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Annual Report 2012

Annual Report
2012

His Highness
Sheikh Tamim Bin Hamad Al-Thani
Heir Apparent

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar

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Board of Directors

H.E. Yousef Hussain Kamal

Chairman of the Board of Directors

Member since 1988

H.E. Sheikh Jassim Bin Abdulaziz Bin Jassim Bin Hamad Al-Thani

Vice Chairman

Member since 2004

H.E. Sheikh Hamad Bin Jaber Bin Jassim Al-Thani

Chairman of the Executive Committee

Member of the Group Policies, Governance, Development & Remuneration Committee

Member since 2004

H.E. Sheikh Hamad Bin Abdullah Bin Khalifa Al-Thani

Member since 2007

Mr. Ahmad Mohammed Ahmad Al-Sayed

Member of the Executive Committee

Member since 2010

Mr. Bader Abdullah Darwish Fakhroo

Member of the Executive Committee

Member since 2001

Mr. Rashid Misfer Al-Hajri

Chairman of the Audit & Compliance Committee

Member since 1998

Mr. Ali Hussain Ali Al-Sada

Member of the Executive Committee

Member since 1998

Mr. Fahed Mohammed Fahed Buzwair

Chairman of the Group Policies, Governance, Development & Remuneration Committee

Member of the Audit & Compliance Committee

Member since 2001

Mr. Mansoor Ebrahim Al-Mahmoud

Member of the Audit & Compliance Committee

Member since 2004

Chairman’s Statement

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present QNB Group's Annual Report for 2012, a year that witnessed substantial achievements, with a record performance across all activities.

The Group was able to strengthen its leading position in the Qatari banking sector through the introduction of new and innovative products and services. It also maintained its position as the leading financial institution in the Middle East and North Africa (MENA) region. These achievements are clearly demonstrated in the financial results as QNB Group has continued to record strong growth.

In 2012, the Bank began implementing its strategy into 2017, that aims to transform QNB Group into a Middle East and Africa icon. As part of this strategy, an agreement was reached with Société Générale to acquire its entire stake of 77.17% in National Société Générale Bank - Egypt (NSGB). The process of obtaining regulatory approvals is currently underway. This transaction, the largest acquisition in the Bank's history, is a significant step towards strengthening regional presence. Following the announcement of this agreement, QNB Group maintained its high credit ratings with affirmation of the Bank's ratings from Moody's, Standard & Poor's and Fitch. This affirmation represents a clear indicator of QNB Group's strong financial position and the confidence in its strategy and expansion plans.

Also in line with expansion plans, the Bank has completed during 2012 the acquisition of a 49% stake in the Bank of Commerce & Development in Libya, with a management agreement. The Bank also increased its stake in a number of associate companies, along with opening new branches and expanding the range of products and services across the international network.

QNB Group's sustained, robust growth and achievements have received regional and global recognition as QNB Group's brand became the MENA region's most valued banking brand.

The Bank has continued to attract Qatari employees through its various recruitment initiatives, which attracted more than 250 Qataris. This included 127 trainees, who joined specialised training programs to further advance their skills and capabilities. As part of the scholarship initiative during the year, the Bank sponsored 25 Qatari students that are attending leading international universities in the country. The Bank has also signed a memorandum of understanding with the Ministry of Labour to introduce training programs for Qataris to prepare them for joining the banking sector. The Bank has also maintained a high Qatarisation ratio that exceeded 50% in 2012, the highest ratio in Qatar's banking sector.

QNB Group, along with its subsidiaries and associate companies, currently employs around 8,800 staff, providing a wide variety of products and services through 400 branches, supported by an ATM network that exceeds 800 machines. Upon the completion of the regulatory requirements for the NSGB acquisition, the total number of staff will reach 13,000 employees, while its branches will exceed 560 branches and the ATM network will expand to almost 1,150 machines.

I am pleased to announce the achievement of strong financial results for 2012 with Net Profit increasing by 11.1% to QR8.3 billion, the highest ever achieved by the Bank. Moreover, Total Assets reached QR367 billion, up by 21.5% compared to year-end 2011. These strong results substantiate the Group's success in delivering its announced goals and objectives to all shareholders and customers.

Based on financial results in 2012 and as part of our commitment to maximise shareholders' return on the long-term, the Board of Directors recommends to the General Assembly the distribution of a cash dividend of 60% of the nominal share value, representing QR6.0 per share.

On behalf of the Board of Directors, I present our sincere appreciation and gratitude to His Highness the Emir, Sheikh Hamad Bin Khalifa Al-Thani, and to His Highness the Heir Apparent, Sheikh Tamim Bin Hamad Al-Thani, for their continuous support and guidance.

The Board also expresses its appreciation to His Excellency Sheikh Hamad Bin Jassim Bin Jabor Al-Thani, the Prime Minister and Foreign Minister, for his constant support. Our appreciation is also extended to His Excellency Sheikh Abdullah Bin Saud Al-Thani, the Governor of Qatar Central Bank, for his dedicated efforts to bolster Qatar's banking sector.

Finally, I reaffirm QNB Group's constant commitment to all customers and shareholders, to spare no effort in realising further progress in the coming years. On this occasion, I would like to extend my appreciation to the executive management and all staff of QNB Group for their sincere efforts in implementing the Bank's strategic plans, both locally and internationally.

Yousef Hussain Kamal
Chairman

GCEO's Message

GCEO's Message

I am delighted to present the key achievements of QNB Group during 2012, highlighting major accomplishments across activities in the domestic market and internationally.

2012 witnessed the continuation of recording substantial growth across all activities for QNB Group, with operating income increasing by 12.8% to QR11.5 billion, the highest ever achieved by the Group. The loan portfolio increased by 28.9% to QR250 billion, yet the high quality of the loan portfolio was maintained with the ratio of non-performing loans at 1.3% of the total portfolio, which is one of the lowest ratios in the Middle East and North Africa (MENA) region. Total equity attributable to equity holders of the Bank increased by 12.6% during 2012 to reach QR48 billion, with the capital adequacy ratio remaining strong at 21.0% at year-end 2012.

QNB Group has further strengthened its leading position in the domestic market through the introduction of innovative financial and investment products that meet customers' needs. Amongst the new product offering is QNB Debt Fund, the first investment vehicle in fixed income instruments by a bank in the local market. Meanwhile, the Bank has further enhanced its extensive range of eBanking services during 2012 with the introduction of a number of services such as "Tap & Pay", an innovative service that allows customers to turn their mobile phones into credit cards, the first ever in the domestic banking sector.

Overall, QNB Group's core operations remained focused on the Qatari market, particularly in Corporate Banking services. Facilities for the corporate sector continued to expand for both public and private institutions in line with sustained progress in the implementation of major development projects.

QNB Group also achieved significant progress in the implementation of its strategic plans, especially in terms of international expansion, whereby the Group reached an agreement with Société Génerale to acquire its entire stake in National Société Générale Bank - Egypt (NSGB), the second largest private bank in Egypt. NSGB has total assets of $10.4 billion as of September 2012, and operates through a network of more than 160 branches. This transaction is the largest acquisition in the QNB Group's history and is a significant step towards fulfilling its long-term objective of expanding its presence in the MENA region.

2012 also witnessed several measures to expand the presence of the Group in the region. This included the acquisition of a 49% stake in the Bank of Commerce and Development, Libya's Private Banking sector. The Bank has also increased its stake in the Iraq-based Mansour Bank from 23% to 51% and the UAE-based Commercial Bank International from 24% to 40%. QNB Group will continue expanding its regional reach, through entering new markets as part of its strategic plan to transform the Bank into a Middle East and Africa Icon by 2017.

In recognition of QNB Group's outstanding performance, credit rating agencies affirmed the Bank's ratings during 2012, which are among the highest ratings of financial institutions in the Middle East and Africa. Fitch and Standard & Poor's affirmed QNB's ratings at A+, while Moody's affirmed the Bank's rating at Aa3 and Capital Intelligence affirmed the rating of AA-.

QNB Group was named "Bank of the Year – Middle East" by 'The Banker' magazine, a recognition that mirrored the Bank's outstanding progress and its leading role in the regional banking sector. QNB Group also received other awards including the "Best Mobile Service" award during QITCOM 2012.

The Bank is committed to expand all its operations and activities, relying on a team of highly skilled and well experienced professionals. QNB Group will continue to attract highly experienced and qualified staff from various financial services expertise functions. The Bank also places a special emphasis on attracting Qatari staff and offering them specialised training programmes.

Finally, I would like to present my gratitude to the Board of Directors for their continuous support to QNB Group's operations. Also, I would like to extend my appreciation to the Bank's executive management and all staff in Qatar and abroad for their outstanding efforts to implement the Group's strategic plans. I wish all of them further success in realising more achievements in the future.

Ali Shareef Al-Emadi
Group Chief Executive Officer

Corporate Governance

Corporate Governance

QNB Group's Board of Directors (BOD) firmly believes that the application of a sound corporate governance framework is a matter of vital importance and a fundamental part of the Bank's business practices. Consequently, QNB Group is committed to applying the rules of sound corporate governance as an integral part of the Bank's culture and conduct.

The Corporate Governance Report, issued as a companion to the 2012 Annual Report, provides additional details on the Bank's corporate governance framework.

Board of Directors (BOD)

- Provides overall strategic direction and oversight
- Reviews and approves all credit and investment policies through agreed upon risk parameters and limits
- Reviews and approves annual budget, business plans and all capital expenditures
- Regularly reviews achievements against strategy and makes modifications as required
- Ensures implementation of appropriate internal audit, compliance, risk management and financial control frameworks

Board Composition

The ownership structure of the Bank has been stable since its establishment in 1964. The Government of the State of Qatar, through its investment arm – Qatar Investment Authority (QIA) owns 50 percent and the other 50 percent is held by the public. The ten-member BOD composition reflects this ownership structure with five members, including the Chairman, representing QIA, and five representatives from the private sector elected by shareholders at the General Assembly meeting.

In conformity with QNB Group Articles of Association, the General Assembly was conducted on 7 February, 2010 and elected five members of the BOD from the private sector for a period of three years. Following this meeting, the QIA appointed the other five members.

Of the ten-member BOD, all are non-executive, and six are independent. No member holds a managerial position and in accordance with the Qatar Financial Market Authority (QFMA) code, no member of the Board holds a full-time job at the Bank.

To preserve transparency in the nomination of BOD members, and to protect the rights and interests of all shareholders to stand for Board membership through direct election by the General Assembly without exclusion or deprivation, the BOD maintains strict and direct supervision over the nomination and election process and does not delegate such task to any of its committees.

Nominations and appointments are made in accordance with an approved mechanism that respects Qatar Central Bank (QCB) requirements. Moreover, in light of international professional and technical standards the BOD has adopted a clear policy in line with the Commercial Companies Law and QCB instructions to measure the eligibility of individuals applying for Board membership.

During its meeting on 30 January 2013, the General Assembly elected five members of the BOD from the private sector for a period of three years; subsequently, the other five members representing QIA were appointed.

Duties of the Secretary of the Board of Directors

- Records, coordinates and registers all meetings of the Board
- Custodian of records, reports and other materials sent to, and received by, the Board
- Distributes information and coordinates among Board members, stakeholders, shareholders, executive management and staff
- Facilitates Board members timely access to all minutes of meetings, information, documents and records relating to the Group

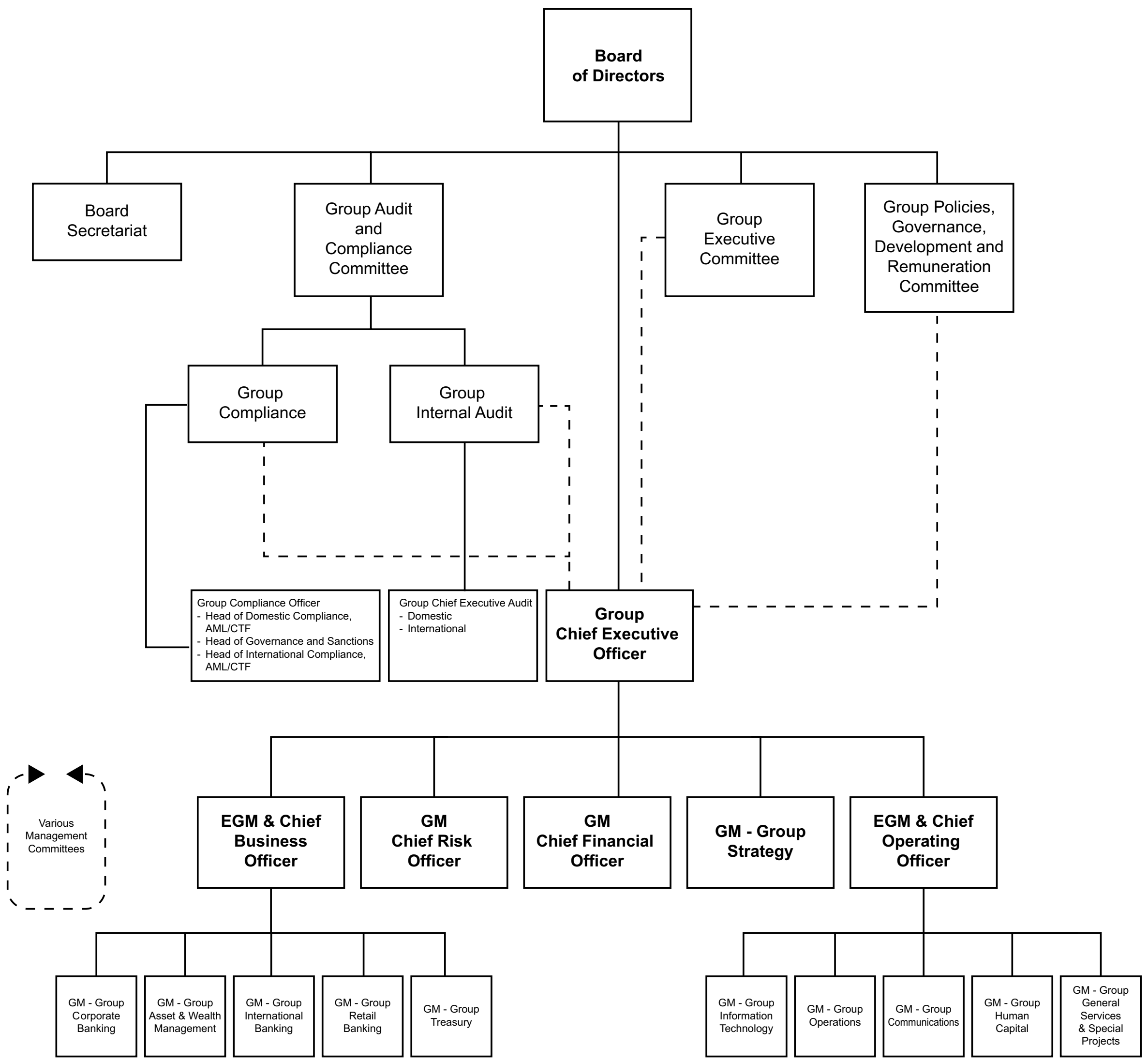
Remuneration of the Board of Directors and Executive Management

QNB Group's BOD remuneration policy aligns with the Commercial Companies Law No. 5 of 2002 and its subsequent amendments, as well as QCB instructions. During the February 2010 General Assembly it was agreed that a mechanism for establishing the BOD's remuneration policy would be presented annually to the General Assembly for approval. The main elements of this mechanism are:

- Proposed BOD remuneration is to be approved annually by the General Assembly
- Remuneration will include all allowances, fees and benefits
- Remuneration will be commensurate with the efforts exerted by the BOD members in the development of QNB Group's profit
- Calculation of remuneration will not exceed 0.5% of profits
- The Board's remuneration is treated as expenses (deductible from the profits)

Executive Management remuneration, which is linked to performance and the achievement of agreed upon tasks, is defined by the Group Policies, Development, Governance & Remuneration Committee (GPDGRC) and approved by the BOD. Remuneration amounts reflect associated risks and QNB Group's overall performance.

QNB Group Organisation Structure



Composition of the Board and Committees

Board of Directors		Board Committees		
		GEC	GACC	GPGDRC
Chairman	H.E. Yousef Hussain Kamal*			
Vice Chairman	H.E. Sheikh Jassim Bin Abdulaziz Bin Jassim Bin Hamad Al-Thani**			
Members	H.E. Sheikh Hamad Bin Jaber Bin Jassim Al-Thani*	X		X
	H.E. Sheikh Hamad Bin Abdullah Bin Khalifa Al-Thani**			
	Mr. Ahmad Mohammed Ahmad Al Sayed*	X		
	Mr. Bader Abdullah Darwish Fakhroo**	X		
	Mr. Rashid Misfer Al-Hajri*		X	
	Mr. Ali Hussain Ali Al-Sada**	X		
	Mr. Fahed Mohammed Fahad Buzwair**		X	X
	Mr. Mansoor Ebrahim Al-Mahmoud*		X	
	Mr. Ali Shareef Al-Emadi ¤			X

* Representing Qatar Investment Authority.
** Elected by shareholders.
¤ The Group Chief Executive Officer attends meetings without voting powers.

Board Committees

To effectively manage its duties, the BOD is assisted by three specialised committees that perform functions on its behalf, to support efficient conduct of its various duties. These committees include the Group Executive Committee (GEC), the Group Audit & Compliance Committee (GACC), and the Group Policies, Governance, Development & Remuneration Committee (GPGDRC). The composition and responsibility of each committee is outlined below.

Group Executive Committee (GEC)

The Group Executive Committee (GEC) is composed of five Board members, with the Group Chief Executive Officer (GCEO) attending all meetings, without voting powers.

Responsibilities

- Reviews overall credit and investment exposures
- Approves credit facilities above the authorised limit set for management up to the committee's limit as delegated by the BOD
- Reviews litigation matters on a quarterly basis
- Recommends action to be taken on impaired loans
- Oversees and approves Corporate Social Responsibility expenditures

Group Audit and Compliance Committee (GACC) Responsibilities

- Reviews financial statements, internal controls, internal audit, external audit, compliance and reporting responsibilities
- Overseas processes related to anti-money laundering and controls to detect potential terrorist financing activities
- Reviews significant accounting and reporting issues, including complex or unusual transactions and correlates their impact on financial statements
- Internal Audit and Compliance report directly to the GACC, with the Chiefs of both Audit and Compliance providing reports to the committee on a quarterly basis and as needed

Group Policies, Governance, Development & Remuneration Committee (GPGDRC) Responsibilities

- Develops QNB Group's long-term strategy
- Ensures annual business plans and budget align with the long-term strategy
- Monitors performance on a quarterly basis
- Reviews and approves the Corporate Social Responsibility Strategy
- Reviews and approves the Group's marketing and communication plans
- Periodically reviews and assesses local and international corporate governance practices and recommends improvements to the BOD
- Reviews and approves group-wide policies prior to final approval by the BOD
- Develops QNB Group's remuneration guidelines and the remuneration policy of the BOD and executive management
- Ensures remuneration framework aligns with the remuneration policy and the BOD guidelines

BOD and Board Committees Meetings

The Board of Directors' meetings are held regularly and according to QNB Group Articles of Association the BOD meets at least six times a year. Meetings may be held at the request of the BOD Chairman or based on a request of two members. The BOD met six times during 2012, with the Chairman of the BOD attending and presiding at all meetings. The number of meetings held by the Board and its committees is detailed below.

Board and Board Committees	Number of Meetings during 2012
Board of Directors	6
Group Executive Committee	5
Group Audit and Compliance Committee	8
Group Policies, Governance, Development & Remuneration Committee	5

Segregation of Duties

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

Senior Management Team

The GCEO is aided by a seasoned and experienced executive management team. Five senior executives report directly to the GCEO: the Executive General Manager - Chief Business Officer, the Executive General Manager - Chief Operating Officer, the General Manager – Group Chief Risk Officer, the General Manager - Chief Financial Officer, and the General Manager – Group Strategy. The Group Compliance Officer and the Group Chief Executive Audit have a dotted reporting line to the GCEO.

Bank Committees

The GCEO relies on a number of multi-functional internal committees in the execution of his functions. Committee meetings are authenticated if a quorum, including the chairman of the committee or his deputy, is attained. Absent members must nominate a representative to attend on their behalf.

Where majority rules are the norm for decisions, the vote of the chairman of the committee prevails in case of a tie, with the exception of the Group's Credit Committee where unanimous decisions are required.

All committees have a dedicated secretary and each committee must hold a set minimum of meetings annually. Officers from concerned departments may be invited to attend meetings. Based on the corporate governance approach that the QNB Group has been implementing since 2007, specialised management committees were formed as detailed below:

- Group Risk Committee (GRC)
- Group Credit Committee (GCC)
- Group Assets and Liability Committee (GALCO)
- Group Strategy Committee (GSC)
- Group Information Technology Committee (GITC)
- Group Business Development Committee (GBDC)
- Group Operations and Services Committee (GOSC)
- Group Human Capital Committee (GHCC)
- Centralised Purchasing Committee (CPC)

Committee Membership and Meetings Held During 2012

	GRC	GCC	GALCO	GSC	GITC	GBDC	GOSC	GHCC	CPC
GCEO	√	√	√	√					√
EGM – CBO	±	±	±	*	±	√	±	±	±
EGM – COO	±			±	√	±	√	√	±
GM – CRO	*	*	±	±	±		±	±	
GM – CFO	±		*	±		±			*
Group Compliance Officer	Ō								ō
Group Chief Executive Audit	Ō								ō
GM – Group Communications						±			
GM – Group Corporate Banking		±		ī		*			
GM – Group General Services & Special Projects				ī	±	±	*		±
GM – Group Human Capital				ī				*	
GM – Group IT					*		±		
GM – Group International Banking		±		ī	±	±	±	±	
GM – Group Retail Banking				ī		±	±	±	
GM – Group Strategy				±		±		±	
GM – Group Treasury			±	ī		±			
Group Chief Credit Officer	±	±							
Number of meetings during the year	6	45	12	5	5	11	6	6	❑

√ Chairman

Ō Observer

* Vice Chairman

Ī Invited

± Member

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

Group Risk

A comprehensive, centralised and proactive risk management approach is exercised at all levels of QNB Group. This includes the BOD and its committees, the senior management team and through various management committees.

Conservative Credit Policy

QNB Group has historically implemented a conservative approach to credit extension that ensures full understanding of potential risks. This encompasses adequate checks and balances and an appropriate diversification of risk through the product range and customer base, both domestically and in international operations. This approach, coupled with periodic stress testing and scenario analysis and an appetite to proactively manage all risks continues to yield positive results.

Effectively Managing Risk

The Bank continued to strengthen its risk management capacity, with ongoing embedding and implementation of a comprehensive risk management architecture, that uses sophisticated portfolio management methods and economic capital calculations to monitor risk.

A focus during 2012 was the continued refinement of risk appetite, both at the Group level and within business divisions to support business growth and international expansion. New origination and portfolio tools, limits structures and policies are being developed to support the business.

Additionally, it continues to use an enhanced credit rating scale featuring a 23-point rating system, in line with Basel recommendations. The risk management team also successfully completed all activities necessary to ensure compliance with Basel III guidelines.

Tight Control Over Operational Risks

To minimise potential losses from operational risks, the Bank has implemented methodologies to identify, assess, control, manage and report system vulnerabilities. Controls include effective duty segregation, access limits, effective authorisation and reconciliation procedures, and ongoing staff education and assessment processes. Dedicated software manages all risk indicators; including database risk and loss events. In addition, the Group has a robust security system to manage data leakage and security.

QNB Group holds British Standard BS 25999-2-2007 in Business Continuity, underscoring the solidity of its contingency planning which includes two Data Recovery (DR) centres, one in Doha and a second in Switzerland.

Group Internal Audit Division

At QNB Group, the Group Internal Audit Division (GIAD) is an operationally independent singular tool for ensuring internal control systems address key risks and mitigate the scope of risk events to enhance stakeholders' value. GIAD is headed by the Group Chief Audit Executive who reports to the Group Audit and Compliance Committee (GACC), a sub-committee of the Board of Directors.

GACC's approved Group Internal Audit Charter enables GIAD to operate with appropriate authority. GIAD is empowered to audit all systems and activities and has unrestricted access to all records, reports, personnel, IT systems, assets and liabilities for audit purposes.

As recommended by the Basel Committee, GIAD reports on the management of internal control systems by conducting audits of Group entities including subsidiaries covering specialist areas like information technology.

All audit processes conform to international standards and principles on objectivity, ethics, integrity, and confidentiality. They also demonstrate professional competency in each service rendered, as envisaged by the US Institute of Internal Auditors (IIA), the world's leading authority on internal audit. GIAD is also adopting all standards and recommendations of the ISACA (previously known as the Information Systems Audit and Control Association) and uses its globally accepted, knowledge and practices for information system audits.

GIAD ensures QNB Group's compliance with laws and regulations of the State of Qatar, QCB, and other jurisdictional regulatory bodies as applicable, in the process of audits. The reliability and integrity of management information is checked during the audits. GIAD is contributing to the enterprise wide risk management process through audits, throughout the Bank, that include framework and regulations of global and local regimes such as Financial Action Task Force (FATF) on Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF), information technology and security, market, people and other risks to ensure that risks are appropriately identified and managed.

On a quarterly basis, Group Audit liaises with Group Finance, Group Compliance and External Auditors ensuring the timely certification of quarterly results as per statutory requirements. Audit participates in project committees of Information Technology, Corporate Governance, and the Tender Committee as non-voting, but value adding member. Audit also actively participates in the deliberations of Group Risk Committee as an Observer and updates risk analysis of business as appropriate.

In conformity with the IIA's Standards and Mandatory Guidance in the matter of assurance and consultancy activity and taking into account the Group Internal Audit Charter, the GIAD regularly reviews policies, procedures, circulars, legal agreements, new businesses and processes providing contextual, legal, financial, control related value additions on a continual basis, without prejudicing its right to subsequently audit such systems or processes.

The external quality assessment of QNB Group's internal audit activity by the IIA has affirmed the Group's continued adherence to effective internal audit standards and practices. The IIA has praised GIAD's robust audit follow-up system, reporting methodology and residual risk registration. The Bank's internal audit activity is rated as 'generally conforms' to the Standards and Definition of Internal Audit, which is the Institute's highest rating.

GIAD continues to identify and recruit the best talent within the local market in support of Qatarisation efforts.

Group Compliance

The Group Compliance team have driven enormous initiatives during 2012, and assist in discharging responsibilities of the Board and executive management by exerting a comprehensive compliance monitoring program and framework and sound oversight that contribute to enhance governance as well as client confidence and loyalty.

QNB's Corporate Governance Compliance Approach

QNB Group has committed to comply with the highest corporate governance standards and best practice outlined by the Basel Committee and the Organisation for Economic Cooperation and Development (OECD). Group Compliance has implemented effective tools to enhance the corporate governance framework and fulfill regulatory requirements. This includes advising the Board and executive management on the proper implementation of statutory and non statutory requirements, assisting the Board in the issuance of the annual Corporate Governance report, and updating of QNB Group's Corporate Governance manual.

Promoting Compliance Awareness

The Group Compliance team has published a detailed booklet "Spirit of Compliance" which aims to foster a corporate governance and institutional compliance culture including Managing Conflict of Interest and Chinese Walls concepts. The booklet is being distributed to all attendees of the compliance training program offered to all QNB staff.

In order to meet QCB regulatory requirements as well as the FATF recommendations, Group Compliance team have conducted during 2012 numerous in-house face-to-face training sessions, attended by more than 1,450 staff. This included topics related to compliance function, combating money laundering, preventing terrorist financing and whistle-blowing. Moreover, the e-learning module on global compliance and AML courses attracted hundreds of participants in 2012.

Contributions to Bank's Expansion Strategy

In line with the Bank's expansion strategy, Group Compliance performed a series of studies, and effectively participated in several evaluation processes of potential acquisition of financial institutions. The evaluation was focused on the compatibility of corporate governance, compliance and internal control practices, the comparison of practices with QNB Group standards, and the assessment of policies and procedures.

Meeting Regulatory Authorities Requirements

On a continuous basis, Group Compliance evaluates QNB Group's processes, operations and structures to assess the compliance environment, in which the Group operates in order to enhance controls and mitigate compliance risks, by ensuring proper adherence to regulatory requirements, mainly the QCB and the QFAM. During 2012, Group Compliance performed all required regulatory reports including the AML Annual Report to the Board as mandated by QCB and QFMA, and the extent of internal controls as mandated by the QFMA. Furthermore, QNB Group keeps the Qatar Exchange (QE), the QFMA, the QCB and other regulatory bodies overseas updated on all required disclosures or notifications, including any critical matters and developments that may affect share price performance.

Enhance Compliance with FATF Requirements

In order to strengthen compliance with international requirements related to AML and CTF issued by the FATF, as well as domestic regulations issued by the QCB and QFMA, QNB Group has implemented one of the most comprehensive systems in this field. This system helps, with high efficiency, in detecting suspicious transactions as well as profiling the business relationships with customers. Meanwhile, the internal country matrix has been improved to enable the Group to easily classify countries and support a risk-based approach that facilitates appropriate transaction oversight for AML and CTF purposes, in accordance with the QCB and QFMA regulatory requirements.

Compliance with International Sanctions

In 2012, the Compliance Division ensured that the QNB Group respected all international sanctions imposed on countries implemented by a range of global entities, including the United Nations, the European Union and the Office of Foreign Asset Control of the United States Treasury. Group Compliance has also initiated guidelines for Trade Finance Operation in addition to introducing a new policy for dealing with the international sanctions. The policy helps to identify and control risks in order to avoid the risk of damaging the Bank's reputation and financial penalties resulting from failure to comply with these programs. An advanced training was also provided to Trade Finance Operations and Central Operations Department staff members on how to deal with international sanctions.

Compliance with FATCA Regulations

Group Compliance developed a detailed action plan on the Foreign Accounts Tax Compliance Act (FATCA) of the US, reflecting compliance requirements. The plan includes detailed mechanisms for implementation of all stages of law locally, as well as at the international branches, subsidiaries and affiliate levels. Moreover, a detailed internal presentation was prepared, regarding implementation requirements to advise executive management and concerned departments. In addition, the members of the Board of Directors were also provided with a presentation, to clarify the law and its requirements, and the practical steps to comply with.

Enhance the Consolidated Supervision

On a constant basis, the concept of consolidated supervision is being enhanced to meet the Bank's expansion strategy. The requirements of the QCB are being considered, in order to strengthen the control on overseas branches and subsidiaries of the Group, to serve the corporate governance framed out by QCB. This is achieved by ensuring adequate representation in the BOD of the subsidiary to enable the controlling of Board decisions. Another approach is to ensure the adoption of the same corporate governance approach, particularly in respect of the composition of the Board committees and ensuring the independence of the Internal Auditors and Compliance Officers. The requirement of QFMA for the administrative segregation between the Bank and its affiliate is considered as well.

Enhance Internal Control Tools at Overseas Branches

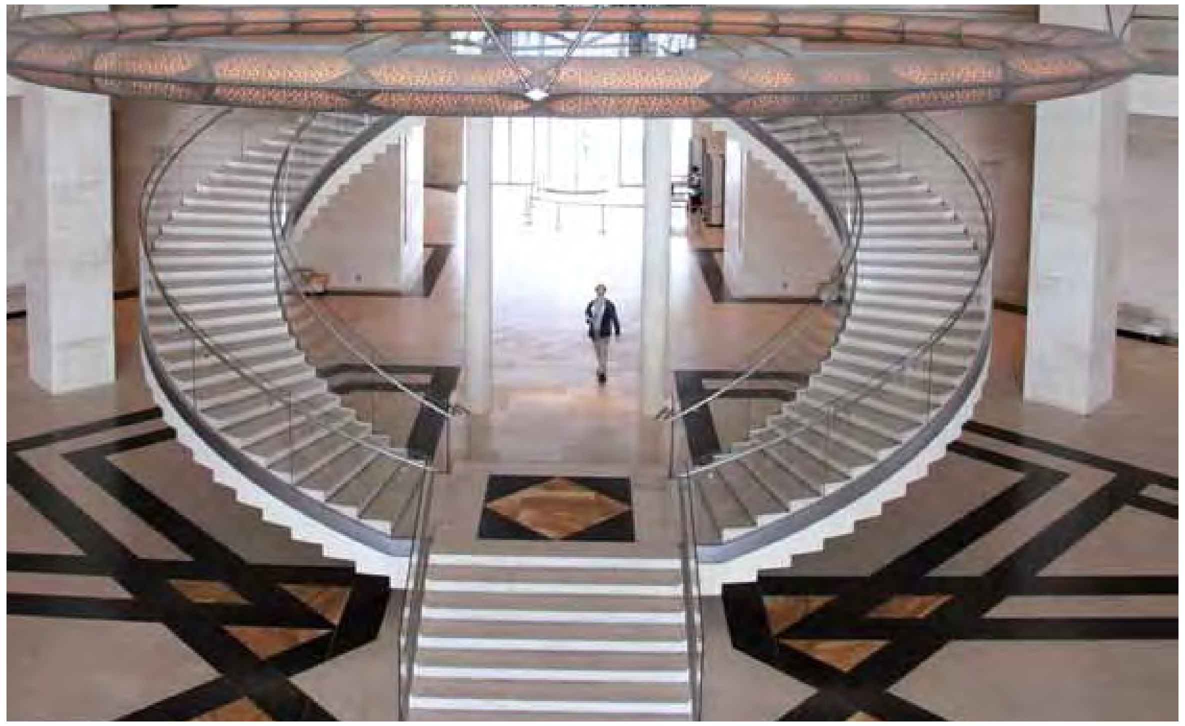
During 2012, the internal control tools in overseas branches were also enhanced by ensuring the timely update and the development of their related internal policies and procedures as well as their effectiveness. Several visits to overseas branches were conducted by Group Compliance in accordance with QCB requirements to check the efficiency of the internal control systems and ensure compliance with regulatory requirements of the host countries as well as the requirements of QCB to detect any deviations and correct them as appropriate.

Compliance Advisory Services

QNB Group's international activities expose the Bank to dynamic and evolving financial markets that generate complexities in the delivery of products and services, which at times must be amended to address unique regulatory requirements of the host country, while respecting QCB requirements. Group Compliance proactively responds to these challenges by conducting advisory studies and providing management with recommendations that enable the Group's business and support divisions to achieve their goals while mitigating potential compliance and AML/CTF risks associated with its new products and services.

Communications with Stakeholders and Investors

Transparency and full disclosure are the cornerstones of QNB Group Communications efforts. The BOD values clear, comprehensive and timely communications with shareholders. This is achieved through interim financial updates and its Annual Report. All financial results and disclosures comply with Generally Accepted International Accounting Standards (GAAP) and regulatory requirements.



At the General Assembly meetings, the Chairman of the BOD presents shareholders with detailed information and data on the Bank's performance, its achievements during the previous year and an outlook of major business plan objectives for the coming year.

Given the increasing coverage of QNB Group by leading regional and international investment banks and financial institutions, a dedicated Investor Relations team, including senior management from Group Financial Control and Group Strategy held numerous meetings and conducted several conference calls with shareholders and analysts during 2012. In addition, the Group made significant efforts to keep the investor community well-informed on new developments, strategic initiatives and the Bank's financial performance through participation in various investor relations conferences, at which it provided updates to investors and analysts.

Regulatory bodies in Qatar and overseas, are kept updated by the Investor Relations team on matters and developments that may affect the Bank's share price performance.

Commitment to the Community

QNB Group is committed to supporting the communities in which it operates. As part of the Bank's Corporate Social Responsibility (CSR) framework, generous financial support is provided in six key areas: Health and Environment; Arts and Culture; Sports, Social and Humanitarian; Youth Welfare and Education; and Economic and International Affairs.

The QNB Group's sixth annual CSR Report, issued as a companion to the 2012 Annual Report, provides additional details on the Group's CSR activities and aspirations.

Corporate Banking

QNB Corporate Banking division performed exceptionally well in 2012, remaining focussed on continuing local domination while expanding internationally. As a result of capturing a leading share of business activities during the year from both private and public sector entities that are engaged across all economic sectors, the Bank's dominant market share was further increased resulting in a strong contribution to the Group's growth. Also contributing to the strong performance of corporate banking was the implementation of the Group's new functional model, which aims to strengthen corporate banking activities internationally.

International Corporate Banking Unit Launched

A new three-pronged International Corporate Banking unit that reports to Head Office was established in early 2012. The new unit will focus on identifying and attracting new corporate business and direct trade and investment opportunities in Europe, the Middle East and North Africa (MENA) and South East Asia. By harnessing existing synergies through QNB's Global Transaction Banking and Global Structured Finance facilities it will attract international opportunities that align with Head Office directives and complement the Group's strong domestic presence in the corporate realm.

During 2012, the new unit focused on developing a strategy that incorporates best practices to drive new value from international operations and capitalise on QNB Group's expanding global footprint. Through identification of key strengths, niche markets and competitive advantages, it will identify new project financing and multi-bank facilities and opportunities to be implemented and overseen by head office.

The overseas roll-out of Bank Fusion, the Group's core banking application, facilitated enhanced cash management systems for corporate operations. Corporate clients with multiple accounts now have single portal access to all their activities and access to real-time online banking options, regardless of where they are based. This move was complemented by the international expansion of QNB's robust Customer Relationship Management (CRM) program to accommodate corporate and private banking segments in all overseas operations.

Domestic Activities Enhance SME Proposition

Meanwhile, on the domestic front, the Bank continued to excel. In business banking, the Bank focused on widening its client-base and segmenting Small and Medium Enterprises (SMEs) activities according to size to improve workflow and turn-around times. QNB's efforts to enhance support for SMEs responds to the State of Qatar's vision that this segment is a key pillar of the economy and an important corporate business engine of the country's future economy. The new structure, which is expected to roll-out in Q1 of 2013, complements innovative product supports, such as QNB's SME Card, which claimed a 'Banker Middle East' product award in April 2012, and will

enable QNB to penetrate the SME market more effectively in the future.

At the Forefront of Qatar's Infrastructure Development

Domestically, QNB's dedicated Large Corporate Unit remained active throughout 2012, financing numerous important infrastructure projects. The Unit manages key complex relationships that are mainly associated with the mega-industries of Qatar such as oil and gas, petrochemicals, mining, and shipping. Among the numerous financing facilities completed during the year was one for Qatar Shipping Co., to fund construction of 19 harbour assistance vessels for Mesaieed Port and another, with Qatar Fuel Additives Co. (QAFAC), to fund the establishment of a carbon dioxide recovery plant at Mesaieed Industrial City. The plant is scheduled to commence operations in 2014.

The in-depth expertise of QNB's Contracting Unit continued to actively support numerous clients representing the country's thriving construction and infrastructure sector throughout 2012, financing key projects of various complexities. In addition, the Unit continued to play a key role in Qatar's massive multi-billion dollar rail project, financing both infrastructure and equipment needs in 2012, as well as projects associated with Qatar's hosting of the World Cup in 2022. This was complemented by the financing of a broad range of mega-construction activities throughout Qatar, including utility expansions and power generation projects.

On the commercial banking front, QNB continued to perform well, offering a full range of depositary and credit-related banking services to finance trade activities. The Bank continued to maintain its leading market share in Qatar's commercial activities, with Qatar's mega-rail project serving as the main engine behind its trading activities. To attract and diversify future commercial banking opportunities, QNB focused on migrating cash and trade activities to e-channels throughout 2012, successfully migrating a sizeable portion of all domestic and international corporate transactions.

Meanwhile, QNB's government sector activities continued to flourish in 2012, enabling the Bank to continue to provide service excellence to various entities. In this realm, the Bank was appointed as the official dividend distribution agent for the majority of Qatar Exchange (QE) listed companies including Industries Qatar, which holds stakes in Qatar Steel Co. (QS), Qatar Petrochemical Co. (QAPCO), Qatar Fertilizer Co. (QAFCO) and Qatar Fuel Additives Co. (QAFAC).

Global Structured Finance

2012 also witnessed some major transactions demonstrating the Bank's market leadership and strength in global structured finance. The Bank acted as Mandated Lead Arranger (MLA) for Gulf Drilling International and participated in the syndicated financing for the expansion project of Dubai Duty Free. It was also the Lead Arranger for the financing of the development of the Doha Festival City project, which will include the first IKEA store in Qatar as well as a mall with 260,000 square meters of gross leasable space. Additionally, the Global Structured Finance team played a pivotal role in financing a sizeable Asia and Middle East energy sector acquisition and financed projects for some of the region's most sought after blue chip corporations.

Retail Banking

Throughout 2012, the Bank continued to strengthen its retail presence introducing innovative products and services and offering improved access to services through network and e-service upgrades.

Expanded Domestic and International Access

As of December 2012, QNB had 69 branches and offices located strategically throughout Qatar, which was complemented by a 30 percent increase in its ATM network, for a total of 288 ATMs. In addition, it expanded its international ATM network, providing access in France, Kuwait, Lebanon, Oman and the United Kingdom. Overseas operations were further enhanced with a strong focus on the affluent segment - QNB First, the introduction of full Internet banking services, debit and credit card access and call centre support.

Enhanced Overseas Services

The implementation of extensive global banking services, both locally and abroad, was another key 2012 accomplishment that aligns to QNB's aspirations to be a Middle East and Africa Icon by 2017. The overseas roll-out of Bank Fusion, its core banking application, facilitated Internet and SMS banking transactions throughout the entire Group, for all retail operations. This move was complemented by the international expansion of QNB's robust Customer Relationship Management (CRM) program to accommodate priority banking segments in all its overseas operations. These initiatives collectively formed the baseline platform for QNB First's expansion internationally. In addition, in March 2012 QNB hosted an exclusive London luxury property event in partnership with Harrods Estates, introducing potential new clients and QNB First members to the wide range of products and services offered by QNB Group.

Launch of New Card Products and Services

QNB introduced its Life Rewards Program in December 2012, the first and most comprehensive loyalty program in Qatar. The program rewards QNB customers for nearly all banking transactions with easy, instant redemption options at more than 120 retail outlets.

Meanwhile, the launch of QNB's Light Banking Card, provided QNB corporate clients with a fast, reliable and convenient way of depositing salaries on a regular basis while saving on bank processing fees and accounting and administration costs and eliminating the need for issuing paper payroll cheques. This new product, coupled with attractive promotions and a focus on nurturing relationships with large companies, increased the volume of salaries transferred to QNB significantly in 2012.

The debut of QNB's instant credit and debit card issuance in select branches in 2012 facilitated significant customer service and card delivery turnaround times. Several instant card-issuing printers have been deployed throughout the branch network and the Bank will continue to expand this innovative service throughout 2013.

Mobile Banking Gaining Traction

QNB continues to focus on providing fast, easy banking access domestically and abroad, through user-friendly Mobile Banking applications. By year-end, more than 40 percent of QNB online customers were using Mobile Banking and roughly 50 percent were using Internet applications to regularly conduct their banking transactions. Recognising its customers growing use of mobile and Internet technologies, the Bank began offering free Wi-Fi access at all its domestic branches and offices in 2012.

QNB's enhanced Mobile Banking, introduced in 2012, supports Mobile Banking applications for android-based mobile communication devices and enables customers to review their accounts, transfer funds and pay bills and outstanding credit card balances through their mobile phones.

Among its enhanced Mobile Banking options launched in 2012, was the award-winning Tap & Pay, the first mobile Near Field Communication (NFC) payments program, which enables clients to turn their mobile phones into credit cards. The program, which will be rolled-out overseas in 2013, earned the "Best Mobile Application" award at the Middle East's Smart Card Awards in May 2012.

These enhancements, coupled with the acceptance of China Union Pay cards and the implementation of Dynamic Currency Conversion (DCC) technology, enabled QNB to capture 50 percent of the domestic market share in point-of-sale (POS) transactions in 2012.

Leading the Way in eBanking

The Bank launched international eAccount access in February 2012, facilitating fast and easy account openings among clients outside of Qatar. Working collaboratively with numerous sectors that hire externally, the new service enabled hospitals, educational institutions, semi-government institutions and others to offer financial services on arrival to new employees, which helps ease transitions.

During 2012, clients in Qatar also benefited from Internet banking access enhancements that facilitate fast, easy country-to-country fund transfers. QNB was the first Qatari bank to support Internet money transfers via Western Union, a new service that can be used for remittances and also provides easy access in emergency situations, enabling customers to quickly transfer funds to themselves when they are out of the country.

Meeting Client Demands with New Product and Service Offerings

In response to customer service survey suggestions, the Bank introduced an Education Savings Plan, enabling customers to save for the future education needs of their children. The new plan has proved popular among retail clients and is expected to gain in popularity in the months ahead. 2012 also witnessed the launch of a Salary Continuation Plan, a simple way to ensure family financial stability in the event of unforeseen occurrences that impact earning capacity.

Another new service, responding to customer requests, was the introduction of a Kids' Corner at the Ladies Branch on the D-Ring road situated in an area popular among young families. Meanwhile, a premium branch serving QNB First members exclusively, was unveiled in Q4, while the launch of a dedicated Mortgage Centre at the Bank's C-Ring Road branch, in June 2012 simplified the mortgage application process and facilitated faster, efficient processing. These are just a few of the examples of product and service enhancements the Bank has implemented in 2012, that demonstrate its ongoing responsiveness to the unique needs of its customers.

QNB First

Throughout 2012, QNB First focused on enhancing its brand proposition to increase its market share domestically and prepare for its strategic expansion into international markets. This necessitated an intense involvement in enhancing the customer experience, as well as addressing the training and development needs of QNB's Priority Banking staff.

During 2012, the QNB First physical footprint grew from 4 to 12 dedicated sites, including the opening of a premier flagship QNB First branch on Airport Road. Improved access to QNB First services was complemented by enhancements to its lifestyle value proposition. Increasing its lifestyle partnerships from 6 to 48, it secured representation from a wide range of exclusive product and service providers offering unique privileges and upgrades, including world-class hotels, restaurants, airlines, boutiques and more. Additionally, it successfully expanded its wealth management product suite to encompass retirement and education savings plans, a segment it will continue to focus on and broaden in 2013.

On the international front, QNB First prepared for its launch in five overseas locations - France, Kuwait, Lebanon, Oman and the United Kingdom with cross-selling of QNB First's exclusive opportunities to key corporate clients in these markets. Overseas presence is expected to fuel new growth opportunities, enabling QNB First to continue enhancing its brand proposition, domestically and abroad, in response to customer demands in new markets.

A survey conducted among current and potential customers in Q4 confirmed QNB First's brand was ahead of its competitors in Qatar, reinforcing its growing appeal in the market.

International Banking

QNB Group Debuts in Egypt

QNB Group's most determined international move in 2012 was its decision to enter the Egyptian market. In December 2012, after securing an agreement with the major shareholder who owns 77.17 percent, QNB announced its intention to further strengthen its North African presence through a mandatory tender offer to acquire all the shares in Egypt's National Société Générale Bank (NSGB). The offer is expected to be made in Q1 of 2013, after receiving approval of regulatory authorities.

NSGB, Egypt's second largest private sector bank, with total assets of about US$10.4 billion as of September 2012, operates a network of more than 160 branches located strategically throughout the country that focus on corporate and retail activities.

This intended acquisition represents a significant milestone in QNB Group's international expansion strategy and is the largest acquisition in the Bank's history, and enables the Group to add a new home market that offers significant growth opportunities.

Reinforcing Existing Strongholds

With a presence in 24 countries, QNB Group continued to strengthen its visibility in key Middle East and North Africa (MENA) markets in 2012, while continuing to explore new growth opportunities in selected countries, both in accord with its strategy and in support of its vision to be a Middle East and Africa icon by 2017.

During the year, the Group consolidated its presence in the MENA region through increasing its shareholdings in two entities while entering a new market. The stake in the United Arab Emirates' Commercial Bank International was increased from 24 percent to 40 percent, and that of Iraq's Mansour Bank to 51 percent from 23 percent. The Bank has also entered the Libyan market by acquiring a 49 percent stake in the Bank of Commerce & Development, the country's leading private sector bank.

QNB's enhanced presence in the MENA region will be complemented by expanding coverage in Asia in early 2013 with the formation of a representative office in China (Shanghai) and the incorporation of a non-banking financial institution in India (Mumbai).

Transformational Operating Model Implemented

A fundamental shift in operations was implemented in 2012, to support QNB Group's transformation from a Doha-centric operation to a robust international institution that aspires to become an iconic brand throughout the Middle East and Africa. Enhancing the functional alignment of international business activities with headquarter-based leadership was the primary focus of this change. The new operating model deployed in 2012 allocated responsibility for the oversight of international operations, previously managed on a geographic basis, to functional leads at headquarters. This was achieved through the implementation of a matrix management model with the existing international leadership team and mirrors the best practice approach of other leading international institutions.

The new operational model aims to capitalise on synergies among QNB branch operations and those of its subsidiaries and associates. To support effective implementation, key officers from subsidiaries and associates, country General Managers and senior officers from headquarters participated in two comprehensive strategy conferences in Doha in 2012.

Integration and Franchise Leverage Across Borders

QNB Group continued to leverage its information technology (IT) investments to achieve efficiencies across borders. The implementation of centralised data processing along with the deployment of core banking applications across all overseas operations complemented the completion of its international AML and Enterprise Monitoring Solution (EMS) roll-out.

Where possible, QNB branding is being adopted to reinforce Group synergy. For example, Kesawan Bank in Indonesia was fully rebranded as QNB Kesawan adopting the QNB logo and branch layout. It is expected that other subsidiaries and associates will follow in 2013.

Decentralisation of select business activities from Headquarters to other geographic locations is underway. While retaining functional leadership in Headquarters, operational and sales activities are expanding geographically in Financial Institutions, Treasury and Asset Management through the hiring and placement of seasoned professionals in overseas markets.

Additionally, an enhanced wholesale cash management system for corporate customers, with both local and crossborder capabilities, has been rolled out across the Group. This means that corporate clients with multiple accounts now have a single portal access to all their activities and access to real-time online banking options, regardless of where they are based.

These moves were complemented by an international expansion of QNB's robust Customer Relationship Management and Global Account Management programs to accommodate Corporate and Private Banking segments in all overseas operations.

Securing the Future

The past year has witnessed concerted efforts by QNB Group to enhance current strongholds, continue to invest strategically in markets that expand its geographic footprint and deploy a comprehensive new operational model, that centralises management functions and capitalises on synergies among its varied operations. Combined, these activities have enabled the Group to continue to excel in the international realm, while enabling an increased level of activities from international operations to total Group performance.

Treasury

QNB's Treasury activities were key in supporting the Group's continued international expansion and growth in 2012. With the recruitment of seasoned professionals in London and Paris to focus on building relationships and promoting liability offerings and an ancillary product range, QNB's Treasury business continued to broaden globally.

Historically, Head Office has been the focal point for all such activities; however, with the introduction of experienced Treasury staff embedded in overseas operations in major money centres, QNB Group proactively seized new opportunities to diversify its funding base. Going forward, as the new regional offices continue to grow, the Group's international operations will be more proactive in local Asset and Liability Management (ALM).

New Multi-Currency Offerings Attracting New Global Market Investors

Throughout 2012, QNB Group continued to use its Euro Medium Term Note (EMTN) Program opportunistically to generate new business, both through public bonds and private placements. The two US$1 billion public bond issuances in February and November, and a number of private placements further raised the Bank's profile in international markets.

Investor diversification was further strengthened in September through the launch of a new London Certificates of Deposit (CD) product out of QNB London branch, priced in three major currencies on a daily basis through an approved group of dealer banks. The London CD issuance, which offers secondary market flexibility to potential participants, successfully attracted significant interest from a wide array of new investors, including asset managers, insurance companies and large corporates in the UK and across mainland Europe. This is owing, in part, to a more visible and extensive investor relations role and a strategically executed European road show promoting the product's characteristics, as well as the EMTN Program, to targeted investors, while at the same time introducing QNB Group to global market investors unfamiliar with the brand.

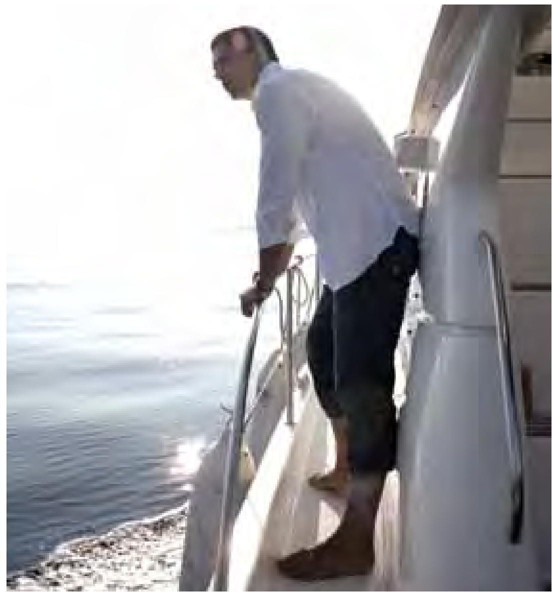
Enhanced internationally-focused treasury support opened new doors in 2012, enabling the building of new relationships with corporate depositors seeking low-risk, measured growth opportunities. This focus was complemented by the Bank's continued efforts to fine-tune its regulatory framework, proactively ensuring Basel III compliance. This ongoing development, coupled with continued prudent ALM, enabled the Group to maintain steady growth in its Treasury division over the past year.

Asset and Wealth Management

QNB Group's Asset and Wealth Management Department continued to be a leading regional asset manager in 2012, administering a portfolio in excess of US$3 billion, one of the largest in the region. Its efforts were acknowledged by the industry in October 2012, when it once again claimed Global Investor's "Best Asset Manager" award. To maintain its leading edge it continued to identify new products and services responding to investor demands for alternative low-risk options, supported by an expanded team of specialists.

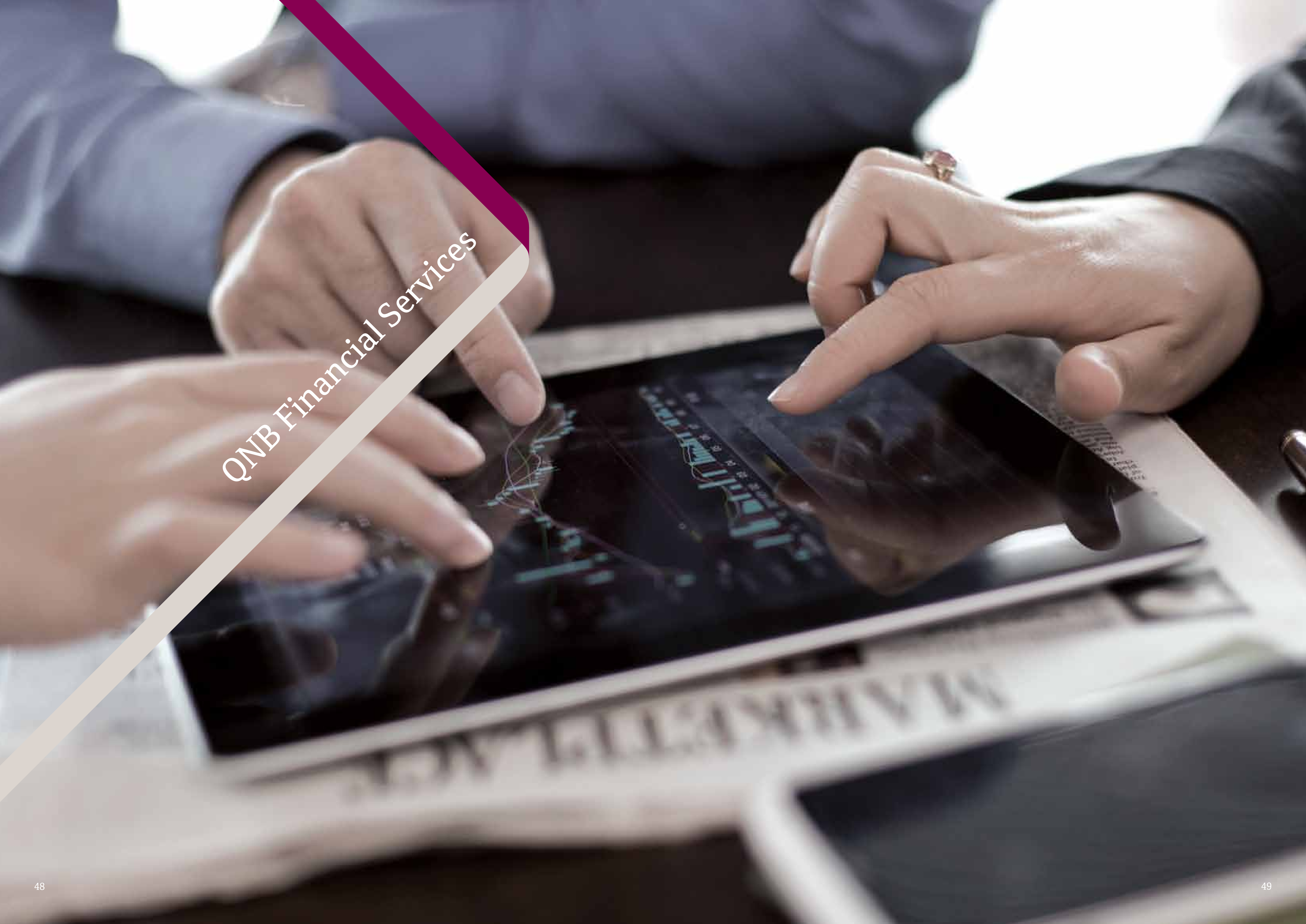
The introduction of a commodity desk in early 2012, providing investors with access to the commodities market, was a welcomed addition. This was complemented by the launch of the Brazil, Russia, India, China and Qatar (BRICQ) Fund in February 2012. The BRICQ Fund provides investors with access to the world's fastest growing economies and continues to attract investors' interest, while expanding the geographic coverage of funds considerably.

In December 2012, the Bank was the first to launch a debt fund in the country. The QNB Debt Fund, another new investment alternative, provides investors with an attractive platform to invest in debt securities issued by GCC-based sovereign and corporate entities.



Throughout 2012, under the astute administration of QNB's experienced asset management team, QNB's asset management portfolio continued to out-perform benchmark funds. Looking ahead, Asset Management intends to further broaden its fund offerings to encompass a wide array of asset classes, including capital protected notes, real estate and commodities.

QNB Financial Services



QNB Financial Services (QNB FS) has grown to become one of the leading securities firms in Qatar. The firm was the recipient of “The Best Broker Award” at the Global Investor/ ISF Middle East Summit held in October 2012. QNB FS also has the distinction of being the first independently regulated and licensed brokerage unit launched by a Qatari bank. It is fully licensed by the QFMA and holds a membership in the Qatar Exchange (QE).

QNB FS offers a full-service model for retail and institutional clients. This includes not only transaction execution, but also the provision of in-depth market insights to clients. The company offers a state-of-the-art trading system, which can be accessed through desktop and mobile platforms, enabling clients to trade equities in Qatar. QNB FS also provides clients with advisory services, based on risk tolerance and overall objectives, to help them manage risk while making investment decisions.

QNB FS is in the process of redefining the capital markets landscape in Qatar. The firm is the first local brokerage to provide ‘on-the-ground’ research and corporate access as important value-added services. QNB FS is also contributing to improving the investor relations environment by holding regular earnings calls for leading listed firms on the QE.

Furthermore, QNB FS has initiated a series of regular reports including a daily brief summarising the latest economic and financial news in Qatar, the region and international markets. QNB FS also produces a number of weekly and monthly market reports. The reports have helped QNB FS to position itself as a leader in value-added investment ideas and intellectual capital.

QNB Capital

QNB Capital continued to excel throughout 2012, maintaining its leading role in the Qatar market and continuing to expand its strategic advisory services to complement its traditional product offerings.

On the asset management front, it extended its offering to encompass the management of a portfolio of real estate interests, including iconic landmarks like London's Shard and the Park House development.

Expanded advisory services were complemented by continued growth in its traditional investment banking activities, which gained solid traction through the Bank's Euro Medium Term Note (EMTN) program. QNB Capital advised on two US$1 billion QNB Group bond issuances, undertaken in February and November, with the November issuance offering the lowest coupon rate ever recorded in GCC financial institution history. It also advised on the US$700 million Qatar International Islamic Bank (QIIB) sukuk issuance in October 2012 and a US$500 million Tunisia bond issuance in April.

Equity capital markets also generated significant opportunities over 2012, with QNB Capital providing advisory services and project financing support on several major projects and advising on numerous mergers and acquisitions, including GIS's acquisition of Amwaj Catering Services and Al Meera's rights issue.

QNB Capital acted as the financial advisor for the acquisition of Egypt's National Société Générale Bank (NSGB) in mid-December, which has a 77.17 percent stake and represents QNB's largest acquisition in its 48-year history. NSGB is the second largest private bank operating in the high growth Egyptian market with a network of 160 branches across the country. This deal represents the Middle East's largest banking transaction since the financial crisis and one of the largest cross-border investments in Egypt over the last two years.

Throughout 2012, QNB Capital continued to expand its strategic advisory mandate, stretching its role to encompass cross-border transactions. Going forward, this will enable it to fully capitalise on new global opportunities generated through QNB Group's overseas activities.

Group Strategy

The focus of Group Strategy's activities in 2012 was to further enhance Group Strategy's capabilities.

Group Strategy is responsible for Strategy and Business Development and Economics. Strategy and Business Development consists of three independent departments: Strategy, Corporate Planning and Integration (CPI) and Total Quality (TQ). Overall, the communication platform for Group Strategy is the Group Strategy Committee.

The Strategy team ensures the delivery of strategic mandates based on Executive Management's direction. The Strategy team, composed of dedicated and highly skilled professionals, focuses on designing the blueprint that identifies key strategic assignments and business development initiatives to support the Group's growth objectives. Main activities this year were centred around strategic mandates across QNB's network.

The Corporate Planning and Integration team translates long-term strategic initiatives into implementable annual plans. It facilitates a coordinated approach to corporate and business planning through the application of a balanced scorecard (BSC) approach with measurable key performance indicators (KPIs). The annual business plans are monitored, reviewed and updated on a quarterly basis and submitted to the Board. All strategic projects from the annual business plan are supported by the group-wide Project Management Office (PMO). The PMO closely tracks the progress of execution against QNB's strategic roadmap and targets. For this purpose, the existing PMO approach and mandate has been further enhanced in 2012. The PMO has extended its reach into the organisation through the set up of dedicated functional PMOs in specified support divisions. This will further increase the breadth and depth of the PMO approach and methodology across the organisation, while at the same time enhancing transparency on the execution of selected strategic projects.

To improve customer service and to enhance its market positioning, QNB launched a Total Quality (TQ) initiative in 2011. While the activities of projects in 2011 were purely focused on QNB's retail business, the TQ team expanded its reach in 2012 across other business divisions. Projects this year focused on Corporate Banking, Private Banking, Asset Management and Trade Finance.

The main objective of the Economics team is to update Executive Management, the Group and its respective divisions on macro-economic trends, key developments and news. In 2012, the Economics team launched a series of Economic Insight reports for the leading GCC and MENA countries. Reports issued this year provided an aggregated view on the entire GCC region, and specific country reviews on the UAE, an update on Qatar and Jordan. Going forward, the Economics team will continue to publish such reports on a regular basis, expanding their frequency and geographic coverage across the GCC/ MENA region. As in previous years, the Economics team issued a set of publications related to Qatar, including The Banking Sector Review, Qatar Facts and Figures and The QNB Investor. These were complemented by Qatar Monthly, a new addition in 2012.

Furthermore, the Economics team covers investor relations in cooperation with Group Financial Control, providing timely communication to analysts and the investor community on QNB Group's financial performance, recent developments and strategic initiatives.

In addition to this, the Strategy team has started to hold an internal Strategy Conference twice a year. Senior Management, International Network Country Managers and talented national professionals were invited to attend workshops, presentations and discussion forums in Doha to obtain regular updates on achievements, targets and top priority projects to meet QNB's ambitious aspirations.

Human Capital

To support QNB Group's five-year strategic plan and achieve its vision of becoming a Middle East and Africa icon by 2017, the Group adopted and implemented a Matrix Management Model in 2012. The model enables the Group to functionally align international expansion activities with Qatar-based operations. This was further complemented by the roll-out of a Global Leadership and Talent Management Framework and Program in Q4, addressing the leadership development needs of QNB Group's international enterprises. Pilot projects are set to launch in Oman, London and Singapore in the first quarter of 2013 and will be rolled-out throughout all international locations, in stages, in the year ahead.

Qatari Employees Offered Overseas Assignment Experiences

2012 witnessed the launch of QNB's Ambassador Program in London, Oman and Kuwait. The Program aims to expand learning opportunities for talented Qatari nationals and supports enhanced understanding and integration of Head Office functions with overseas operations. It commenced with the posting of four Qatari Middle Managers to overseas locations where they support international branch activities while developing new skills and acquiring new experiences as part of their professional development. The program is expected to expand further in 2013 with the addition of new countries, locations and roles.

Staff Development Remains a Key Strategic Priority

Staff development continued to be a top priority with the September launch of a new Learning and Development Centre, equipped with state-of-the-art learning facilities and resources. In addition, the Bank's ongoing partnership with ICT-Qatar underscored QNB's commitment to using new interactive learning technologies and e-learning to support and enhance employee knowledge and skills and improve work performance.

The Bank also focused on consolidating its succession planning and leadership development activities throughout 2012. This year, 30 Senior Executives participated in the Bank's Executive Leadership Development Program (ELDP), offered through Duke University's Continuing Education program. In addition, 94 Middle Managers, including 28 Branch Managers, participated in the new Management Development Program (MDP) offered in partnership with an internationally recognised development organisation. Online assessments, followed by the design and implementation of Individual Development Plans (IDPs) to groom talented employees for leadership positions in the organisation, also continued throughout the year, with more than 200 individuals benefiting from customised IDPs.

Responses generated through the 2012 Employee Engagement Survey confirmed that the Bank's multi-layered Talent Management (TM) program, combined with its ongoing training initiatives, continue to yield promising results, improving retention rates and supporting the career development of employees, particularly Qatari nationals exhibiting high potential. The Survey, which benchmarked staff engagement and satisfaction levels against GCC and international best practice companies, reported higher satisfaction levels among QNB respondents as compared to respondents of peer banks in Qatar and the GCC. QNB's results also compared favourably with the findings of international banks.

Strong Qatarisation Representation

The Bank continued to lead the banking sector's efforts to hire Qatari nationals, achieving a Qatarisation ratio that exceeds 50 percent of its domestic workforce in 2012 with strong representation at all levels, including senior leadership positions.

The hiring of Qatari trainees also continued to be a priority, with more than 100 entry-level trainees recruited in 2012, many through the Bank's ongoing presence at the annual Qatar Career Fair, which included the participation of previous recruits sharing their experiences firsthand with interested applicants.

As part of QNB's ongoing Corporate Social Responsibility (CSR) program, the Bank signed an agreement with the Ministry of Labour agreeing to accommodate three annual intakes of 15 Qatari nationals to its entry-level training program. This was complemented by expansion of QNB's Scholarship Program, which endorses up to 50 Qatari nationals pursuing higher education studies at leading educational institutions in Qatar. Currently, 25 nationals are attending leading universities in Qatar under this program. The program serves as an effective pipeline for new recruits, providing new graduates of the scholarship program with immediate employment with the QNB Group.

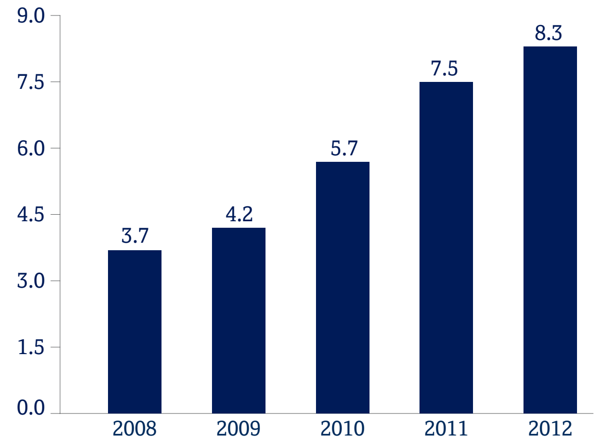
Additionally, the Bank signed a Memorandum of Understanding with the Qatar Society for the rehabilitation of people with special needs in 2012, committing to providing ongoing training and employment opportunities for Qataris with special needs.

Financials

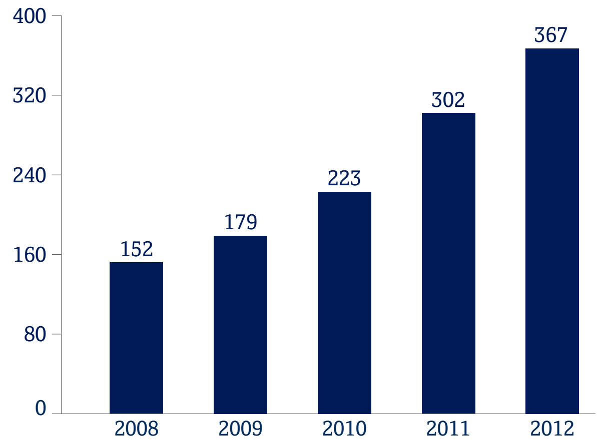
QNB Group Financial Highlights

- Net Profit reached QR8.3 billion, up by 11.1% from 2011
- Total Assets stood at QR367 billion, up by 21.5% from 2011
- Total Loans and Advances up by 28.9% to QR250 billion
- Total Customer Deposits up by 34.9% to QR270 billion
- Earnings Per Share reached QR11.9, compared to QR11.3 in 2011
- Total Shareholders' Equity increased to QR48.0 billion, up by 12.6% from 2011.

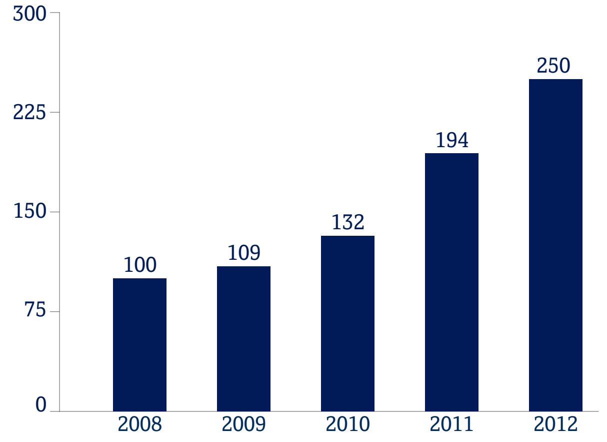
Net Profit (QR billion)



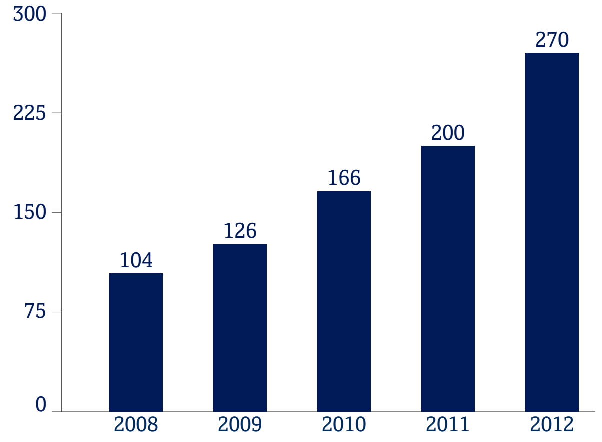
Total Assets (QR billion)



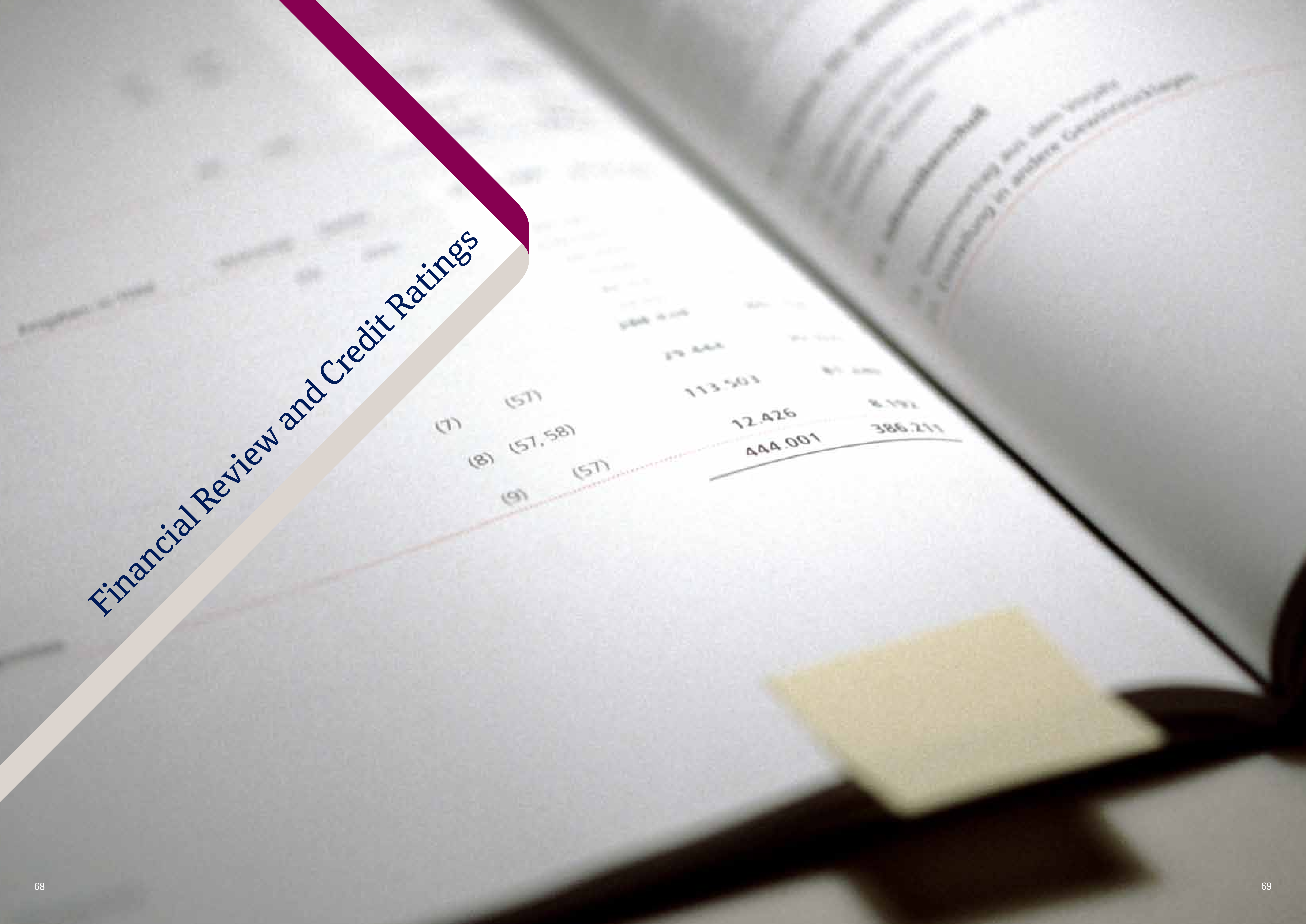
Loans and Advances (QR billion)



Customer Deposits (QR billion)



Financial Review and Credit Ratings



Financial Performance

QNB Group continued to record robust growth in profitability, with Net Profit for 2012 exceeding QR8.3 billion, up by 11.1% compared to 2011. These results, the highest ever achieved by the Group, demonstrated once again its resilience and revenue-generating capacity, as well as outstanding success in expanding the Group's core business activities.

Total operating income including share of results of associates increased to QR11.5 billion, up by 12.8% compared to 2011, as QNB Group succeeded in achieving strong growth across the range of revenue sources. Net interest income increased by 17.3% to reach QR9.1 billion, driven by the impressive 21.5% growth in the balance sheet and the Group's success in maintaining a strong net interest margin (NIM).

QNB Group continued to diversify its income sources, with net fees and commissions and net gain from foreign exchange reaching QR1,305 million and QR598 million respectively.

The Group's prudent cost control policy and strong revenue generating capability allowed it to maintain its efficiency ratio (cost to income ratio) at 16.8%, which is considered one of the best ratios among financial institutions in the region.

Financial Position

Total assets increased by 21.5% to reach QR367 billion, the highest ever achieved by the Bank. This was the result of a strong growth rate of 28.9% in loans and advances to reach QR250 billion. Meanwhile, customer deposits recorded a solid growth of 34.9% to QR270 billion, resulting in improved liquidity with the loans to deposits ratio reaching 92.6% at year-end 2012. During 2012, the Bank continued to focus on diversifying its sources of liquidity and extending the maturity profile of its funding.

The Bank was able to maintain the ratio of non-performing loans to total loans at 1.3%, a level considered one of the lowest amongst banks in the Middle East and Africa, mirroring the quality of the Group's loan book and due to the effective management of credit risk. The Group's conservative policy in regard to provisioning continued with the coverage ratio reaching 115% in 2012.

Capital Strength

Total Equity increased by 12.6% to reach QR48.0 billion as at 31 December 2012. The capital adequacy ratio reached 21.0% at year-end 2012, far higher than the regulatory requirements of QCB and the Basel Committee. The Bank is keen to maintain a strong capitalisation in order to support future strategic plans.

Credit Ratings

QNB Group's leading role in the banking sector and the high quality of its assets, along with its capabilities to achieve sustained growth in all activities, were demonstrated clearly in its credit rating that was affirmed during 2012 by Capital Intelligence, Fitch, Moody's and Standard & Poor's. QNB Group maintains one of the highest ratings in the Middle East and North Africa (MENA) Region. The Group's ratings were affirmed post the announcement to acquire National Société Générale Bank (NSGB), a reflection of the confidence in its strategy and the management of its expansion plans.

	Moody's	S&P	Capital Intelligence	Fitch
QNB Long-Term Rating	Aa3	A+	AA-	A+

Financial Statements

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 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 consolidated 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 policies 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.

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 Bank. 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

(All amounts are shown in thousands of Qatari Riyals)

	Note	2012	2011
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

(All amounts are shown in thousands of Qatari Riyals)

	Note	2012	2011
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) / Gains 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 Tax		**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

(All amounts are shown in thousands of Qatari Riyals)

	Note	2012	2011
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

(All amounts are shown in thousands of Qatari Riyals)

	Issued Capital	Legal Reserve	Risk Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders of the Bank	Non-Controlling Interest	Total
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

(All amounts are shown in thousands of Qatari Riyals)

	Note	2012	2011
Cash Flows from Operating Activities			
Profit for the Year before Income Tax		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 to Customers	10	1,055,956	1,034,767
Net Impairment Losses / (Gains) 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 Available-for-Sale Securities	28	(111,756)	(311,646)
Amortisation of Intangible Assets	14	3,730	3,455
Net Amortisation of Premium or Discount on Investment Securities		(179,788)	(27,717)
Share in Profit of Associates, net of Dividends Received	12	(135,778)	(55,623)
		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
Net 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)
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)**
Effects 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2012

(All amounts are shown in thousands of Qatari Riyals)

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	Year of Incorporation	Ownership %
QNB International Holdings	Luxemburg	412,373	2004	100%
QNB Property	France	23,992	2008	100%
QNB Capital	Qatar	54,608	2008	100%
QNB Switzerland	Switzerland	198,750	2009	100%
QNB Syria	Syria	705,550	2009	50.8%
QNB Finance	Cayman Islands	0.40	2010	100%
QNB Financial Services	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 the 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2012
(All amounts are shown in thousands of Qatari Riyals)

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, a 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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2012

(All amounts are shown in thousands of Qatari Riyals)

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.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2012

(All amounts are shown in thousands of Qatari Riyals)

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.

(vi) 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 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.

(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.

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3. Significant Accounting Policies (Continued)

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 on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate on the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate on the date of the transaction.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in 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'.

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.

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3. Significant Accounting Policies (Continued)

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.

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.

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3. Significant Accounting Policies (Continued)

(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 an 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.

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.

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3. Significant Accounting Policies (Continued)

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.

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'.

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3. Significant Accounting Policies (Continued)

(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.

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3. Significant Accounting Policies (Continued)

- 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.

(ii) Derivatives Held for Trading Purposes

The Group's derivative trading instruments includes forward foreign exchange contracts and interest rate swaps. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of the reporting date and the corresponding fair value change is taken to the profit or loss.

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3. Significant Accounting Policies (Continued)

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 will 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.

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3. Significant Accounting Policies (Continued)

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 generate cash inflow 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.

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3. Significant Accounting Policies (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 costs 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.

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;

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3. Significant Accounting Policies (Continued)

- 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 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.

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3. Significant Accounting Policies (Continued)

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.

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3. Significant Accounting Policies (Continued)

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.

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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 function, as part of each audit which examines both the adequacy and compliance with the procedures, in addition to the specific audit of the Group Risk function itself as per the approved audit plan. The 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.

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4. Financial Risk Management (Continued)

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.

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**

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4. Financial Risk Management (Continued)

c) Risk Concentration for Maximum Exposure to Credit Risk by Industry Sector

An industry sector analysis of the Group's financial assets and contingent liabilities, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross Maximum Exposure 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.

Equivalent Grades	2012	2011
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).

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4. Financial Risk Management (Continued)

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

	Less than 30 Days	31 - 60 Days	61 - 90 Days	Total
As at 31 December 2012				
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:

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

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4. Financial Risk Management (Continued)

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.

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:

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	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
As 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**	**-**	**-**	
As 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)	-	
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**	**-**	**-**	

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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				
2012	Increase in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency							
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				
2012	Decrease in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency							
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				
2011	Increase in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency							
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				
2011	Decrease in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency							
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)

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4. Financial Risk Management (Continued)

m) Liquidity Risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Group has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities. The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period on the statement of financial position date to the contractual maturity date, and do not take account of the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
As at 31 December 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)
As 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)

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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
As at 31 December 2012:						
Contingent Liabilities	2,225,549	13,736,742	24,080,723	15,719,917	3,522,399	**59,285,330**
As 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
As 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**	**-**
As 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 2012	Effect on Consolidated Income Statement 2011
Currency			
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)

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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
Regulatory Adjustments	(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
Regulatory Adjustments	(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.

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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 the accounting policies.

The specific counterparty component of the total allowances for impairment, applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about 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.

(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 the 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.

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5. Use of Estimates and Judgements (Continued)

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

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

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

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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.

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 unit, 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 undertakes 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 a diversified range of products and services to retail customers.

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6. Operating Segments (Continued)

Asset and Wealth Management

Asset and Wealth Management includes loans, deposits, assets management, brokerage and custody services to high net worth customers.

International Banking

International Banking includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

	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
Customer Deposits	150,853,867	13,870,858	21,247,792	84,067,444	-	270,039,961
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
Customer Deposits	110,881,424	13,613,228	15,887,723	59,740,462	-	200,122,837
Assets	232,310,735	13,727,502	16,618,714	113,348,551	(74,050,171)	301,955,331

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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:

	Held to Maturity	Loans and Advances	Available-for-sale	Other Amortised Cost	Total Carrying Amount	Fair Value
As at 31 December 2012:						
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
Total	**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
Total	**-**	**-**	**-**	**311,752,813**	**311,752,813**	**311,793,500**
As 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
Total	**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
Total	**-**	**-**	**-**	**251,756,915**	**251,756,915**	**251,754,970**

Investment Securities - Unquoted Equity Securities at Cost

The above table includes QR98.1 million as 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.

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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

a) By Type

	2012	2011
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 to customers (2011: QR2,255 million, 1.1% of total loans and advances to customers).

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

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10. Loans and Advances to Customers (Continued)

b) By Industry

	Loans & Advances	Overdrafts	Bills Discounted	Total
As at 31 December 2012:				
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**
As at 31 December 2011:				
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.

c) Movement in Impairment of Loans and Advances to Customers

	2012	2011
Balance as 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 as at 31 December	**3,879,869**	**2,680,172**

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10. Loans and Advances to Customers (Continued)

d) Impairment on Loans and Advances to Customers

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance 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)**

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).

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b) Held to Maturity Financial Investments

	2012		2011	
	Quoted	Unquoted	Quoted	Unquoted
- By Issuer				
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**

		Ownership %	
Name of Associate	**Country**	**2012**	**2011**
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.

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13. Property and Equipment

	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Balance at 31 December 2012					
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 acquistion of QNB Kesawan following the acquistion method of accounting under IFRS 3 'Business Combination'.

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14. Intangible Assets (Continued)

	2012	2011
Total Consideration Transferred	896,256	394,265
Fair Value of Identifiable Attributable Net Assets	(627,855)	(248,855)
	268,401	**145,410**
Amortisation of License and Trade Mark	(7,185)	(3,455)
Total	**261,216**	**141,955**
Allocation of Intangible Assets is as follows:		
License and Trade Mark	48,610	52,340
Goodwill	212,606	89,615
Total	**261,216**	**141,955**

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

a) By Type

	2012	2011
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

	2012	2011
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**

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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 rate of 3.375% pa and 2.125% pa respectively, and maturity dates of 22 February 2017 and 14 February 2018 respectively.

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, and 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**

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21. Other Provisions

	Staff Indemnity	Legal Provision	Total 2012	Total 2011
Balance as 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 as 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**

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. When bonus shares are proposed, an increase in the legal reserve is proposed equivalent to the increase in capital to enhance the financial position of the Group.

The proceeds received from the rights issue, net of any directly attributable transaction costs, are directly credited to share capital (nominal value of shares) and legal reserve (share premium on rights issue) when shares have been issued higher than their nominal value 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 to customers, with a minimum requirement of 2% 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.

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22. Shareholders' Equity (Continued)

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-Mansour Investment Bank.

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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**

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29. Staff Expenses

	2012	2011
Staff Costs	1,041,830	806,658
Staff Pension Fund Costs	28,187	18,936
Staff Indemnity Costs	8,739	8,533
Total	**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 Stationery	10,336	9,605
Directors' Fees	11,380	11,380
Other Provisions	2,572	1,197
Amortisation of Intangible Assets	3,730	3,455
Others	52,283	42,399
Total	**667,942**	**579,967**

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**

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32. Contingent Liabilities and Other Commitments

a) Contingent Liabilities

	2012	2011
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

	2012	2011
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 case of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

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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**

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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
As 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**
As 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.

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34. Derivatives (Continued)

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.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Caps and Floors

An interest rate cap or floor is a contractual arrangement under which the buyer receives money at the end of each specific period, in which the agreed interest rate exceeds or is below the agreed strike price of the cap or floor.

Derivatives Held for Hedging Purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves reducing the Group's exposure to fluctuations in foreign exchange rates and interest rates to acceptable levels within the guidelines issued by 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 statement of financial position.

The Group uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate liabilities. In such cases, the hedging relationship and objective, including details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as cash flow hedges.

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.

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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

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37. Cash and Cash Equivalents

For the purpose of the statement of cash flows, 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.

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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	2011
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.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2012 (All amounts are shown in thousands of Qatari Riyals)

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

	2012	2011
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) / Gains on Investment Securities	(22,981)	32,344
Net Impairment Losses on Loans and Advances to Customers	(1,023,934)	(1,029,530)
Other Expenses	(575,584)	(466,454)
Profit Before Income Tax	**8,066,502**	**7,389,038**
Income Tax Expense	(56,218)	(37,800)
Profit for the Year	**8,010,284**	**7,351,238**

QNB Branches and Offices

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Branches	
Air Force Base	Hamad Medical Hospital
Al Gharafa	Industrial Area
Al Khor	Katara
Al Khor - Ladies	LandMark
Al Khraitiyat	Mesaieed
Al Rayyan	Mortgage Loan Centre
Al Rowdha	Mushaireb
Al Sadd	Qtel
Al Shahaniya	Qatar Foundation
Al Shamal	Qatargas (Navigation Tower)
Al Sharq	Qatar Science & Technology Park
Al Wakra	Qatar University Men's Campus
Al Udeid Base	RasGas (Al Dana Tower)
C-Ring Road	Ras Laffan Industrial City
Cards Centre	Salwa Road
City Center - Doha	Sheraton Doha Hotel & Resort
D-Ring Road - Ladies	Souq Waqif
Doha Marriot Gulf Hotel	The Mall
Education City Community Housing	The Ritz-Carlton Doha
Exhibition Centre	Vehicle Loan Centre
General Retirement	Villaggio
Grand Hamad	West Bay
Corporate Branches	
Al Wakra	Mesaieed
Customs	Ministry of Business and Trade
Head Office	Salwa Road - Ain Khalid
Industrial Area	
QNB First Branches	
Al Gharafa	Salwa
D-Ring Road	University
Main Branch	West Bay
Offices	
Doha International Airport	Qatar Petroleum - West Bay
Ministry of Education	Qatar University Ladies Campus
Q-Post	RasGas (Ras Laffan)
Qatargas (Ras Laffan)	Urban Planning
Qatar Petroleum - Al Sadd Plaza	
3 Mobile Branches	

24-Hour Call Centre 4440 7777

Branches can be contacted through the Call Centre

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QNB Group International Network

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