



**QNB**  
Together Forward

**Condensed Consolidated Interim Financial Information**

**30 September 2009**

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

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Qatar National Bank S.A.Q. (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 September 2009 and the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended and the related notes ("condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "*Interim Financial Reporting*" and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 September 2009 is not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*" and the applicable provisions of Qatar Central Bank regulations.

Gopal Balasubramaniam  
KPMG  
Qatar Auditors Registry Number 251

Doha - State of Qatar  
7 October 2009

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Interim Statement of Financial Position**

	Note	30 September 2009 (Reviewed) QR000	30 September 2008 (Reviewed) QR000	31 December 2008 (Audited) QR000
<b>ASSETS</b>				
Cash and Deposits with Central Banks		9,930,926	4,410,140	6,269,596
Due from Banks and Other Financial Institutions		19,713,001	30,865,679	27,044,455
Loans and Advances and Financing Activities	3	93,781,686	91,045,840	100,053,490
Investment Securities	4	22,843,297	12,536,432	11,814,912
Investment in Associates		4,460,452	4,552,037	4,596,644
Property and Equipment		600,576	754,550	618,237
Other Assets		1,854,731	1,474,008	1,576,284
<b>Total Assets</b>		<b>153,184,669</b>	<b>145,638,686</b>	<b>151,973,618</b>
<b>LIABILITIES and EQUITY</b>				
<b>LIABILITIES</b>				
Due to Banks and Other Financial Institutions		14,059,829	23,162,728	19,721,259
Repurchase Agreements		2,085,852	2,267,416	2,267,416
Customer Deposits		94,792,158	82,009,237	94,973,407
Other Borrowings		6,722,293	6,718,153	6,719,147
Other Liabilities		3,268,401	2,871,459	2,369,934
		<b>120,928,533</b>	<b>117,028,993</b>	<b>126,051,163</b>
Unrestricted Investment Accounts		13,461,724	10,906,042	9,279,230
<b>Total Liabilities and Unrestricted Investment Accounts</b>		<b>134,390,257</b>	<b>127,935,035</b>	<b>135,330,393</b>
<b>EQUITY</b>				
Issued Capital		3,011,208	2,408,966	2,408,966
Statutory Reserve		7,650,698	6,829,460	6,829,459
Other Reserves		1,771,380	1,786,580	1,789,787
Risk Reserve		1,410,000	783,072	1,410,000
Fair Value Reserve	6	575,262	1,439,248	(274,167)
Proposed Dividend	7	-	-	1,806,724
Proposed Bonus Shares		-	-	602,242
Proposed Transfer to Statutory Reserve		-	-	821,239
Retained Earnings		4,375,864	4,456,325	1,248,975
<b>Total Equity</b>		<b>18,794,412</b>	<b>17,703,651</b>	<b>16,643,225</b>
<b>Total Liabilities and Equity</b>		<b>153,184,669</b>	<b>145,638,686</b>	<b>151,973,618</b>

**Yousef Hussain Kamal**  
Chairman

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

The attached notes 1 to 10 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Interim Statement of Income**

	Note	Three Months to 30 September 2009 (Reviewed) QR000	Three Months to 30 September 2008 (Reviewed) QR000	Nine Months to 30 September 2009 (Reviewed) QR000	Nine Months to 30 September 2008 (Reviewed) QR000
<b>Continuing Operations</b>					
Interest Income		1,641,791	1,632,050	4,594,340	4,456,276
Interest Expense		(780,872)	(926,297)	(2,152,973)	(2,652,124)
<b>Net Interest Income</b>		<b>860,919</b>	<b>705,753</b>	<b>2,441,367</b>	<b>1,804,152</b>
Fees and Commission Income		230,091	275,502	739,651	780,038
Fees and Commission Expense		(15,568)	(17,669)	(47,084)	(52,050)
<b>Net Fees and Commission Income</b>		<b>214,523</b>	<b>257,833</b>	<b>692,567</b>	<b>727,988</b>
Dividend Income		23,329	1,439	204,962	136,682
Net Gains from Dealing in Foreign Currencies		73,722	90,712	225,592	248,616
Net Gains from Investment Securities		43,993	191,001	103,515	450,230
Share in Profit of Associates		137,352	63,663	215,650	161,995
Income from Islamic Financing and Investing Activities		198,022	216,025	598,649	467,092
Other Operating Income		1,593	3,194	11,383	25,313
<b>Net Operating Income</b>		<b>1,553,453</b>	<b>1,529,620</b>	<b>4,493,685</b>	<b>4,022,068</b>
General and Administrative Expenses		(238,138)	(251,596)	(695,886)	(714,653)
Depreciation		(27,085)	(24,954)	(77,457)	(61,711)
Provisions for Credit Losses on Loans and Advances		(104,778)	(10,851)	(215,107)	(49,606)
Net Impairment (Losses) / Gains on Investment Securities		3,507	1,015	(37,757)	40,066
Other Provisions		(729)	2	(5,428)	(4,731)
Unrestricted Investment Account Holders' Share of Profit		(121,351)	(104,542)	(331,663)	(232,135)
<b>Net Profit Before Taxes</b>		<b>1,064,879</b>	<b>1,138,694</b>	<b>3,130,387</b>	<b>2,999,298</b>
Taxes		(5,424)	5,420	(17,004)	(4,939)
<b>Net Profit for the Period from Continuing Operations</b>		<b>1,059,455</b>	<b>1,144,114</b>	<b>3,113,383</b>	<b>2,994,359</b>
Net Profit from Discontinued Operations	5	-	1,629	13,506	8,403
<b>Net Profit for the Period</b>		<b>1,059,455</b>	<b>1,145,743</b>	<b>3,126,889</b>	<b>3,002,762</b>
Earnings Per Share (QR)		3.5	3.9	10.4	10.2
Weighted Average Number of Shares		301,120,792	293,483,238	301,120,792	293,483,238

The attached notes 1 to 10 form an integral part of this condensed consolidated interim financial information.

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

**Condensed Consolidated Interim Statement of Comprehensive Income**

	Three Months to 30 September 2009 (Reviewed) QR000	Three Months to 30 September 2008 (Reviewed) QR000	Nine Months to 30 September 2009 (Reviewed) QR000	Nine Months to 30 September 2008 (Reviewed) QR000
<b>Net Profit for the Period</b>	1,059,455	1,145,743	3,126,889	3,002,762
<b>Other Comprehensive Income</b>				
Foreign Currency Translation Differences for Foreign Operations	(19,780)	13,861	(18,561)	14,573
Share of Other Comprehensive Income of Associates	24,742	9,046	154	20,391
Effective Portion of Changes in Fair Value of Cash Flow Hedges	(41,430)	(12,626)	39,686	(926)
Net Gain / (Loss) on Revaluation of Available for Sale				
Investment Securities	46,075	(2,434,034)	809,743	(906,484)
<b>Total Other Comprehensive Income</b>	<u>9,607</u>	<u>(2,423,753)</u>	<u>831,022</u>	<u>(872,446)</u>
<b>Total Comprehensive Income</b>	<u>1,069,062</u>	<u>(1,278,010)</u>	<u>3,957,911</u>	<u>2,130,316</u>

The attached notes 1 to 10 form an integral part of this condensed consolidated interim financial information.

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

**Condensed Consolidated Interim Statement of Changes in Equity**

	Share Capital QR000	Statutory Reserve QR000	Other Reserves QR000	Risk Reserve QR000	Fair Value Reserve QR000	Proposed Dividend QR000	Proposed Bonus Shares QR000	Proposed Transfer to Statutory Reserve QR000	Retained Earnings QR000	Total QR000	Non Controlling Interest QR000	Total Equity QR000
Balance at 1 January 2008	1,824,975	3,852,723	1,751,616	783,072	2,346,658	912,487	364,995	567,770	1,463,563	13,857,859	505	13,858,364
Total Comprehensive Income for the Period	-	-	34,964	-	(907,410)	-	-	-	3,002,762	2,130,316	-	2,130,316
Dividend Paid for the Year 2007	-	-	-	-	-	(912,487)	-	-	-	(912,487)	-	(912,487)
Bonus Shares for the year 2007	364,995	-	-	-	-	-	(364,995)	-	-	-	-	-
Rights Issue	218,996	-	-	-	-	-	-	-	-	218,996	-	218,996
Premium on Rights Issue	-	2,408,967	-	-	-	-	-	-	-	2,408,967	-	2,408,967
Transfer to Statutory Reserve for the year 2007	-	567,770	-	-	-	-	-	(567,770)	-	-	-	-
Net Movement in Non controlling Interest	-	-	-	-	-	-	-	-	-	-	(505)	(505)
<b>Balance at 30 September 2008</b>	<b>2,408,966</b>	<b>6,829,460</b>	<b>1,786,580</b>	<b>783,072</b>	<b>1,439,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,456,325</b>	<b>17,703,651</b>	<b>-</b>	<b>17,703,651</b>
Balance at 1st January 2009	2,408,966	6,829,459	1,789,787	1,410,000	(274,167)	1,806,724	602,242	821,239	1,248,975	16,643,225	-	16,643,225
Total Comprehensive Income for the Period	-	-	(18,407)	-	849,429	-	-	-	3,126,889	3,957,911	-	3,957,911
Dividend Paid for the Year 2008	-	-	-	-	-	(1,806,724)	-	-	-	(1,806,724)	-	(1,806,724)
Bonus Shares for the year 2008	602,242	-	-	-	-	-	(602,242)	-	-	-	-	-
Transfer to Statutory Reserve for the year 2008	-	821,239	-	-	-	-	-	(821,239)	-	-	-	-
<b>Balance at 30 September 2009</b>	<b>3,011,208</b>	<b>7,650,698</b>	<b>1,771,380</b>	<b>1,410,000</b>	<b>575,262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,375,864</b>	<b>18,794,412</b>	<b>-</b>	<b>18,794,412</b>

The attached notes 1 to 10 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Interim Statement of Cash Flows**

	Note	Nine Months to 30 September 2009 (Reviewed) QR000	Nine Months to 30 September 2008 (Reviewed) QR000	Year to 31 December 2008 (Audited) QR000
<b>Net Cash Inflow from Operating Activities</b>		8,872,663	4,634,993	3,022,445
<b>Cash Flow from Investing Activities</b>				
Purchase of Investment Securities		(15,660,301)	(6,107,606)	(7,299,111)
Proceeds from Sale of Investment Securities		6,219,071	4,377,460	4,550,260
Investment in Associates		(100,688)	(1,666,019)	(1,676,913)
Purchase of Property and Equipment		(93,003)	(206,614)	(344,372)
Proceeds from Sale of Property and Equipment		52,143	14,280	262,396
Proceeds from Sale of Discontinued Operations		117,178	-	-
<b>Net Cash (Used in) Investing Activities</b>		<u>(9,465,600)</u>	<u>(3,588,499)</u>	<u>(4,507,740)</u>
<b>Cash Flow from Financing Activities</b>				
Dividend Paid		(1,815,273)	(896,489)	(903,227)
Proceeds from Rights Issue		-	2,627,963	2,627,962
<b>Net Cash (Used in) / from Financing Activities</b>		<u>(1,815,273)</u>	<u>1,731,474</u>	<u>1,724,735</u>
Net Increase in Cash and Cash Equivalents		(2,408,210)	2,777,968	239,440
Effects of Exchange Rate Changes on Cash and Cash Equivalents		(52,065)	105,345	281,802
Cash and Cash Equivalents at 1 January		<u>27,968,488</u>	<u>28,296,764</u>	<u>27,447,246</u>
<b>Cash and Cash Equivalents at 30 September / 31 December</b>	10	<u>25,508,213</u>	<u>31,180,077</u>	<u>27,968,488</u>

The attached notes 1 to 10 form an integral part of this condensed consolidated interim financial information.

**Qatar National Bank S.A.Q.**  
**Notes to the Condensed Consolidated Interim Financial Information**

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

The accompanying condensed consolidated interim financial information is prepared in accordance with IAS 34 - "*Interim Financial Reporting*". This condensed consolidated interim financial information should be read in conjunction with the 2008 annual consolidated financial statements of the Group.

The condensed consolidated interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three and nine month period ended 30 September 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008, except for the following:

**- IAS 1 (revised), "Presentation of financial statements"**

During the period the Group adopted Revised IAS 1 as issued by International Accounting Standards Board ("IASB") revised in May 2008, as the same has become mandatory for the Group's financial reporting periods beginning 1 January 2009. Revised IAS 1 introduced the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Group has decided to adopt a two statement approach for presenting total comprehensive income.

**- IFRS 8, "Operating Segments"**

During the period the Group adopted IFRS 8 as issued by International Accounting Standards Board ("IASB") issued in November 2006, as the same has become mandatory for the Group's financial reporting periods beginning 1 January 2009. IFRS 8 introduces the "management approach" to segment reporting i.e. based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

**- IFRS 5, "Non-current assets held for sale and discontinued operations"**

During the period, the Group applied IFRS 5. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

Further, the Group's financial risk management objectives and procedures are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2008.



## Qatar National Bank S.A.Q.

### Notes to the Condensed Consolidated Interim Financial Information

#### 2. SEGMENT INFORMATION

The Group is organised into three main operating segments which comprise conventional commercial banking, Islamic banking and wealth management activities. The results of each of the operating segments which are being reviewed regularly by the Chief Operating Decision Maker are stated below:

	Conventional Banking	Islamic Banking	Wealth Management	Intra-group Transactions	Total
Total Assets	140,831,978	18,369,124	2,602,359	(8,618,792)	153,184,669
Net Interest Income	2,414,341	-	39,363	(12,337)	2,441,367
Net Income from Islamic Activities	-	266,986	-	-	266,986
Net Fees and Commission Income	607,668	60,751	24,148	-	692,567
Net Operating Income	3,723,440	712,011	72,652	(14,418)	4,493,685
General and Administrative Expenses	(562,280)	(51,830)	(98,430)	16,654	(695,886)
Net Profit / (Loss)	2,874,559	280,479	(28,149)	-	3,126,889

#### 3. LOANS AND ADVANCES AND FINANCING ACTIVITIES

	30 September 2009 (Reviewed) QR000	30 September 2008 (Reviewed) QR000	31 December 2008 (Audited) QR000
Total Conventional Banking Loans and Advances	86,005,971	85,354,236	93,875,356
Total Islamic Financing Activities	10,346,676	7,110,393	8,056,345
Specific Provision for Impairment of Loans	(833,423)	(408,800)	(624,961)
Financing Activities Deferred Profit	(1,737,538)	(1,009,989)	(1,253,250)
<b>Net Loans and Advances and Financing Activities</b>	<b>93,781,686</b>	<b>91,045,840</b>	<b>100,053,490</b>

The aggregate amount of non performing loans and advances amounted to QR782.4 million, 0.8% of total loans and advances and financing activities (31 December 2008: QR731.5 million, 0.7% of total loans and advances and financing activities).

During the period, the Group disposed off certain loans and advances to the Government of Qatar as part of the Government assistance program for Qatari banks, in consideration for State of Qatar bonds.

#### 4. INVESTMENT SECURITIES

	30 September 2009 (Reviewed) QR000	30 September 2008 (Reviewed) QR000	31 December 2008 (Audited) QR000
Available for Sale Investments	5,135,188	7,676,534	7,186,082
Held to Maturity Investments	17,708,109	4,859,898	4,628,830
<b>Total</b>	<b>22,843,297</b>	<b>12,536,432</b>	<b>11,814,912</b>

During the period, the Group disposed off certain available for sale equity securities listed on the Doha Securities Market to the Government of Qatar at a sales price of QR4,013 million, comprising cash of QR1,788 million and a five year term bond of QR2,225 million at an interest yield of 5.5% per annum. This sales price was equal to cost less impairment booked for these securities, hence there is no impact on the statement of income for the period. The available for sale reserve amount transferred from equity in relation to this sale was QR917 million.

#### 5. DISCONTINUED OPERATIONS

During the period, the Group disposed off one of its subsidiaries' lines of business included within the wealth management operating segment, namely the Bahamas business of the QNB International Holdings Limited subsidiary. The comparative statement of income has been re-presented to show the discontinued operations separately from continuing operations. Total revenue for the period till the date of disposal from the operations amounted to QR31.4 million (September 2008: QR71.2 million) and total expenses amounted to QR17.9 million (September 2008: 62.8 million). At the date of disposal, the Bahamas operations comprised assets of QR587 million and liabilities of QR1,335 million, held at the lower of carrying value and fair value less costs to sell in accordance with IFRS 5 - "Non current assets held for sale and discontinued operations".

**Qatar National Bank S.A.Q.**  
**Notes to the Condensed Consolidated Interim Financial Information**

**6. FAIR VALUE RESERVE**

	<b>30 September 2009 (Reviewed) QR000</b>	<b>30 September 2008 (Reviewed) QR000</b>	<b>31 December 2008 (Audited) QR000</b>
Cash Flow Hedges	(149,709)	(49,205)	(189,395)
Available for Sale Investment Securities	724,971	1,488,453	(84,772)
<b>Total</b>	<b>575,262</b>	<b>1,439,248</b>	<b>(274,167)</b>

**7. DIVIDEND**

The cash dividend in respect of the year ended 31 December 2008 of QR7.5 per share, amounting to a total of QR1,807 million and a bonus share issue of 25% of the share capital amounting to QR602.2 million, were approved on 8 February 2009.

**8. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

	<b>30 September 2009 (Reviewed) QR000</b>	<b>30 September 2008 (Reviewed) QR000</b>	<b>31 December 2008 (Audited) QR000</b>
Contingent Liabilities	41,155,396	51,419,893	51,043,517
Other Commitments	54,581,687	39,940,144	37,801,491

**9. RELATED PARTIES**

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities of which they are principal owners. At the balance sheet date, such significant balances included:

	<b>30 September 2009 (Reviewed) QR000</b>	<b>30 September 2008 (Reviewed) QR000</b>	<b>31 December 2008 (Audited) QR000</b>
<b>Balance Sheet Items</b>			
Loans and advances	2,444,722	2,475,349	2,512,673
Deposits	867,054	817,334	724,877
Contingent Liabilities and Other Commitments	89,018	176,184	155,272
<b>Statement of Income Items</b>			
Interest and Commission Income	121,834	102,824	152,267
Interest and Commission Expense	31,714	24,079	32,085
<b>Compensation of key management personnel is as follows:</b>			
Salaries and Other Benefits	15,778	13,929	17,624
End of Service Indemnity	308	355	534

The Group also has significant commercial transactions with the Government of Qatar amounting to QR21,565 million included in loans and advances (31 December 2008: QR5,836 million) and QR8,180 million included in deposits (31 December 2008: QR19,134 million).

**10. CASH AND CASH EQUIVALENTS**

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

	<b>30 September 2009 (Reviewed) QR000</b>	<b>30 September 2008 (Reviewed) QR000</b>	<b>31 December 2008 (Audited) QR000</b>
Cash and Deposits with Central Banks	5,924,860	783,078	2,711,622
Due from Banks Maturing within 3 months	19,583,353	30,396,999	25,256,866
<b>Total</b>	<b>25,508,213</b>	<b>31,180,077</b>	<b>27,968,488</b>

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