



**Condensed Consolidated Interim Financial Information**

**30 September 2012**

## **Independent Auditors' Review Report on Condensed Consolidated Interim Financial Information to the Board of Directors of Qatar National Bank S.A.Q.**

### **Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Qatar National Bank S.A.Q. (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 September 2012, the condensed consolidated statement of income, statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes (the "condensed consolidated interim financial information"). The Board of Directors of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with (IAS 34) - "*Interim Financial Reporting*" and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

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

### **Conclusion**

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

Gopal Balasubramaniam  
KPMG  
Qatar Auditors Registry Number 251

Doha - State of Qatar  
7 October 2012

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Statement of Financial Position**  
**As at 30 September 2012**

|  | Note | 30 September<br>2012<br>(Reviewed)<br>QR000 | 30 September<br>2011<br>(Reviewed)<br>QR000 | 31 December<br>2011<br>(Audited)<br>QR000 |
|--|------|---|---|---|
| <b>ASSETS</b>  |      |   |   |   |
| Cash and Balances with Central Banks                           |      | 18,517,200                                  | 18,639,278                                  | 10,279,130                                |
| Due from Banks and Other Financial Institutions                |      | 33,829,394                                  | 38,558,497                                  | 38,565,554                                |
| Loans and Advances and Financing Activities to Customers       | 3    | 238,568,461                                 | 168,121,067                                 | 193,943,227                               |
| Investment Securities  | 4    | 49,961,823                                  | 46,565,190                                  | 50,382,609                                |
| Investment in Associates                                       |      | 5,736,056                                   | 4,699,100                                   | 4,703,260                                 |
| Property and Equipment   |      | 960,150                                     | 1,021,696                                   | 979,059                                   |
| Intangible Assets  |      | 256,787                                     | 142,893                                     | 141,955                                   |
| Other Assets   |      | 3,130,601                                   | 2,324,030                                   | 2,960,537                                 |
| <b>Total Assets</b>  |      | <b>350,960,472</b>                          | <b>280,071,751</b>                          | <b>301,955,331</b>                        |
| <b>LIABILITIES</b>   |      |   |   |   |
| Due to Banks and Other Financial Institutions                  |      | 11,757,371                                  | 23,075,966                                  | 37,662,162                                |
| Repurchase Agreements  |      | 2,574,867                                   | 1,820,273                                   | 1,820,273                                 |
| Customer Deposits and Unrestricted Investment Accounts         |      | 268,476,871                                 | 195,343,247                                 | 200,122,837                               |
| Other Borrowings   |      | 15,797,168                                  | 12,147,724                                  | 12,151,643                                |
| Other Liabilities  |      | 6,144,536                                   | 6,841,785                                   | 7,563,112                                 |
| <b>Total Liabilities</b>                                       |      | <b>304,750,813</b>                          | <b>239,228,995</b>                          | <b>259,320,027</b>                        |
| <b>EQUITY</b>  |      |   |   |   |
| Issued Capital   |      | 6,997,294                                   | 6,361,177                                   | 6,361,177                                 |
| Statutory Reserve  |      | 23,086,902                                  | 21,178,549                                  | 21,178,549                                |
| Other Reserves   |      | 1,205,839                                   | 1,703,933                                   | 1,597,352                                 |
| Risk Reserve   |      | 1,600,000                                   | 1,500,000                                   | 1,600,000                                 |
| Fair Value Reserve   | 5    | 464,959                                     | 505,859                                     | 496,958                                   |
| Proposed Dividend  | 6    | -   | -   | 2,544,471                                 |
| Proposed Bonus Shares  |      | -   | -   | 636,118                                   |
| Proposed Transfer to Statutory Reserve                         |      | -   | -   | 636,118                                   |
| Retained Earnings  |      | 11,924,565                                  | 8,946,479                                   | 6,970,007                                 |
| <b>Total Equity Attributable to Equity Holders of the Bank</b> |      | <b>45,279,559</b>                           | <b>40,195,997</b>                           | <b>42,020,750</b>                         |
| Non - Controlling Interest                                     |      | 930,100                                     | 646,759                                     | 614,554                                   |
| <b>Total Equity</b>  |      | <b>46,209,659</b>                           | <b>40,842,756</b>                           | <b>42,635,304</b>                         |
| <b>Total Liabilities and Equity</b>                            |      | <b>350,960,472</b>                          | <b>280,071,751</b>                          | <b>301,955,331</b>                        |

**Yousef Hussain Kamal**  
Chairman

**Ali Shareef Al-Emadi**  
Group Chief Executive Officer

The attached notes 1 to 11 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Statement of Income**  
**For the Nine Months Period Ended 30 September 2012**

|   | Three Months to<br>30 September<br>2012<br>(Reviewed)<br>QR000 | Three Months to<br>30 September<br>2011<br>(Reviewed)<br>QR000 | Nine Months to<br>30 September<br>2012<br>(Reviewed)<br>QR000 | Nine Months to<br>30 September<br>2011<br>(Reviewed)<br>QR000 |
|---|--|--|---|---|
| Interest Income from Conventional and Profit from Islamic Operations          | 3,124,241  | 2,593,563  | 9,188,996   | 7,548,185   |
| Interest Expense on Conventional and Share of Profit<br>on Islamic Operations | (855,812)  | (658,727)  | (2,433,878)   | (2,154,747)   |
| <b>Net Interest Income and Profit from Islamic Operations</b>                 | <b>2,268,429</b>   | <b>1,934,836</b>   | <b>6,755,118</b>  | <b>5,393,438</b>  |
| Fees and Commission Income  | 338,275  | 352,574  | 1,058,802   | 1,000,226   |
| Fees and Commission Expense   | (30,059)   | (23,107)   | (90,645)  | (69,975)  |
| <b>Net Fees and Commission Income</b>   | <b>308,216</b>   | <b>329,467</b>   | <b>968,157</b>  | <b>930,251</b>  |
| Dividend Income   | -  | 13   | 64,068  | 59,289  |
| Net Gains from Foreign Currency Transactions                                  | 137,809  | 142,501  | 452,924   | 344,789   |
| Net Gains from Investment Securities  | 25,572   | 76,092   | 57,354  | 234,840   |
| Share in Profit of Associates   | 76,696   | 49,737   | 174,392   | 149,884   |
| Other Operating Income  | 2,114  | 5,789  | 6,879   | 27,037  |
| <b>Operating Income</b>   | <b>2,818,836</b>   | <b>2,538,435</b>   | <b>8,478,892</b>  | <b>7,139,528</b>  |
| General and Administrative Expenses   | (433,216)  | (323,719)  | (1,273,638)   | (975,754)   |
| Depreciation  | (45,868)   | (42,356)   | (135,812)   | (119,505)   |
| Net Impairment Losses on Loans and Advances                                   | (237,981)  | (250,402)  | (760,927)   | (636,658)   |
| Net Impairment (Losses) / Gains on Investment Securities                      | (922)  | (3,454)  | (14,356)  | 34,575  |
| Amortization of Intangible Assets   | (937)  | (2,517)  | (2,792)   | (2,517)   |
| Other Provisions  | (589)  | (23)   | (2,168)   | (1,230)   |
| <b>Profit Before Income Tax</b>   | <b>2,099,323</b>   | <b>1,915,964</b>   | <b>6,289,199</b>  | <b>5,438,439</b>  |
| Income Tax Expense  | (2,877)  | (8,730)  | (29,035)  | (16,860)  |
| <b>Profit for the Period</b>  | <b>2,096,446</b>   | <b>1,907,234</b>   | <b>6,260,164</b>  | <b>5,421,579</b>  |
| <b>Attributable to:</b>   |  |  |   |   |
| Equity Holders of the Bank  | 2,110,659  | 1,900,585  | 6,226,794   | 5,416,719   |
| Non - Controlling Interest  | (14,213)   | 6,649  | 33,370  | 4,860   |
| <b>Profit for the Period</b>  | <b>2,096,446</b>   | <b>1,907,234</b>   | <b>6,260,164</b>  | <b>5,421,579</b>  |
| Earnings Per Share (QR)   | 3.0  | 2.9  | 8.9   | 8.3   |
| Weighted Average Number of Shares   | 699,729,438  | 653,985,118  | 699,729,438   | 653,985,118   |

The attached notes 1 to 11 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the Nine Months Period Ended 30 September 2012**

|  | Three Months to<br>30 September<br>2012<br>(Reviewed)<br>QR000 | Three Months to<br>30 September<br>2011<br>(Reviewed)<br>QR000 | Nine Months to<br>30 September<br>2012<br>(Reviewed)<br>QR000 | Nine Months to<br>30 September<br>2011<br>(Reviewed)<br>QR000 |
|--|--|--|---|---|
| <b>Profit for the Period</b>   | 2,096,446  | 1,907,234  | 6,260,164   | 5,421,579   |
| <b>Other Comprehensive Income, net of Income Tax</b>                       |  |  |   |   |
| Foreign Currency Translation Differences for Foreign Operations            | (7,962)  | 13,791   | (354,306)   | (23,285)  |
| Share of Other Comprehensive Income of Associates                          | 12,774   | 7,261  | (37,207)  | (5,425)   |
| Effective Portion of Changes in Fair Value of Cash Flow Hedges             | (24,573)   | (41,513)   | 5,535   | (34,865)  |
| Net Gain/(Loss) on Revaluation of Available-for-Sale Investment Securities | 59,806   | (38,334)   | (37,534)  | (159,680)   |
| <b>Total Other Comprehensive Income for the Period, net of Income Tax</b>  | <b>40,045</b>  | <b>(58,795)</b>  | <b>(423,512)</b>  | <b>(223,255)</b>  |
| <b>Total Comprehensive Income for the Period</b>                           | <b>2,136,491</b>   | <b>1,848,439</b>   | <b>5,836,652</b>  | <b>5,198,324</b>  |
| <b>Attributable to:</b>  |  |  |   |   |
| Equity Holders of the Bank   | 2,150,704  | 1,841,790  | 5,803,282   | 5,193,464   |
| Non - Controlling Interest   | (14,213)   | 6,649  | 33,370  | 4,860   |
| <b>Total Comprehensive Income for the Period</b>                           | <b>2,136,491</b>   | <b>1,848,439</b>   | <b>5,836,652</b>  | <b>5,198,324</b>  |

The attached notes 1 to 11 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**

**Condensed Consolidated Statement of Changes in Equity**

**For the Nine Months Period Ended 30 September 2012**

|  | Share<br>Capital<br>QR000 | Statutory<br>Reserve<br>QR000 | Other<br>Reserves<br>QR000 | Risk<br>Reserve<br>QR000 | Fair Value<br>Reserve<br>QR000 | Proposed<br>Dividend<br>QR000 | Proposed<br>Bonus<br>Shares<br>QR000 | Proposed<br>Transfer to<br>Statutory<br>Reserve<br>QR000 | Retained<br>Earnings<br>QR000 | Total<br>QR000    | Non<br>Controlling<br>Interest<br>QR000 | Total<br>Equity<br>QR000 |
|--|---------------------------|-------------------------------|----------------------------|--------------------------|--------------------------------|-------------------------------|--------------------------------------|--|-------------------------------|-------------------|---|--------------------------|
| Balance at 1 January 2011                            | 3,914,570                 | 8,554,060                     | 1,732,643                  | 1,500,000                | 700,404                        | 1,957,285                     | 1,174,371                            | 1,174,371  | 3,529,760                     | 24,237,464        | 555,224                                 | 24,792,688               |
| <b>Total Comprehensive Income for the Period</b>     |                           |                               |                            |                          |                                |                               |                                      |  |                               |                   |   |                          |
| Profit for the Period                                | -                         | -                             | -                          | -                        | -                              | -                             | -                                    | -  | 5,416,719                     | 5,416,719         | 4,860                                   | 5,421,579                |
| <b>Other Comprehensive Income, net of Income Tax</b> |                           |                               |                            |                          |                                |                               |                                      |  |                               |                   |   |                          |
| Net Movement in Currency Translation                 |                           |                               |                            |                          |                                |                               |                                      |  |                               |                   |   |                          |
| Differences  | -                         | -                             | (23,285)                   | -                        | -                              | -                             | -                                    | -  | -                             | (23,285)          | -                                       | (23,285)                 |
| Share of Other Comprehensive Income of Associates    | -                         | -                             | (5,425)                    | -                        | -                              | -                             | -                                    | -  | -                             | (5,425)           | -                                       | (5,425)                  |
| Net Movement in Fair Value Reserve                   | -                         | -                             | -                          | -                        | (194,545)                      | -                             | -                                    | -  | -                             | (194,545)         | -                                       | (194,545)                |
| <b>Total Other Comprehensive Income</b>              | -                         | -                             | (28,710)                   | -                        | (194,545)                      | -                             | -                                    | -  | -                             | (223,255)         | -                                       | (223,255)                |
| <b>Total Comprehensive Income for the Period</b>     | -                         | -                             | (28,710)                   | -                        | (194,545)                      | -                             | -                                    | -  | 5,416,719                     | 5,193,464         | 4,860                                   | 5,198,324                |
| Dividend Paid 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               |
| Transfer to Statutory Reserve for the year 2010      | -                         | 1,174,371                     | -                          | -                        | -                              | -                             | -                                    | (1,174,371)  | -                             | -                 | -                                       | -                        |
| Net Movement in Non-controlling Interest             | -                         | -                             | -                          | -                        | -                              | -                             | -                                    | -  | -                             | -                 | 86,675                                  | 86,675                   |
| <b>Balance at 30 September 2011</b>                  | <b>6,361,177</b>          | <b>21,178,549</b>             | <b>1,703,933</b>           | <b>1,500,000</b>         | <b>505,859</b>                 | <b>-</b>                      | <b>-</b>                             | <b>-</b>   | <b>8,946,479</b>              | <b>40,195,997</b> | <b>646,759</b>                          | <b>40,842,756</b>        |
| Balance at 1 January 2012                            | 6,361,177                 | 21,178,549                    | 1,597,352                  | 1,600,000                | 496,958                        | 2,544,471                     | 636,118                              | 636,118  | 6,970,007                     | 42,020,750        | 614,554                                 | 42,635,304               |
| <b>Total Comprehensive Income for the Period</b>     |                           |                               |                            |                          |                                |                               |                                      |  |                               |                   |   |                          |
| Profit for the Period                                | -                         | -                             | -                          | -                        | -                              | -                             | -                                    | -  | 6,226,794                     | 6,226,794         | 33,370                                  | 6,260,164                |
| <b>Other Comprehensive Income, net of Income Tax</b> |                           |                               |                            |                          |                                |                               |                                      |  |                               |                   |   |                          |
| Net Movement in Currency Translation                 |                           |                               |                            |                          |                                |                               |                                      |  |                               |                   |   |                          |
| Differences  | -                         | -                             | (354,306)                  | -                        | -                              | -                             | -                                    | -  | -                             | (354,306)         | -                                       | (354,306)                |
| Share of Other Comprehensive Income of Associates    | -                         | -                             | (37,207)                   | -                        | -                              | -                             | -                                    | -  | -                             | (37,207)          | -                                       | (37,207)                 |
| Net Movement in Fair Value Reserve                   | -                         | -                             | -                          | -                        | (31,999)                       | -                             | -                                    | -  | -                             | (31,999)          | -                                       | (31,999)                 |
| <b>Total Other Comprehensive Income</b>              | -                         | -                             | (391,513)                  | -                        | (31,999)                       | -                             | -                                    | -  | -                             | (423,512)         | -                                       | (423,513)                |
| <b>Total Comprehensive Income for the Period</b>     | -                         | -                             | (391,513)                  | -                        | (31,999)                       | -                             | -                                    | -  | 6,226,794                     | 5,803,281         | 33,370                                  | 5,836,651                |
| Dividend Paid for the Year 2011                      | -                         | -                             | -                          | -                        | -                              | (2,544,471)                   | -                                    | -  | -                             | (2,544,471)       | -                                       | (2,544,471)              |
| Bonus Shares for the Year 2011                       | 636,118                   | -                             | -                          | -                        | -                              | -                             | (636,118)                            | -  | -                             | -                 | -                                       | -                        |
| Transfer to Statutory Reserve for the year 2011      | -                         | 1,908,353                     | -                          | -                        | -                              | -                             | -                                    | (636,118)  | (1,272,236)                   | -                 | -                                       | -                        |
| Net Movement in Non-controlling Interest             | -                         | -                             | -                          | -                        | -                              | -                             | -                                    | -  | -                             | -                 | 282,176                                 | 282,176                  |
| <b>Balance at 30 September 2012</b>                  | <b>6,997,294</b>          | <b>23,086,902</b>             | <b>1,205,839</b>           | <b>1,600,000</b>         | <b>464,959</b>                 | <b>-</b>                      | <b>-</b>                             | <b>-</b>   | <b>11,924,565</b>             | <b>45,279,559</b> | <b>930,100</b>                          | <b>46,209,659</b>        |

The attached notes 1 to 11 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Statement of Cash Flows**  
**For the Nine Months Period Ended 30 September 2012**

|  | Note | Nine Months to<br>30 September<br>2012<br>(Reviewed)<br>QR000 | Nine Months to<br>30 September<br>2011<br>(Reviewed)<br>QR000 | Year to<br>31 December<br>2011<br>(Audited)<br>QR000 |
|--|------|---|---|--|
| <b>Cash Flows from Operating Activities</b>                    |      | 4,935,194   | 8,175,000   | 4,654,693  |
| <b>Cash Flows from Investing Activities</b>                    |      |   |   |  |
| Acquisitions of Investment Securities                          |      | (21,166,540)  | (25,556,576)  | (32,683,315)   |
| Proceeds from Sale of Investment Securities                    |      | 21,573,508  | 3,243,263   | 6,560,487  |
| Investments in Associates                                      |      | (1,078,878)   | (17,860)  | (17,873)   |
| Acquisition of Subsidiary, net of Cash Acquired                |      | 345,427   | 280,396   | 140,195  |
| Purchase of Property and Equipment                             |      | (167,381)   | (217,943)   | (261,844)  |
| Proceeds from Sale of Property and Equipment                   |      | 1,694   | 1,038   | 1,385  |
| <b>Net Cash used in Investing Activities</b>                   |      | <b>(492,170)</b>  | <b>(22,267,682)</b>   | <b>(26,260,965)</b>                                  |
| <b>Cash Flows from Financing Activities</b>                    |      |   |   |  |
| Dividends Paid   |      | (2,539,700)   | (1,954,427)   | (1,955,014)  |
| Proceeds from Rights Issue                                     |      | -   | 12,722,354  | 12,722,354   |
| <b>Net Cash (used in) / from Financing Activities</b>          |      | <b>(2,539,700)</b>  | <b>10,767,927</b>   | <b>10,767,340</b>                                    |
| Net Decrease in Cash and Cash Equivalents                      |      | 1,903,324   | (3,324,755)   | (10,838,932)   |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents  |      | 187,165   | 17,567  | 70,194   |
| Cash and Cash Equivalents as at 1 January                      |      | 41,403,694  | 52,172,432  | 52,172,432   |
| <b>Cash and Cash Equivalents at 30 September / 31 December</b> | 11   | <b>43,494,183</b>   | <b>48,865,244</b>   | <b>41,403,694</b>                                    |

The attached notes 1 to 11 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**  
**Notes to the Condensed Consolidated Interim Financial Information**  
**For the Nine Months Period Ended 30 September 2012**

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The accompanying condensed consolidated interim financial information is prepared in accordance with IAS 34 - "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank Regulations. This condensed consolidated interim financial information should be read in conjunction with the 2011 annual consolidated financial statements of the Group.

The condensed consolidated interim financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

The following amendment has been applied by the Group in preparation of these condensed consolidated interim financial information:  
**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 period ended 30 September 2012 and have not been applied in preparing this condensed consolidated interim financial information:

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 34 Interim Financial Reporting (amendment): IAS 34 is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. The amendment is effective for annual periods beginning on or after 1 January 2013 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.



**Qatar National Bank S.A.Q.**  
**Notes to the Condensed Consolidated Interim Financial Information**  
**For the Nine Months Period Ended 30 September 2012**

**2. SEGMENT INFORMATION**

The Group is organised into four main operating segments. The results of each of the operating segments which are being reviewed regularly by the Chief Operating Decision Maker are stated below:

|  | Qatar Operations  |                  |                             | International Banking | Unallocated and Intra-group Transactions | Total       |
|--|-------------------|------------------|-----------------------------|-----------------------|--|-------------|
|  | Corporate Banking | Consumer Banking | Asset and Wealth Management |                       |  |             |
| <b>At 30 September 2012:</b>                           |                   |                  |                             |                       |  |             |
| Operating Income                                       | 6,226,502         | 432,834          | 451,489                     | 1,337,189             | 30,878                                   | 8,478,892   |
| General and Administrative Expenses                    | (460,702)         | (484,141)        | (63,935)                    | (240,650)             | (24,210)                                 | (1,273,638) |
| Profit   | 4,848,744         | 30,915           | 393,638                     | 1,000,563             | (47,066)                                 | 6,226,794   |
| Loans and Advances and Financing Activities            | 197,664,291       | 6,601,992        | 9,922,404                   | 24,379,774            | -  | 238,568,461 |
| Customer Deposits and Unrestricted Investment Accounts | 146,215,068       | 13,968,740       | 26,267,762                  | 82,025,301            | -  | 268,476,871 |
| Total Assets   | 304,406,325       | 14,758,452       | 27,503,672                  | 121,456,162           | (117,164,139)                            | 350,960,472 |
| <b>At 30 September 2011:</b>                           |                   |                  |                             |                       |  |             |
| Operating Income                                       | 4,777,648         | 602,517          | 374,013                     | 1,301,449             | 83,901                                   | 7,139,528   |
| General and Administrative Expenses                    | (247,877)         | (481,720)        | (18,639)                    | (178,702)             | (48,816)                                 | (975,754)   |
| Profit   | 3,859,081         | 176,905          | 368,899                     | 1,018,196             | (6,362)                                  | 5,416,719   |
| Loans and Advances and Financing Activities            | 128,014,431       | 7,722,233        | 5,237,522                   | 27,146,881            | -  | 168,121,067 |
| Customer Deposits and Unrestricted Investment Accounts | 117,404,503       | 14,898,957       | 13,848,011                  | 49,191,776            | -  | 195,343,247 |
| Total Assets   | 217,545,115       | 15,425,670       | 14,459,856                  | 81,074,260            | (48,433,150)                             | 280,071,751 |

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| <b>3. LOANS AND ADVANCES AND FINANCING ACTIVITIES</b>              | <b>30 September<br/>2012<br/>(Reviewed)<br/>QR000</b> | <b>30 September<br/>2011<br/>(Reviewed)<br/>QR000</b> | <b>31 December<br/>2011<br/>(Audited)<br/>QR000</b> |
|--|---|---|---|
| Loans and Advances and Financing Activities                        | 242,857,632   | 171,509,542   | 197,662,392   |
| Specific Impairment of Loans and Advances and Financing Activities | (3,533,891)   | (2,256,596)   | (2,680,172)   |
| Financing Activities Deferred Profit                               | (755,280)   | (1,131,879)   | (1,038,993)   |
| <b>Net Loans and Advances and Financing Activities</b>             | <b>238,568,461</b>                                    | <b>168,121,067</b>                                    | <b>193,943,227</b>                                  |

The aggregate amount of non performing loans and advances and financing activities amounted to QR3,035 million or 1.2% of total loans and advances and financing activities (31 December 2011: QR2,255 million or 1.1% of total loans and advances and financing activities).

| <b>4. INVESTMENT SECURITIES</b>          | <b>30 September<br/>2012<br/>(Reviewed)<br/>QR000</b> | <b>30 September<br/>2011<br/>(Reviewed)<br/>QR000</b> | <b>31 December<br/>2011<br/>(Audited)<br/>QR000</b> |
|--|---|---|---|
| Available-for-Sale Investment Securities | 16,271,709  | 6,414,388   | 6,695,016   |
| Held to Maturity Investment Securities   | 33,690,114  | 40,150,802  | 43,687,593  |
| <b>Total</b>                             | <b>49,961,823</b>                                     | <b>46,565,190</b>                                     | <b>50,382,609</b>                                   |

**5. FAIR VALUE RESERVE**

|  | <b>30 September<br/>2012<br/>(Reviewed)<br/>QR000</b> | <b>30 September<br/>2011<br/>(Reviewed)<br/>QR000</b> | <b>31 December<br/>2011<br/>(Audited)<br/>QR000</b> |
|--|---|---|---|
| Cash Flow Hedges                         | (188,190)   | (226,625)   | (193,725)   |
| Available-for-Sale Investment Securities | 653,149   | 732,484   | 690,683   |
| <b>Total</b>                             | <b>464,959</b>  | <b>505,859</b>  | <b>496,958</b>                                      |

**6. DIVIDEND**

The cash dividend in respect of the year ended 31 December 2011 of QR4.0 per share, amounting to a total of QR2,544 million was paid during the period and a bonus shares representing 10% of the share capital amounting to QR636.1 million, were approved on 29 January 2012.

**7. BUSINESS COMBINATION**

During the period, 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 QR117.6 million has been determined on acquisition of this additional stake on a provisional basis. The Group also has acquired an additional stake of 16% in an associate Commercial Bank International (CBI), incorporated in the UAE, which increased the Group's equity interest in CBI to 40%.

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**8. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

|                        | <b>30 September<br/>2012<br/>(Reviewed)<br/>QR000</b> | <b>30 September<br/>2011<br/>(Reviewed)<br/>QR000</b> | <b>31 December<br/>2011<br/>(Audited)<br/>QR000</b> |
|------------------------|---|---|---|
| Contingent Liabilities | 93,390,216  | 43,640,359  | 50,071,384  |
| Other Commitments      | 26,824,818  | 36,236,587  | 37,887,940  |

**9. RELATED PARTIES**

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities of which they have significant influence and control. As at the reporting date, such significant balances included:

|  | <b>30 September<br/>2012<br/>(Reviewed)<br/>QR000</b> | <b>30 September<br/>2011<br/>(Reviewed)<br/>QR000</b> | <b>31 December<br/>2011<br/>(Audited)<br/>QR000</b> |
|--|---|---|---|
| <b>Statement of Financial Position Items</b>                   |   |   |   |
| Loans and advances   | 2,318,151   | 2,574,435   | 2,160,607   |
| Deposits   | 744,486   | 1,222,338   | 1,540,042   |
| Contingent Liabilities and Other Commitments                   | 39,792  | 31,088  | 29,918  |
| <b>Statement of Income Items</b>                               |   |   |   |
| Interest and Commission Income                                 | 51,357  | 56,206  | 79,798  |
| Interest and Commission Expense                                | 12,952  | 19,101  | 23,576  |
| <b>Compensation of key management personnel is as follows:</b> |   |   |   |
| Salaries and Other Benefits                                    | 27,981  | 23,227  | 26,188  |
| End of Service Indemnity                                       | 646   | 412   | 586   |

The Group also has significant commercial transactions with the State of Qatar, which owns 50% of the Bank's outstanding shares through the Qatar Investment Authority, amounting to QR31,070 million included in loans and advances and financing activities (31 December 2011: QR32,313 million) and QR26,980 million included in customer deposits (31 December 2011: QR47,982 million).

**10) CAPITAL ADEQUACY**

|                               | <b>30 September<br/>2012<br/>(Reviewed)<br/>QR000</b> | <b>30 September<br/>2011<br/>(Reviewed)<br/>QR000</b> | <b>31 December<br/>2011<br/>(Audited)<br/>QR000</b> |
|-------------------------------|---|---|---|
| Total Eligible Tier 1 Capital | 32,804,196  | 29,801,956  | 34,357,737  |
| Total Eligible Tier 2 Capital | -   | -   | -   |
| <b>Total Eligible Capital</b> | <b>32,804,196</b>                                     | <b>29,801,956</b>                                     | <b>34,357,737</b>                                   |
| <b>Risk Weighted Assets</b>   | <b>170,080,753</b>                                    | <b>142,850,675</b>                                    | <b>156,382,113</b>                                  |
| Tier 1 Capital ratio          | 19.3%   | 20.9%   | 22.0%   |
| Total Capital ratio           | 19.3%   | 20.9%   | 22.0%   |

Tier 1 capital includes issued capital, statutory reserve, other reserves and retained earnings.

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.

**11. CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances:

|   | <b>30 September<br/>2012<br/>(Reviewed)<br/>QR000</b> | <b>30 September<br/>2011<br/>(Reviewed)<br/>QR000</b> | <b>31 December<br/>2011<br/>(Audited)<br/>QR000</b> |
|---|---|---|---|
| Cash and Balances with Central Banks    | 9,784,908   | 11,518,780  | 3,793,200   |
| Due from Banks Maturing in Three months | 33,709,275  | 37,346,464  | 37,610,494  |
| <b>Total</b>                            | <b>43,494,183</b>                                     | <b>48,865,244</b>                                     | <b>41,403,694</b>                                   |

Cash and Balances with Central Banks do not include mandatory reserve deposits.