QNB

Consolidated Financial Statements

31 December 2011

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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.

KPMG

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

09 January 2012
Doha
State of Qatar

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

	Note	2011 QR000	2010 QR000
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 Sharif 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

	Note	2011 QR000	2010 QR000
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 of 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 Losses on Investment Securities		32,344	(62,706)
Amortization of Intangible Assets	10	(3,455)	-
Other Provisions	16	(1,197)	615
Recovery of Provision for Properties Acquired Against Settlement of Debts		-	112
Profit Before Income Taxes		**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

	Note	2011 QR000	2010 QR000
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

	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 Parent	Non Controlling Interest	Total
	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000
Balance at 1 January 2011	3,914,570	8,554,060	1,732,643	1,500,000	700,404	1,957,285	1,174,371	1,174,371	3,529,760	24,237,464	555,224	24,792,688
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 (Note 17)	-	-	-	-	(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)	0	-	0
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 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 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)
Transaction Costs and Other Adjustments									(4,156)	(4,156)	(3,100)	(7,256)
Net Movement in Non-controlling Interest	-	-	-	-	-	-	-	-	-	-	369,763	369,763
Balance 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

	Note	2011 QR000	2010 QR000
Cash Flows from Operating Activities			
Profit for the Year Before Income Taxes		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 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)
Amortization of Intangible Assets		3,455	-
Net Amortisation of Premium or Discount on Financial Investments		(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			
Dividends 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 at 1 January		52,172,432	35,097,896
Cash and Cash Equivalents 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.

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.

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 QR000	Year of Incorporation	Ownership %
QNB International Holdings Limited	Luxemburg	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 Ltd.	Cayman Islands	0.40	2010	100%
QNB Financial Services	Qatar	50,000	2011	100%
PT Bank Kesawan Tbk	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 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.

c) Islamic Banking

The Group carry 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 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 statement of financial position date and their statements of income 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 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.

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 fee and commission income is amortised over the period of the transaction using the effective interest method, if applicable. Fee and commission income on other services is 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 impaiment 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 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 their credit 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 Group 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 credit 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.

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 at each reporting date whether there is objective evidence that a financial asset or a 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 employees in accordance with its regulations, calculated on the basis of the individual's final salary and period of service at the consolidated statement of financial position date. The expected costs of these benefits are accrued over the period of employment. The provision for employees' termination benefits is included in other provisions within other liabilities.

Defined Contribution Scheme - Qatari Employees

With respect to Qatari employees, the Group makes a contribution to the Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of 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 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 on 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

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 a 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 consolidated 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.

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 amortised 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 consolidated income statement as provision for credit 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.

(All amounts are shown in thousands of Qatari Riyals)

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.

Financial Assets	**Carrying amount 2011**	**Fair value 2011**	**Carrying amount 2010**	**Fair value 2010**
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 Financial Investments	6,695,016	6,695,016	6,209,861	6,209,861
Held to Maturity Financial Investments	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. 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.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Structure
The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent bodies responsible for managing and monitoring risks.

Risk Committee
The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Risk Measurement and Reporting Systems
Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.
Information compiled from all businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division.

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

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

b) Credit Risk

The Group manages its credit risk exposure through diversification of its investments, capital markets and lending and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate. The types of collaterals obtained include cash, treasury bills and bonds, mortgages over real estate properties and pledges over shares.

The Group uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products.

Note 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**

(All amounts are shown in thousands of Qatari Riyals)

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	Total 2011	Total 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).

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

As at 31 December 2011	Less than 30 Days	31 - 60 Days	61 - 90 Days	Total
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**

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

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:

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

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.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

k) Interest Rate Risk

Interest rate risk reflects the risk of a change in interest rates which might affect future earnings or the fair value of financial instruments. Exposure to interest rate risk is managed by the Group using, where appropriate, various off-balance sheet instruments, primarily interest rate swaps. Maturities of assets and liabilities have been determined on the basis of contractual pricing. The following table summarises the reprising profile of the Group's assets, liabilities and off-balance sheet exposures:

At 31 December 2011:	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
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)	0	
Off-Balance Sheet Items	7,433,836	(6,751,225)	(192,912)	(489,699)	-	-	
Interest Rate Sensitivity Gap	**6,902,168**	**2,328,019**	**30,897,902**	**10,552,504**	**(50,680,593)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**6,902,168**	**9,230,187**	**40,128,089**	**50,680,593**	**0**	**-**	

At 31 December 2010:	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
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)	0	
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**	**0**	**-**	

(All amounts are shown in thousands of Qatari Riyals)

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

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

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

			Sensitivity of Other Comprehensive Income				
	Increase in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2010	2010	2010	2010	2010	2010
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
Pounds 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	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2010	2010	2010	2010	2010	2010
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)
Pounds Sterling	10	(1,195)	(1,493)	(157)	8	-	(1,642)
Other Currencies	10	691	1,018	(211)	(1,005)	-	(198)

(All amounts are shown in thousands of Qatari Riyals)

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 balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 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	0	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)
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)

(All amounts are shown in thousands of Qatari Riyals)

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
At 31 December 2011:						
Contingent Liabilities	1,726,835	14,895,438	16,197,233	13,515,198	3,736,680	50,071,384
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:

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

(All amounts are shown in thousands of Qatari Riyals)

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	0	0
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.

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**

(All amounts are shown in thousands of Qatari Riyals)

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).

b) By Industry

At 31 December 2011:	Loans & Advances	Overdrafts	Bills Discounted	Total
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**

At 31 December 2010:	Loans & Advances	Overdrafts	Bills Discounted	Total
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.

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

(All amounts are shown in thousands of Qatari Riyals)

6. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS (Continued)

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

	2011	2010
Balance 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 at 31 December	**2,680,172**	**1,572,481**

d) Impairment on Loans and Advances and Financing Activities

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance at 1 January 2011	271,161	63,756	1,118,643	118,921	1,572,481
Foreign Currency Translation	(796)	-	(120)	(183)	(1,099)
Provisions Made during the Year	1,330,399	44,047	433,962	22,916	1,831,324
Recoveries during the Year	(64,037)	(53,032)	(555,765)	(38,894)	(711,728)
Provisions relating to Acquired Subsidiary	-	-	7,108	-	7,108
Written off / Transfers during the Year	(8,671)	-	(14,081)	4,838	(17,914)
Balance At 31 December 2011	**1,528,056**	**54,771**	**989,747**	**107,598**	**2,680,172**
Balance at 1 January 2010	91,675	38,098	686,387	107,446	923,606
Foreign Currency Translation	(735)	-	(29)	(942)	(1,706)
Provisions Made 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 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)**

(All amounts are shown in thousands of Qatari Riyals)

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 Financial Investments	**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 Financial Investments	**2011**		**2010**	
- By Issuer	**Quoted**	**Unquoted**	**Quoted**	**Unquoted**
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).

8. INVESTMENTS IN ASSOCIATES	**2011**	**2010**
Balance 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 at 31 December	**4,703,260**	**4,648,318**

Name of Associate	**Country**	**Ownership %**	
Mansoor 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.

(All amounts are shown in thousands of Qatari Riyals)

9. PROPERTY AND EQUIPMENT

Balance At 31 December 2011	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Cost:					
Balance at 1 January	674,440	275,107	470,502	3,139	1,423,188
Additions / Transfers	72,043	67,338	121,514	949	261,844
Relating to Subsidiary	8,136	3,049	16,495	4,785	32,465
Disposals	-	(39,653)	(26,711)		(66,364)
Foreign Currency Translation	(21,863)	(1,383)	(3,339)	(239)	(26,824)
	732,756	**304,458**	**578,461**	**8,634**	**1,624,309**
Accumulated Depreciation:					
Balance at 1 January	83,619	121,603	302,030	1,005	508,257
Charged during the Year	22,837	77,691	88,299	1,145	189,972
Relating to Subsidiary	2,651	-	10,892	2,783	16,326
Disposals	-	(39,243)	(25,715)	(21)	(64,979)
Foreign Currency Translation	(1,042)	(1,703)	(1,514)	(67)	(4,326)
	108,065	**158,348**	**373,992**	**4,845**	**645,250**
Net Carrying Amount	**624,691**	**146,110**	**204,469**	**3,789**	**979,059**
Balance At 31 December 2010					
Cost:					
Balance 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 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**

10. INTANGIBLE ASSETS

During the year, the Group obtained control of PT Bank Kesawan Tbk, 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 Tbk 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	-
Amortization of Licence and Trade Mark	(3,455)	
Total	**141,955**	-

Allocation of intangible assets is as follows:

	2011	2010
License and Trade Mark	52,340	-
Goodwill	89,615	-
	141,955	-

(All amounts are shown in thousands of Qatari Riyals)

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**

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**

(All amounts are shown in thousands of Qatari Riyals)

14. OTHER BORROWINGS

Other borrowings include 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**

16. OTHER PROVISIONS

	Staff Indemnity	Legal Provision	Total 2011	Total 2010
Balance at 1 January	42,761	4,932	47,693	44,627
Foreign Currency Translation	-	(56)	(56)	(59)
Provisions Made 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 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 at the beginning and end of the year:

	2011	2010
Number of Shares Outstanding 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 at the End of the Year	**636,117,671**	**391,457,029**

(All amounts are shown in thousands of Qatari Riyals)

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.

e) Fair Value Reserve

	Cash Flow Hedges	Available-for-Sale Investments	Total 2011	Total 2010
Balance 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 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 Group'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 Tbk.

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**

(All amounts are shown in thousands of Qatari Riyals)

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 Securities	311,646	175,172
Total	**311,646**	**175,172**

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**

(All amounts are shown in thousands of Qatari Riyals)

26. EARNINGS PER SHARE

Earnings per share for the Group is 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 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 at the End of the Year	**601,903,425**	**538,553,611**

27. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2011	2010
a) Contingent Liabilities		
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.

(All amounts are shown in thousands of Qatari Riyals)

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.

Asset and Wealth Management

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

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 Holding 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 Operations						
	Corporate Banking	Consumer Banking	Asset and Wealth Management	QIHL (Subsidiary)	International Banking	Unallocated and Intra-group Transactions	Total
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
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

(All amounts are shown in thousands of Qatari Riyals)

29. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
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**
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**

(All amounts are shown in thousands of Qatari Riyals)

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
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**
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**

Swaps

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

Forwards and futures

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

Forward rate agreements

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

(All amounts are shown in thousands of Qatari Riyals)

30. DERIVATIVES (Continued)

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

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

Derivatives Held for Hedging Purposes

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

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

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

Derivatives Held for Trading Purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. The Group also uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

(All amounts are shown in thousands of Qatari Riyals)

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 share of equity 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. At the 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.

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 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. 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.

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

Qatar National Bank S.A.Q.
Supplementary Information to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2011

PARENT COMPANY

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

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

	2011 QR000	2010 QR000
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.
Supplementary Information to the Consolidated Financial Statements
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(ii) Income Statement for the Year Ended 31 December:

	2011 QR000	2010 QR000
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**