Annual Report

2011

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 2011 Annual Report. 2011 was a year of continued strong performance across the Bank's wide range of activities, yielding the best financial results ever.

In 2011, Qatar's economic scene witnessed important events, including the completion of the Pearl GTL Project and the launch of Barzan Gas Project. These projects will further increase Qatar's overall natural gas production capacity. As part of Qatar 2030 Vision, a number of large scale projects are currently under implementation to upgrade and modernise the country's infrastructure. This has provided a strong momentum to overall economic activities, making Qatar one of the fastest growing economies in the world. Qatar's economic growth has benefitted the banking sector, particularly QNB Group, due to the Bank's leading position in the sector and its principal role in financing development projects. It has maintained a dominant market share as a result its comprehensive and expanding range of banking products and services for individuals, companies and institutions in the private and public sectors.

The approval of QNB Group's vision and a comprehensive 5-year strategy was one of the major achievements of 2011. The vision aims to transform the Group to become a Middle East and Africa Icon. The strategy focuses on a number of goals including retaining the Bank's leading position in the region, continuing to record strong returns for shareholders, and diversifying income sources. The strategy also aims to further expand the range of activities within QNB Group and its subsidiaries and associate companies that currently operate in 24 countries worldwide.

As part of this strategy, QNB Group introduced a number of new services during 2011. This included QNB Financial Services, the first brokerage operated by a bank in Qatar, as well as advanced banking and investment solutions, both physical and electronic.

QNB Group continued to expand its international presence with the opening of new branches in a number of countries during 2011. These additions increased the combined presence of QNB Group, its subsidiaries and associate companies to 334 locations in 24 countries across the globe, supported by more than 600 ATMs. To date, QNB Group employs around 7,000 staff.

In line with the Qatar National Vision 2030, the Bank continued to attract, promote and retain Qatari talent. These employees have been provided with dedicated training programmes at the Bank's training centre to further improve their knowledge and skills. Qatari nationals continue to represent more than 50% of total staff in Qatar, the highest level of Qatarisation in the country's banking sector.

QNB Group's success in maintaining strong momentum across the full range of its activities was reflected in the 2011 financial results. Net Profit increased by 32% to QR7.5 billion, the highest ever achieved. Total Assets increased by 35%, to reach QR302 billion. These strong results reflect the sustained progress in the performance of the Bank and its ability to achieve the targets it announces to shareholders.

As part of our commitment to maximise shareholder return in the long-term, the Board of Directors recommends to the General Assembly the distribution of a cash dividend of 40% of the nominal value of share capital, amounting to QR4.0 per share. The Board also recommends the distribution of a bonus share issue of 10% of share capital, representing 1 share for every 10 shares.

On behalf of the Board of Directors, I present our sincere gratitude and admiration 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 gratitude to His Excellency Sheikh Hamad Bin Jassim Bin Jabor Al-Thani, the Prime Minister and Foreign Minister, for his continued support to the Bank. 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 promote Qatar's banking sector.

On this occasion, I would like to thank the executive management and all staff of the Group for their sincere efforts in implementing the Bank's strategy and achieving its goals and objectives.

Finally, I reaffirm QNB Group's firm commitment towards all our customers and shareholders. We will exert the utmost efforts in 2012 and the coming years to further enhance the Group's leading position in the Middle East and Africa.

Yousef Hussain Kamal
Chairman

GCEO's Message

GCEO's Message

I am delighted to present the key achievements of QNB Group during 2011, a year that saw important developments in various aspects of the Bank's activities, both domestically and internationally.

The Bank maintained its growth momentum across the full range of its activities throughout the year. The loan portfolio recorded a growth of 47% in 2011 to reach QR194 billion while its high quality was maintained. The ratio of non-performing loans to total loans stood at just 1.1%, one of the lowest levels in the Middle East and Africa. Operating income surged to QR10.2 billion, up by 34%, the highest level ever achieved by the Bank. At the same time, the Bank maintained a very favorable efficiency ratio that stood at 15.7% at year-end 2011, one of the best worldwide.

During the year, the Bank successfully completed its QR12.7 billion rights issue, which was fully subscribed. As a result, QNB is now the largest bank in the region by shareholders' equity. This will allow the Bank to meet its growth targets over the coming years, while maintaining a high capital adequacy ratio. That ratio reached 22.0% at year-end 2011.

Sustaining its pioneering role in Qatar's banking sector, QNB Group continued to take the lead in introducing a variety of innovative products and services to better fulfill customers' requirements. The Bank was the first in Qatar to receive a licence for brokerage. These services were introduced in the second half of the year.

The Bank's domestic operations continued to flourish, particularly the ever-expanding corporate segment. Amid increasing economic activities in Qatar, the Bank continued to assume its traditional role of extending funding to projects undertaken by the private and public sectors.

With regards to its international expansion, QNB Group has consolidated its presence in the 24 countries across the world in which it operates. During the year, an ambitious 5-year strategy was approved to boost the activities and operations of PT Bank Kesawan, in which QNB Group owns a controlling stake, to become one of the leading financial institutions in Indonesia. QNB Group launched its first branch in Lebanon and expanded its network in Oman to five branches. A Head Office building was inaugurated in Sudan in the capital of Khartoum; a new branch was established in Juba, the capital of South Sudan. In Libya, the representative office resumed its operations. The Group is studying options to further expand its international reach through gaining access to selected emerging markets in the region.

Given QNB Group's solid track record in delivering strong financial results, Capital Intelligence upgraded the Bank's Financial Strength Rating in April 2011 to AA- from A+ and affirmed all other ratings. Also, in a move that demonstrated QNB Group's strong financial indicators and high quality of its assets, Standard & Poor's, Fitch and Moody's affirmed the Bank's ratings during 2011, which are among the highest of all financial institutions in the Middle East and Africa.

The Bank's achievements relied on a team of highly qualified and experienced professionals with strong banking and financial services related expertise. As the Group expands, it will continue to prioritise attracting highly experienced and qualified staff and offering specialized training to improve the skills of Qatari staff.

In 2012, QNB Group will commence the implementation of its new strategy that aims to maintain the Group as one of the leading institutions in the Middle East and Africa. The strategy calls for the expansion of market share, activities, products, services and operations domestically and internationally.

Finally, I would like to express my gratitude to the Board of Directors for their strong support. Also, I extend my appreciation to the Bank's executive management and all staff for their dedication to fulfill QNB Group's plans. I wish all of them further success in the implementation of the ambitious strategy during the coming years.

Ali Shareef Al-Emadi
Group Chief Executive Officer

Corporate Governance

The Board of Directors (BOD) firmly believes that the application of a sound corporate governance framework is a matter of vital importance. Consequently, QNB Group is committed to integrating the best practices in corporate governance into the Bank's culture and conduct.

The Board of Directors

The BOD provides overall strategic direction and oversight to the Bank, reviewing and approving all credit and investment policies through agreed upon risk parameters and limits. The BOD meets at least six times a year and reviews and approves the annual budget, business plans and all capital expenditures. On a quarterly basis, the BOD reviews, monitors and tracks achievements against the Bank's strategy and makes amendments to it as required. The BOD's responsibility is also to ensure the implementation of a framework of control covering Internal Audit, Compliance, Risk Management and Financial Control.

Board composition

The ownership structure of the Bank has been stable since its establishment in 1964. A 50% stake is held by the Government of the State of Qatar through its investment arm, Qatar Investment Authority (QIA). The remaining 50% stake is held by the public. The BOD composition reflects the ownership structure: five members, including the Chairman, are representatives of QIA, while the remaining five members come from the private sector and are elected by shareholders at the General Assembly meeting.

At the General Assembly, held on 7th of February 2011, five members of the BOD from the private sector were elected for a three year period ending 2013.

Among the ten Board members, all are non-executives and six are independent. In accordance with the Qatar Financial Market Authority (QFMA) code, none of the members holds a managerial or full time position with the Bank.

The BOD maintains strict and direct supervision over the nomination and election process of new Board members, and does not delegate this task to any of its committees. The aim is to ensure that the BOD membership nomination process, which is conducted in accordance with Qatar Central Bank (QCB) requirements, is fair and transparent. The eligibility of individuals to apply for Board membership is assessed against international professional and technical standards.

Secretary of the Board of Directors

The Secretary of the Board is entrusted to record, coordinate and register all meetings of the Board, along with maintaining custody of records, reports and other materials sent to and received by the Board. The Secretary's functions also include the distribution of information and coordination among members of the Board and between the Board and its stakeholders. The Secretary is also entrusted to ensure the timely access of members of the Board to all minutes of meetings, information, documents and records relating to the Group.

Remuneration of the Board of Directors and the Executive Management

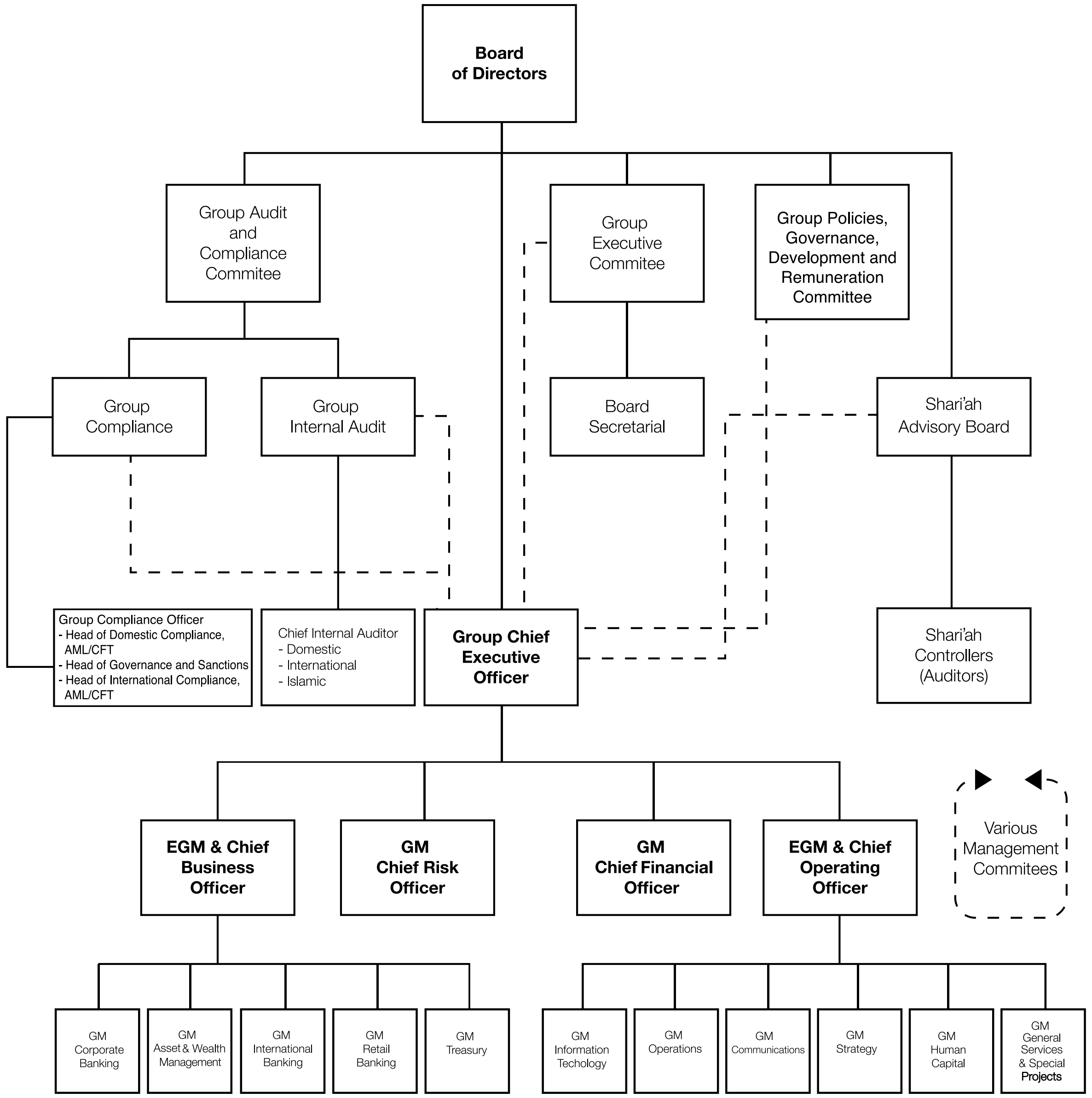
QNB Group has adopted a remuneration policy for the BOD in line with the Commercial Companies Law No. (5) of 2002, and its subsequent amendments, as well as QCB Law No. (33) of 2006. During the General Assembly in February 2011, the remuneration policy for BOD members was acknowledged to be in line with QCB instructions, for the year 2010. A mechanism regarding the remuneration policy dedicated to the BOD members should be presented on a yearly basis to the General Assembly for approval.

The main elements of this remunerations policy are:
- Presentation to the General Assembly for approval on a yearly basis
- Remuneration includes all allowances, fees and benefits
- Remuneration has to be commensurate with the efforts exerted by BOD Members in the development of QNB Group's profits
- Calculation of remuneration will be as a percentage of the profits, not exceeding 0.5% of the annual profits
- The BOD's remuneration is treated as an expense (deductible from the Group's profits)

The Group Policies, Development, Governance & Remuneration Committee is responsible for defining a specific policy for the Executive Management's remuneration before presenting it to the BOD for approval.

According to this policy, the remuneration is tied to the performance of each employee through the achievement of assigned tasks, whereby the size of the remuneration adheres to associated risk and the overall performance of QNB Group.

QNB Group organisation structure



Board committees

To appropriately manage its duties, the BOD has delegated certain functions to three specialised Board committees that perform functions on its behalf to support an efficient conduct of the various duties of the BOD duties. These committees include:
• Group Executive Committee (GEC)
• Group Audit & Compliance Committee (GACC)
• Group Policies, Governance, Development & Remuneration Committee (GPGDRC)

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 Jabor Bin Jassim Al-Thani*	C		M
	H.E. Sheikh Hamad Bin Abdulla Bin Khalifa Al-Thani**	M		
	Mr. Ahmad Mohammed Al Sayed*	M		
	Mr. Bader Abdulla Darwish Fakhroo**	M		
	Mr. Rashid Misfer Al-Hajri*		C	
	Mr. Ali Hussain Ali Al-Sada**	M		
	Mr. Fahad Mohammed Fahad Buzwair**		M	C
	Mr. Mansour Ebrahim Al-Mahmoud*		M	

C - Chairman M - Member
* Representing Qatar Investment Authority
** Elected by shareholders

Group Executive Committee

The Group Executive Committee (GEC) is composed of five Board Members and the Group Chief Executive Officer (GCEO), who attends all meetings without voting powers. The GEC reviews overall credit and investment exposures and approves credit facilities above the authorised limit set for management, up to the committee's limit as delegated by the BOD. On a quarterly basis, the committee reviews the status of any outstanding litigation and recommends action to be taken on impaired loans. The committee also oversees and approves Corporate Social Responsibility expenditures.

Group Audit and Compliance Committee

The Group Audit and Compliance Committee (GACC) reviews financial statements and reports by Internal Control, Internal Audit, External Audit and Compliance. The committee verifies the effectiveness of controls to combat money laundering, terrorist financing activities and reviews other activities as required by the BOD.

The committee reviews significant accounting and reporting issues, including complex or unusual transactions. The committee also assesses their impact on the financial statements of QNB Group. In accordance with the Bank's transparency and corporate governance regulations, the Internal Audit and Compliance functions report directly to the GACC. The Chiefs of both Audit and Compliance departments provide reports to the GACC on a quarterly basis, at the minimum, and as needed.

Group Policies, Governance, Development & Remuneration Committee

The Group Policies, Governance, Development & Remuneration Committee (GPGDRC) approves QNB Group's long-term strategy. It ensures the annual Business Plans and Budget are in line with the long-term strategy, and monitors quarterly performance. The committee is entrusted with the development of the Corporate Social Responsibility strategy as well as with the Group's marketing and communication plans.

Periodically, the GPGDRC reviews and assesses changes in local and international corporate governance practices and recommends improvements to the BOD. The committee also reviews and approves group-wide policies prior to final approval by the BOD. As mentioned before, the committee also develops the overall guidelines for staff remuneration, along with the remuneration policy for the BOD and Executive Management.

Meetings for the Board

The Board of Directors' meetings are held on a regular basis. According to QNB Group's Articles of Association, the BOD meets at least six times a year. Meetings may be held at the request of the Chairman or at least two of the members. The BOD met six times during 2011, with the Chairman of the BOD presiding over all the meetings. The number of meetings held by the Board and its committees is detailed below:

Board and Board Committees	Number of Meetings during 2011
Board of Directors	6
Group Executive Committee	5
Group Audit and Compliance Committee	8
Group Policies, Governance, Development & Remuneration Committee	4

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. In contrast, 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. Four senior executives report directly to the GCEO: the Executive General Manager - Chief Business Officer (EGM - CBO), Executive General Manager - Chief Operating Officer (EGM - COO), General Manager - Chief Risk Officer (GM - CRO), and General Manager - Chief Financial Officer (GM - CFO). The Group Compliance Officer and the Group Chief Audit Executive, who report directly to the BOD, also 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 is present, including either the chairman of the committee or his deputy. Absent members may 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 has a set minimum of meetings to be held during the year. Officers from concerned departments may be invited to attend meetings. There are nine specialised management committees, in accordance with the corporate governance approach that the QNB Group has been implementing since 2007, as shown 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 2011

	GRC	GCC	ALCO	GSC	GITC	GBDC	GOSC	GHCC	CPC
GCEO	C	C	C	C					C
EGM - CBO	M	M	M	VC	M	C	M	M	M
EGM - COO	M			M	C	M	C	C	M
GM - CRO	VC	VC	M	M	M		M	M	
GM - CFO	M		VC	M					M
Group Compliance Officer	O								O
Group Chief Audit Executive	O								O
GM - Asset & Wealth Management				M					
GM - Communications				I		M			
GM - Corporate Banking		M		I		VC			
GM - General Services & Special Projects				I	M	M	VC		M
GM - Human Capital				I				VC	
GM - IT				I	VC		M		
GM - International Banking		M		I	M	M	M	M	
GM - Retail Banking				I	M		M	M	
GM - Strategy				M	M	M		M	
GM - Treasury			M	I		M			
AGM - Credit	M	M							
Number of meetings during the year	6	41	12	5	4	10	6	5	*

C - Chairman VC - Vice Chairman
M - Member O - Observer
I - Invited

* Due to business requirements, the committee's decisions are not taken by meetings, but by circulation.

Group Risk Committee

The Group Risk Committee (GRC) establishes, implements, and monitors QNB Group's risk strategy and defines risk policies. The committee reviews the processes and control framework for the management of risks and defines related roles and responsibilities across the QNB Group. The committee also monitors risk management activities on all fronts: operational, credit, market, liquidity, strategic, legal and reputational.

The committee reviews compliance with policies and procedures, audit recommendations, and regulatory requirements by QCB and other regulatory bodies, including anti-money laundering requirements. It also implements and manages the Crisis Management Plan and provides strategic direction during a crisis, including the management of external communications, liaising with media, regulatory authorities, emergency services and government agencies.

Group Credit Committee

The Group Credit Committee (GCC) reviews, recommends and, when approved, implements credit policies and procedures relating to all corporate, financial institution and retail assets across the Group. The committee also reviews and recommends investment strategies, policies and procedures to the GEC and BOD.

The committee reviews the delegated authorities and recommends amendments to the BOD where appropriate. It also escalates credit facilities which exceed its authority to the GEC.

The committee also reviews and approves investment products across the Group and determines which brokers/dealers and custodians are acceptable as counterparties. It monitors and reviews the performance of approved investments. In addition, the committee monitors and reviews country risk exposures, for compliance with the approved investment limits and ratios. The committee also provides investment and credit risk reports to the Board as and when required.

Group Asset and Liability Committee

The Group Asset and Liability Committee (GALCO) reviews and recommends the strategy, policies and procedures related to Asset and Liability Management across the Group. It monitors and reviews Treasury performance and products, including banking and trading book portfolios, and all risks associated with interest rate movements, liquidity and foreign exchange. The committee also monitors compliance with fiduciary limits and ratios.

The committee oversees inter-group transfer pricing policy for cost of funds allocation within the Management Information System. It also monitors monthly financial performance in regards to budget and market share targets.

Group Strategy Committee

The Group Strategy Committee (GSC) develops the Group's five-year strategy for approval by the BOD, and makes recommendations for adjustments as needed. In line with the five-year strategy, the committee develops the annual business plan and budget for QNB Group and monitors its performance on a quarterly basis. The GSC also analyses and assesses market developments and competitive positioning against peers and international benchmarks.

Group Information Technology Committee

The Group Information Technology Committee (GITC) is responsible for establishing IT standards across QNB Group and aligning all IT activities to meet business plans and objectives. The committee also formulates and monitors the implementation of the annual IT strategy across the Group. The GITC also prioritises the management of IT projects and monitors project implementation.

In addition, this committee sets, monitors and reports IT-related key performance indicators and key risk indicators. The committee also makes relevant recommendations for enhancing the value and contribution of the Group's information systems.

Group Business Development Committee

The Group Business Development Committee (GBDC) formulates the implementation framework for realising expansion plans in line with the available business, support and marketing resources. The committee develops a five-year international expansion plan in line with QNB Group's five-year strategy and also reviews mergers and acquisitions to implement appropriate integration standards across QNB Group's business and support functions.

The GBDC reviews competitor products and services and recommends business plan amendments as needed. It reviews regulatory developments and their impact on business strategy and products. The committee reviews marketing plans and branding opportunities. It also reviews participation in conferences to ensure that the maximum benefit is obtained from staff and management engagement.

Group Operations and Services Committee

The Group Operations and Services Committee (GOSC) conducts regular reviews of banking operational services, transaction monitoring, procedures execution. It is responsible for improvements, operational efficiencies, premises and facilities projects, insurance and back-office centralisation initiatives. The committee also ensures follow-up actions as needed. The GPSC aligns all operational activities with QNB Group's vision, strategy and business plans. It conducts regular re-engineering projects to support continuous process and service improvement.

The committee prioritises the management of relevant projects and manages QNB Group's real estate interests. It reviews and monitors branch, office and ATM expansions across the Group. It defines and monitors the implementation of security, safety standards, branding standards and capital expenditures.

Group Human Capital Committee

The Group Human Capital Committee (GHCC) manages all human capital matters across the Group, including manpower planning, recruitment, job evaluations, promotions and disciplinary actions, and reviews compensation and benefits. The committee manages the Integrated Performance Management and Development and the Learning and Development initiatives. It is responsible for staff rewards and recognition and the implementation of staff suggestion schemes. The committee regularly reviews Human Resources policies and recommends changes, as needed. It also works to ensure the fulfillment of the nationalisation programme's objectives.

Centralised Purchasing Committee

The Centralised Purchasing Committee (CPC) ensures compliance with tenders and auction policy directives, and manages relevant contractual relations. It reviews and approves procedures for purchases and auctions, along with the formation of auction working groups to oversee bid openings, selection and evaluation.

The committee also reviews and approves acceptable vendors for products and services. It has the authority to form sub-committees in other jurisdictions where required.

Crisis Management Committee

In addition to the nine committees listed above, there is a Crisis Management Committee (CMC) that is chaired by the GCEO, with the GM - CRO serving as Vice Chairman, and includes members from across the various divisions, as required. Meeting when crisis situations emerge, the CMC addresses issues that may affect QNB Group's reputation, customer trust and financial matters. It also prepares for potential scenarios that could result in operational failures.

Group Risk

Conservative credit policy

QNB Group has historically implemented a conservative approach to credit extension. The approach encompasses adequate checks and balances and an appropriate diversification of risk through the product range and customer base, both domestically and in the increasing number of international operations. These measures, coupled with periodic stress testing and scenario analysis and proactive management of risks, continue to yield positive results.

Effective risk management

During 2011, the Bank continued to strengthen its risk management capacity, which was facilitated with an enlarged and dedicated risk management team. A key development in 2011 was the establishment of a new division focusing exclusively on risk infrastructure and governance, at both the domestic and international level.

The Bank also began implementing a comprehensive risk architecture plan that uses sophisticated portfolio management methods and economic capital calculations. The plan is expected to be fully operational in the fourth quarter of 2012.

The new risk architecture plan was complemented by the implementation of a credit rating system from a leading rating agency. The system is in line with Basel recommendations and includes an enhanced credit rating scale featuring a 23-point rating system, including facility credit ratings and obligor ratings. Additionally, a portfolio management system is being integrated into many of the Bank's processes. It is anticipated to be fully operational by year-end 2012.

An assessment of the Bank's current risk management profile was completed during the year, identifying activities to be undertaken to ensure compliance with Basel III guidelines.

Tight control over operational risks

To minimise potential losses from operational risks, the Bank has developed and implemented policies and procedures to methodically 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. Also, dedicated software has been deployed to manage all risk indicators, including database risk and loss events. Additionally, security capabilities were enhanced via two sophisticated systems to manage data leakage and data security.

QNB Group was awarded the British Standard BS 25999-2-2007 in Business Continuity, underscoring the solidity of its contingency planning which includes two data recovery centres in Doha and Switzerland.

Group Internal Audit Division

QNB Group's Internal Audit Division (GIAD), headed by the Group Chief Audit Executive, reports to the BOD's Group Audit and Compliance Committee. In 2011, the division was re-structured to align with the Group's business model and address regulatory requirements. The new model accommodates a dedicated unit focused on technology audits to complement its domestic and international operations, which provide coverage for all QNB Group business lines, branches and subsidiaries.

GIAD implements audits that conform with auditing standards and guidelines issued by various professional audit institutions, including conducting a quality assurance exercise at least once every five years. In December 2011, the Bank initiated a comprehensive Quality Assurance Review to be conducted by the US Institute of Internal Auditors. Additionally, as required by the Internal Audit Charter, GIAD also participates in the Bank's major technology and system development projects, providing proactive support and advice.

GIAD continuously addresses the changing jurisdictional landscape in which QNB Group operates. QNB's Group Chief Audit Executive visits every newly established overseas operation within six months of its launch. The purpose of the visits is to familiarise new QNB Group staff at overseas locations, subsidiaries or branches with QNB Group's audit functions and expectations. These inaugural visits also enable audit staff to review start-up operations, examine and evaluate corporate governance compliance, review the main regulatory requirements and ensure an appropriate segregation of duties. The visits also enable audit staff to introduce group-wide policies and procedures to site managers. During the year, GIAD made recommendations to improve the internal audit function in PT Bank Kesawan, QNB Group's subsidiary in Indonesia, in which the Bank gained a controlling interest in early 2011.

GIAD takes a value-add approach that extends beyond the traditional role of undertaking audit assignments to verifying compliance with policies and procedures. It actively supports management in identifying ways to improve business processes and enhance efficiency. It also proactively identifies gaps and weakness, and makes recommendations to mitigate risks, thus enabling the Bank to further enhance risk management controls and governance processes.

To facilitate effective prioritisation, GIAD classifies each issue noted during any audit as low, medium or high risk, depending on its potential impact on assets and the risk exposure identified. Targeted actions and deadlines are tracked and assessed with periodic status updates provided to the GRC. Bi-annual meetings are also held with the GCEO and concerned executive management to discuss the implementation of audit recommendations across the Group.

During 2011, GIAD reviewed all the Bank's new policies and procedures to ensure alignment with corporate governance requirements for newly launched products and services and to facilitate continuous process improvement. GIAD is also revising its own policy and procedures to ensure alignment with corporate governance requirements.

To support continuous professional development, all GIAD auditors participated in 2011 in an Internal Audit for Fraud workshop and training on ACL software. ACL is a data extraction and analysis software package that is used to find irregularities or patterns in transactions that could indicate control weaknesses or fraud.

Group Compliance

QNB Group's compliance team continued to scrutinise operations vigilantly throughout 2011, playing a key role in providing sound oversight and governance that contributes to enhanced client confidence and loyalty.

QNB's approach to communication on Corporate Governance

QNB Group's approach to communication on corporate governance issues included three key elements this year. Firstly, the production of a annual corporate governance report, as mandated by the QFMA. Secondly, the finalisation of a QNB Group Corporate Governance Manual for various stakeholders. Thirdly, the participation in a one-day corporate governance workshop hosted by the QFMA in March 2011. At the workshop, which attracted the participation of more than 50 representatives from QE listed companies, QNB delivered a session explaining the Bank's approach to corporate governance.

Complying with international regulations and sanctions

In 2011, the Compliance Division ensured that the Bank respected all international regulations and sanctions imposed on Syria and Libya implemented by a range of global entities, including the United Nations, the European Union and the Office of Foreign Asset Control of the US Treasury. Following a temporary suspension of activities in Libya, the Bank re-instituted its presence by resuming its operations in October 2011.

Assessment of the implications of UK regulations

The compliance team undertook two comprehensive studies related to new financial regulations in the United Kingdom. Following a careful analysis of the UK Bribery Act and the UK Financial Services Authority's (FSA's) Remuneration Code, proposals were presented to ensure QNB Group's compliance with these regulations. The recommendations were endorsed by executive management and were fully adopted during 2011.

Implementing a 'Chinese Wall' approach

As part of its mandate to implement an enhanced governance framework, Group Compliance worked closely with executive management to develop and implement appropriate 'Chinese Wall' arrangements within the Group to protect corporate assets. This was achieved either through soft or physical controls at both operational and governance levels. This approach minimises staff exposure to unauthorised access and limits access to information to a 'Need to Know' basis.

Promoting compliance awareness

In line with QCB instructions, Financial Action Task Force (FATF) recommendations, and QNB Group policies and procedures, Group Compliance conducted numerous in-house training sessions in 2011. The training comprised compliance arrangements, anti-money laundering (AML), prevention of terrorist financing, whistle-blowing, conflicts of interest and "Chinese Wall" arrangements. The training sessions were attended by more than 1,000 staff. Moreover, an e-learning module on global compliance and AML, launched in 2010, attracted more than 200 participants during 2011. In addition, a number of training activities were undertaken that helped promote a corporate culture of compliance, risk awareness and understanding.

Meeting QCB instructions and FATF requirements

In line with QCB directives and FATF recommendations, Group Compliance assesses and evaluates QNB Group's processes, operations and structures on a regular basis to enhance controls and monitor compliance risks.

In January 2011, QNB produced its first AML Report, in compliance with a 2010 QCB directive. In addition, an internal country matrix tool was implemented to easily classify countries according to their risk. This approach helped to ensure that transactions received appropriate oversight, in accordance with the designated risk categories.

Furthermore, the compliance team contracted an international company to adapt an internationally reputable AML and Counter Terrorism Financing software application to QNB's systems, thereby enhancing customer risk profiling and monitoring exercises. This is expected to be completed in the second quarter of 2012.

Introduction of compliance self-assessment

To complement various tools aimed at enhancing compliance, a new compliance self-assessment tool was introduced in 2011 and circulated to compliance officers across the Group. The self-evaluation mechanism will be conducted annually to further enhance compliance across all jurisdictions in QNB Group.

Study undertaken to understand FATCA implications

The compliance team also prepared a study on the US Foreign Account Tax Compliance Act (FATCA), offering recommendations to ensure compliance. The FATCA regulation requires all countries to report US citizens maintaining assets with foreign banks to the US Treasury. An action plan will be developed and implemented in 2012 to ensure compliance.

Compliance advisory services

Due to its international activities, QNB Group is subject to dynamic and evolving financial markets when introducing complex products and services. In this context, Group Compliance proactively responds to these changes by providing management with advisory studies and recommendations that enable the Group to face potential market related volatility risks.

Communications with stakeholders and investors

Transparency and full disclosure are the cornerstones of QNB Group's 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 senior management team from Group Financial Control and Group Strategy held numerous meetings with investment analysts during 2011. The investor community at large was kept abreast of new developments, strategic initiatives and the Bank's financial performance through meetings held in Doha and at selected international conferences.

QNB Group keeps QE, QFMA and QCB and other regulatory bodies overseas updated on matters and developments that may affect 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. These are: Health & Environment; Arts & Culture; Sports; Social & Humanitarian; Youth Welfare & Education; and Economic & International Affairs.

QNB Group's fifth annual CSR Report, issued as a companion to the 2011 Annual Report, provides additional details on the Group's CSR activities and aspirations.

Corporate Banking

The Corporate Banking division performed exceptionally well in 2011 and maintained its market dominance in all facets of corporate finance activities in Qatar. It has captured a leading share of business activities during the year from both the private and public sector, further increasing its dominant market share and making a strong contribution to the Group's growth.

The Bank has fully complied with QCB regulations in regard of the Islamic activities of conventional banks.

A new, fully automated cash management system was implemented in early 2011, called 'eazybusiness'. This streamlined operations through improved efficiencies and was well received by corporate clients. In addition, the Bank's trade portal benefited from the implementation of a dedicated support team in 2011, providing personalised customer support and guidance. This approach has enabled enhanced corporate banking performance in 2011.

2011 also witnessed some major transactions demonstrating the Bank's market leadership and strength as a corporate financial advisor. The Bank acted as Mandated Lead Arranger (MLA) and Coordinating Bank for the Northgate Mall project, arranging a large finance facility for the 370,000 square metre mall complex located north of Doha. The corporate banking team also reinforced the strong relationship with Qatar Petroleum (QP) and its associated companies, including through the provision of financing for two major projects. It served as MLA for a three-bank club deal to finance the US$2 billion Gulf Drilling International project, and also participated in the syndicated financing for QP and ExxonMobil's Barzan Gas project.

During 2011, the Bank continued to support the Qtel Group of companies in a financial advisory role capacity. It provided banking services to Qtel parent company in Qatar as well as to its affiliated international operations. In this role, it extended a bilateral facility for Qtel's Wi-Tribe Bahrain operation and arranged for a new two-bank club facility term loan in September. The Bank also advised and facilitated in the IPO of a Qtel affiliate company, Wataniya Palestine, and provided cash management and treasury support products and services to Qtel affiliates in Kuwait and Tunisia. The Bank also supported further development and diversification of Qatar Foundation and its satellite operations.

In line with Qatar's objective to further develop the country's trading, commercial and industrial sectors, the Bank continued its ongoing support to small and medium enterprises (SME's) in the local market. To maintain its leading market presence, the Bank continued to expand its team of dedicated account officers. The expansion was accompanied by the opening of the third corporate branch, dedicated to serving the growing banking needs of corporate, government and SME customers. The Bank is also gearing up its organisation and resources to support the large and complex financial services requirements related to the FIFA World Cup event that will be held in Qatar in 2022.

The Bank further augmented its support for Qatar's corporate community through sponsorship of major conferences in Doha. These included the GCC Rail Conference in October 2011 and the World Petroleum Conference in December 2011.

Qatar's 'bank of choice' for correspondent banks

The successes of the Financial Institution Division in 2011 mirrored those of its broader corporate banking activities. QNB Group remains the bank of choice for international banks and financial institutions, retaining its leadership role in local and regional markets. The Bank enhanced its capacity to offer a wide range of world-class banking services, to build its relationship with correspondent banks. At the same time, it implemented enhanced processes and a stringent governance model to meet the highest international standards.

Throughout 2011, the Bank kept up its vigilant approach of monitoring and assessing counterparty risks. This dynamic exercise contributed to the solid performance, despite banking sector volatility and market turmoil on the global front.

Retail Banking

The Retail division continued to assert itself on all fronts throughout 2011, dedicating extraordinary efforts to improving customer satisfaction and responding to their needs. It focused on promoting a consistent, positive customer experience that met or exceeded expectations. It did this through expanding and renovating its extensive branch network, the introduction of an array of innovative new products and services and enhanced efficiencies. These activities were complemented by creative promotions and a larger, proactive sales network. This enhanced customer service and attracted new customers, enabling QNB to maintain its competitive edge in the market.

Expanded domestic network

During 2011, three new retail banking branches were opened for a total of 60 branches and service centres. In addition, several older branches were fully renovated to improve functionality, look and feel and customer service. Additionally, the Bank continued to expand and enhance its ATM network to maintain its prominence in key locations and ensure convenience for its expanding clientele. At year-end 2011, the Bank's ATM network totalled 221, the country's largest.

Improved customer service

To improve customer service and to enhance its market positioning, the Bank decided to establish a group-wide Total Quality (TQ) initiative last year. For this objective, a central and dedicated team of TQ experts has been established. After the kick-off of TQ, it was decided to launch a first "wave" of projects in Group Retail. Based on customer input and their requirements, dedicated projects to review the account opening, the personal loan, vehicle loan and credit card issuance process have been initiated. The projects aimed to eliminate current issues and customer non-value adding activities.

In close coordination with Operations and IT, process improvements and a new workflow system in the front office were introduced. Since then, the efficiency within the branches for those processes has been improved by more than 50% on average. Easier application forms, clearer terms and conditions, improved process understanding by all employees, and a standardised process across the branch network were introduced. The constant and weekly monitoring of customer experience and the continuous improvement of those processes will help to further enhance the customer experience.

New services win awards and customer approval

During the year, QNB Group's enhanced suite of e-services improved efficiencies and earned accolades. The Bank's focus on innovative activities, strategic partnerships and capitalising on technology to expand access to its services was well-received. Popular new products included eazymobile, Qatar's first mobile banking application, and eazypay, another market-first, supporting cashless transactions. The launch of eazymobile earned the Bank the Best e-Services Award at the Qitcom Conference organised by the Supreme Council of Information and Communication Technology in May 2011.

2011 also witnessed the launch of new supports for the visually impaired, with the introduction of documentation in Braille (a method that is widely used by blind people to read and write) for account openings, personal and vehicle loans, cards and power of attorney services at five branches in Qatar.

Increased loan sales

Improved delivery standards boosted personal and vehicle loan sales substantially in 2011. This was assisted by attractive promotions and a significant mobile sales force expansion, which included the stationing of sales executives at all major car dealerships. In addition, a dedicated mortgage loan centre was launched to more effectively respond to growing consumer-driven demands for mortgage financing.

The Bank's ability to maintain its leading position at the forefront of Qatar's retail sector in 2011, can also be attributed to its success in significantly reducing the time required to process loan applications and open accounts. This was achieved through enhanced service standards, the enhancement of the sales tracking and incentive management system and the introduction of a new e-form system.

Improved measurement of customer satisfaction

The Retail division has dedicated itself to making customer satisfaction and service excellence a top priority. Its monthly customer satisfaction surveys elicited positive feedback with regard to customer service, staff knowledge, responsiveness and confidentiality. 2011 also witnessed the introduction of satisfaction surveys among Point-of-Sale (POS) merchants and customer response to major retail products and services. Data gathered through these activities is enabling the Bank to further refine its offerings, better target its efforts and strengthen customer loyalty.

Adding value to business transactions

The Bank set a new POS business standard in Qatar in 2011, with the introduction of the Dynamic Currency Conversion (DCC). This has enabled merchants to offer international customers the option of paying their bills either in Qatari Riyals or their home currency. The Bank also pioneered the introduction of Electronic Cash Register in 2011, a system designed to significantly enhance transaction processing efficiencies. Extending eazypay and other innnovative business-to-business facilities to merchants, also drove growth significantly in this segment.

QNB First leads the affluent retail segment

While enhancing QNB First's value proposition for affluent customers as a separate business line within Retail, efforts were undertaken to further strengthen its market positioning and presence in 2011. The move enabled the Bank to focus intently on the needs of this important segment and elevate its service standards to meet their unique demands. So far, there are four dedicated QNB First branches serviced by carefully trained and highly experienced teams who understand and appreciate the exclusive needs of this customer segment.

The new approach ensures every customer is assigned a dedicated Customer Relationship Executive and receives a QNB First credit card, which in addition to its prestige and inclusive lifestyle benefits, awards the highest proportion of Qmiles on spend. QNB First's Member Care Centre also offers customers a dedicated 24/7 call line. Looking ahead, QNB First will offer customers access to wealth management services, and these will be expanded in response to growing demands for advice on investments.

International Banking

In 2011, QNB Group began diligently laying the foundation for its expansion into new markets. In Oman, this focus resulted in the addition of new branches. In Lebanon, the approach was manifested in the inauguration of a branch in Beirut. Furthermore, the representative office in Libya was reopened. Meanwhile, an ambitious 5-year strategy was developed for PT Bank Kesawan that will place it amongst the leading banks in Indonesia with a significant rebranding initiative that will culminate in the launch of QNB-Kesawan in 2012.

2011 also marked the Group's debut in South Sudan, the world's newest country, with QNB Group being the first foreign bank to establish a presence in Juba, following the country's declaration of independence. Meanwhile, the network in Sudan was expanded during the year to five branches, and a new landmark head office is under development to support future growth and expansion plans.

QNB Group is aiming to offer a broad universal banking environment encompassing the entire spectrum of corporate and retail customer products and services throughout the international network. To achieve this goal, it exerted significant energy and resources in 2011 on developing and rolling-out integrated core banking systems throughout its expanding network. Its focus on offering world-class service standards and an array of innovative financial products solutions for corporate and retail segments will secure its growth trajectory abroad.

A new fully automated cash management system was introduced throughout the Group in 2011, enabling customers in Qatar to conduct banking activities in any of QNB Group's international branches. Meanwhile, the introduction of new middleware in the second quarter enabled the integration of multiple core banking systems within a single channel. Initially, the enhancement targeted corporate clients, facilitating cross-boundary online banking using one system, and in the third quarter, the retail segment was brought into the fold. In 2012, this will be complemented by a sophisticated Customer Relationship Management (CRM) system to facilitate effective targeting of products and services that were introduced in domestic corporate and retail markets in 2011.

Trade innovation continues to be a key factor in the Bank's success outside Qatar. QNB Group is well-positioned to continue going forward on the international front, with the support of a new corporate unit committed to streamlining operations and improving efficiencies. In fact, the level of transactional banking growth witnessed in its international operations in 2011 confirms that the Group is on the right track to replicate its success in Qatar across the expanding global network of markets in which it operates.

Looking ahead, QNB Group will complement its expanding presence in the MENA region with enlarged operations in Asia. It will target a number of countries to complement its existing presence in Singapore and Indonesia, taking advantage of the rising trade and investment flows between Qatar and the region and Asia's favorable growth prospects.

Treasury

During 2011, Group Treasury continued to enhance its capabilities and role, enabling the Bank to continue to diversify funding operations and effectively manage risks amidst continued global market volatility. This included a focus on expanding its array of funding and liquidity tools, including short-term money market instruments promoting low-risk, measured growth opportunities.

Increased client coverage

Group Treasury successfully diversified its client base during the year, both domestically and internationally. This, coupled with a conscious decision to prudently manage funding and liability through consolidation and diversification of its funding sources, enabled QNB to maintain a healthy balance sheet in spite of global turbulence.

Group International Treasury Desk expanded

The expansion of Group Treasury International Desk, with a doubling in the number of highly experienced senior professionals, supported enhanced coverage and communication between Head Office and QNB Group's growing network of branches, subsidiaries and associates. The move also boosted synergies throughout the Group, enabling it to continue to maximise investment opportunities in various markets, in a timely manner, and move to a more proactive Asset Liability Management model.

Enhanced origination capacity

Working closely with QNB Capital, the Bank continued to broaden its advisory role in local markets by enhancing its origination capacity. This was clearly evident in the strong support provided for the State of Qatar's sovereign bond issue that was concluded in late 2011.

At the same time, the finalisation of a US$7.5 billion Euro Medium Term Note (EMTN) programme in the last quarter of 2011 further enhanced the Bank's profile among global investors. This will enable it to continue to broaden its investor base through the facilitation of bond issuances in global markets. The EMTN programme is one of several new tools QNB is developing to support diversification of its funding base.

Treasury orientation programme generating positive results

The Treasury orientation programme, initiated in 2010, continued to yield positive results for numerous local blue-chip companies. The programme is designed to provide Qatari financial officers working in Qatar companies with a sound understanding of asset and liability management. It offers participants a comprehensive introduction to treasury functions in timeframes varying from three to six weeks. The programme enables participants to gain insight into foreign exchange, derivatives and fixed income, as well as the Bank's sales and distribution capabilities. Through the programme, the Bank is solidifying its client relationships while helping to develop an informed and knowledgeable client-base that is fully equipped to manage their organisations' financing needs.

A new middle-office policy is being implemented

The adoption of a new middle-office policy enabled the Bank to more effectively manage risk. The new policy calls for the production of enhanced daily reports, measuring foreign exchange and interest rate exposure, and a series of processes designed to routinely monitor compliance and conformity to established limits and profit/loss margins. This complements the Bank's enhanced fixed income policy and procedures governing capital market investments.

Additionally, Phase I of an enterprise wide risk management system that will focus on enhancing the management of market related risks is expected to be fully operational in 2012.

Asset and Wealth Management

The Asset and Wealth Management division continued to maintain its leading position in Qatar. Despite a challenging financial market environment. In 2011, overall assets under management continued to grow and allowed the Bank to maintain the largest market share amongst asset managers in Qatar.

The Bank was once again recognised as Qatar's Best Asset Manager at the 3rd annual EMEA Finance Middle East Banking Achievement Awards held in March 2011.

Asset and Wealth Management has enlarged its team of specialists, allowing it to expand its investment product and services suite. The geographic coverage of the suite of funds was further enhanced with the introduction of the BRICQ Fund (Fund investing in Brazil, Russia, India, China and Qatar). The fund has been registered with the regulators and its launch is planned in early 2012. Furthermore, Fixed Income and Commodities propositions have been established in order to provide investors with a range of different asset classes and solutions in the coming years.

QNB Financial Services

In line with the Bank's strategy of delivering innovative and value-added products and services, QNB Group launched its wholly-owned brokerage subsidiary, QNB Financial Services (QNB FS), in May 2011. The firm 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. 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 QE.

The debut of the new brokerage service required a comprehensive information technology network linked to existing QNB systems. This complex and comprehensive need was implemented within a five month timeframe.

Despite its recent inception, QNB FS quickly delivered on its goal of providing best-in-class agency brokerage and independent insightful research and advisory services. An in-house research team of financial analysts provides top-tier fundamental research and analysis, sector reviews and daily commentary on QE-listed equities. Additionally, clients have access to specialist advisory services to help manage risk effectively while making investment decisions.

QNB FS is ideally positioned to provide sound advice on local, regional and international stock markets. Investor response to the new model has been strong, and within six months QNB FS had several large institutions on board, including some of the largest international and regional asset management firms, enabling it to rapidly move up its ranking among the country's leading brokerage firms.

With a superior online platform that provides access to regional and global markets, QNB FS is well-positioned to become Qatar's leading brokerage firm in the near future. Looking ahead, QNB FS aims to get other regional markets on its platform, targeting Saudi Arabia, the region's largest market. Equipped with the technology to provide fast, efficient services in multi-market currencies, QNB FS is poised to offer services throughout its international network.

QNB Capital

In March 2011 QNB Capital was declared the Best Local Investment Bank during the EMEA Finance Middle East Banking Achievement Awards. It also claimed The Banker's 'Deal of Year Award' in 2011 for its debut bond issue in 2010, which was the largest Reg S bond issued by a MENA bank that year.

During 2011, QNB Capital continued to be a dominant market force. It coordinated QNB Group's rights issue in April 2011. This was fully subscribed at QR12.7 billion and increased the Bank's share capital by 25 per cent. QNB Capital also served as financial advisor on Gulf International Services' acquisition of the Amwaj Catering Co., and has provided rating advice to Qatar International Islamic Bank.

QNB Capital was also instrumental in facilitating the establishment of QNB Group's US$7.5 billion EMTN programme that was completed towards the end of 2011. It served as the project's Joint Lead Manager (JLM), alongside a select group of leading international financial institutions. It also won several corporate advisory mandates and undertook numerous asset management and advisory roles both within Qatar and abroad. This included being mandated as a JLM for the State of Qatar's US$5 billion international bond offering that was completed in November 2011. It also acted as a Joint Global Coordinator for the RM710 million Pavilion Real Estate Investment Trust (REIT) that closed in December 2011.

In addition, it continued to augment its market presence with the launch of a series of new "Economic Insight" reports, which provide detailed macroeconomic analysis and forecasts. In addition to the Economic Insight report for Qatar, reports on Oman, Kuwait and Saudi Arabia were published. Additional coverage for further GCC and selected MENA countries is planned in 2012.

The reports were developed in cooperation with the Economics team in Group Strategy and published under the name of QNB Capital. The reports helped QNB Capital to position itself as a leading institution in the GCC/MENA region for thought leadership and intellectual capital.

Strategy

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

Group Strategy expanded during 2011 and used its new resources to ensure the delivery of strategic mandates, as directed by executive management. 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. Key activities this year were to develop a long-term vision for the bank which was the basis for amending and developing QNB Group's five-year strategy.

The CPI 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 approach with measurable key performance indicators (KPIs). The annual business plans are monitored, reviewed and updated on a quarterly basis and submitted to the BOD.

All projects from the annual business plans are undertaken within divisions supported by the group-wide Project Management Office (PMO). The CPI team ensures that activities across QNB Group are properly aligned to create effective synergies across its network of operations, complementing the Bank's ongoing expansion efforts.

As banking products are becoming more alike, the increasing level of standardisation prevents the product itself from being a sufficient source of differentiation. Consequently, other attributes such as customer service and service quality are becoming increasingly important to convince customers of availing their banking needs with a specific service provider. To improve customer service and to enhance its market positioning, a TQ initiative was launched.

The governance, operating model and team recruitment for TQ kicked off in 2010 year, and the first "waves" of projects were launched in 2011. A set of core processes were selected to serve as the TQ pilot, on the basis of measurable process performance and analysis. The TQ initiative aims to support innovation and change management in these processes.

The Quality Council, as a new governance body, has been established where senior management discuss the progress and challenges of QNB Group's TQ initiative on a monthly basis.

The Economics team updates executive management, the Group and its respective divisions on key macro-economic trends and developments. The team launched a series of "Economic Insight" reports on selected GCC countries. As mentioned before, those reports were published under the name of QNB Capital.

Going forward, the economics team will continue to publish such reports on a regular basis and expand its geographic coverage across the GCC/MENA region. The team continues to produce macro-economic publications on Qatar, including Qatar Economic Insight, Doing Business in Qatar, The Qatar Banking Sector Review, Qatar Facts and Figures and The QNB Investor.

Furthermore, the Economics team covers the Investor Relations function in cooperation with Financial Control. Its main activities are to ensure proper communication of QNB Group's activities and performance to outside analysts and institutions.

Overall, the communication platform for Group Strategy is the GSC. The GSC meets on a quarterly basis to provide executive management with regular updates on bank-wide initiatives, the macro-economic and banking sector environment and business intelligence.

Human Capital

Effectively managing QNB Group's human capital requirment remained a top priority in 2011, in line with the Bank's expansion strategy. During the year, the Bank successfully attracted and retained high performing employees while supporting a well-defined Qatarisation agenda. At the end of 2011, the Bank's Qatarisation ratio continued to be one of the highest in Qatar's private sector in general, and for the financial sector specifically.

During 2011, the Bank also successfully addressed the challenge of recruiting talent to support continued global expansion in diverse geographic locations and cultures. In line with QNB Group's international business expansion plan, overseas staff headcount increased substantially in 2011, up by almost a quarter during the year.

The Bank remains wholly committed to Qatarisation on the home front. Providing unique growth opportunities for Qatari nationals and ensuring a place for them in succession planning is a key commitment of the Group as it nurtures confidence and professionalism to shape future leaders. In 2011, its recruitment efforts included the hiring of more than 250 Qataris. The Bank's expansive talent management programme is determined to support their career growth and development.

Talent Management and Leadership Development

During 2011, Human Capital expanded and consolidated its Talent Management (TM) Programme across the Group and invested considerable resources and efforts to embed TM into the Bank's Human Capital Development Strategy. QNB's TM programme supports employee career development and retention while providing the Bank with a continuous pipeline to leadership candidates. It supports the continuous assessment, development and retention of talented employees through the deployment of best international practices, TM methodologies and tools.

QNB Group continued to offer employees long-term training and education opportunities that link to well-defined career paths. During 2011, two customised and innovative leadership programmes were designed and delivered across the Group, in partnership with international business schools and training institutions. Towards this aim, 33 branch managers completed an intensive one-year Branch Management Development Programme. The programme effectively enables talented retail employees to learn how to manage all aspects of branch operations and pursue a leadership career in Branch Management. Additionally, 39 senior managers completed a six-month Leadership Development Programme, developing leadership competencies aligned with international best practices. Plans are in place to deliver Leadership and Management Development Programmes across the Bank during 2012 and beyond.

Expanded Scholarship and Summer Placement Programmes

The Bank's enhanced scholarship programme gained momentum during 2011, expanding to include Qatar University and the Qatar campuses of four major foreign educational institutions: College of the North Atlantic, Texas A&M, Carnegie Mellon, and Georgetown. In addition, the scholarship award programme was nearly doubled in 2011, enabling it to accommodate up to 50 sponsored participants annually. The Bank also continued to support its two-month Summer Placement Programme, offering training placements to 57 participants from various high schools and universities during the year.

Ambassador Programme launched

In 2011, QNB Group launched an Ambassador Programme within the framework of its TM and Qatar Leadership Development agenda. The programme exposes high potential Qatari employees to the international banking environment, supporting the development of international best practice leadership competencies and skills. Programme participants are then seconded to overseas branches for a period ranging from one to two years. Following successful completion of the programme, participants return to Qatar to assume leadership roles.

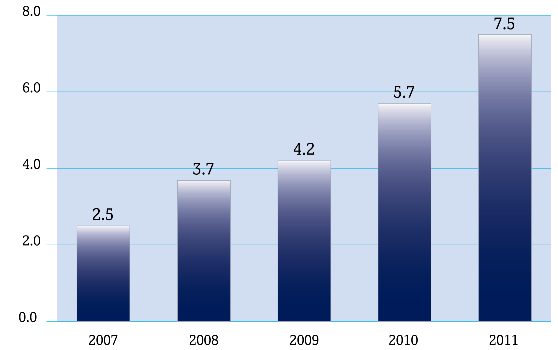
This programme, along with related initiatives undertaken by the Bank, is in line with the overall objectives of Qatar 2030 Vision of building knowledge and skills through world-class training programmes. Coupled with other initiatives to foster a capable and motivated workforce, the Bank is well equipped to meet its ambitious strategic objectives of being one of the leading financial institutions in the Middle East and Africa.

Financials

QNB Group Financial Highlights

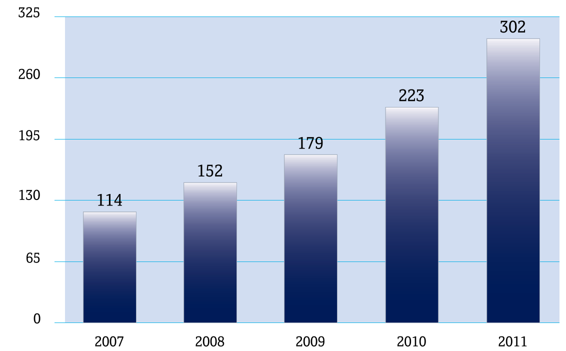
- Net Profit QR7.5 billion increased by 32% on last year
- Total Assets QR302 billion increased by 35% since December 2010
- Total Loans and Advances QR194 billion increased by 47% since December 2010
- Total Customer Deposits QR200 billion increased by 21% since December 2010
- Earnings per share QR12.5 compared to QR10.6 last year
- Total Equity QR43 billion increased by 72% since December 2010

Net Profit (QR billion)



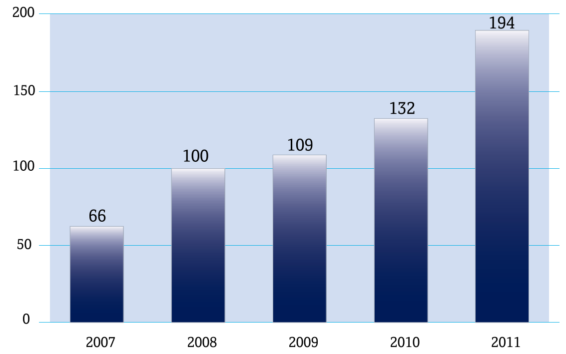
Net profit increased to QR7.5 billion up by 32% from last year

Total Assets (QR billion)



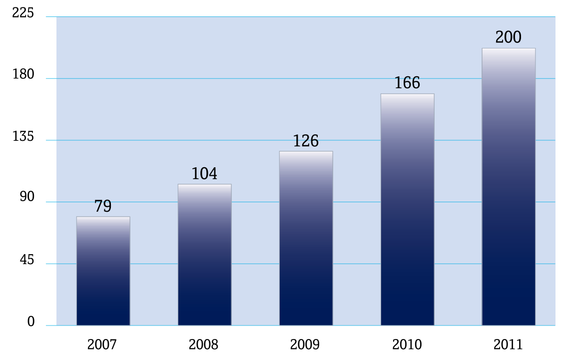
Total Assets increased by 35% to QR302 billion

Loans and Advances (QR billion)



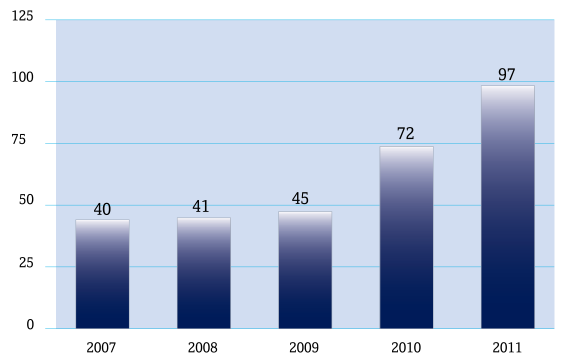
Loans & Advances increased by 47% to QR194 billion

Customer Deposits (QR billion)

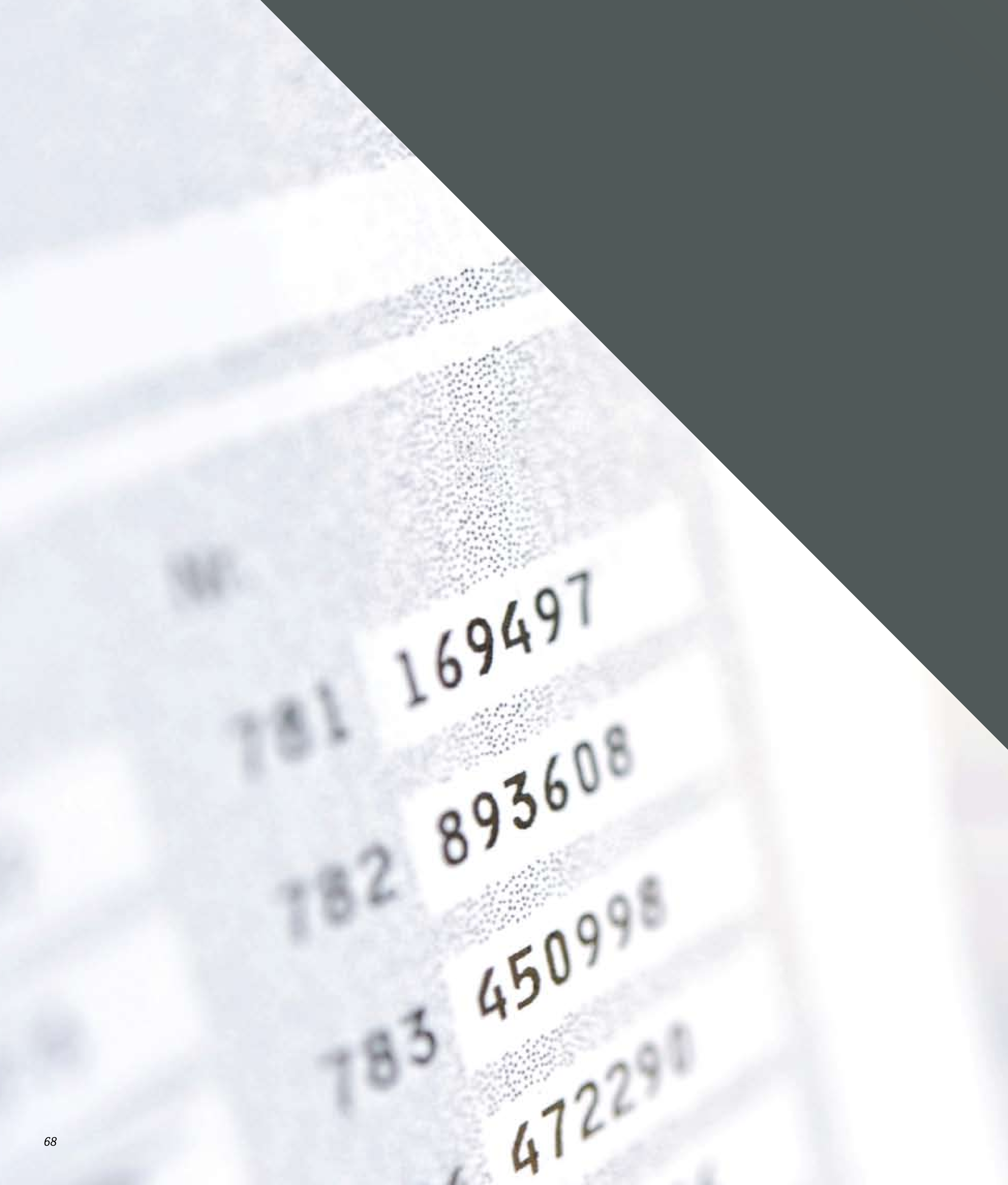


Customer deposits increased by 21% to QR200 billion

Market Capitalisation (QR billion)



Market capitalisation increased by 34% to QR97 billion



Financial Review and Credit Ratings

Financial Performance

QNB Group continued to record robust growth in profitability, with Net Profit for 2011 exceeding QR7.5 billion, up by 32% compared with 2010. These results, the highest ever achieved by the Group, demonstrating the Group's ability to achieve strong growth in profitability for the benefit of shareholders, as well as outstanding success across the range of activities.

Total operating income increased to QR10.2 billion, up by 34% compared to 2010, as QNB Group succeeded in achieving strong growth across the range of revenue sources. Net interest income and income from Islamic financing activities increased substantially by 37% to reach QR7.8 billion.

QNB Group continued to diversify its income sources, with net fee and commission income increasing by 16% to QR1.3 billion, while net gain from foreign exchange increased by 44% to QR515 million.

The efficiency ratio (cost to income ratio) improved to 15.7%, compared with 17.0% in 2010, one of the best ratios among financial institutions in the Middle East and North Africa.

Financial Position

Total assets increased by 35% to reach QR302 billion, the highest ever achieved by the Group. This was the result of a strong growth rate of 47% in loans and advances to reach QR194 billion. Meanwhile, customer deposits recorded solid growth of 21% to QR200 billion.

The Bank was able to maintain the ratio of non-performing loans to total loans at 1.1%, a level considered to be the lowest amongst banks in the Middle East and North Africa. Provisions were conservatively managed, as the coverage ratio reached 119%.

Capital Strength

As a result of the strong growth in shareholders' equity, QNB Group's capital adequacy ratio increased to 22.0% in 2011, far higher than the regulatory requirements of Qatar Central Bank and Basel Committee. The Group 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, with Standard & Poor's, Fitch and Moody's affirming the Bank's ratings during 2011, which are among the highest in the region. Also, Capital Intelligence upgraded the Bank's Financial Strength Rating from A+ to AA- and affirmed all other ratings in recognition of QNB's sound financial position, high asset quality and leading role in the banking sector.

	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 2011 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 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 Group'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 Group'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 Group as at 31 December 2011, 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 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 Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained therein is in agreement with the books and records of the Group. We are not aware of any violations of the applicable provisions of Qatar Central Bank Law No. 33 of 2006, Qatar Commercial Law No. 5 of 2002 and the terms of Articles of Association and the amendments thereto having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as at 31 December 2011.

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

9 January 2012
Doha
State of Qatar

Statement of the Sharia Control Board

Praise be to Allah and peace be upon his prophet. Subject to the Articles of Association of QNB Al Islami, a branch of Qatar National Bank S.A.Q. (the "Branch"), the Fatwa and Sharia Control Board has issued Fatwas (Sharia opinions) on the matters presented to it, provided Sharia solutions for the difficulties encountered during implementation and oversaw compliance with the Sharia principles and rules set by it for the Branch.

As well, through its Executive Committee and Internal Sharia Control, the Board continuously carried out its duties, reviewed the contracts and forms, oversaw the correctness of implementation of its decisions, ensured the soundness of execution of banking operations and reviewed the consolidated statement of financial position, consolidated income statement and the method of calculation adopted for the distribution of profits between the depositors and shareholders for the financial year ended 31 December 2011. The Fatwa and Sharia Control Board confirms that the application of Sharia rules and controls is the management responsibility, and its role is limited to issuing Fatwa and overseeing transactions through the Internal Sharia Control within the limits of resources available to it.

In the opinion of the Sharia Board:

- The Branch has complied with the Sharia principles and rules set for Islamic branches.

- The matters presented to it, including contracts and forms, and the transactions reviewed by the Sharia Control were in compliance with the Sharia rules and controls. In addition, the discrepancies discovered were either corrected, revised or the appropriate decisions were taken in their respect.

- The distribution of profit was carried out in compliance with the guidance established by the Board inaccordance with the principles of Islamic Sharia.

Finally, we thank, and pray to Allah to bless, the dedicated efforts which contributed to the initiation and success of this business. In particular, our thanks are due to the Board and senior management of QNB and the staff of QNB Al Islami for their sincere cooperation with the Sharia Control Board. May Allah Al Mighty guide all to the prosperity of this country, and praise be to Allah.

His Eminence, Dr. Walid Bin Hadi
S.C.B. Chairman

Dr. Sultan Al Hashemi
S.C.B. Member

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Position
As at 31 December 2011

(All amounts are shown in the thousands of Qatari Riyals)

	Note	2011	2010
ASSETS			
Cash and Balances with Central Banks	4	10,279,130	33,912,459
Due from Banks and Other Financial Institutions	5	38,565,554	24,686,826
Loans and Advances and Financing Activities to Customers	6	193,943,227	131,696,000
Investment Securities	7	50,382,609	24,047,736
Investments in Associates	8	4,703,260	4,648,318
Property and Equipment	9	979,059	914,931
Intangible Assets	10	141,955	-
Other Assets	11	2,960,537	3,476,177
Total Assets		301,955,331	223,382,447
LIABILITIES			
Due to Banks and Other Financial Institutions	12	37,662,162	12,160,273
Repurchase Agreements		1,820,273	2,184,300
Customer Deposits and Unrestricted Investment Accounts	13	200,122,837	165,470,433
Other Borrowings	14	12,151,643	12,136,410
Other Liabilities	15	7,563,112	6,638,343
Total Liabilities		259,320,027	198,589,759
EQUITY			
Issued Capital	17	6,361,177	3,914,570
Statutory Reserve	17	21,178,549	8,554,060
Other Reserves	17	1,597,352	1,732,643
Risk Reserve	17	1,600,000	1,500,000
Fair Value Reserve	17	496,958	700,404
Proposed Dividend	17	2,544,471	1,957,285
Proposed Bonus Shares	17	636,118	1,174,371
Proposed Transfer to Statutory Reserve	17	636,118	1,174,371
Retained Earnings	17	6,970,007	3,529,760
Total Equity Attributable to Equity Holders of the Bank		42,020,750	24,237,464
Non-Controlling Interest	18	614,554	555,224
Total Equity		42,635,304	24,792,688
Total Liabilities and Equity		301,955,331	223,382,447

These financial statements were approved by the Board of Directors on 9 January 2012 and were signed on its behalf by:

Yousef Hussain Kamal
Chairman

Ali Shareef Al-Emadi
Group Chief Executive Officer

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Income Statement
For the Year Ended 31 December 2011

(All amounts are shown in the thousands of Qatari Riyals)

	Note	2011	2010
Interest Income and Profit from Islamic Operations	19	10,694,573	9,931,771
Interest Expense and Share of Profit on Islamic Operations	20	(2,895,745)	(4,256,765)
Net Interest Income and Income from Financing and Investing Activities		7,798,828	5,675,006
Fee and Commission Income	21	1,393,044	1,199,660
Fee and Commission Expense		(96,042)	(78,713)
Net Fee and Commission Income		1,297,002	1,120,947
Dividend Income	22	59,289	41,068
Net Gains from Foreign Currency Transactions	23	515,104	358,691
Net Gains from Investment Securities	24	311,646	175,172
Share in Profit of Associates	8	166,157	216,306
Other Operating Income		36,066	22,198
Operating Income		10,184,092	7,609,388
General and Administrative Expenses	25	(1,409,442)	(1,145,461)
Depreciation	9	(189,972)	(146,596)
Net Impairment Losses on Loans and Advances	6	(1,034,767)	(537,664)
Net Impairment Gains / (Losses) on Investment Securities		32,344	(62,706)
Amortisation of Intangible Assets	10	(3,455)	-
Other (Provisions) / Recoveries	16	(1,197)	615
Recovery of Provision for Properties Acquired against Settlement of Debts		-	112
Profit Before Income Tax		7,577,603	5,717,688
Income Tax Expense		(23,606)	(15,520)
Profit for the Year		7,553,997	5,702,168
Attributable to:			
Equity Holders of the Bank		7,508,970	5,704,299
Non-Controlling Interest		45,027	(2,131)
Profit for the Year		7,553,997	5,702,168
Basic and Diluted Earnings Per Share (QR)	26	12.5	10.6

The attached notes 1 to 36 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 2011

(All amounts are shown in the thousands of Qatari Riyals)

	Note	2011	2010
Profit for the Year		7,553,997	5,702,168
Other Comprehensive Income, net of Income Tax			
Foreign Currency Translation Differences for Foreign Operations		(124,370)	(51,025)
Share of Other Comprehensive Income of Associates		(10,921)	14,282
Effective Portion of Changes in Fair Value of Cash Flow Hedges	17	(1,965)	(51,825)
Net Gain on Revaluation of Available-for-Sale Investment Securities	17	(201,481)	263,082
Total Other Comprehensive Income for the Year, net of Income Tax		(338,737)	174,514
Total Comprehensive Income for the Year		7,215,260	5,876,682
Attributable to:			
Equity Holders of the Bank		7,170,233	5,878,813
Non-Controlling Interest		45,027	(2,131)
Total Comprehensive Income for the Year		7,215,260	5,876,682

The attached notes 1 to 36 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 2011

(All amounts are shown in the thousands of Qatari Riyals)

	Issued Capital	Statutory Reserve	Other Reserves	Risk Reserve	Fair Value Reserve	Proposed Dividend	Proposed Bonus Shares	Proposed Transfer to Statutory Reserve	Retained Earnings	Equity Attributable to Equity Holders of the Bank	Non-Controlling Interest	Total
Balance as 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
Total Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	-	7,508,970	7,508,970	45,027	7,553,997
Other Comprehensive Income, net of Income Tax												
Net Movement in Currency Translation Differences	-	-	(124,370)	-	-	-	-	-	-	(124,370)	-	(124,370)
Share of Other Comprehensive Income of Associates	-	-	(10,921)	-	-	-	-	-	-	(10,921)	-	(10,921)
Net Movement in Fair Value Reserve	-	-	-	-	(203,446)	-	-	-	-	(203,446)	-	(203,446)
Total Other Comprehensive Income	-	-	(135,291)	-	(203,446)	-	-	-	-	(338,737)	-	(338,737)
Total Comprehensive Income for the Year	-	-	(135,291)	-	(203,446)	-	-	-	7,508,970	7,170,233	45,027	7,215,260
Dividend Declared 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)	-	-	-	-	-
Transfer to Statutory Reserve for the Year 2010	-	1,174,371	-	-	-	-	-	(1,174,371)	-	-	-	-
Net Movement in Risk Reserve	-	-	-	100,000	-	-	-	-	(100,000)	-	-	-
Proposed Dividend	-	-	-	-	-	2,544,471	-	-	(2,544,471)	-	-	-
Proposed Bonus Shares	-	-	-	-	-	-	636,118	-	(636,118)	-	-	-
Proposed Transfer to Statutory Reserve	-	-	-	-	-	-	-	636,118	(636,118)	-	-	-
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 Social and Sports Fund	-	-	-	-	-	-	-	-	(152,016)	(152,016)	-	(152,016)
Net Movement in Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	14,303	14,303
Balance as at 31 December 2011	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
Balance as at 1 January 2010	3,011,208	7,650,698	1,769,386	1,410,000	489,147	1,204,483	903,362	903,362	2,343,671	19,685,317	190,692	19,876,009
Total Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	-	5,704,299	5,704,299	(2,131)	5,702,168
Other Comprehensive Income, net of Income Tax												
Net Movement in Currency Translation Differences	-	-	(51,025)	-	-	-	-	-	-	(51,025)	-	(51,025)
Share of Other Comprehensive Income of Associates	-	-	14,282	-	-	-	-	-	-	14,282	-	14,282
Net Movement in Fair Value Reserve	-	-	-	-	211,257	-	-	-	-	211,257	-	211,257
Total Other Comprehensive Income	-	-	(36,743)	-	211,257	-	-	-	-	174,514	-	174,514
Total Comprehensive Income for the Year	-	-	(36,743)	-	211,257	-	-	-	5,704,299	5,878,813	(2,131)	5,876,682
Dividend Declared for the Year 2009	-	-	-	-	-	(1,204,483)	-	-	-	(1,204,483)	-	(1,204,483)
Bonus Shares for the Year 2009	903,362	-	-	-	-	-	(903,362)	-	-	-	-	-
Transfer to Statutory Reserve for the Year 2009	-	903,362	-	-	-	-	-	(903,362)	-	-	-	-
Net Movement in Risk Reserve	-	-	-	90,000	-	-	-	-	(90,000)	-	-	-
Proposed Dividend	-	-	-	-	-	1,957,285	-	-	(1,957,285)	-	-	-
Proposed Bonus Shares	-	-	-	-	-	-	1,174,371	-	(1,174,371)	-	-	-
Proposed Transfer to Statutory Reserve	-	-	-	-	-	-	-	1,174,371	(1,174,371)	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	-	-	(118,027)	(118,027)	-	(118,027)
Transactions Costs and Other Adjustments	-	-	-	-	-	-	-	-	(4,156)	(4,156)	(3,100)	(7,256)
Net Movement in Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	369,763	369,763
Balance as at 31 December 2010	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

The attached notes 1 to 36 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 2011

(All amounts are shown in the thousands of Qatari Riyals)

	Note	2011	2010
Cash Flows from Operating Activities			
Profit for the Year Before Income Tax		7,577,603	5,717,688
Adjustments for:			
Depreciation	9	189,972	146,596
Net Impairment Losses on Loans and Advances	6	1,034,767	537,664
Net Impairment (Gains) / Losses on Investment Securities		(32,344)	62,706
Other Provisions		9,730	5,714
Net Gain on Sale of Property and Equipment		-	(8,869)
Net Gain on Sale of Investment Securities	24	(311,646)	(175,172)
Amortisation of Intangible Assets	10	3,455	-
Net Amortisation of Premium or Discount on Investment Securities		(27,717)	3,431
Share in Profit of Associates, net of Dividends Received	8	(55,623)	(117,343)
Provision for Property Acquired Against Settlement of Debts		-	(112)
		8,388,197	6,172,303
Changes in:			
Due from Banks and Other Financial Institutions		(1,014,137)	(1,463,552)
Loans and Advances and Financing Activities to Customers		(62,493,304)	(23,450,403)
Other Assets		544,208	(1,470,739)
Due to Banks and Other Financial Institutions		25,495,877	(8,633,770)
Repurchase Agreements		(364,027)	98,448
Customer Deposits and Unrestricted Investment Accounts		33,597,428	39,598,218
Other Liabilities		518,536	2,802,702
Cash Generated from Operations		4,672,778	13,653,207
Income Tax Paid		(14,706)	(22,265)
Staff Indemnity Paid	16	(3,379)	(1,890)
Net Cash from Operating Activities		4,654,693	13,629,052
Cash Flows from Investing Activities			
Acquisition of Investment Securities		(32,683,315)	(3,576,449)
Proceeds from Sale / Redemption of Investment Securities		6,560,487	3,218,229
Investments in Associates	8	(17,873)	(71,882)
Acquisition of Subsidiary, net of Cash Acquired		140,195	-
Acquisition of Property and Equipment	9	(261,844)	(358,846)
Proceeds from Sale of Property and Equipment		1,385	10,179
Net Cash used in Investing Activities		(26,260,965)	(778,769)
Cash Flows from Financing Activities			
Dividend Paid		(1,955,014)	(1,208,629)
Proceeds from Rights Issue		12,722,354	-
Proceeds from Eurobond Issue		-	5,408,424
Net Cash from Financing Activities		10,767,340	4,199,795
Net (Decrease) / Increase in Cash and Cash Equivalents		(10,838,932)	17,050,078
Effect of Exchange Rate Fluctuations on Cash Held		70,194	24,458
Cash and Cash Equivalents as at 1 January		52,172,432	35,097,896
Cash and Cash Equivalents as at 31 December	34	41,403,694	52,172,432

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Statements
For the Year Ended 31 December 2011

(All amounts are shown in the thousands of Qatari Riyals)

1. Corporate information

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.

2. Significant accounting policies

a) New Standards, Amendments and Interpretations

New Standards, Amendments and Interpretations Effective from 1 January 2011

- *IAS 24, Related Party Disclosures (revised)*, the revised standard clarifies and simplifies the definition of a related party and reduces the requirement for government related entities to disclose details of all transactions with the government and other government-related entities.

- *IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*, the interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

- Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. Improvements to IFRS comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2011 with earlier adoption permitted. No changes to accounting policies are made as a result of these amendments.

New Standards, Amendments and Interpretations that are not yet Effective for the Year Ended 31 December 2011 and not yet Adopted

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements:

- *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 Consolidated Financial Statements
For the Year Ended 31 December 2011

(All amounts are shown in the thousands of Qatari Riyals)

2. Significant accounting policies *(continued)*

b) Basis of Measurement, Presentation and Consolidation

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of derivatives and available-for-sale investment securities. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable Qatar Central Bank regulations.

The consolidated financial statements are presented in Qatari Riyals (QR), and all values are rounded to the nearest QR thousand except when otherwise indicated.

The consolidated financial statements comprise the financial statements of Qatar National Bank S.A.Q. and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as Qatar National Bank S.A.Q. using consistent accounting policies.

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.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The details of the subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Share Capital	Year of Incorporation	Ownership %
QNB International Holdings Limited	Luxembourg	392,341	2004	100%
QNB Property	France	23,446	2008	100%
QNB Capital	Qatar	54,608	2008	100%
QNB Switzerland	Switzerland	197,924	2009	100%
QNB Syria	Syria	979,752	2009	50.8%
QNB Finance Limited	Cayman Islands	0.40	2010	100%
QNB Financial Services	Qatar	50,000	2011	100%
PT Bank Kesawan	Indonesia	357,643	2011	69.6%

Non-Controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the Parent shareholders' equity.

Accounting for business combinations only applies if it is considered that a business has been acquired. 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; less
- The net recognised amount (generally fair value) of the net identifiable assets acquired.

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the execution of a specific borrowing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPEs risks and rewards, the Group concludes that it controls the SPE.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2011

(All amounts are shown in the thousands of Qatari Riyals)

2. Significant accounting policies (continued)

c) Islamic Banking

The Group carries out Islamic banking services through various Islamic modes of financing. The activities of the Islamic operations are conducted in accordance with the Islamic Sharia, as determined by the Sharia Control Board.

d) Foreign Currencies

The consolidated financial statements are denominated in Qatari Riyals (functional currency of the Parent). Transactions in foreign currencies are translated into Qatari Riyals at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates prevailing at the consolidated statement of financial position date. Exchange gains and losses resulting therein appear in the income statement under net gains from dealing in foreign currencies. Assets and liabilities of subsidiaries and overseas branches are translated into Qatari Riyals (presentation currency) at the rates prevailing at the consolidated statement of financial position date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to other reserves within shareholders' equity.

e) Derivatives

After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, derivatives are subsequently measured at fair value. Fair value represents quoted market prices or internal pricing models as appropriate. Derivatives with positive fair value are included in other assets and derivatives with negative fair value are included in other liabilities. The resultant gains and losses from derivatives held for trading purposes are included in the consolidated income statement.

For the purpose of hedge accounting, hedges are classified as either fair value, or cash flow hedges. Fair value hedges hedge the exposure to changes in the fair value of a recognised asset or liability. Cash flow hedges hedge the exposure to the variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in the consolidated income statement. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement.

In relation to cash flow hedges, which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other comprehensive income. Gains or losses on cash flow hedges initially recognised in other comprehensive income are transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognised in other comprehensive income are included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires, is terminated or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is held therein until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated income statement.

Qatar National Bank S.A.Q.
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2011

(All amounts are shown in the thousands of Qatari Riyals)

2. Significant accounting policies *(continued)*

f) Revenue Recognition

Revenues are recognised on an accrual basis. Interest income and expense are recognised in the consolidated income statement using the effective interest rate method.

Revenues on Islamic financing transactions are recognised on an accrual basis using the effective profit method.

Loan management fees and commission income are amortised over the period of the transaction using the effective interest method, if applicable. Fee and commission income on other services are recognised as the related services are performed.

Dividend income is recognised when the right to receive a dividend is established.

Brokerage and commission income is recognised when a sale or purchase transaction is completed and when the Group's right to receive the income has been established.

g) Investment Securities

Available-for-Sale Financial Assets

After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, available-for-sale investments are subsequently measured at fair value. Unrealised gains or losses arising from a change in the fair value are recognised directly in the fair value reserve under other comprehensive income until the investment is sold, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the consolidated income statement.

Held to Maturity Financial Assets

After initial measurement at fair value, held to maturity investments are measured at amortised cost using the effective interest method, less any provision for impairment. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

h) Investment in Associates

An associate is an entity over which the Group exerts significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 percent of the voting power of the associate. Such investments are accounted for under the equity method of accounting.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's profit or loss. Goodwill relating to an investee is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated income statement its share of the total recognised consolidated income statement of the investee from the date that significant influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the investee's equity. The Group's share of those changes are recognised directly in the other comprehensive income. Unrealised gain on transactions with investees are eliminated to the extent of the Group's share in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

i) Fair Value

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 fair value of financial assets traded in organised financial markets is determined by reference to quoted market bid prices

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2. Significant accounting policies (continued)

on a regulated exchange at the close of business on the reporting date. For financial assets where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument, which is substantially the same. Where it is not possible to arrive at a reliable estimate of the fair value, the financial assets are carried at cost until reliable measure of the fair value is available.

j) Recognition / Derecognition of Financial Instruments

All financial assets are recognised using the settlement date. Financial assets are derecognised when the contractual right to receive cash flows from the assets have expired, or when the Group has transferred the contractual right to receive cash flows of the financial assets. Financial liabilities are derecognised when they are extinguished, that is when the contractual obligation is discharged, cancelled or expired.

k) Due from Banks, Loans and Advances and Financing Activities

After initial recognition at fair value, due from banks and loans and advances and financing activities are stated at amortised cost less any provisions for impairment losses.

Islamic financing activities such as Murabaha and Musawama which is a sale of goods with an agreed upon profit mark up, Musharaka which is a form of partnership between the Bank and its clients, Mudaraba which is a partnership in profit between capital and work and Ijara which is the transfer of ownership of services or leased assets for an agreed upon consideration, are stated at their gross principal amounts less any amount received, provision for impairment loss and deferred profit. Financing activities are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted and recoveries from previously written off financing activities are written back to the specific provision.

l) Properties Acquired Against Settlement of Debts

Properties acquired against settlement of debts appear under other assets at their net acquired values.

Unrealised losses due to the decline in the fair value of these assets appear in the consolidated income statement. Future unrealised gains on these properties are recognised in the consolidated income statement to the extent of unrealised losses previously recognised.

In accordance with Qatar Central Bank regulations, all properties acquired against settlement of debts must be sold within three years. Any extension or transfer to property and equipment must be with Qatar Central Bank approval.

m) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Property and equipment are depreciated on a straight-line basis over their estimated useful lives 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.

n) Intangible Assets

Goodwill

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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2. Significant accounting policies (continued)

Trademarks and Licenses

Trademarks and Licenses have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licenses over their useful lives.

o) Impairment of Financial Assets

Assets carried at amortised cost

The Group assesses as at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a financing arrangement 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 payment status of borrowers or issuers.

Impairment is the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective profit rate.

Significant financial assets are assessed for impairment on an individual basis. All significant financial assets found not to be impaired are assessed collectively for any impairment that has been incurred but not yet identified. All financial assets that are not individually significant are collectively assessed for impairment by grouping together on the basis that share similar credit risk characteristics.

Assets classified as available-for-sale

Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to the consolidated income statement. The cumulative loss that is removed from other comprehensive income and recognised in the consolidated income statement 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 the consolidated income statement. Impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement. Where available-for-sale securities are carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment loss

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale debt securities, the reversal is recognised in the consolidated income statement. For available-for-sale equity securities, the reversal is recognised directly in other comprehensive income.

p) Employees' Termination Benefits and Pension Fund

Defined Benefit Plan - Expatriate Employees

The Group makes a provision for all termination indemnity payable to expatriate 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.

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2. Significant accounting policies (continued)

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 general and administrative expenses and is disclosed in note 25.

q) Other Provisions

The Group makes provisions for any expected legal or financial liabilities as a charge to the consolidated income statement based on the likelihood and expected amount of such liabilities as at the consolidated statement of financial position date. Other provisions are disclosed in note 16.

r) Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date (repos) are not derecognised from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognised in the consolidated statement of financial position as a repurchase agreement, reflecting economic substance as a loan to the Group. The difference between sale and repurchase price is treated as interest expense and is accrued over the tenor of the agreement using the effective interest method.

s) Contingent Liabilities and Other Commitments

As at the consolidated statement of financial position date, contingent liabilities and other commitments do not represent actual assets or liabilities.

t) Other Borrowings

Other borrowings represent loans secured by the Group through a syndicated loan facility and issue of Eurobond facility, which is subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

u) Unrestricted Investment Accounts' Share of Profit

Profit arising from Islamic operations for the year is distributed among unrestricted account holders and shareholders in accordance with Qatar Central Bank regulations.

The share of profit of the unrestricted account holders is calculated on the basis of their daily deposit balances over the year, after reducing the agreed and declared Mudaraba fee.

In case of any expense or loss, which arise out of misconduct on the part of the Group due to non-compliance with Qatar Central Bank regulations, then such expenses or losses are not to be borne by the unrestricted investment account holders. Such matter is subject to a Qatar Central Bank decision.

Where the Islamic operations results at the end of a financial year is a net loss, the unrestricted investment account holders are not charged with any share of such loss, except as approved by Qatar Central Bank in its capacity as the regulator having responsibility of assessing the Bank's management of such losses and compliance with Islamic Sharia rules and principles.

The unrestricted investment accounts carry preferential rights over others in respect of utilisation of funds towards financing and investment activities.

v) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash, balances with central banks and balances with banks and other financial institutions with an original maturity of three months or less as disclosed in note 34.

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2. Significant accounting policies (continued)

w) Taxes

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are not subject to income tax, except for QNB Capital whose profits are subject to tax as per the Qatar Financial Center Authority tax regulations.

x) Financial Guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under each guarantee is carried at the higher of the unamortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

Any increase in the liability relating to financial guarantees is taken to the income statement as provision for impairment losses. The premium received is recognised in the consolidated income statement as fees and commission income.

y) Fiduciary Assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the statement of financial position.

z) 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. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

aa) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

3. Financial risk management

I. Financial Instruments

a) 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 2 explains the accounting policies used to recognise and measure the major financial instruments and their related income and expense.

b) Fair Value of Financial Instruments

The following table provides a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

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3. Financial risk management (continued)

	Carrying Amount 2011	Fair Value 2011	Carrying Amount 2010	Fair Value 2010
Financial Assets				
Cash and Balances with Central Banks	10,279,130	10,279,130	33,912,459	33,912,459
Due from Banks and Other Financial Institutions	38,565,554	38,565,554	24,686,826	24,686,826
Loans and Advances and Financing Activities	193,943,227	193,943,227	131,696,000	131,696,000
Available-for-Sale Securities	6,695,016	6,695,016	6,209,861	6,209,861
Held to Maturity Securities	43,687,593	45,945,295	17,837,875	18,651,167
Derivatives Held for Trading	166,694	166,694	78,252	78,252
Derivatives Held as Cash Flow Hedges	366	366	67	67
Financial Liabilities				
Due to Banks and Other Financial Institutions	37,662,162	37,662,162	12,160,273	12,160,273
Repurchase Agreements	1,820,273	1,818,328	2,184,300	2,151,451
Customer Deposits	200,122,837	200,122,837	165,470,433	165,470,433
Other Borrowings	12,151,643	12,151,643	12,136,410	12,101,364
Derivatives Held for Trading	146,836	146,836	72,254	72,254
Derivatives Held as Cash Flow Hedges	194,090	194,090	191,827	191,827

Fair Value Hierarchy

The fair values for available-for-sale financial assets comprise of QR3,372 million (2010: QR2,220 million) under the level 1 category and QR3,323 million (2010: QR3,990 million) under level 3 of the fair value hierarchy.

Level 1 fair values are based on quoted prices (unadjusted) in active markets for identical assets. Level 2 fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair values are based on inputs for assets that are not based on observable market data.

Financial Instruments for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that are liquid or having a term maturity less than three months, the carrying amounts approximate to their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing cash flows discounted using market interest rates when they were first recognised with current market rates offered for similar financial instruments.

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.

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3. Financial risk management (continued)

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 annually by the Group Internal Audit as part of each audit, which examines both the adequacy and compliance with the procedures in addition to specific audit of the Group Risk function itself as per an approved audit plan. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit and Compliance Committee.

Risk Mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group. The effectiveness of all hedge relationships is monitored by the Risk Management on a monthly basis. In a situation of hedge ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

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3. 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 6 discloses the distribution of loans and advances and financing activities by industrial sector. Note 29 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	
	2011	2010
Cash and Balances with Central Banks (excluding Cash on Hand)	8,594,213	33,115,928
Due from Banks and Other Financial Institutions	38,565,554	24,686,826
Loans and Advances and Financing Activities	193,943,227	131,696,000
Investment Securities	50,382,609	24,047,736
Other Assets	2,960,537	3,476,177
	294,446,140	217,022,667
Contingent Liabilities	50,071,384	38,371,455
Total	**344,517,524**	**255,394,122**

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3. 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 2011	Net Maximum Exposure 2011	Gross Maximum Exposure 2010	Net Maximum Exposure 2010
Government	77,017,847	-	48,188,853	-
Government Agencies	84,471,203	9,546,399	39,547,787	20,864,876
Industry	2,909,527	2,573,544	2,601,544	2,124,560
Commercial	4,753,909	3,382,270	3,773,463	2,702,018
Services	70,085,066	50,491,112	82,153,778	62,875,191
Contracting	3,383,609	1,490,525	2,177,322	595,447
Real Estate	25,273,426	4,709,150	16,946,474	3,493,141
Personal	20,874,681	4,101,109	13,165,626	1,260,275
Others	5,676,872	5,348,479	8,467,820	6,237,139
Contingent Liabilities	50,071,384	50,071,384	38,371,455	37,960,176
Total	344,517,524	131,713,972	255,394,122	138,112,823

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	2011	2010
AAA to AA-	96,778,208	88,269,425
A+ to A-	116,205,873	64,414,203
BBB+ to BBB-	268,139	641,964
BB+ to B-	1,328,318	3,859,050
Below B-	-	48,190
Unrated	129,936,986	98,161,290
Total	344,517,524	255,394,122

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 QR193,790 million (2010: QR131,587 million).

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3. 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 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
As at 31 December 2010				
Corporate Lending	134,264	39,987	82,514	256,765
Small Business Lending	117	401	64	582
Consumer Lending	83,439	1,613	1,512	86,564
Residential Mortgages	866	123	164	1,153
Total	218,686	42,124	84,254	345,064

f) Renegotiated Loans and Advances and Financing Activities

	2011	2010
Corporate Lending	156,429	87,169
Small Business Lending	40,508	21,026
Consumer Lending	749,328	726,804
Residential Mortgages	37,747	29,215
Total	984,012	864,214

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 2011	Change in Equity Price %	Effect on Other Comprehensive Income 2010
Market Indices				
Qatar Exchange	±10	141,608	±10	77,431

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3. 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 31 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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3. Financial risk management (continued)

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
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	24,943,098	11,848,421	485,375	-	385,268	37,662,162	0.65%
Repurchase Agreements	1,820,273	-	-	-	-	1,820,273	
Customer Deposits	151,748,854	25,927,122	168,927	-	22,277,934	200,122,837	1.65%
Other Borrowings	-	6,732,483	5,419,160	-	-	12,151,643	
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**	**-**	**-**	
As at 31 December 2010:							
Cash and Balances with Central Banks	26,102,580	16,955	-	-	7,792,924	33,912,459	
Due from Banks	24,304,182	12,041	-	-	370,603	24,686,826	0.81%
Loans and Advances	94,189,959	12,441,511	966,303	-	24,098,227	131,696,000	6.77%
Investment Securities	526,817	717,831	11,161,375	10,017,236	6,272,795	28,696,054	6.02%
Other Assets	-	-	-	-	4,391,108	4,391,108	
Total Assets	**145,123,538**	**13,188,338**	**12,127,678**	**10,017,236**	**42,925,657**	**223,382,447**	
Due to Banks	11,457,100	377,268	-	-	325,905	12,160,273	0.79%
Repurchase Agreements	2,184,300	-	-	-	-	2,184,300	
Customer Deposits	140,065,298	10,961,353	471,955	-	13,971,827	165,470,433	3.01%
Other Borrowings	-	6,727,986	5,408,424	-	-	12,136,410	
Other Liabilities	-	-	-	-	6,638,343	6,638,343	
Total Equity	-	-	-	-	24,792,688	24,792,688	
Total Liabilities and Equity	**153,706,698**	**18,066,607**	**5,880,379**	**-**	**45,728,763**	**223,382,447**	
Balance Sheet Items	(8,583,160)	(4,878,269)	6,247,299	10,017,236	(2,803,106)	-	
Off-Balance Sheet Items	464,376	7,002,915	(7,176,054)	(291,237)	-	-	
Interest Rate Sensitivity Gap	**(8,118,784)**	**2,124,646**	**(928,755)**	**9,725,999**	**(2,803,106)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(8,118,784)**	**(5,994,138)**	**(6,922,893)**	**2,803,106**	**-**	**-**	

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3. 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 consolidated income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges and swaps designated as cash flow hedges. The sensitivity of equity is analysed by maturity of the asset or swap. Total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

			Sensitivity of Other Comprehensive Income				
	Increase in Basis Points	Sensitivity of Net Interest Income 2011	Within 3 Months 2011	3 - 12 Months 2011	1 - 5 Years 2011	More than 5 Years 2011	Total 2011
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
Pound Sterling	10	1,233	1,925	26	(10)	-	1,941
Other Currencies	10	(558)	(2,083)	1,052	1,077	37	83

			Sensitivity of Other Comprehensive Income				
	Decrease in Basis Points	Sensitivity of Net Interest Income 2011	Within 3 Months 2011	3 - 12 Months 2011	1 - 5 Years 2011	More than 5 Years 2011	Total 2011
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)
Pound Sterling	10	(967)	(2,034)	(29)	11	-	(2,052)
Other Currencies	10	690	2,196	(1,153)	(1,078)	(41)	(76)

			Sensitivity of Other Comprehensive Income				
	Increase in Basis Points	Sensitivity of Net Interest Income 2010	Within 3 Months 2010	3 - 12 Months 2010	1 - 5 Years 2010	More than 5 Years 2010	Total 2010
Currency							
Qatari Riyal	10	9,526	23,309	(1,612)	(551)	3,361	24,507
US$	10	(14,225)	(22,595)	(39)	9,066	6,652	(6,916)
Euro	10	1,110	1,467	(33)	81	-	1,515
Pound Sterling	10	1,279	1,377	143	14	-	1,534
Other Currencies	10	(606)	(1,150)	196	962	-	8

			Sensitivity of Other Comprehensive Income				
	Decrease in Basis Points	Sensitivity of Net Interest Income 2010	Within 3 Months 2010	3 - 12 Months 2010	1 - 5 Years 2010	More than 5 Years 2010	Total 2010
Currency							
Qatari Riyal	10	(7,016)	(24,923)	1,424	27	(3,700)	(27,172)
US$	10	15,700	20,024	(436)	(7,417)	(7,313)	4,858
Euro	10	(947)	(1,566)	(3)	(81)	-	(1,650)
Pound Sterling	10	(1,195)	(1,493)	(157)	8	-	(1,642)
Other Currencies	10	691	1,018	(211)	(1,005)	-	(198)

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3. Financial risk management (continued)

m) Liquidity Risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit down grades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Group has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities. The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated 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 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
Other Borrowings	-	-	6,732,483	5,419,160	-	12,151,643
Other Liabilities	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)
As at 31 December 2010:						
Cash and Balances with Central Banks	27,740,152	109,545	16,955	31,825	6,013,982	33,912,459
Due from Banks	23,237,439	1,160,826	12,041	276,520	-	24,686,826
Loans and Advances	69,027,121	11,635,023	13,183,885	33,981,602	3,868,369	131,696,000
Investment Securities	59,728	83,084	470,324	11,941,018	16,141,900	28,696,054
Other Assets	2,857,952	36,058	5,317	1,451	1,490,330	4,391,108
Total Assets	**122,922,392**	**13,024,536**	**13,688,522**	**46,232,416**	**27,514,581**	**223,382,447**
Due to Banks	10,908,300	2,881,188	555,085	-	-	14,344,573
Customer Deposits	101,237,839	35,883,663	18,160,969	10,187,962	-	165,470,433
Other Borrowings	-	-	-	12,136,410	-	12,136,410
Other Liabilities	2,158,670	1,966,507	213,332	143,223	26,949,299	31,431,031
Total Liabilities and Equity	**114,304,809**	**40,731,358**	**18,929,386**	**22,467,595**	**26,949,299**	**223,382,447**
Difference	8,617,583	(27,706,822)	(5,240,864)	23,764,821	565,282	-
Derivative Financial Instruments						
- Contractual Amounts Payable	1,979,100	2,306,843	101,466	-	-	4,387,409
- Contractual Amounts Receivable	(1,979,147)	(2,306,898)	(101,469)	-	-	(4,387,514)

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3. 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 2011:						
Contingent Liabilities	1,726,835	14,895,438	16,197,233	13,515,198	3,736,680	50,071,384
As at 31 December 2010:						
Contingent Liabilities	780,216	11,774,201	12,050,216	11,875,809	1,891,013	38,371,455

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:

	Qatari Riyal	US$	Euro	Pound Sterling	Other Currencies	Total
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	-
As at 31 December 2010:						
Assets	151,616,466	53,754,548	4,544,093	1,665,854	11,801,486	223,382,447
Liabilities and Equity	132,095,568	79,124,365	4,154,081	1,722,274	6,286,159	223,382,447
Net Balance Sheet Position	19,520,898	(25,369,817)	390,012	(56,420)	5,515,327	-

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	
	%	2011	2010
Currency			
US$	+2	534,005	(507,396)
Euro	+3	(157)	11,700
Pound Sterling	+2	(190)	(1,128)
Other Currencies	+3	143,454	165,460
US$	-2	(534,005)	507,396
Euro	-3	157	(11,700)
Pound Sterling	-2	190	1,128
Other Currencies	-3	(143,454)	(165,460)

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3. 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

	2011	2010
Tier 1 Capital	38,166,557	20,672,390
Adjustment for Investment in Associates	(3,808,820)	(3,553,232)
Total Eligible Tier 1 Capital	34,357,737	17,119,158
Tier 2 Capital	1,924,276	2,163,012
Adjustment for Investment in Associates and others	(1,924,276)	(2,163,012)
Total Eligible Tier 2 Capital	-	-
Total Eligible Capital	34,357,737	17,119,158
Risk Weighted Assets	156,382,113	112,003,237
Tier 1 Capital ratio	22.0%	15.3%
Total Capital ratio	22.0%	15.3%

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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4. Cash and balances with central banks

	2011	2010
Cash	1,684,917	796,531
Cash Reserve with Qatar Central Bank	6,485,930	6,013,982
Other Balances with Qatar Central Bank	358,324	25,733,219
Balances with Other Central Banks	1,749,959	1,368,727
Total	10,279,130	33,912,459

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

5. Due from banks and other financial institutions

	2011	2010
Current Accounts	4,505,951	623,981
Placements	33,054,013	23,149,314
Loans	1,005,590	913,531
Total	38,565,554	24,686,826

6. Loans and advances and financing activities to customers

a) By Type

	2011	2010
Loans	188,752,220	124,759,567
Overdrafts	7,749,647	8,183,624
Bills Discounted	121,532	325,290
	196,623,399	133,268,481
Specific Impairment of Loans and Advances and Financing Activities	(2,680,172)	(1,572,481)
Net Loans and Advances and Financing Activities	193,943,227	131,696,000

The aggregate amount of non-performing loans and advances and financing activities amounted to QR2,255 million, which represents 1.1% of total loans and advances and financing activities (2010: QR1,336 million, 0.9% of total loans and advances and financing activities).

Specific impairment of loans and advances and financing activities includes QR395.4 million of interest and profit in suspense (2010: QR313.3 million).

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6. Loans and advances and financing activities to customers (continued)

b) By Industry

	Loans & Advances	Overdrafts	Bills Discounted	Total
As at 31 December 2011:				
Government	29,179,711	4,275,248	-	33,454,959
Government Agencies	79,613,943	156,043	-	79,769,986
Industry	2,570,104	42,106	18,993	2,631,203
Commercial	3,920,259	524,598	47,259	4,492,116
Services	24,995,657	104,568	6,172	25,106,397
Contracting	1,914,860	584,327	-	2,499,187
Real Estate	24,937,157	2,057	-	24,939,214
Personal	18,510,939	1,946,271	263	20,457,473
Others	3,109,590	114,429	48,845	3,272,864
Total	188,752,220	7,749,647	121,532	196,623,399
As at 31 December 2010:				
Government	28,834,563	1,828,190	-	30,662,753
Government Agencies	33,603,368	4,130,836	-	37,734,204
Industry	2,199,027	8,794	7,300	2,215,121
Commercial	3,240,511	128,931	7,448	3,376,890
Services	24,235,811	51,474	274,606	24,561,891
Contracting	1,760,544	519,871	-	2,280,415
Real Estate	15,147,175	26,581	-	15,173,756
Personal	12,378,409	1,425,612	235	13,804,256
Others	3,360,159	63,335	35,701	3,459,195
Total	124,759,567	8,183,624	325,290	133,268,481

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

c) Movement in Impairment of Loans and Advances and Financing Activities

	2011	2010
Balance as at 1 January	1,572,481	923,606
Foreign Currency Translation	(1,099)	(1,706)
Net Provisions during the Year	1,119,632	653,649
Provisions Made during the Year	1,831,324	712,870
Recoveries during the Year	(711,692)	(59,221)
Recoveries from loans written off	(36)	-
Provisions relating to Acquired Subsidiary	7,108	-
Written off / Transfers during the Year	(17,914)	(3,068)
Balance as at 31 December	2,680,172	1,572,481

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6. Loans and advances and financing activities to customers (continued)

d) Impairment on Loans and Advances and Financing Activities

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance as 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 as at 31 December 2011	1,528,056	54,771	989,747	107,598	2,680,172
Balance as at 1 January 2010	91,675	38,098	686,387	107,446	923,606
Foreign Currency Translation	(735)	-	(29)	(942)	(1,706)
Provisions Raised during the Year	183,675	39,509	477,269	12,417	712,870
Recoveries during the Year	(3,232)	(13,851)	(42,138)	-	(59,221)
Written off / Transfers during the Year	(222)	-	(2,846)	-	(3,068)
Balance as at 31 December 2010	271,161	63,756	1,118,643	118,921	1,572,481

e) Net Impairment during the Year

	2011	2010
Corporate Lending	(1,221,871)	(169,783)
Small Business Lending	15,143	(21,591)
Consumer Lending	152,538	(333,882)
Residential Mortgages	19,423	(12,408)
Total	(1,034,767)	(537,664)

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7. Investment securities

Investments as at 31 December 2011 totaled QR50,383 million (2010: QR24,048 million). The analysis of investment securities is detailed below:

a) Available-for-Sale Securities

	2011		2010	
	Quoted	Unquoted	Quoted	Unquoted
Equities	369,260	248,996	683,051	116,405
State of Qatar Debt Securities	1,117,725	3,011,437	781,891	3,000,000
Other Debt Securities	1,014,464	61,933	714,741	53,788
Mutual Funds	30,774	840,427	25,500	834,485
Total	2,532,223	4,162,793	2,205,183	4,004,678

Fixed rate securities and floating rate securities amounted to QR4,815 million and QR391.0 million respectively (2010: QR4,291 million and QR294.9 million respectively).

b) Held to Maturity Securities

	2011		2010	
	Quoted	Unquoted	Quoted	Unquoted
- By Issuer				
State of Qatar Debt Securities	5,681,121	33,815,039	697,171	13,029,475
Other Debt Securities	3,391,674	799,759	3,337,296	773,933
Total	9,072,795	34,614,798	4,034,467	13,803,408
- By Interest Rate				
Fixed Rate Securities	8,706,626	34,556,204	3,558,849	13,708,566
Floating Rate Securities	366,169	58,594	475,618	94,842
Total	9,072,795	34,614,798	4,034,467	13,803,408

The carrying amount and fair value of securities pledged under repurchase agreements amounted to QR1,820 million and QR1,818 million respectively (2010: QR2,184 million and QR2,151 million respectively).

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8. Investments in associates

	2011	2010
Balance as at 1 January	4,648,318	4,443,666
Foreign Currency Translation	(7,582)	265
Investments Acquired during the Year	17,873	71,882
Share in Profit	166,157	216,306
Cash Dividend	(110,534)	(98,963)
Other Movements	(10,972)	15,162
Balance as at 31 December	4,703,260	4,648,318

Name of Associate	Country	Ownership % 2011	Ownership % 2010
Mansour Bank	Iraq	23.1	23.1
Housing Bank for Trade and Finance	Jordan	34.5	34.4
Al Jazeera Finance Company	Qatar	20.0	20.0
Commercial Bank International	UAE	23.8	23.8
Tunisian Qatari Bank	Tunisia	50.0	50.0

The published share prices for Housing Bank for Trade and Finance and Commercial Bank International as at 31 December 2011 are QR41.0 and QR0.79 respectively (2010: QR41.6 and QR1.25 respectively). All other investments are not listed. Moreover, total assets of Housing Bank for Trade and Finance and Commercial Bank International amounted to QR34,590 million and QR11,531 million respectively, based on the reviewed financial information as at 30 September 2011. Also, total revenue for Housing Bank for Trade and Finance and Commercial Bank International amounted to QR1,137 million and QR380.6 million respectively for the nine months period ended 30 September 2011. Furthermore, total liabilities of Housing Bank for Trade and Finance and Commercial Bank International amounted to QR29,313 million and QR9,697 million respectively, based on the reviewed financial information as at 30 September 2011. Profit for the period ended 30 September 2011 amounted to QR343.4 million and QR62.3 million for Housing Bank for Trade and Finance and Commercial Bank International respectively.

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9. Property and equipment

	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Balance as at 31 December 2011:					
Cost:					
Balance as 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 as 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
Balance as at 31 December 2010:					
Cost:					
Balance as at 1 January	495,526	241,871	414,716	1,230	1,153,343
Additions / Transfers	186,114	75,366	95,037	2,329	358,846
Disposals	-	(39,705)	(34,901)	(372)	(74,978)
Foreign Currency Translation	(7,200)	(2,425)	(4,350)	(48)	(14,023)
	674,440	275,107	470,502	3,139	1,423,188
Accumulated Depreciation:					
Balance as at 1 January	67,932	98,992	273,077	306	440,307
Charged during the Year	16,318	63,305	66,051	922	146,596
Disposals	-	(39,701)	(34,118)	(208)	(74,027)
Foreign Currency Translation	(631)	(993)	(2,980)	(15)	(4,619)
	83,619	121,603	302,030	1,005	508,257
Net Carrying Amount	590,821	153,504	168,472	2,134	914,931

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10. Intangible assets

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

	2011	2010
Total Consideration Transferred	394,265	-
Fair Value of Identifiable Attributable Net Assets	(248,855)	-
	145,410	-
Amortisation of Licence and Trade Mark	(3,455)	-
Total	141,955	-
Allocation of intangible assets is as follows:		
License and Trade Mark	52,340	-
Goodwill	89,615	-
	141,955	-

11. Other assets

	2011	2010
Interest Receivable	1,834,968	1,581,934
Prepaid Expenses	41,421	79,432
Capital Expenditure in Progress	-	256,974
Positive Fair Value of Derivatives (Note 30)	167,060	78,319
Sundry Debtors	665,388	476,248
Others	251,700	1,003,270
Total	2,960,537	3,476,177

12. Due to banks and other financial institutions

	2011	2010
Balances Due to Central Banks	14,705,210	560,421
Current Accounts	3,741,610	955,141
Deposits	19,215,342	10,644,711
Total	37,662,162	12,160,273

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13. Customer deposits and unrestricted investment accounts

a) By Type

	2011	2010
Current and Call Accounts	67,847,077	46,801,315
Saving Accounts	2,854,362	1,712,192
Time Deposits	129,421,398	116,956,926
Total	200,122,837	165,470,433

Customer deposits include QR631.5 million of margins held for direct and indirect facilities (2010: QR183.0 million).

b) By Sector

	2011	2010
Government	48,746,905	26,224,396
Government Agencies	61,771,842	40,779,239
Individuals	31,381,579	21,590,619
Corporate	58,222,511	76,876,179
Total	200,122,837	165,470,433

14. Other borrowings

Other borrowings represent a syndicated term loan amounting to USD1.85 billion (QR6,715 million). This is an unsecured bullet repayment loan facility due on 24 July 2012. Interest rate on the loan is 19.5 basis points above LIBOR.

Other borrowings also include a Eurobond of USD1.5 billion (QR5,461 million), which was issued in 2010 at an issue price of 99.017%. The Eurobond carries an interest of 3.125% per annum, with maturity date of 16 November 2015.

15. Other liabilities

	2011	2010
Interest Payable	4,209,967	4,058,409
Expense Payable	427,894	425,316
Other Provisions (Note 16)	53,788	47,693
Tax Payable	39,668	21,218
Negative Fair Value of Derivatives (Note 30)	340,926	264,081
Unearned Revenue	1,028,887	576,001
Social and Sports Fund	152,016	118,027
Others	1,309,966	1,127,598
Total	7,563,112	6,638,343

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16. Other provisions

	Staff Indemnity	Legal Provision	Total 2011	Total 2010
Balance as at 1 January	42,761	4,932	47,693	44,627
Foreign Currency Translation	-	(56)	(56)	(59)
Provisions Raised during the Year	8,533	1,864	10,397	7,771
	51,294	6,740	58,034	52,339
Provisions Recovered during the Year	-	(667)	(667)	(2,057)
Provisions Paid and Written off during the Year	(3,379)	(200)	(3,579)	(2,589)
Balance as at 31 December	**47,915**	**5,873**	**53,788**	**47,693**

17. Shareholders' equity

a) Issued Capital

The authorised, issued and fully paid up share capital of the Bank totaling QR6,361 million consists of 636,117,671 ordinary shares of QR10 each (2010: 391,457,029 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 as at the beginning and end of the year:

	2011	2010
Number of Shares Outstanding as at the Beginning of the Year	391,457,029	301,120,792
Bonus Shares	117,437,108	90,336,237
Rights Issue	127,223,534	-
Number of Shares Outstanding as at the End of the Year	**636,117,671**	**391,457,029**

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17. Shareholders' equity *(continued)*

b) Statutory Reserve

In accordance with Qatar Central Bank Law, at least 20% of profit for the year is required to be transferred to the statutory reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 5 of 2002 and after Qatar Central Bank approval. Due to the proposal of bonus shares, an increase in the statutory 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 statutory 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) 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:

	2011	2010
General Reserve	1,770,034	1,770,034
Currency Translation Adjustments	(189,282)	(64,912)
Share of Changes Recognised Directly in Associates' Equity, excluding Share of Profit	16,600	27,521
Total	**1,597,352**	**1,732,643**

d) Risk Reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on loans and advances and financing activities, with a minimum requirement of 1.50% 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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17. Shareholders' equity (continued)

e) Fair Value Reserve

	Cash Flow Hedges	Available-for-Sale Investments	Total 2011	Total 2010
Balance as at 1 January	(191,760)	892,164	700,404	489,147
Revaluation Impact	(1,965)	104,522	102,557	373,534
Reclassified to Consolidated Income Statement	-	(306,003)	(306,003)	(162,277)
Net Movement during the Year	(1,965)	(201,481)	(203,446)	211,257
Balance as at 31 December	(193,725)	690,683	496,958	700,404

Fair value reserve for available-for-sale investment securities as at 31 December 2011 includes a negative fair value amounting to QR0.9 million (2010: QR1.2 million).

f) Retained Earnings

Retained earnings include the Groups's share in profit of associates. These profits are distributable to the shareholders only to the extent of the cash received.

g) Dividend Paid and Proposed

The Board of Directors have proposed a cash dividend of 40% of the nominal share value (QR4.0 per share) and a bonus share of 10% of the share capital for the year ended 31 December 2011 (2010: cash dividend 50% of the nominal share value (QR5.0 per share) and a bonus share of 30% of the share capital). The amounts are subject to the approval of the General Assembly.

18. Non-controlling interest

Represents the Non-Controlling interest in QNB Syria amounting to 49.2% (2010: 49.2%) of the share capital and 30.4% in PT Bank Kesawan.

19. Interest income and profit from islamic operations

	2011	2010
Due from Central Banks	83,568	181,197
Due from Banks and Other Financial Institutions	101,894	438,556
Debt Securities	2,451,951	1,390,794
Loans and Advances	8,057,160	7,921,224
Total	10,694,573	9,931,771

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20. Interest expense and share of profit on islamic operations

	2011	2010
Due to Banks and Other Financial Institutions	218,204	929,761
Customer Deposits	2,353,923	3,173,059
Others	323,618	153,945
Total	2,895,745	4,256,765

21. Fee and commission income

	2011	2010
Loans and Advances	645,663	581,650
Off-Balance Sheet Items	165,892	145,764
Bank Services	324,342	282,160
Investment Activities for Customers	224,746	160,005
Others	32,401	30,081
Total	1,393,044	1,199,660

22. Dividend income

	2011	2010
Available-for-Sale Securities	29,287	39,811
Mutual Funds	30,002	1,257
Total	59,289	41,068

23. Net gains from foreign currency transactions

	2011	2010
Dealing in Foreign Currencies	388,395	291,600
Revaluation of Assets and Liabilities	110,726	50,574
Revaluation of Derivatives	15,983	16,517
Total	515,104	358,691

24. Net gains from investment securities

	2011	2010
Net Gains from Sale of Available-for-Sale Investment Securities	311,646	175,172
Total	311,646	175,172

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25. General and administrative expenses

	2011	2010
Staff Costs	806,658	611,340
Staff Pension Fund Costs	18,936	13,229
Staff Indemnity Costs	8,533	6,329
Training	17,580	17,682
Advertising	141,113	136,858
Professional Fees	66,570	75,475
Communication and Insurance	88,719	64,098
Occupancy and Maintenance	117,638	126,441
Computer and IT Costs	80,311	69,213
Printing and Stationary	9,605	6,494
Directors' Fees	11,380	11,400
Others	42,399	6,902
Total	1,409,442	1,145,461

26. Earnings per share

Earnings per share for the Group are calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Profit for the Year Attributable to Equity Holders of the Bank	7,508,970	5,704,299
Weighted Average Number of Shares	601,903,425	538,553,611
Earnings Per Share (QR)	12.5	10.6

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

	2011	2010 (Restated)
Weighted Average Number of Shares as at the Beginning of the Year	391,457,029	391,457,029
Effect of Bonus Share Issue	117,437,108	117,437,108
Effect of Rights Issue	93,009,288	29,659,474
Weighted Average Number of Shares as at the End of the Year	601,903,425	538,553,611

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27. Contingent liabilities and other commitments

a) Contingent Liabilities

	2011	2010
Unused Facilities	20,798,358	14,405,289
Acceptances	724,134	617,080
Guarantees	16,150,821	11,784,126
Letters of Credit	5,532,738	4,699,159
Others	6,865,333	6,865,801
Total	50,071,384	38,371,455

b) Other Commitments

Forward Foreign Exchange Contracts	8,542,868	4,387,514
Interest Rate Swaps	17,233,436	20,654,259
Options, Caps and Floors	1,260,485	1,100,871
Mutual Funds	10,851,151	13,015,587
Total	37,887,940	39,158,231

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.

Acceptances, Guarantees and Letters of Credit

Acceptances, guarantees and letters of credit commit the Group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

28. Operating segments

The Group organises and manages its operations through six main business segments, as described below, which are the Group's strategic business units. For each strategic business units, the Group management committee reviews internal management reports on at least a quarterly basis. The strategic business units offer different products and services and are managed separately because they require different strategies.

Corporate Banking

Corporate banking includes loans, deposits, investment and advisory services and other products and services with corporate customers and undertaking the Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate and government debt securities.

Consumer Banking

Consumer banking includes loans, deposits and other diversified range of products and services to retail customers.

Assets and Wealth Management

Assets and wealth management includes loans, deposits, assets management, brokerage and custody services to the high net worth customers.

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28. Operating segments (continued)

Islamic Banking

Islamic banking includes islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Sharia principles

QNB International Holdings Limited (QIHL)

Includes loans, deposits and other products and services in the Group's subsidiary QNB International Holdings Limited in the United Kingdom.

International Banking

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

	Qatar Operation						
	Corporate Banking	Consumer Banking	Assets and Wealth Management	QIHL (Subsidiary)	International Banking	Unallocated and Intra-group Transactions	Total
As at 31 December 2011:							
Operating Income	6,993,495	809,726	528,659	31,614	1,730,489	90,109	10,184,092
General and Administrative Expenses	(384,689)	(652,349)	(25,531)	(50,269)	(271,610)	(24,994)	(1,409,442)
Profit / (Loss)	5,351,368	199,918	505,288	(36,954)	1,465,294	24,056	7,508,970
Loans and Advances	150,343,754	7,469,507	8,316,229	-	27,813,737	-	193,943,227
Customer Deposits	106,429,476	18,065,176	15,887,723	-	59,740,462	-	200,122,837
Total Assets	227,765,782	18,272,455	16,618,714	467,274	112,881,277	(74,050,171)	301,955,331
As at 31 December 2010:							
Operating Income	4,481,781	912,379	428,980	42,475	1,308,344	435,429	7,609,388
General and Administrative Expenses	(371,960)	(513,934)	(21,322)	(77,691)	(157,950)	(2,604)	(1,145,461)
Profit / (Loss)	3,957,415	65,854	392,758	(47,894)	1,031,124	305,042	5,704,299
Loans and Advances	95,725,676	8,317,874	3,685,125	248,383	23,718,942	-	131,696,000
Customer Deposits	85,477,608	15,391,835	9,341,637	68,787	55,190,566	-	165,470,433
Total Assets	160,267,865	15,592,921	9,936,981	711,689	89,306,457	(52,433,466)	223,382,447

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29. Geographical distribution

	Qatar	Other GCC Countries	Europe	North America	Others	Total
As 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
Other Borrowings	-	-	5,419,160	-	6,732,483	12,151,643
	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**
As at 31 December 2010:						
Cash and Balances with Central Banks	32,454,163	214,229	82,778	-	1,161,289	33,912,459
Due from Banks	1,485,507	2,680,537	19,781,305	396,589	342,888	24,686,826
Loans and Advances	107,728,675	7,822,377	13,400,494	1,882,419	862,035	131,696,000
Investment Securities	21,785,483	2,569,709	235,885	123,339	3,981,638	28,696,054
	163,453,828	**13,286,852**	**33,500,462**	**2,402,347**	**6,347,850**	**218,991,339**
Other Assets						4,391,108
Total Assets						**223,382,447**
Due to Banks	3,959,996	4,736,368	3,252,694	396,409	1,999,106	14,344,573
Customer Deposits	133,608,509	7,174,798	1,410,305	11,189	23,265,632	165,470,433
Other Borrowings	-	-	5,408,424	-	6,727,986	12,136,410
	137,568,505	**11,911,166**	**10,071,423**	**407,598**	**31,992,724**	**191,951,416**
Other Liabilities						6,638,343
Total Equity						24,792,688
Total Liabilities and Equity						**223,382,447**

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30. 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.

	Positive Fair Value	Negative Fair Value	Notional Amount	Notional / Expected amount by term to maturity			
				Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years
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
As at 31 December 2010:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	66,277	67,983	4,387,514	4,286,045	101,469	-	-
Options	930	931	209,877	81,518	19,143	109,216	-
Credit Default Swaps	-	109	72,810	-	-	72,810	-
Caps and Floors	3,231	3,231	818,184	-	46,832	-	771,352
Interest Rate Swaps	7,814	-	13,206,928	1,456,200	1,227,954	6,357,338	4,165,436
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	67	191,827	7,447,331	-	124,540	7,031,553	291,238
Total	78,319	264,081	26,142,644	5,823,763	1,519,938	13,570,917	5,228,026

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30. Derivatives (continued)

Swaps

Swaps are commitments to exchange one set of cash flows for another. In the case of interest rate swaps, counterparties generally exchange fixed and floating interest payments in a single currency without exchanging principal. In the case of currency swaps, fixed interest payments and principal are exchanged in different currencies. In the case of cross-currency interest rate swaps, principal, fixed and floating interest payments are exchanged in different currencies. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts.

Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in future contract values are settled daily.

Forward rate agreements

Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement for the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

Options

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

Caps and floors

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

Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves reducing the Group's exposure to fluctuations in foreign exchange rates and interest rates to acceptable levels within the guidelines issued by Qatar Central Bank. The Group has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Group has established a level of interest rate risk by setting limits on interest rate gaps for stipulated periods. Asset and liability interest rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce interest rate gaps to within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions in the consolidated 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 favourable 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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31. Mutual funds

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

	2011	2010
Al Watani Amana - Notes 2	15,119	15,119
Total	15,119	15,119

The Group's investment activities also include management of certain investment funds. As at 31 December 2011, third party funds under management amounted to QR10,836 million (2010: QR13,000 million). The financial statements of these funds are not consolidated with the financial statements of the Group. However, the Group's investment in these funds is included in the financial investments of the Group.

32. Islamic operations

During the year, the Qatar Central Bank has directed all conventional banks to stop entering into new Islamic business. Accordingly, the Group has ceased its new Islamic operations in Qatar. The Group has not separately disclosed its Islamic operations throughout these consolidated financial statements.

33. 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.

As at the consolidated statement of financial position date, such significant balances included:

	2011	2010
Statement of Financial Position Items		
Loans and Advances	2,160,607	2,370,642
Deposits	1,540,042	857,468
Contingent Liabilities and Other Commitments	29,918	101,378
Income Statement Items		
Interest and Commission Income	79,798	152,736
Interest and Commission Expense	23,576	38,366

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 6 and 13. 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:	2011	2010
Salaries and Other Benefits	26,188	20,868
End of Service Indemnity Benefits	586	494

34. Cash and cash equivalents

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

	2011	2010
Cash and Balances with Central Banks	3,793,200	27,898,477
Due from Banks Maturing in Three Months	37,610,494	24,273,955
Total	41,403,694	52,172,432

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.

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35. Significant accounting judgments and key sources of estimating uncertainty

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of loans and advances and financing activities

The Group reviews its loans and advances portfolio to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and advances before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The actual loss is not materially different from the estimated impairment.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired portfolios of loans and advances, 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 modeled 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.

Impairment of available-for-sale securities

The Group determines that available-for-sale securities are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each available-for-sale security separately. For an investment in an equity security, a 'significant' or 'prolonged' decline in its fair value below its costs is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20 percent to be 'significant' and a decline in a quoted market price that persists for nine months or longer to be 'prolonged'.

Useful lives, residual values and related depreciation charges of property and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

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35. Significant accounting judgments and key sources of estimating uncertainty (continued)

Classification of investment securities

Quoted equity securities could be classified either as available-for-sale or at fair value through profit or loss account. The Group invests in equity securities either locally or overseas and management has primarily classified them based on their potential for long term growth rather than the short term profit basis. Consequently, such investments are recognised as available-for-sale rather than at fair value through profit or loss.

Fair valuation of investment securities

The determination of fair values for unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of financial statements.

Nevertheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

The Group uses fair values of financial assets that are traded in active markets based on quoted market prices i.e. level 1 of the fair value hierarchy. Where active quoted market prices are not available, the Group uses widely recognised valuation models including common and more simple financial instruments that use only observable market data and require little management judgement and estimation i.e. level 2 of the fair value hierarchy. The determination of fair values for unquoted investments where no observable market data is also available, requires management to make estimates and assumptions that may affect the reported amount of assets at the date of financial statements i.e. level 3 of the fair value hierarchy.

36. Comparative figures

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

Qatar National Bank S.A.Q.
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(All amounts are shown in the thousands of Qatari Riyals)

Parent Company

The statement of financial position and income statement of the parent company are presented as follows:

(i) Statement of Financial Position as at 31 December:

	2011	2010
ASSETS		
Cash and Balances with Central Banks	9,489,417	33,418,691
Due from Banks and Other Financial Institutions	38,786,884	24,610,027
Loans and Advances and Financing Activities to Customers	192,611,797	130,754,425
Investment Securities	49,884,943	23,694,393
Investments in Subsidiaries and Associates	6,284,810	5,882,076
Property and Equipment	812,930	751,528
Other Assets	2,958,568	3,429,636
Total Assets	**300,829,349**	**222,540,776**
LIABILITIES		
Due to Banks and Other Financial Institutions	44,055,592	17,910,717
Repurchase Agreements	1,820,273	2,184,300
Customer Deposits and Unrestricted Investment Accounts	198,708,806	164,984,848
Other Borrowings	6,732,483	6,727,986
Other Liabilities	7,434,258	6,503,265
Total Liabilities	**258,751,412**	**198,311,116**
EQUITY		
Issued Capital	6,361,177	3,914,570
Statutory Reserve	21,178,549	8,554,060
Other Reserves	1,584,280	1,715,154
Risk Reserve	1,600,000	1,500,000
Fair Value Reserve	496,958	700,404
Proposed Dividend	2,544,471	1,957,285
Proposed Bonus Shares	636,118	1,174,371
Proposed Transfer to Statutory Reserve	636,118	1,174,371
Retained Earnings	7,040,266	3,539,445
Total Equity	**42,077,937**	**24,229,660**
Total Liabilities and Equity	**300,829,349**	**222,540,776**

Qatar National Bank S.A.Q.
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(All amounts are shown in the thousands of Qatari Riyals)

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

	2011	2010
Interest Income and Profit from Islamic Operations	10,525,624	9,907,032
Interest Expense and Share of Profit on Islamic Operations	(2,825,226)	(4,245,172)
Net Interest Income and Income from Financing and Investing Activities	**7,700,398**	**5,661,860**
Fee and Commission Income	1,345,650	1,178,822
Fee and Commission Expense	(91,970)	(77,492)
Net Fee and Commission Income	**1,253,680**	**1,101,330**
Dividend Income	59,289	41,068
Net Gains from Foreign Currency Transactions	402,354	348,091
Net Gains from Investment Securities	311,255	175,172
Other Operating Income	7,132	9,712
Operating Income	**9,734,108**	**7,337,233**
General and Administrative Expenses	(1,203,829)	(1,030,971)
Depreciation	(144,172)	(135,743)
Net Impairment Losses on Loans and Advances	(1,029,530)	(529,111)
Net Impairment Losses on Investment Securities	32,344	(62,706)
Other Provisions	117	517
Recovery of Provision for Properties Acquired against Settlement of Debts	-	112
Profit Before Income Taxes	**7,389,038**	**5,579,331**
Income Tax Expense	(37,800)	(26,037)
Profit for the Year	**7,351,238**	**5,553,294**

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

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