

**Interim Condensed Consolidated
Financial Statements**

31 March 2014



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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar National Bank S.A.Q (the "Bank") and its subsidiaries (the "Group") as at 31 March 2014, comprising of the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of income and comprehensive income for the three-month period ended 31 March 2014, the related interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended, and the related explanatory notes. The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and the applicable provisions of Qatar Central Bank regulations.

Firas Qoussous
of Ernst & Young
Qatar Auditors Registry Number 236

Doha - State of Qatar
9 April 2014

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Financial Position
As at 31 March 2014

	Notes	31 March 2014 (Reviewed) QR000	31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
ASSETS				
Cash and Balances with Central Banks		31,136,549	15,982,422	22,909,453
Due from Banks		25,609,062	37,047,055	13,602,258
Loans and Advances to Customers	3	317,089,231	258,941,126	310,712,046
Investment Securities	4	66,153,674	49,045,940	78,302,635
Investment in Associates		5,892,509	5,754,100	5,840,008
Property and Equipment		1,834,870	945,131	1,390,966
Intangible Assets		5,526,260	389,671	5,549,805
Other Assets		5,242,892	11,931,356	5,178,937
Total Assets		458,485,047	380,036,801	443,486,108
LIABILITIES				
Due to Banks		16,753,654	24,114,402	11,568,043
Customer Deposits		345,562,923	280,037,215	335,539,171
Debt Securities		21,760,471	12,679,223	21,754,224
Other Borrowings		14,030,465	8,053,405	12,408,154
Other Liabilities		9,009,003	9,227,971	8,489,232
Total Liabilities		407,116,516	334,112,216	389,758,824
EQUITY				
Issued Capital		6,997,294	6,997,294	6,997,294
Legal Reserve		23,086,902	23,086,902	23,086,902
Risk Reserve		2,750,000	1,750,000	2,750,000
Fair Value Reserve	5	1,452,663	448,161	1,401,954
Foreign Currency Translation Reserve		(940,570)	(659,834)	(957,107)
Other Reserves		1,726,734	1,752,017	1,719,114
Retained Earnings		15,363,354	11,661,358	17,830,304
Total Equity Attributable to Equity Holders of the Bank		50,436,377	45,035,898	52,828,461
Non - Controlling Interests		932,154	888,687	898,823
Total Equity		51,368,531	45,924,585	53,727,284
Total Liabilities and Equity		458,485,047	380,036,801	443,486,108

This interim condensed consolidated financial statements were approved by the Board of Directors on 9 April 2014 and were signed on its behalf by:

Ali Shareef Al-Emadi
Chairman

Ali Ahmad Al Kuwari
Acting Group Chief Executive Officer

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

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Income
For the Three Months Period Ended 31 March 2014

	Three Months to 31 March 2014 (Reviewed) QR000	Three Months to 31 March 2013 (Reviewed) QR000
Interest Income	4,508,048	3,111,999
Interest Expense	(1,551,699)	(760,250)
Net Interest Income	2,956,349	2,351,749
Fees and Commission Income	543,950	390,865
Fees and Commission Expense	(50,897)	(40,642)
Net Fees and Commission Income	493,053	350,223
Foreign Exchange Gain	179,724	172,396
Income from Investment Securities	22,322	15,684
Other Operating Income	24,748	3,033
Operating Income	3,676,196	2,893,085
Staff Expenses	(434,967)	(294,987)
Depreciation	(63,673)	(49,185)
Other Expenses	(312,063)	(181,253)
Net Impairment Losses on Investment Securities	(5,884)	(3,955)
Net Impairment Losses on Loans and Advances to Customers	(360,998)	(242,461)
Amortization of Intangible Assets	(19,363)	(917)
Other Provisions	(5,801)	-
	(1,202,749)	(772,758)
Share of Results of Associates	61,120	67,547
Profit Before Income Tax	2,534,567	2,187,874
Income Tax Expense	(89,429)	(20,032)
Profit for the Period	2,445,138	2,167,842
Attributable to:		
Equity Holders of the Bank	2,430,105	2,138,213
Non - Controlling Interests	15,033	29,629
Profit for the Period	2,445,138	2,167,842
Earnings Per Share (QR) (Basic and Diluted)	3.5	3.1
Weighted Average Number of Shares	699,729,438	699,729,438

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

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Comprehensive Income
For the Three Months Period Ended 31 March 2014

	Three Months to 31 March 2014 (Reviewed) QR000	Three Months to 31 March 2013 (Reviewed) QR000
Profit for the Period	2,445,138	2,167,842
Other Comprehensive Income, net of Income Tax		
<i>Other comprehensive income to be reclassified to income statement in subsequent periods:</i>		
Foreign Currency Translation Differences for Foreign Operations	16,537	(19,371)
Share of Other Comprehensive Income of Associates	8,671	843
Effective Portion of Changes in Fair Value of Cash Flow Hedges	(107,499)	32,470
Available-for-Sale Investment Securities		
Net Change in Fair Value	161,650	5,400
Net Amount Transferred to Income Statement	(3,442)	(1,112)
Total Other Comprehensive Income for the Period, net of Income Tax	<u>75,917</u>	<u>18,230</u>
Total Comprehensive Income for the Period	<u><u>2,521,055</u></u>	<u><u>2,186,072</u></u>
Attributable to:		
Equity Holders of the Bank	2,506,022	2,156,443
Non - Controlling Interests	15,033	29,629
Total Comprehensive Income for the Period	<u><u>2,521,055</u></u>	<u><u>2,186,072</u></u>

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

Qatar National Bank S.A.Q.
Interim Consolidated Statement of Changes in Equity
For the Three Months Period Ended 31 March 2014

	Issued Capital QR000	Legal Reserve QR000	Risk Reserve QR000	Fair Value Reserve QR000	Foreign Currency Translation Reserve QR000	Other Reserves QR000	Retained Earnings QR000	Equity Attributable to Equity Holders of the Bank QR000	Non Controlling Interests QR000	Total QR000
Balance at 1 January 2013	6,997,294	23,086,902	1,750,000	411,403	(640,463)	1,751,174	13,721,522	47,077,832	910,860	47,988,692
Total Comprehensive Income for the Period										
Profit for the Period	-	-	-	-	-	-	2,138,213	2,138,213	29,629	2,167,842
Other Comprehensive Income	-	-	-	36,758	(19,371)	843	-	18,230	-	18,230
Total Comprehensive Income for the Period	-	-	-	36,758	(19,371)	843	2,138,213	2,156,443	29,629	2,186,072
Transactions with Equity Holders, Recognised Directly in Equity										
Dividend for the Year 2012	-	-	-	-	-	-	(4,198,377)	(4,198,377)	-	(4,198,377)
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	(51,802)	(51,802)
Total Transactions with Equity Holders, Recognised Directly in Equity	-	-	-	-	-	-	(4,198,377)	(4,198,377)	(51,802)	(4,250,179)
Balance at 31 March 2013	6,997,294	23,086,902	1,750,000	448,161	(659,834)	1,752,017	11,661,358	45,035,898	888,687	45,924,585
Balance at 1 January 2014	6,997,294	23,086,902	2,750,000	1,401,954	(957,107)	1,719,114	17,830,304	52,828,461	898,823	53,727,284
Total Comprehensive Income for the Period										
Profit for the Period	-	-	-	-	-	-	2,430,105	2,430,105	15,033	2,445,138
Other Comprehensive Income	-	-	-	50,709	16,537	7,620	1,051	75,917	-	75,917
Total Comprehensive Income for the Period	-	-	-	50,709	16,537	7,620	2,431,156	2,506,022	15,033	2,521,055
Transactions with Equity Holders, Recognised Directly in Equity										
Dividend for the Year 2013	-	-	-	-	-	-	(4,898,106)	(4,898,106)	-	(4,898,106)
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	18,298	18,298
Total Transactions with Equity Holders, Recognised Directly in Equity	-	-	-	-	-	-	(4,898,106)	(4,898,106)	18,298	(4,879,808)
Balance at 31 March 2014	6,997,294	23,086,902	2,750,000	1,452,663	(940,570)	1,726,734	15,363,354	50,436,377	932,154	51,368,531

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

Qatar National Bank S.A.Q.
Interim Condensed Consolidated Statement of Cash Flows
For the Three Months Period Ended 31 March 2014

	Note	Three Months to 31 March 2014 (Reviewed) QR000	Three Months to 31 March 2013 (Reviewed) QR000	Year to 31 December 2013 (Audited) QR000
Cash Flows from / (used in) Operating Activities		8,325,743	(2,585,416)	(15,939,417)
Cash Flows from Investing Activities				
Acquisitions of Investment Securities		(14,020,712)	(4,022,558)	(33,963,109)
Proceeds from Sale of Investment Securities		26,364,148	4,981,514	17,713,698
Investments in Associates		-	-	(103)
Acquisition of Subsidiaries, net of Cash Acquired		-	1,098	(4,718,558)
Purchase of Property and Equipment		(510,415)	(50,235)	(272,449)
Proceeds from Sale of Property and Equipment		1,225	31,532	32,098
Net Cash from / (used in) Investing Activities		11,834,246	941,351	(21,208,423)
Cash Flows from Financing Activities				
Proceeds from Issue of Debt Securities		-	-	9,057,937
Proceeds from Other Borrowings		1,794,824	1,263,276	5,169,535
Dividends Paid		(4,858,902)	(4,166,850)	(4,197,226)
Net Cash (used in) / from Financing Activities		(3,064,078)	(2,903,574)	10,030,246
Net (Increase) / Decrease in Cash and Cash Equivalents		17,095,911	(4,547,639)	(27,117,594)
Effects of Exchange Rate Changes on Cash and Cash Equivalents		32,088	44,338	114,351
Cash and Cash Equivalents as at 1 January		21,093,480	48,096,723	48,096,723
Cash and Cash Equivalents at 31 March / 31 December	10	38,221,479	43,593,422	21,093,480

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

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements are prepared in accordance with IAS 34 - "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank Regulations. This interim condensed consolidated interim financial statements should be read in conjunction with the 2013 annual consolidated financial statements of the Group.

The interim condensed consolidated financial statements does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

The following new and amended standards have been adopted by the Group in preparation of these interim condensed consolidated financial statements. The new standards do not have any material impact to the Group, but they will result in extensive additional disclosures:

Investment Entities (Amendment to IFRS 10, IFRS 12 and IAS 27)

Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)

Novation of Derivatives and Continuation of Hedge Accounting (Amendment to IAS 39)

Recoverable Amount Disclosure for Non-Financial Assets (Amendment to IAS 36).

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2014

2. SEGMENT INFORMATION

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

	Qatar Operations			International Banking	Unallocated and Intra-group Transactions	Total
	Corporate Banking	Consumer Banking	Asset and Wealth Management			
At 31 March 2014:						
Net Interest Income	1,814,868	102,889	117,588	913,152	7,852	2,956,349
Net Fees and Commission Income	151,190	43,869	85,744	212,522	(272)	493,053
Foreign Exchange Gain	72,633	20,079	40,657	23,600	22,755	179,724
Income from Investment Securities	14,155	-	-	9,218	(1,051)	22,322
Other Operating Income	-	3	142	24,545	58	24,748
Share of Results of Associates	-	-	-	61,120	-	61,120
Total Segment Revenue	2,052,846	166,840	244,131	1,244,157	29,342	3,737,316
Reportable Segment Profit	1,717,554	16,138	113,426	669,345	(86,358)	2,430,105
Reportable Segment Loans and Advances	235,875,206	7,924,211	11,285,367	62,004,447	-	317,089,231
Reportable Segment Customer Deposits	153,076,799	18,389,247	49,722,573	124,374,304	-	345,562,923
Reportable Segment Assets	317,754,137	18,885,682	51,078,532	192,115,139	(121,348,443)	458,485,047
At 31 March 2013:						
Net Interest Income	1,740,400	103,708	53,287	446,643	7,711	2,351,749
Net Fees and Commission Income	157,757	36,302	71,931	72,736	11,497	350,223
Foreign Exchange Gain	82,557	16,751	14,779	41,518	16,791	172,396
Income from Investment Securities	15,684	-	-	-	-	15,684
Other Operating Income	232	1	62	2,738	-	3,033
Share of Results of Associates	-	-	-	67,547	-	67,547
Total Segment Revenue	1,996,630	156,762	140,059	631,182	35,999	2,960,632
Reportable Segment Profit	1,606,910	21,692	91,699	449,154	(31,242)	2,138,213
Reportable Segment Loans and Advances	206,756,525	7,038,011	12,021,707	33,124,883	-	258,941,126
Reportable Segment Customer Deposits	150,005,593	15,561,842	26,422,335	88,047,445	-	280,037,215
Reportable Segment Assets	301,306,835	15,960,546	28,605,602	134,438,530	(100,274,712)	380,036,801

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2014

3. LOANS AND ADVANCES TO CUSTOMERS	31 March 2014 (Reviewed) QR000	31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
Loans and Advances to Customers	323,833,650	263,557,080	317,349,924
Deferred Profit	(206,736)	(302,793)	(226,301)
Allowance for Impairment of Loans and Advances to Customers	(6,537,683)	(4,313,161)	(6,411,577)
Net Loans and Advances	317,089,231	258,941,126	310,712,046

The aggregate amount of non performing loans and advances to customers amounted to QR5,173 million or 1.6% of total loans and advances (31 December 2013: QR5,206 million or 1.6% of total loans and advances to customers).

4. INVESTMENT SECURITIES	31 March 2014 (Reviewed) QR000	31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
Available-for-Sale Investment Securities	26,601,677	12,673,624	25,337,389
Held to Maturity Investment Securities	39,551,997	36,372,316	52,965,246
Total	66,153,674	49,045,940	78,302,635

5. FAIR VALUE RESERVE

	31 March 2014 (Reviewed) QR000	31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
Cash Flow Hedges	355,145	(166,158)	462,644
Available-for-Sale Investment Securities	1,097,518	614,319	939,310
Total	1,452,663	448,161	1,401,954

6. DIVIDEND

The cash dividend in respect of the year ended 31 December 2013 of QR7.0 per share, amounting to a total of QR4,898 million was approved by the shareholders at the annual general assembly meeting on 2 February 2014.

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2014

7. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	31 March 2014 (Reviewed) QR000	31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
Contingent Liabilities			
Unused Facilities	34,628,393	28,763,319	34,353,777
Guarantees	32,000,946	18,411,951	30,634,508
Letters of Credit	7,072,934	5,968,054	7,168,439
Others	10,294,290	12,740,864	11,516,224
Total	83,996,563	65,884,188	83,672,948
Other Commitments			
Derivative Financial Instruments	63,885,035	24,530,085	56,425,738
Others	16,878,425	11,199,936	14,807,629
Total	80,763,460	35,730,021	71,233,367

8. RELATED PARTIES

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

	31 March 2014 (Reviewed) QR000	31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
Statement of Financial Position Items			
Loans and Advances	1,058,426	1,899,769	1,122,243
Deposits	631,360	973,204	1,279,106
Contingent Liabilities and Other Commitments	608,691	68,326	608,267
Statement of Income Items			
Interest and Commission Income	11,474	26,251	98,457
Interest and Commission Expense	1,577	4,402	21,928
Compensation of key management personnel is as follows:			
Salaries and Other Benefits	23,291	25,074	36,617
End of Service Indemnity	221	291	1,138

The Group also has significant commercial transactions with the State of Qatar, which owns 50% of the Bank's outstanding shares through Qatar Investment Authority, amounting to QR43,613 million included in loans and advances (31 December 2013: QR37,738 million) and QR40,964 million included in customer deposits (31 December 2013: QR30,960 million).

9. CAPITAL ADEQUACY

	Basel III 31 March 2014 (Reviewed) QR000	Basel II 31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
Common Equity Tier 1 (CET 1) Capital	40,547,145	-	-
Tier 1 Capital	60,304	36,507,426	35,769,467
Tier 2 Capital	49,430	-	-
Total Eligible Capital	40,656,879	36,507,426	35,769,467
Risk Weighted Assets	250,131,269	178,503,238	228,869,675
CET 1 Ratio	16.2%	-	-
Total Tier 1 Capital Ratio (Including CET 1)	16.2%	20.5%	15.6%
Total Capital Ratio	16.3%	20.5%	15.6%

The Bank has followed Basel III Capital Adequacy Ratio (CAR) with effect from 1 January 2014 in accordance with Qatar Central Bank regulations. The minimum accepted Capital Adequacy Ratio under Basel III as per Qatar Central Bank Requirements are as follows:

Minimum limit without Capital Conservation Buffer is 10%.

Minimum limit including Capital Conservation Buffer is 12.5%.

Capital Adequacy disclosures relating to 31 December 2013 and 31 March 2013 are based on Basel II requirements.

Qatar National Bank S.A.Q.
Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Period Ended 31 March 2014

10. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Level 1	Level 2	Level 3	Total
At 31 March 2014:				
Derivative Assets Held for Risk Management		550,720	-	550,720
Investment Securities	13,568,200	12,725,148	-	26,293,348
	13,568,200	13,275,868	-	26,844,068
Derivative Liabilities Held for Risk Management		201,118	-	201,118
	-	201,118	-	201,118
At 31 December 2013:				
Derivative Assets Held for Risk Management	-	773,171	-	773,171
Investment Securities	15,342,883	9,676,802	-	25,019,685
	15,342,883	10,449,973	-	25,792,856
Derivative Liabilities Held for Risk Management		281,075	-	281,075
	-	281,075	-	281,075

11. CASH AND CASH EQUIVALENTS

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

	31 March 2014 (Reviewed) QR000	31 March 2013 (Reviewed) QR000	31 December 2013 (Audited) QR000
Cash and Balances with Central Banks	19,140,520	6,161,351	12,140,314
Due from Banks Maturing in Three months	19,080,959	37,432,071	8,953,166
Total	38,221,479	43,593,422	21,093,480

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