidated statement of financial position, which are measured at fair value:

- Derivatives;
- Available-for-sale financial assets; and
- Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships.

c) Functional and Presentation Currency

These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousand.

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 Group entities.

a) Basis of Consolidation

(i) Business Combinations

Accounting for business combinations only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, 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 profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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 remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by: (a) accounting for financial assets and liabilities at their fair value at the acquisition date; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

(ii) Subsidiaries

Subsidiaries are 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 the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Special Purpose Entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- The Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE;
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

(iv) 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 profit or loss. 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.

(v) Non-Controlling Interest and Transactions therewith

Interests in the equity of subsidiaries not attributable to the Bank are reported in consolidated equity as non-controlling interest. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Non-Controlling Interest and Transactions therewith (Continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured 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 subsequently 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 reclassified to profit or loss.

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 reclassified to profit or loss where appropriate.

(v) Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) 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 for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Group's investment in associates includes goodwill (net of any accumulated impairment loss) 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Joint Ventures

Joint ventures are entities where the Group has a contractual arrangement with one or more parties to undertake activities through entities that are subject to joint control.

The Group recognises interests in a jointly controlled entity using the equity method of accounting. The accounting policy given in Note 3(a) (vii) therefore applies for joint ventures.

The Group's share of the results of joint ventures is based on financial statements made up to a date not earlier than three months before the date of the statement of financial position, adjusted to conform with the accounting policies of the Group. Intragroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intragroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

(ix) 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 35.

b) Foreign Currency

(i) Foreign Currency Transactions and Balances

Foreign currency transactions that are transactions denominated, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at 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 at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at 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 at 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 profit or loss.

(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'.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Foreign Operations (continued)
On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. 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 exchange 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:

- Loans and receivables;
- Held to maturity; or
- Available-for-sale

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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Derecognition (Continued)

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.

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 expire.

(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 and when approved by the QCB, 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 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 and points paid or received that are an integral part of the effective interest rate.

- Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Group measures the fair value of listed investments at the market closing 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 who do not have any reactions which might affect the price.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Fair Value Measurement (Continued)

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an 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 include 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.

Impairment losses on 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 profit or loss and reflected in an allowance account against loans and advances to customers.

For listed 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 profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss 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 profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Cash and Cash Equivalent

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes 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) 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 method.

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.

f) Investment Securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either '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, and which were not designated as at fair value through profit or loss or as available-for-sale. Held-to-maturity investments were carried at amortised cost using the effective interest 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 assets. Unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

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 profit or loss as a reclassification adjustment.

A non-derivative financial asset is reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group had the intention and ability to hold that financial asset for the foreseeable future or until maturity.

g) 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 80-120 percent. 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 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 profit or loss as a reclassification adjustment.

- Net Investment Hedges
When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income in the translation reserve. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in other comprehensive is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

- 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 profit or loss.

g) Derivatives (Continued)

(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 reporting date and the corresponding fair value changes is taken to the profit or loss.

h) Property and Equipment

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

After recognition of an item as property and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, with any revaluations recognised in equity. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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 profit or loss.

(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 profit or loss as incurred.

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most 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. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

	Years
Buildings	20 to 40
Equipment and Furniture	3 to 7
Motor Vehicles	5
Leasehold improvements	4

Freehold land is stated at cost.

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

(i) Intangible Assets
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition goodwill is measured at cost less accumulated impairment losses.

(j) 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 Cash Generating Unit ("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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. 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 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.

Impairment losses are recognised in profit or loss. 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.

(k) 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.

(i) Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(k) Provisions (Continued)

(ii) Onerous Contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(l) 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.

(m) 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 consolidated statement of financial position date. 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 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 29.

(n) 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 date of the consolidated statement of financial position are dealt as a separate disclosure.

(o) Interest Income and Expense
Interest income and expense are recognised in profit or loss using the effective interest 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 and points paid or received that are an integral part of the effective interest rate.

(o) Interest Income and Expense (Continued)
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 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.

Interest income and expense on held for trading financial assets and liabilities are considered to be incidental to the Group's investment operations and are presented together with all other changes in the fair value of held for trading financial assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the statement of comprehensive income. Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income.

(p) Fees 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.

(q) Income from Investment Securities
Gains or losses on the sale of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Income from held to maturity investment securities is recognised based on the effective interest rate method.

(r) Dividend Income
Dividend income is recognised when the right to receive income is established.

(s) Tax Expense
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 whose profits are subject to tax as per the Qatar Financial Center Authority tax regulations.

(t) 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 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.

(u) 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.

(v) 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, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(w) 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 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.

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

(y) 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 carried at cost.

(z) New Standards and Interpretations
The following amendment has been applied by the Group in preparation of these consolidated financial statements:
IFRS 7 (amendment) 'Disclosures: Transfer of financial assets' The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendment has no impact on the Group's operations.

In addition, a number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 31 December 2012 and have not been applied in preparing these consolidated financial statements:

IAS 1 (amendment) 'Presentation of items of other comprehensive income' The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application.

IAS 28 (2011) 'Investment in Associates and Joint ventures'
IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) has been amended to include:

- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively.

- IFRS 9, Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after 1 January 2015.

- IFRS 10, Consolidated Financial Statements.
- IFRS 11, Joint Arrangements.
- IFRS 12, Disclosure of Interest in Other Entities.
- IFRS 13, Fair Value Measurement.

The above standards are effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact of these standards on future periods.

(All amounts are shown in thousands of Qatari Riyals)

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 and other financial institutions, 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.

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.

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 as part of each audit which examines both the adequacy and compliance with the procedures in addition to specific audit of Group Risk function itself as per approved audit plan. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the 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 the 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 when appropriate. The types of collaterals obtained 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 industrial sector. Note 33 discloses the geographical distribution of the Group's assets and liabilities.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk (Continued)

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	
	2012	**2011**
Cash and Balances with Central Banks (excluding Cash on Hand)	17,680,852	8,594,213
Due from Banks	37,021,743	38,565,554
Loans and Advances to Customers	249,936,341	193,943,227
Investment Securities	50,047,924	50,382,609
Other Assets	3,004,669	2,960,537
	357,691,529	**294,446,140**
Contingent Liabilities	59,285,330	50,071,384
Total	**416,976,859**	**344,517,524**

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 2012	Net Maximum Exposure 2012	Gross Maximum Exposure 2011	Net Maximum Exposure 2011
Government	81,890,669	-	77,017,847	-
Government Agencies	134,704,900	6,297,523	84,471,203	9,546,399
Industry	4,654,824	4,344,715	2,909,527	2,573,544
Commercial	4,701,089	3,666,125	4,753,909	3,382,270
Services	75,814,796	57,705,871	70,085,066	50,491,112
Contracting	2,247,983	997,276	3,383,609	1,490,525
Real Estate	26,338,603	3,350,785	25,273,426	4,709,150
Personal	18,800,006	4,639,299	20,874,681	4,101,109
Others	8,538,659	7,046,585	5,676,872	5,348,479
Contingent Liabilities	59,285,330	59,285,330	50,071,384	50,071,384
Total	**416,976,859**	**147,333,509**	**344,517,524**	**131,713,972**

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.

	Total 2012	Total 2011
Equivalent Grades		
AAA to AA-	102,018,531	96,778,208
A+ to A-	151,661,646	116,205,873
BBB+ to BBB-	713,622	268,139
BB+ to B-	1,091,055	1,328,318
Below B-	-	-
Unrated	161,492,005	129,936,986
Total	**416,976,859**	**344,517,524**

Unrated exposures represent credit facilities granted to corporations and individuals which do not have external credit ratings. Also, the ratings used by the Group are in line with the ratings and definitions published by international rating agencies. The above exposures include loans and advances which are neither past due nor impaired amounting to QR249,700 million (2011: QR193,790 million).

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

e) Aging Analysis of Past Dues not Impaired per Category of Loans and Advances

As at 31 December 2012	Less than 30 Days	31 - 60 Days	61 - 90 Days	Total
Corporate Lending	202,378	196,564	-	398,942
Small Business Lending	12,129	20,974	5,021	38,124
Consumer Lending	82,866	92,336	83,786	258,988
Residential Mortgages	-	26,377	13,159	39,536
Total	**297,373**	**336,251**	**101,966**	**735,590**
As at 31 December 2011				
Corporate Lending	102,666	54,024	699	157,389
Small Business Lending	23,890	13,958	195	38,043
Consumer Lending	285,007	59,603	970	345,580
Residential Mortgages	32,301	5,581	-	37,882
Total	**443,864**	**133,166**	**1,864**	**578,894**

f) Renegotiated Loans and Advances

	2012	2011
Corporate Lending	107,233	156,429
Small Business Lending	21,500	40,508
Consumer Lending	995,793	749,328
Residential Mortgages	38,228	37,747
Total	**1,162,754**	**984,012**

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:

Market Indices	Change in Equity Price %	Effect on Other Comprehensive Income	Change in Equity Price %	Effect on Other Comprehensive Income
Qatar Exchange		2012		2011
	±10	144,567	±10	141,608

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 risks 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 35 lists mutual funds marketed by the Group.

(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 off-balance sheet instruments, primarily interest rate swaps. Maturities of assets and liabilities have been determined on the basis of contractual pricing. The following table summarises the reprising 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
At 31 December 2012:							
Cash and Balances with Central Banks	7,281,482	-	-	-	12,548,094	19,829,576	
Due from Banks	36,250,618	143,375	-	-	627,750	37,021,743	0.47%
Loans and Advances	162,046,669	77,259,705	8,799,840	727,200	1,102,927	249,936,341	4.72%
Investment Securities	5,683,017	6,354,615	24,846,876	11,843,483	7,115,240	55,843,231	4.87%
Other Assets	-	-	-	-	4,222,941	4,222,941	
Total Assets	**211,261,786**	**83,757,695**	**33,646,716**	**12,570,683**	**25,616,952**	**366,853,832**	
Due to Banks	18,712,321	3,163,953	-	-	325,496	22,201,770	0.74%
Customer Deposits	205,799,699	40,648,286	223,390	-	23,368,586	270,039,961	1.25%
Debt Securities			9,059,300	3,615,406		12,674,706	
Other Borrowings	6,749,951	-	86,425	-	-	6,836,376	
Other Liabilities	-	-	-	-	7,112,327	7,112,327	
Total Equity	-	-	-	-	47,988,692	47,988,692	
Total Liabilities and Equity	**231,261,971**	**43,812,239**	**9,369,115**	**3,615,406**	**78,795,101**	**366,853,832**	
Balance Sheet Items	(20,000,185)	39,945,456	24,277,601	8,955,277	(53,178,149)	-	
Off-Balance Sheet Items	3,523,751	1,248,358	(3,014,853)	(1,757,256)	-	-	
Interest Rate Sensitivity Gap	**(16,476,434)**	**41,193,814**	**21,262,748**	**7,198,021**	**(53,178,149)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(16,476,434)**	**24,717,380**	**45,980,128**	**53,178,149**	**-**	**-**	
At 31 December 2011:							
Cash and Balances with Central Banks	720,565	-	-	-	9,558,565	10,279,130	
Due from Banks	37,573,577	79,843	32,144	-	879,990	38,565,554	0.39%
Loans and Advances	128,739,170	50,267,992	13,467,863	-	1,468,202	193,943,227	5.03%
Investment Securities	10,947,245	3,239,435	23,664,269	11,042,203	6,192,717	55,085,869	4.92%
Other Assets	-	-	-	-	4,081,551	4,081,551	
Total Assets	**177,980,557**	**53,587,270**	**37,164,276**	**11,042,203**	**22,181,025**	**301,955,331**	
Due to Banks	26,763,371	11,848,421	485,375	-	385,268	39,482,435	0.65%
Customer Deposits	151,748,854	25,927,122	168,927	-	22,277,934	200,122,837	1.65%
Debt Securities	-	-	5,419,160	-	-	5,419,160	
Other Borrowings	-	6,732,483	-	-	-	6,732,483	
Other Liabilities	-	-	-	-	7,563,112	7,563,112	
Total Equity	-	-	-	-	42,635,304	42,635,304	
Total Liabilities and Equity	**178,512,225**	**44,508,026**	**6,073,462**	**-**	**72,861,618**	**301,955,331**	
Balance Sheet Items	(531,668)	9,079,244	31,090,814	11,042,203	(50,680,593)	0	
Off-Balance Sheet Items	7,433,836	(6,751,225)	(192,912)	(489,699)	-	-	
Interest Rate Sensitivity Gap	**6,902,168**	**2,328,019**	**30,897,902**	**10,552,504**	**(50,680,593)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**6,902,168**	**9,230,187**	**40,128,089**	**50,680,593**	**0**	**-**	

(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. The sensitivity of equity is calculated by revaluing fixed rate available for sale financial assets, including the effect of any associated hedges and swaps designated as cash flow hedges. The sensitivity of equity is analysed by maturity of the asset or swap. Total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

			Sensitivity of Other Comprehensive Income				
	Increase in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2012	2012	2012	2012	2012	2012
Qatari Riyal	10	(2,457)	8,130	(8,912)	24,192	4,091	27,501
US$	10	(82)	(14,151)	39,735	(19,168)	4,268	10,684
Euro	10	3,039	4,034	(747)	603	-	3,890
Pounds Sterling	10	613	1,493	(440)	747	-	1,800
Other Currencies	10	1,666	1,555	482	(46)	46	2,037

			Sensitivity of Other Comprehensive Income				
	Decrease in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2012	2012	2012	2012	2012	2012
Qatari Riyal	10	4,722	(8,408)	7,867	(16,500)	(4,501)	(21,542)
US$	10	4,550	11,604	(43,676)	20,692	(4,695)	(16,075)
Euro	10	(2,774)	(4,377)	666	(494)	-	(4,205)
Pounds Sterling	10	(371)	(1,572)	392	(534)	-	(1,714)
Other Currencies	10	(1,571)	(1,691)	(528)	98	(51)	(2,172)

			Sensitivity of Other Comprehensive Income				
	Increase in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2011	2011	2011	2011	2011	2011
Qatari Riyal	10	(5,207)	(4,543)	941	(17,890)	4,478	(17,014)
US$	10	15,289	18,469	7,663	4,829	2,169	33,130
Euro	10	(450)	224	16	(6)	-	234
Pounds Sterling	10	1,233	1,925	26	(10)	-	1,941
Other Currencies	10	(558)	(2,083)	1,052	1,077	37	83

			Sensitivity of Other Comprehensive Income				
	Decrease in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2011	2011	2011	2011	2011	2011
Qatari Riyal	10	7,183	3,647	(1,016)	19,335	(4,926)	17,040
US$	10	(12,100)	(19,475)	(8,291)	(2,154)	(2,384)	(32,304)
Euro	10	700	(282)	(18)	6	-	(294)
Pounds Sterling	10	(967)	(2,034)	(29)	11	-	(2,052)
Other Currencies	10	690	2,196	(1,153)	(1,078)	(41)	(76)

(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 down grades, 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 balance sheet 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
At 31 December 2012:						
Cash and Balances with Central Banks	10,324,262	-	-	-	9,505,314	19,829,576
Due from Banks	36,095,456	782,912	143,375	-	-	37,021,743
Loans and Advances	8,513,267	3,332,256	25,585,421	197,887,564	14,617,833	249,936,341
Investment Securities	1,896,740	4,768,724	6,354,615	25,083,424	17,739,728	55,843,231
Other Assets	2,967,210	38,289	2,490	970,519	244,433	4,222,941
Total Assets	**59,796,935**	**8,922,181**	**32,085,901**	**223,941,507**	**42,107,308**	**366,853,832**
Due to Banks	15,851,771	3,186,046	3,163,953	-	-	22,201,770
Customer Deposits	194,311,259	34,649,607	40,814,086	265,009	-	270,039,961
Debt Securities	-	-	-	9,059,300	3,615,406	12,674,706
Other Borrowings	-	-	239,917	6,596,459	-	6,836,376
Other Liabilities and Equity	2,104,947	3,620,908	392,862	993,610	47,988,692	55,101,019
Total Liabilities and Equity	**212,267,977**	**41,456,561**	**44,610,818**	**16,914,378**	**51,604,098**	**366,853,832**
Difference	**(152,471,042)**	**(32,534,380)**	**(12,524,917)**	**207,027,129**	**(9,496,790)**	-
Derivative Financial Instruments						
- Contractual Amounts Payable	3,260,443	1,158,746	2,323,101	-	-	6,742,290
- Contractual Amounts Receivable	(3,260,925)	(1,158,917)	(2,323,445)	-	-	(6,743,287)
At 31 December 2011:						
Cash and Balances with Central Banks	3,542,446	249,432	-	-	6,487,252	10,279,130
Due from Banks	37,370,177	240,317	198,936	756,124	-	38,565,554
Loans and Advances	15,460,485	5,743,164	32,388,122	135,790,559	4,560,897	193,943,227
Investment Securities	2,392,532	9,968,036	3,125,889	23,811,784	15,787,628	55,085,869
Other Assets	2,926,090	35,378	2,789	993,935	123,359	4,081,551
Total Assets	**61,691,730**	**16,236,327**	**35,715,736**	**161,352,402**	**26,959,136**	**301,955,331**
Due to Banks	21,108,118	5,951,731	12,057,053	365,533	-	39,482,435
Customer Deposits	142,080,491	31,964,031	25,909,388	168,927	-	200,122,837
Debt Securities				5,419,160		5,419,160
Other Borrowings	-	-	6,732,483	-	-	6,732,483
Other Liabilities and Equity	5,759,451	3,799,524	545,054	3,554	40,090,833	50,198,416
Total Liabilities and Equity	**168,948,060**	**41,715,286**	**45,243,978**	**5,957,174**	**40,090,833**	**301,955,331**
Difference	**(107,256,330)**	**(25,478,959)**	**(9,528,242)**	**155,395,228**	**(13,131,697)**	-
Derivative Financial Instruments						
- Contractual Amounts Payable	3,056,687	4,170,706	1,315,139	-	-	8,542,532
- Contractual Amounts Receivable	(3,056,807)	(4,170,870)	(1,315,191)	-	-	(8,542,868)

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

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
At 31 December 2012:						
Contingent Liabilities	2,225,549	13,736,742	24,080,723	15,719,917	3,522,399	**59,285,330**
At 31 December 2011:						
Contingent Liabilities	1,726,835	14,895,438	16,197,233	13,515,198	3,736,680	**50,071,384**

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:

	QR	US$	Euro	Pounds Sterling	Other Currencies	Total
At 31 December 2012:						
Assets	128,348,631	203,849,560	11,250,845	10,704,876	12,699,920	**366,853,832**
Liabilities and Equity	160,536,251	176,412,093	11,267,203	10,728,005	7,910,280	**366,853,832**
Net Balance Sheet Position	**(32,187,620)**	**27,437,467**	**(16,358)**	**(23,129)**	**4,789,640**	**-**
At 31 December 2011:						
Assets	115,355,666	154,280,064	10,755,047	9,788,641	11,775,913	**301,955,331**
Liabilities and Equity	146,823,021	127,579,802	10,760,286	9,798,121	6,994,101	**301,955,331**
Net Balance Sheet Position	**(31,467,355)**	**26,700,262**	**(5,239)**	**(9,480)**	**4,781,812**	**-**

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	
Currency	**%**	**2012**	**2011**
US$	+2	548,749	534,005
Euro	+3	(491)	(157)
Pounds Sterling	+2	(463)	(190)
Other Currencies	+3	143,689	143,454
US$	-2	(548,749)	(534.005)
Euro	-3	491	157
Pounds Sterling	-2	463	190
Other Currencies	-3	(143,689)	(143,454)

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

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.

r) Capital Adequacy

	2012	2011
Tier 1 Capital	42,288,235	38,166,557
Adjustment for Investment in Associates	(5,800,821)	(3,808,820)
Total Eligible Tier 1 Capital	36,487,414	34,357,737
Tier 2 Capital	1,502,080	1,924,276
Adjustment for Investment in Associates and Others	(1,502,080)	(1,924,276)
Total Eligible Tier 2 Capital	-	-
Total Eligible Capital	**36,487,414**	**34,357,737**
Risk Weighted Assets	**173,425,801**	**156,382,113**
Tier 1 Capital ratio	21.0%	22.0%
Total Capital ratio	21.0%	22.0%

Tier 1 capital includes issued capital, statutory reserve, other reserves and retained earnings including current year profit and excluding proposed dividend.

Tier 2 capital includes risk reserve (up to 1.25% of risk weighted assets) and 45% of the fair value reserve and currency translation adjustment if the balance is positive and 100% if negative.

The minimum accepted capital adequacy ratio is 10% under Qatar Central Bank requirements and 8% under Basel Committee on Banking Supervision requirements.

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) Allowances for Credit Losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy.

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 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 impairment 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 yet 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.

(All amounts are shown in thousands of Qatari Riyals)

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

(ii) 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 accounting policy. 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' 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.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	**Level 2**	**Level 3**	**Total**
At 31 December 2012:				
Derivative assets held for risk management	-	64,729	-	64,729
Investment securities	15,319,577	-	128,265	15,447,842
	15,319,577	**64,729**	**128,265**	**15,512,571**
Derivative Liabilities held for risk management		258,722	-	258,722
	-	**258,722**	**-**	**258,722**
At 31 December 2011:				
Derivative assets held for risk management	-	167,060	-	167,060
Investment securities	3,372,650	-	3,322,366	6,695,016
	3,372,650	**167,060**	**3,322,366**	**6,862,076**
Derivative Liabilities held for risk management	-	340,926	-	340,926
	-	**340,926**	**-**	**340,926**

(All amounts are shown in thousands of Qatari Riyals)

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

(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.

(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, technical or commercial obsolescence.

(vi) Useful Life 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.

(All amounts are shown in thousands of Qatari Riyals)

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 the 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.

	Qatar Operations					
	Corporate Banking	**Consumer Banking**	**Asset and Wealth Management**	**International Banking**	**Unallocated and Intra-group Transactions**	**Total**
At 31 December 2012:						
External Revenue:						
Net Interest Income	6,538,711	391,791	406,282	1,781,424	31,523	9,149,731
Net Fees and Commission Income	741,640	140,401	195,470	202,104	25,188	1,304,803
Foreign Exchange Gain	408,393	41,556	34,950	60,148	53,394	598,441
Income from Investment Securities	168,778	-	-	7,074	-	175,852
Other Operating Income	261	7	134	9,037	16	9,455
Share of Results of Associates	6,428	-	-	246,550	-	252,978
Total Segment Revenue	**7,864,211**	**573,755**	**636,836**	**2,306,337**	**110,121**	**11,491,260**
Reportable Segment Profit	6,219,215	13,054	498,482	1,735,967	(127,896)	8,338,822
Reportable Segment Loans and Advances	205,519,772	6,839,515	7,980,202	29,596,852	-	249,936,341
Reportable Segment Customer Deposits	150,853,867	13,870,858	21,247,792	84,067,444	-	270,039,961
Reportable Segment Assets	292,924,292	13,962,829	22,584,284	128,696,791	(91,314,364)	366,853,832
At 31 December 2011:						
External Revenue:						
Net Interest Income	5,494,859	622,131	307,312	1,368,943	5,583	7,798,828
Net Fees and Commission Income	737,218	156,419	196,098	170,065	37,202	1,297,002
Foreign Exchange Gain	383,646	31,041	25,249	31,912	43,256	515,104
Income from Investment Securities	370,544	-	-	391	-	370,935
Other Operating Income	562	135	-	31,301	4,068	36,066
Share of Results of Associates	6,666	-	-	159,491	-	166,157
Total Segment Revenue	**6,993,495**	**809,726**	**528,659**	**1,762,103**	**90,109**	**10,184,092**
Reportable Segment Profit	5,351,368	199,918	505,288	1,428,340	24,056	7,508,970
Reportable Segment Loans and Advances	150,343,754	7,469,507	8,316,229	27,813,737	-	193,943,227
Reportable Segment Customer Deposits	110,881,424	13,613,228	15,887,723	59,740,462	-	200,122,837
Reportable Segment Assets	232,310,735	13,727,502	16,618,714	113,348,551	(74,050,171)	301,955,331

(All amounts are shown in thousands of Qatari Riyals)

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:

At 31 December 2012:	Held to Maturity	Loans and Advances	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
Cash and Balances with Central Banks	-	19,829,576	-	-	19,829,576	19,829,576
Due from banks	-	-	-	37,021,743	37,021,743	37,021,743
Loans and advances to customers	-	249,936,341	-	-	249,936,341	249,936,341
Investment securities:						
Measured at fair value	-	-	15,447,842	-	15,447,842	15,447,842
Measured at amortised cost	34,600,082	-	-	-	34,600,082	36,912,561
	34,600,082	269,765,917	15,447,842	37,021,743	356,835,584	359,148,063
Due to banks	-	-	-	22,201,770	22,201,770	22,242,457
Customer deposits	-	-	-	270,039,961	270,039,961	270,039,961
Debt securities	-	-	-	12,674,706	12,674,706	12,674,706
Other borrowings	-	-	-	6,836,376	6,836,376	6,836,376
	-	-	-	311,752,813	311,752,813	311,793,500
At 31 December 2011:						
Cash and Balances with Central Banks	-	10,279,130	-	-	10,279,130	10,279,130
Due from banks	-	-	-	38,565,554	38,565,554	38,565,554
Loans and advances to customers	-	193,943,227	-	-	193,943,227	193,943,227
Investment securities:						
Measured at fair value	-	-	6,695,016	-	6,695,016	6,695,016
Measured at amortised cost	43,687,593	-	-	-	43,687,593	45,945,295
	43,687,593	204,222,357	6,695,016	38,565,554	293,170,520	295,428,222
Due to banks	-	-	-	39,482,435	39,482,435	39,480,490
Customer deposits	-	-	-	200,122,837	200,122,837	200,122,837
Debt securities	-	-	-	5,419,160	5,419,160	5,419,160
Other borrowings	-	-	-	6,732,483	6,732,483	6,732,483
	-	-	-	251,756,915	251,756,915	251,754,970

Investment Securities - Unquoted Equity Securities at Cost

The above table includes QR98.1 million at 31 December 2012 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 was not considered to be reliably measureable.

(All amounts are shown in thousands of Qatari Riyals)

8. CASH AND BALANCES WITH CENTRAL BANKS	**2012**	**2011**
Cash	2,148,724	1,684,917
Cash Reserve with Qatar Central Bank	8,611,221	6,485,930
Other Balances with Qatar Central Bank	6,556,422	358,324
Balances with Other Central Banks	2,513,209	1,749,959
Total	**19,829,576**	**10,279,130**

Cash reserve with Qatar Central Bank is a mandatory reserve and cannot be used to fund the Group's day-to-day operations.

9. DUE FROM BANKS	**2012**	**2011**
Current Accounts	2,738,385	4,505,951
Placements	33,482,348	33,054,013
Loans	801,010	1,005,590
Total	**37,021,743**	**38,565,554**

10. LOANS AND ADVANCES TO CUSTOMERS	**2012**	**2011**
a) By Type		
Loans	249,104,953	189,791,213
Overdrafts	4,831,855	7,749,647
Bills Discounted	581,931	121,532
	254,518,739	**197,662,392**
Deferred Profit	(702,529)	(1,038,993)
Specific Impairment of Loans and Advances to Customers	(3,879,869)	(2,680,172)
Net Loans and Advances to Customers	**249,936,341**	**193,943,227**

The aggregate amount of non-performing loans and advances amounted to QR3,380 million, which represents 1.3% of total loans and advances (2011: QR2,255 million, 1.1% of total loans and advances and financing activities).

Specific impairment of loans and advances to customers includes QR540.9 million of interest in suspense (2011: QR395.4 million).

b) By Industry

At 31 December 2012:	**Loans & Advances**	**Overdrafts**	**Bills Discounted**	**Total**
Government	36,012,597	1,603,807	-	37,616,404
Government Agencies	131,383,667	706	-	131,384,373
Industry	4,482,652	42,284	1,347	4,526,283
Commercial	4,523,525	277,623	332,205	5,133,353
Services	23,145,069	192,090	236,710	23,573,869
Contracting	2,148,288	354,259	9,115	2,511,662
Real Estate	27,488,076	17,844	-	27,505,920
Personal	17,603,414	2,273,548	295	19,877,257
Others	2,317,665	69,694	2,259	2,389,618
Total	**249,104,953**	**4,831,855**	**581,931**	**254,518,739**

At 31 December 2011:	**Loans & Advances**	**Overdrafts**	**Bills Discounted**	**Total**
Government	29,179,711	4,275,248	-	33,454,959
Government Agencies	80,062,897	156,043	-	80,218,940
Industry	2,598,526	42,106	18,993	2,659,625
Commercial	3,925,344	524,598	47,259	4,497,201
Services	25,024,735	104,568	6,172	25,135,475
Contracting	1,920,114	584,327	-	2,504,441
Real Estate	24,941,249	2,057	-	24,943,306
Personal	18,990,633	1,946,271	263	20,937,167
Others	3,148,004	114,429	48,845	3,311,278
Total	**189,791,213**	**7,749,647**	**121,532**	**197,662,392**

The amounts above include both conventional banking and Islamic banking gross figures before subtracting specific impairment.

(All amounts are shown in thousands of Qatari Riyals)

10. LOANS AND ADVANCES TO CUSTOMERS (Continued)

c) Movement in Impairment of Loans and Advances to Customers

	2012	2011
Balance at 1 January	2,680,172	1,572,481
Foreign Currency Translation	(12,255)	(1,099)
Net Provisions during the Year	1,203,946	1,119,632
Provisions Made during the Year	1,686,100	1,831,324
Recoveries during the Year	(482,154)	(711,692)
Recoveries from loans written off	-	(36)
Provisions relating to Acquired Subsidiary	13,855	7,108
Written off / Transfers during the Year	(5,849)	(17,914)
Balance at 31 December	**3,879,869**	**2,680,172**

d) Impairment on Loans and Advances to Customers

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance at 1 January 2012	1,528,056	54,771	989,747	107,598	2,680,172
Foreign Currency Translation	(12,516)	(7)	286	(18)	(12,255)
Provisions Made during the Year	1,188,467	107,092	383,713	6,828	1,686,100
Recoveries during the Year	(159,345)	(63,497)	(217,299)	(42,013)	(482,154)
Provisions relating to Acquired Subsidiary	13,855	-	-	-	13,855
Written off / Transfers during the Year	(2,228)	(331)	(3,290)	-	(5,849)
Balance At 31 December 2012	**2,556,289**	**98,028**	**1,153,157**	**72,395**	**3,879,869**
Balance at 1 January 2011	271,161	63,756	1,118,643	118,921	1,572,481
Foreign Currency Translation	(796)	-	(120)	(183)	(1,099)
Provisions Made during the Year	1,330,399	44,047	433,962	22,916	1,831,324
Recoveries during the Year	(64,037)	(53,032)	(555,765)	(38,894)	(711,728)
Provisions relating to Acquired Subsidiary			7,108		7,108
Written off / Transfers during the Year	(8,671)	-	(14,081)	4,838	(17,914)
Balance At 31 December 2011	**1,528,056**	**54,771**	**989,747**	**107,598**	**2,680,172**

e) Net Impairment during the Year

	2012	2011
Corporate Lending	(1,008,197)	(1,221,871)
Small Business Lending	(45,163)	15,143
Consumer Lending	(39,607)	152,538
Residential Mortgages	37,011	19,423
Total	**(1,055,956)**	**(1,034,767)**

(All amounts are shown in thousands of Qatari Riyals)

11. INVESTMENT SECURITIES

Investments as at 31 December 2012 totaled QR50,048 million (2011: QR50,383 million). The analysis of investment securities is detailed below:

a) Available for Sale Financial Investments	**2012**		**2011**	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
Equities	427,930	98,067	369,260	248,996
State of Qatar Debt Securities	12,353,722	11,338	1,117,725	3,011,437
Other Debt Securities	1,743,989	18,860	1,014,464	61,933
Mutual Funds	3,164	790,772	30,774	840,427
Total	**14,528,805**	**919,037**	**2,532,223**	**4,162,793**

Fixed rate securities and floating rate securities amounted to QR13,946 million and QR181.9 million respectively (2011: QR4,815 million and QR391.0 million respectively).

b) Held to Maturity Financial Investments	**2012**		**2011**	
- By Issuer	**Quoted**	**Unquoted**	**Quoted**	**Unquoted**
State of Qatar Debt Securities	1,176,091	28,033,095	5,681,121	33,815,039
Other Debt Securities	4,330,547	1,060,349	3,391,674	799,759
Total	**5,506,638**	**29,093,444**	**9,072,795**	**34,614,798**
- By Interest Rate				
Fixed Rate Securities	5,325,479	29,057,039	8,706,626	34,556,204
Floating Rate Securities	181,159	36,405	366,169	58,594
Total	**5,506,638**	**29,093,444**	**9,072,795**	**34,614,798**

The carrying amount and fair value of securities pledged under repurchase agreements amounted to QR1,972 million and QR2,013 million respectively (2011: QR1,820 million and QR1,818 million respectively).

12. INVESTMENTS IN ASSOCIATES

	2012	**2011**
Balance at 1 January	4,703,260	4,648,318
Foreign Currency Translation	3,081	(7,582)
Investments Acquired during the Year	1,070,217	17,873
Share in Profit	252,978	166,157
Cash Dividend	(117,200)	(110,534)
Associates Sold / Transferred	(81,570)	-
Other Movements	(35,459)	(10,972)
Balance at 31 December	**5,795,307**	**4,703,260**

Name of Associate	**Country**	**Ownership %**	
Housing Bank for Trade and Finance	Jordan	34.5	34.5
Al Jazeera Finance Company	Qatar	20.0	20.0
Commercial Bank International	UAE	40.0	23.8
Tunisian Qatari Bank	Tunisia	50.0	50.0
Bank of Commerce and Development	Libya	49.0	-

The published share prices for Housing Bank for Trade and Finance and Commercial Bank International as at 31 December 2012 are QR42.3 and QR1.25 respectively (2011: QR41.0 and QR0.79 respectively).
Moreover, total assets of Housing Bank for Trade and Finance and Commercial Bank International amounted to QR37,262 million and QR12,232 million respectively, based on the reviewed financial information as at 30 September 2012. Also, total revenue for Housing Bank for Trade and Finance and Commercial Bank International amounted to QR1,234 million and QR454.0 million respectively for the nine months period ended 30 September 2012. Furthermore, total liabilities of Housing Bank for Trade and Finance and Commercial Bank International amounted to QR31,981 million and QR10,290 million respectively, based on the reviewed financial information as at 30 September 2012. Profit for the period ended 30 September 2012 amounted to QR365.0 million and QR225.0 million for Housing Bank for Trade and Finance and Commercial Bank International respectively.

(All amounts are shown in thousands of Qatari Riyals)

13. PROPERTY AND EQUIPMENT

Balance At 31 December 2012	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Cost:					
Balance at 1 January	732,756	304,458	578,461	8,634	1,624,309
Additions / Transfers	2,122	79,224	139,847	538	221,731
Relating to Subsidiary	5,685	-	3,935	115	9,735
Disposals	-	(1,054)	(6,889)	(450)	(8,393)
Foreign Currency Translation	(52,430)	(11,677)	(9,822)	(565)	(74,494)
	688,133	**370,951**	**705,532**	**8,272**	**1,772,888**
Accumulated Depreciation:					
Balance at 1 January	108,065	158,348	373,992	4,845	645,250
Charged during the Year	22,564	65,492	96,597	1,012	185,665
Relating to Subsidiary	-	-	1,472	21	1,493
Disposals	-	(1,014)	(4,769)	(190)	(5,973)
Foreign Currency Translation	(2,410)	(4,747)	(3,154)	(292)	(10,603)
	128,219	**218,079**	**464,138**	**5,396**	**815,832**
Net Carrying Amount	**559,914**	**152,872**	**241,394**	**2,876**	**957,056**
Balance At 31 December 2011					
Cost:					
Balance at 1 January	674,440	275,107	470,502	3,139	1,423,188
Additions / Transfers	72,043	67,338	121,514	949	261,844
Relating to Subsidiary	8,136	3,049	16,495	4,785	32,465
Disposals	-	(39,653)	(26,711)	-	(66,364)
Foreign Currency Translation	(21,863)	(1,383)	(3,339)	(239)	(26,824)
	732,756	**304,458**	**578,461**	**8,634**	**1,624,309**
Accumulated Depreciation:					
Balance at 1 January	83,619	121,603	302,030	1,005	508,257
Charged during the Year	22,837	77,691	88,299	1,145	189,972
Relating to Subsidiary	2,651	-	10,892	2,783	16,326
Disposals	-	(39,243)	(25,715)	(21)	(64,979)
Foreign Currency Translation	(1,042)	(1,703)	(1,514)	(67)	(4,326)
	108,065	**158,348**	**373,992**	**4,845**	**645,250**
Net Carrying Amount	**624,691**	**146,110**	**204,469**	**3,789**	**979,059**

14. INTANGIBLE ASSETS

During the year, the Group obtained control of Al-Mansour Investment Bank (Private Joint Stock Company), incorporated in Iraq, by acquisition of additional 27.7% of its shares against cash consideration of QR425.4 million. As a result, the Group's equity interest in Al-Mansour Investment Bank increased from 23.1% to 50.8%. Goodwill of QR123.0 million has been determined on acquisition of this additional stake on a provisional basis.

During 2011, the Group obtained control of QNB Kesawan, a commercial bank incorporated in Indonesia, by acquiring 69.6% of its shares against cash consideration of QR394.3 million. The Group has recognised goodwill of QR89.6 million on acquisition of QNB Kesawan following the acquisition method of accounting under IFRS 3 "Business Combination".

	2012	2011
Total Consideration Transferred	896,256	394,265
Fair Value of Identifiable Attributable Net Assets	(627,855)	(248,855)
	268,401	**145,410**
Amortization of Licence and Trade Mark	(7,185)	(3,455)
Total	**261,216**	**141,955**

Allocation of intangible assets is as follows:

	2012	2011
License and Trade Mark	48,610	52,340
Goodwill	212,606	89,615
	261,216	141,955

(All amounts are shown in thousands of Qatari Riyals)

15. OTHER ASSETS	**2012**	**2011**
Interest Receivable	2,028,638	1,834,968
Prepaid Expenses	63,520	41,421
Positive Fair Value of Derivatives (Note 34)	64,729	167,060
Sundry Debtors	529,988	665,388
Others	317,794	251,700
Total	**3,004,669**	**2,960,537**

16. DUE TO BANKS	**2012**	**2011**
Balances Due to Central Banks	263,887	14,705,210
Current Accounts	13,961,126	3,741,610
Deposits	6,004,794	19,215,342
Repurchase Agreements	1,971,963	1,820,273
Total	**22,201,770**	**39,482,435**

17. CUSTOMER DEPOSITS	**2012**	**2011**
a) By Type		
Current and Call Accounts	75,627,666	67,847,077
Saving Accounts	3,342,967	2,854,362
Time Deposits	191,069,328	129,421,398
Total	**270,039,961**	**200,122,837**

Customer deposits include QR467.8 million of margins held for direct and indirect facilities (2011: QR631.5 million).

b) By Sector		
Government	24,349,546	48,746,905
Government Agencies	139,965,075	61,771,842
Individuals	29,475,307	31,381,579
Corporate	76,250,033	58,222,511
Total	**270,039,961**	**200,122,837**

(All amounts are shown in thousands of Qatari Riyals)

18. DEBT SECURITIES

During the year, the Group issued two notes under its EMTN program amounting to USD1 billion each. The notes carry an interest rates of 3.375% and 2.125% pa, with maturity dates of 22 February 2017 and 14 February 2018.

Debt securities also include a Eurobond amounting to USD1.5 billion, which was issued in 2010. The Eurobond carries an interest rate of 3.125% pa, with a maturity date of 16 November 2015.

19. OTHER BORROWINGS

Other borrowings include a syndicated term loan amounting to USD1.8 billion. This is an unsecured bullet repayment loan facility due on 12 August 2015. Interest rate on the loan is 1% plus LIBOR.

Other borrowings also include EUR50 million and HKD184 million private placements under the Group's EMTN program, with interest rates of 51bps above EURIBOR and 2.0% pa respectively. The maturity dates for these private placements are 18 June 2013 and 20 December 2017 respectively.

20. OTHER LIABILITIES	2012	2011
Interest Payable	2,604,620	4,209,967
Expense Payable	494,147	427,894
Other Provisions (Note 21)	58,719	53,788
Tax Payable	57,345	39,668
Negative Fair Value of Derivatives (Note 34)	258,722	340,926
Unearned Revenue	1,300,924	1,028,887
Social and Sports Fund	165,071	152,016
Others	2,172,779	1,309,966
Total	**7,112,327**	**7,563,112**

21. OTHER PROVISIONS

	Staff Indemnity	Legal Provision	Total 2012	Total 2011
Balance at 1 January	47,915	5,873	53,788	47,693
Foreign Currency Translation	-	72	72	(56)
Provisions Made during the Year	8,739	3,804	12,543	10,397
	56,654	**9,749**	**66,403**	**58,034**
Provisions Recovered during the Year	-	(1,232)	(1,232)	(667)
Provisions Paid and Written off during the Year	(2,989)	(3,463)	(6,452)	(3,579)
Balance at 31 December	**53,665**	**5,054**	**58,719**	**53,788**

22. SHAREHOLDERS' EQUITY

a) Issued Capital

The authorised, issued and fully paid up share capital of the Bank totaling QR6,997 million consists of 699,729,438 ordinary shares of QR10 each (2011: 636,117,671 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:

	2012	2011
Number of Shares Outstanding at the Beginning of the Year	636,117,671	391,457,029
Bonus Shares	63,611,767	117,437,108
Rights Issue	-	127,223,534
Number of Shares Outstanding at the End of the Year	**699,729,438**	**636,117,671**

(All amounts are shown in thousands of Qatari Riyals)

22. SHAREHOLDERS' EQUITY (Continued)

b) Legal Reserve

In accordance with Qatar Central Bank Law, at least 10% of 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 No. 5 of 2002 and after Qatar Central Bank approval. Due to the proposal of bonus shares, 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 as per Qatar Commercial Companies Law No. 5 of 2002.

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 2.0% of the total direct facilities after excluding provisions for credit losses, deferred profits, exposures granted to or guaranteed by Government and exposures against cash collaterals.

d) Fair Value Reserve

	Cash Flow Hedges	Available-for-Sale Investments	Total 2012	Total 2011
Balance at 1 January	(193,725)	690,683	496,958	700,404
Revaluation Impact	(4,903)	25,448	20,545	102,557
Reclassified to Consolidated Income Statement	-	(106,100)	(106,100)	(306,003)
Net Movement during the Year	(4,903)	(80,652)	(85,555)	(203,446)
Balance at 31 December	**(198,628)**	**610,031**	**411,403**	**496,958**

Fair value reserve for available-for-sale investment securities as at 31 December 2012 includes a negative fair value amounting to QR3.2 million (2011: QR0.9 million).

e) Foreign Currency Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on derivatives that hedge the Group's net investment in 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:

	2012	2011
General Reserve	1,770,034	1,770,034
Share of Changes Recognised Directly in Associates' Equity, excluding Share of Profit	(18,860)	16,600
Total	**1,751,174**	**1,786,634**

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 2012 (2011: cash dividend 40% of the nominal share value (QR4.0 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 INTEREST

Represents the non - controlling interest in QNB Syria amounting to 49.2% of the share capital, 30.4% in QNB Kesawan and 49.2% in Al-Mansoor Investment bank.

(All amounts are shown in thousands of Qatari Riyals)

24. INTEREST INCOME	**2012**	**2011**
Due from Central Banks	33,473	83,568
Due from Banks	79,386	101,894
Debt Securities	2,257,317	2,451,951
Loans and Advances	9,972,292	8,057,160
Total	**12,342,468**	**10,694,573**

25. INTEREST EXPENSE	**2012**	**2011**
Due to Banks	227,528	218,204
Customer Deposits	2,574,677	2,353,923
Others	390,532	323,618
Total	**3,192,737**	**2,895,745**

26. FEE AND COMMISSION INCOME	**2012**	**2011**
Loans and Advances	594,870	645,663
Off-Balance Sheet Items	184,135	165,892
Bank Services	425,542	324,342
Investment Activities for Customers	194,162	224,746
Others	30,488	32,401
Total	**1,429,197**	**1,393,044**

27. FOREIGN EXCHANGE GAIN	**2012**	**2011**
Dealing in Foreign Currencies	510,738	388,395
Revaluation of Assets and Liabilities	71,801	110,726
Revaluation of Derivatives	15,902	15,983
Total	**598,441**	**515,104**

28. INCOME FROM INVESTMENT SECURITIES	**2012**	**2011**
Net Gains from Sale of Available-for-Sale Securities	111,756	311,646
Dividend Income	64,096	59,289
Total	**175,852**	**370,935**

29. STAFF EXPENSES

Staff Costs	1,041,830	806,658
Staff Pension Fund Costs	28,187	18,936
Staff Indemnity Costs	8,739	8,533
	1,078,756	**834,127**

30. OTHER EXPENSES	**2012**	**2011**
Training	25,177	17,580
Advertising	189,409	141,113
Professional Fees	77,061	66,570
Communication and Insurance	96,942	88,719
Occupancy and Maintenance	111,217	117,638
Computer and IT Costs	87,835	80,311
Printing and Stationary	10,336	9,605
Directors' Fees	11,380	11,380
Other Provisions	2,572	1,197
Amortization of Intangible Assets	3,730	3,455
Others	52,283	42,399
Total	**667,942**	**579,967**

(All amounts are shown in thousands of Qatari Riyals)

31. EARNINGS PER SHARE

Earnings per share for the Group is calculated by dividing profit for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Profit for the Year Attributable to Equity Holders of the Bank	8,338,822	7,508,970
Weighted Average Number of Shares	699,729,438	665,515,193
Earnings Per Share (QR)	**11.9**	**11.3**

The weighted average number of shares have been calculated as follows:

	2012	2011 (Restated)
Weighted Average Number of Shares at the Beginning of the Year	636,117,671	601,903,426
Effect of Bonus Share Issue	63,611,767	63,611,767
Weighted Average Number of Shares at the End of the Year	**699,729,438**	**665,515,193**

32. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2012	2011
a) Contingent Liabilities		
Unused Facilities	25,343,695	20,798,358
Guarantees	17,961,223	16,150,821
Letters of Credit	3,850,124	5,532,738
Others	12,130,288	7,589,467
Total	**59,285,330**	**50,071,384**
b) Other Commitments		
Forward Foreign Exchange Contracts	6,743,287	8,542,868
Interest Rate Swaps	10,054,970	17,233,436
Options, Caps and Floors	1,176,556	1,260,485
Mutual Funds	10,444,833	10,851,151
Total	**28,419,646**	**37,887,940**

Unused 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 event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

(All amounts are shown in thousands of Qatari Riyals)

33. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
At 31 December 2012:						
Cash and Balances with Central Banks	17,158,360	426,043	39,131	-	2,206,042	19,829,576
Due from Banks	4,790,830	4,895,466	15,957,508	1,693,401	9,684,538	37,021,743
Loans and Advances	220,339,489	6,896,822	16,337,637	153,418	6,208,975	249,936,341
Investment Securities	46,318,440	3,716,742	195,789	86,805	5,525,455	55,843,231
	288,607,119	**15,935,073**	**32,530,065**	**1,933,624**	**23,625,010**	**362,630,891**
Other Assets						4,222,941
Total Assets						**366,853,832**
Due to Banks	2,348,352	6,883,484	4,595,739	1,865,013	6,509,182	22,201,770
Customer Deposits	185,972,517	10,383,143	52,815,066	74,834	20,794,401	270,039,961
Debt Securities	-	-	12,674,706	-	-	12,674,706
Other Borrowings	-	-	326,342	-	6,510,034	6,836,376
	188,320,869	**17,266,627**	**70,411,853**	**1,939,847**	**33,813,617**	**311,752,813**
Other Liabilities						7,112,327
Total Equity						47,988,692
Total Liabilities and Equity						**366,853,832**
At 31 December 2011:						
Cash and Balances with Central Banks	8,380,971	258,154	66,267	-	1,573,738	10,279,130
Due from Banks	7,226,837	5,402,691	20,293,718	4,876,619	765,689	38,565,554
Loans and Advances	166,129,490	5,953,666	18,161,443	431,797	3,266,831	193,943,227
Investment Securities	48,063,088	2,673,295	49,316	86,805	4,213,365	55,085,869
	229,800,386	**14,287,806**	**38,570,744**	**5,395,221**	**9,819,623**	**297,873,780**
Other Assets						4,081,551
Total Assets						**301,955,331**
Due to Banks	19,968,929	13,956,577	1,232,369	189,006	4,135,554	39,482,435
Customer Deposits	140,382,375	4,895,770	46,942,476	2,828	7,899,388	200,122,837
Debt Securities			5,419,160			5,419,160
Other Borrowings	-	-		-	6,732,483	6,732,483
	160,351,304	**18,852,347**	**53,594,005**	**191,834**	**18,767,425**	**251,756,915**
Other Liabilities						7,563,112
Total Equity						42,635,304
Total Liabilities and Equity						**301,955,331**

(All amounts are shown in thousands of Qatari Riyals)

34. 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
At 31 December 2012:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	19,403	18,427	6,743,287	4,419,842	2,323,445	-	-
Options	974	934	408,820	408,820	-	-	-
Credit Default Swaps	-	-	-	-	-	-	-
Caps and Floors	38,427	38,429	767,736	-	-	-	767,736
Interest Rate Swaps	3,620	-	5,013,819	-	804,710	3,107,947	1,101,162
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	2,305	200,932	5,041,151	-	269,042	3,014,853	1,757,256
Total	**64,729**	**258,722**	**17,974,813**	**4,828,662**	**3,397,197**	**6,122,800**	**3,626,154**
At 31 December 2011:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	122,120	121,644	8,542,868	7,227,677	1,315,191	-	-
Options	1,111	1,081	437,411	382,804	54,607	-	-
Credit Default Swaps	-	291	72,810	-	72,810	-	-
Caps and Floors	23,819	23,820	750,264	-		-	750,264
Interest Rate Swaps	19,644	-	9,798,305	262,116	4,004,550	2,202,442	3,329,197
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	366	194,090	7,435,131	1,295	6,751,225	192,912	489,699
Total	**167,060**	**340,926**	**27,036,789**	**7,873,892**	**12,198,383**	**2,395,354**	**4,569,160**

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 for 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.

(All amounts are shown in thousands of Qatari Riyals)

34. DERIVATIVES (Continued)

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 rates 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 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 to 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 balance sheet.

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.

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 favorable 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)

35. MUTUAL FUNDS

As part of the Group's investment activities, the following mutual funds were marketed by the Group:

	2012	2011
Al Watani Amana - Notes 2	-	15,119
Total	**-**	**15,119**

The Group's investment activities also include management of certain investment funds. As at 31 December 2012, third party funds under management amounted to QR10,445 million (2011: QR10,836 million). The financial statements of these funds are not consolidated with the financial statements of the Group. However, the Group's share of equity in these funds is included in the financial investments of the Group.

36. 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:

	2012	2011
Statement of Financial Position Items		
Loans and Advances	2,308,420	2,160,607
Deposits	838,488	1,540,042
Contingent Liabilities and Other Commitments	68,472	29,918
Income Statement Items		
Interest and Commission Income	68,446	79,798
Interest and Commission Expense	17,023	23,576

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 10 and 17. All the transactions with the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

Compensation of key management personnel is as follows:	2012	2011
Salaries and Other Benefits	31,275	26,188
End of Service Indemnity Benefits	861	586

37. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following balances:

	2012	2011
Cash and Balances with Central Banks	11,218,355	3,793,200
Due from Banks Maturing in Three Months	36,878,368	37,610,494
Total	**48,096,723**	**41,403,694**

Cash and balances with Central Banks do not include mandatory reserve deposits. Moreover, non of the cash nor cash equivalents are not available for use by the Group.

38. BUSINESS COMBINATION

During the year, the Group obtained control of Al-Mansour Investment Bank (Private Joint Stock Company), incorporated in Iraq, by acquisition of additional 27.7% of its shares against cash consideration of QR425.4 million. As a result, the Group's equity interest in Al-Mansour Investment Bank increased from 23.1% to 50.8%. Goodwill of QR123.0 million has been determined on acquisition of this additional stake on a provisional basis.

39. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified in order to conform with the current year presentation.

Qatar National Bank S.A.Q.
Supplementary Information to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2012

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:

	2012 QR000	2011 QR000
ASSETS		
Cash and Balances with Central Banks	18,952,367	9,489,417
Due from Banks	37,015,743	38,786,884
Loans and Advances to Customers	248,076,422	192,611,797
Investment Securities	49,149,567	50,051,100
Investments in Subsidiaries and Associates	7,512,820	6,118,653
Property and Equipment	797,997	812,930
Other Assets	2,883,446	2,958,568
Total Assets	**364,388,362**	**300,829,349**
LIABILITIES		
Due to Banks	36,057,854	45,875,865
Customer Deposits	268,026,074	198,708,806
Other Borrowings	6,510,034	6,732,483
Other Liabilities	6,784,282	7,434,258
Total Liabilities	**317,378,244**	**258,751,412**
EQUITY		
Issued Capital	6,997,294	6,361,177
Legal Reserve	23,086,902	21,178,549
Risk Reserve	1,750,000	1,600,000
Fair Value Reserve	411,403	496,958
Foreign Currency Translation Reserve	(620,687)	(202,354)
Other Reserves	1,751,174	1,786,634
Retained Earnings	13,634,032	10,856,973
Total Equity	**47,010,118**	**42,077,937**
Total Liabilities and Equity	**364,388,362**	**300,829,349**

Qatar National Bank S.A.Q.
Supplementary Information to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2012

(ii) Income Statement for the Year Ended 31 December:

	2012	2011
	QR000	QR000
Interest Income	12,132,949	10,525,624
Interest Expense	(3,127,419)	(2,825,226)
Net Interest Income	**9,005,530**	**7,700,398**
Fee and Commission Income	1,356,406	1,345,650
Fee and Commission Expense	(120,493)	(91,970)
Net Fee and Commission Income	**1,235,913**	**1,253,680**
Foreign Exchange Gain	393,139	402,354
Income from Investment Securities	168,778	370,544
Other Operating Income	234	7,132
Operating Income	**10,803,594**	**9,734,108**
Staff Expenses	(951,694)	(737,258)
Depreciation	(162,899)	(144,172)
Net Impairment Losses on Investment Securities	(22,981)	32,344
Net Impairment Losses on Loans and Advances	(1,023,934)	(1,029,530)
Other Expenses	(575,584)	(466,454)
Profit Before Income Taxes	**8,066,502**	**7,389,038**
Income Tax Expense	(56,218)	(37,800)
Profit for the Year	**8,010,284**	**7,351,238**