

M a k i n g B a n k i n g



2001 Annual Report



بنك قطر الوطني
QATAR NATIONAL BANK

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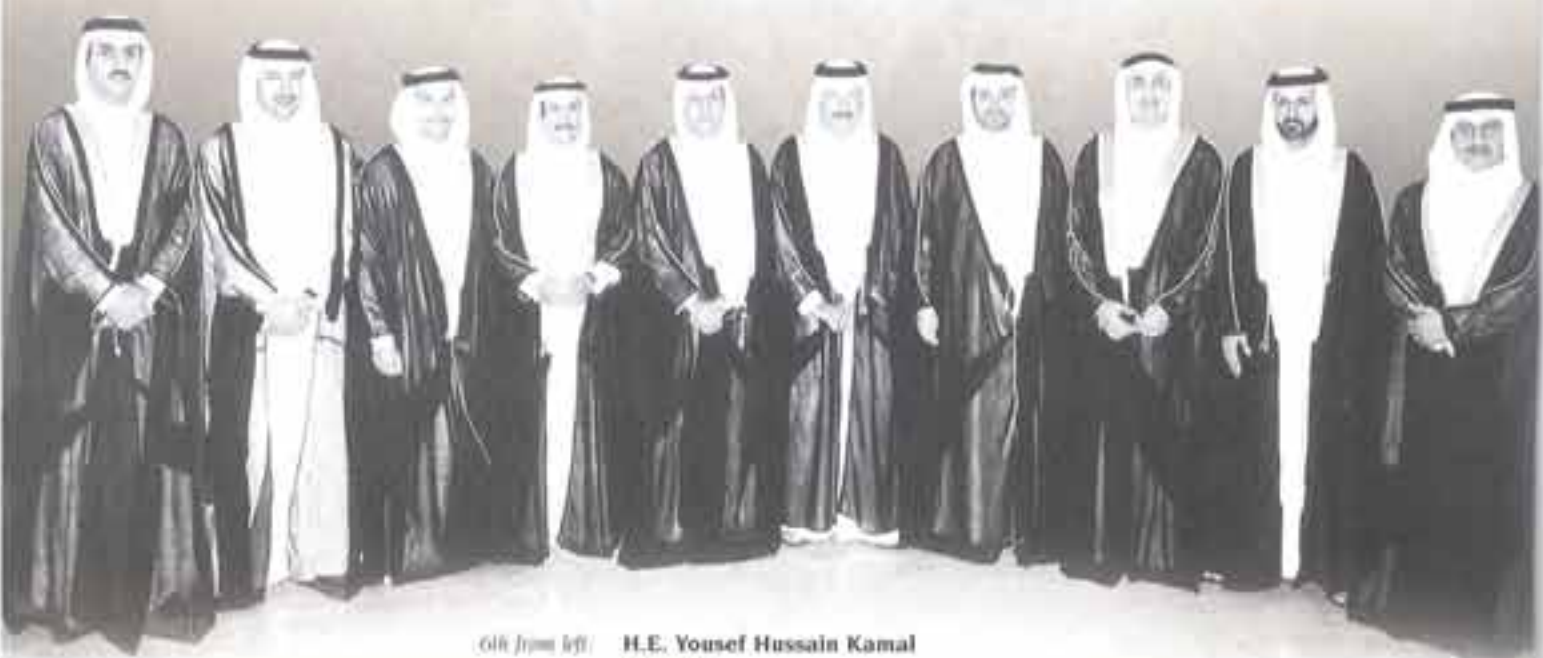


His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar



His Highness
Sheikh Jassem Bin Hamad Al-Thani
Heir Apparent

Board of Directors



6th from left: **H.E. Yousef Hussain Kamal**
Chairman

5th from left: **H.E. Sheikh Hamad Bin Faisal Al-Thani**
Vice Chairman

4th from right: **H.E. Sheikh Ahmed Bin Mabd. Bin Jabor Al-Thani**
Member

2nd from right: **Mr. Rashid Misfer Al-Hajri**
Member

1st from left: **Dr. Ghanem Mohammed Al-Hammadi**
Member

1st from right: **Mr. Mohammed Marzouq Al-Shamlan**
Member

4th from left: **Mr. Ali Hussain Ali Al-Sada**
Member

3rd from right: **Mr. Bader Abdulla Darwish Fakhroo**
Member

3rd from left: **Mr. Fahed Mohammed Fahed Buzwair**
Member

2nd from left: **Mr. Hitmi Ali Khalifa Al-Hitmi**
Member

H.E. Yousef Hussain Kamal

Chairman

Currently Minister of Finance. H.E. earned his a Bachelor's Degree in Business Administration from Cairo University in 1971. H.E. is the Chairman of Doha Securities Market, Ras Laffan Liquefied Natural Gas Co. (RasGas) and Qatar Steel Company. H.E. is also Vice President of the Board of the Planning Council and Qatar Petroleum (QP) and Board Member of Government of Qatar Supreme Council for Economic Affairs and Investment and OPEC Development Fund. H.E. actively participates in conferences and symposiums, both domestic and international.

H.E. Sheikh Hamad Bin Faisal Al-Thani

Vice Chairman

Currently Minister of Economy and Commerce, a position he assumed in January 2002. H.E. was the Chairman of the organizing committee of the 4th WTO Ministerial Conference 2001. H.E. earned his Bachelor's Degree in Political Science from Warner Pacific University, Portland, Oregon, U.S.A. in 1982. H.E. started his professional career at the Office of H.H. the Heir Apparent at the Emir's Diwan. From 1988 to 1998 he served as Director of the Customs Department. In 1998 he was appointed Assistant Undersecretary at Ministry of Finance, Economy & Commerce. H.E. is the Chairman of the Bank's Executive Committee.

H.E. Sheikh Ahmed Bin Mohammed Al-Thani

Earned his Master of Science in Urban Development Planning from University College, London in 1980. H.E. is currently the Secretary General of the Planning Council. A member of the Supreme Council of Family Affairs, a member of the University Council and Vice Chairman of the Arab Academy of Science, Technology and Marine Transportation and the Institute of Administrative Development. He is also a member of the Bank's Executive Committee.

Mr. Rashid Misfer Al-Hajri

Mr. Al-Hajri has served in Qatar Petroleum (QP) for over 27 years. He held several positions within the Finance Directorate: Financial Accounting, Project Financing, Treasury, Asset Management, Cost and Budget. Presently he is Manager, Accounting & Financial Services of QP. Mr. Al-Hajri has wide experience in the oil and gas sector. He is the Chairman of the Bank's Audit Committee.

Dr. Ghanem Mohammed Al-Hammadi

Earned his Doctorate of Science in Engineering Management, minoring in Economics from George Washington University, USA in 1995. Dr. Al-Hammadi was the Technical Advisor to the Undersecretary of the Ministry of Finance, Economy and Trade, where he was involved in the establishment of the securities market in Qatar. Currently Director of the Doha Securities Market. He is a member of the Bank's Audit Committee.

Mr. Mohammed Marzouq Al-Shamlan

Managing Director of Marzouq Al-Shamlan & Sons. Mr. Al-Shamlan is a Board Member of Qatar National Navigation & Transport Company and Qatar Industrial Manufacturing Company. He is a Member of the Board of Trustees of Al-Watani Centre for Economic Research at the University of Qatar where he is also a Member of the Board of the Faculty of Business Administration and Economics. He is the Chairman of the Bank's Community Support Committee where he takes special interest in promoting social welfare and education. He is a member of the Bank's Executive Committee.

Mr. Ali Hussain Ali Al-Sada

Mr. Al-Sada is a leading member of the Qatari business community with interests in real estate and securities trading. He is a Board Member of Qatar National Navigation and Transport Company and Qatar Shipping Company. He is also a member of the Bank's Real Estate Appraisal Committee.

Mr. Bader Abdulla Darwish Fakhroo

Mr. Darwish Fakhroo earned his Bachelor's Degree in Management Science from Kingston University, UK in 1982. He is the Chairman of Bader Al-Darwish Holding Company, CEO of Modern Home and Salween Trading Company, Board Member of Qatar Chamber of Commerce & Industry and Deputy Chairman of the Trade & Economic Research Committee. Mr. Al-Darwish is also the Vice Chairman & an Arbitrator of the GCC Commercial Arbitration Center, Executive Director of Qatar Bilal Business Forum and President of Qatar Italian Business Council. He was elected to the QNB Board in 2001 and is a member of the Execution and Community Support Committees.

Mr. Fahed Mohammed Fahed Buzwair

Mr. Buzwair earned his Bachelor's Degree in Management Information System from George Washington University, USA in 1992. He was General Manager of Buzwair Group of Companies, and is currently the Chairman of the Group. He was elected to the QNB Board in 2001 and is a member of the Real Estate Appraisal and Community Support Committees.

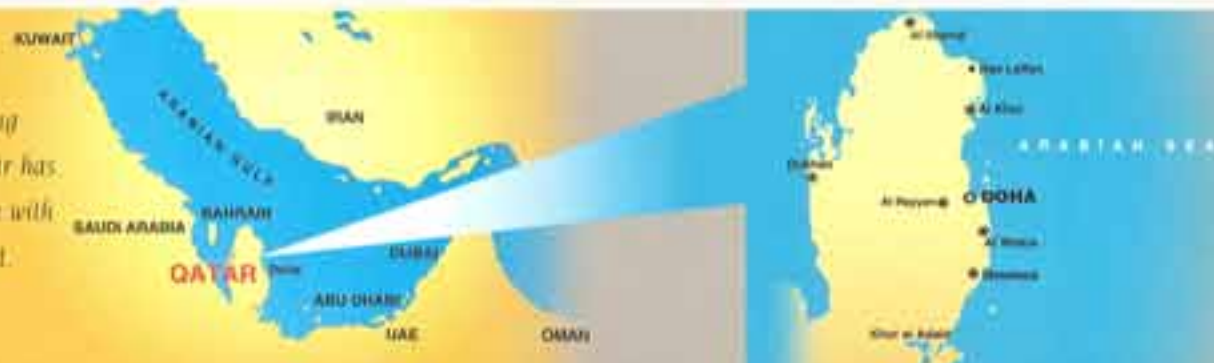
Mr. Hitmi Ali Khalifa Al-Hitmi

Mr. Al-Hitmi is the General Manager of Al-Bin-Khalifa Al-Hitmi Company and is a Board Member of Qatar Navigation & Transport Company. He was elected to the QNB Board in 2001, and is a member of the Executive Committee.

Qatar National Bank - An Overview



Centrally placed among the GCC States, Qatar has a historical association with both the sea and desert.



Since its establishment in 1964 as the first Qatari-owned bank, Qatar National Bank has grown rapidly to become the leading financial institution in the country and among the largest in the Gulf. Located throughout the country, our branch network totalled 31 at 2001 year-end. Full-service branches in both London and Paris complement the domestic network.

The successful growth of the Bank is attributable to an abiding commitment to meet our customers' needs and expectations through quality and timely service and product innovation. We are proud of being the recipient of numerous awards as the 'Best Bank in Qatar', and shall continuously strive to retain our reputation as the best and most innovative bank in Qatar.

The country has the largest non-associated natural gas reservoir in the world, the world's third largest gas reserves and has a thriving petrochemical industry based on its hydrocarbon reserves.



Chairman's Statement




The year 2001 has been an eventful and challenging one globally, but in which Qatar National Bank has once again achieved record profits. Against that backdrop and on behalf of the Board of Directors, I am delighted to present the 37th Annual Report.

After expanding for nearly a decade, the US economy slipped into a recession in early 2001, which impacted other regions of the world including Europe and Asia indicating that 2002 will present many challenges.

Undoubtedly, the economic and geopolitical changes facing the world were accelerated by events in the United States last September. Inevitably, the expected slowdown in world economic growth will affect the Qatari economy through declining oil prices, which for Qatari crude averaged US\$ 23.6 per barrel in 2001, compared to US\$ 27.1 per barrel during 2000. However, Qatar's strong position as a major world supplier of Liquefied Natural Gas (LNG) – the clean energy of the future – and the continuing diversification and widening of its hydrocarbon industrial base have built a solid foundation for a sustainable economic growth. Together with prudent and responsive fiscal measures, the economy should remain well on target for our projected development goals. Qatar thus has a bright and stable economic future, under the enlightened and visionary leadership of His Highness the Emir, Sheik Hamad Bin Khalifa Al-Thani.

Universal optimism over the country's long-term economic prospects will offer many opportunities to domestic and international parties to participate in our country's economic development. I can assure you that Qatar National Bank intends to capture an increasing share of these opportunities for the benefit of its shareholders and customers.



The Board of Directors is placing a recommendation before the General Assembly for the distribution of a Cash Dividend of QR 4 per share, which represents a 40% return on the nominal share value.

Qatar's increasing stature on the world stage was highlighted by its successful hosting of the World Trade Organisation's 4th Ministerial Conference in November 2001. The country welcomed over four thousand visitors, including one thousand five hundred media representatives from all five continents. It was a challenge which the nation grasped with enthusiasm. The positive results – the accession of China and Taiwan to WTO, the launch of new round of trade talks – and the sensible management of peaceful demonstrations, have put Qatar firmly on the map as a future host of major global conferences.


Turning specifically to the performance of Qatar National Bank over the past twelve months, I am pleased to announce another set of strong results. Net profit for the year ended 31st December 2001 rose by QR 36.3 million or 7.4% to QR 527.3 million. Based on these figures, the Board of Directors is placing a recommendation before the General Assembly for the distribution of a Cash Dividend of QR 4 per share, which represents a 40% return on the nominal share value. Shareholders also benefitted from a 31.1% appreciation in the share price of Qatar National Bank, which increased from QR 45 per share as at 31st December 2000 to QR 59 per share as at 31st December 2001.

On behalf of the Bank, I would like to express our profound gratitude to His Highness the Emir, Sheikh Hamad Bin Khalifa Al-Thani and to His Highness the Heir Apparent, Sheikh Jasssem Bin Hamad Al-Thani, for their ongoing support and encouragement. We are also appreciative of the guidance we receive from Qatar Central Bank staff and its Governor, His Excellency Abdullah Bin Khalid Al Attijyah.

The Board of Directors is confident that Mr. Saeed Bin Abdullah Al Misnad, appointed as the new Chief Executive Officer in June 2001, will continue to lead the Bank successfully in its quest for excellence. The Board also expresses its appreciation to the former General Manager – Chief Executive, Mr. John P. Finigan for his contribution over the past six years. We are indebted to our shareholders for their support, to our customers for their loyalty, and to our staff for their hard work – all of which are essential ingredients to the success of the Bank. We, in turn, pledge to offer our shareholders a safe and rewarding investment, our customers an ever increasing range of quality services, and our staff an encouraging and fulfilling work environment.




Yousef Hussain Kamal
Chairman



The hosting of the 4th WTO Ministerial Conference, sponsored by QNB, has put Qatar firmly on the map as a future host to major global conferences.




Management Report



In my first year as the Chief Executive Officer, and on behalf of the management team, I am very pleased to present a review of the Bank's principal achievements and developments during 2001. Our business performance well exceeded the challenging targets that we had set for ourselves. Qatar National Bank's enviable and record profit for the year 2001 reflects yet again that it remains the 'Bank of Choice' for its wide and growing customer base.

Since June 2001, and under the guidance of our Board of Directors, we have implemented a number of major organisational changes in the Bank, creating a decentralised, dynamic and fluid structure that will enable us to face successfully the competitive challenges over the next decade. Designed to encourage and streamline decision making, the new organisation structure, to be implemented on a priority basis shall include five General Managers reporting to the Chief Executive Officer in the key areas of Corporate and Capital Markets, Retail and Private Banking, Risk Control and Strategic Planning, Technology and Operations, and Finance and Administration. This core team of senior and experienced management executives shall provide the leadership in realising our ambition-driven strategy to become the premier financial institution within the GCC.

Qatar National Bank considers human resources development as critical to our success. Our improved Job Evaluation, Performance Management and individually tailored development programmes all function symbiotically to create a clear career progression path and to support our corporate objectives. We are committed to the development of highly qualified, hard-working and ambitious Qatari nationals, and are delighted that they now form 42% of our workforce.



Qatar National Bank's enviable and record profit for the year 2001 reflects yet again that it remains the 'Bank of Choice' for its wide and growing customer base.

In terms of financial performance, 2001 marked yet another successful year for Qatar National Bank with the Bank posting record profits and earnings per share. However, I believe that return on equity is the primary benchmark by which our Bank's performance – and that of each business unit and individual employee – must be judged. As a team we remain totally focused on improving our return on equity and to increase shareholders' value comparable with the best in the region, while maintaining a high quality asset base and service standards.

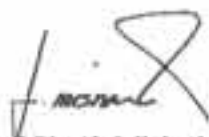
During 2001, leading rating agencies upgraded the financial standing of Qatar National Bank as a testimony of our Bank's strong financial results and first class franchise. These upgrades resulted in the Bank being the highest rated Qatari Bank by Moody's, Fitch and Capital Intelligence. Further, during 2001 the Bank received several international accolades including Euromoney's Award for Excellence as the 'Best Bank in Qatar' for the fifth consecutive year, an unbroken record since the Award's inception.

The range and scope of our products and services continue to expand. We are on schedule to open the Bank's Investment Centre in March 2002, which will provide local and international brokerage services to our customers. Additional services will be introduced shortly including retail investment products in conjunction with leading international financial institutions. These initiatives will further strengthen our leading position in the domestic market.

We have also invested considerable efforts towards upgrading the Bank's services and operations by utilising state-of-the-art proven technology. A new integrated banking system is currently under implementation with enhanced customer focused features.

Our delivery channels, both traditional and electronic, are the most comprehensive in the country. The Bank's ATM and Branch networks, the largest in the country, further expanded during 2001 to comprise 52 ATMs and 31 branches and offices. Technology-based services remain a key priority in our strategy to provide our customers with the most advanced facilities in the GCC.

I am grateful for the generous support that I have received from the Board of Directors, the management team and staff since my appointment. I believe that Qatar National Bank possesses the three factors essential to the success of any major organisation: human resources, technology and capital, working in harmony to provide service excellence, innovative products, and a high return to our shareholders. I am very confident that Qatar National Bank will record excellent progress in 2002, and in the years to come.



Saeed Bin Abdullah Al Misnad
Chief Executive Officer

During 2001, leading rating agencies upgraded QNB rating, making it the highest rated Qatari bank by Moody's, Fitch and Capital Intelligence.



Year 2001 at a Glance

RATINGS AND AWARDS

Qatar National Bank received major and significant upgrading of its credit ratings in 2001:

- Moody's upgraded the Financial Strength Rating from D to D+
- Fitch upgraded the long-term rating from BBB to BBB+
- Capital Intelligence upgraded the long-term and short-term ratings from BBB and A3, to BBB+ and A2, respectively

Qatar National Bank once again received acclaim as the 'Best Bank in Qatar', from three reputable international financial publications:

- Euromoney Awards For Excellence, for the fifth year, an unbroken record since the introduction of the award in 1997.
- Global Finance, for the third consecutive year, since the inception of the award in 1999.
- The Banker, QNB has won the award on each occasion since its launch in 2000.



In terms of specific projects and customer services, Qatar National Bank won the Prestigious 'Power of the Year' Award from Project Finance International Publication for Ras Laffan IWPP. The Bank also won the JP Morgan-Chase 'Quality Award for US Dollar Clearing' for the 3rd consecutive year. Additionally, the Bank received the MasterCard International 'Best Platinum MasterCard Programme' inaugural award for the Middle East and North Africa region.

CUSTOMERS

- To further improve Retail Banking services, Qatar National Bank opened the first fully-automated e-branch in the country.
- Installed 6 new ATMs, bringing its network total to 52, the largest and most widely distributed in Qatar.
- Opened two new branches, bringing the total to 31, again the largest network in Qatar.
- Expanded the Point of Sale (POS) merchant acquiring network.

In the Corporate Banking sector, QNB was the Co-Lead Arranger in:

- The US\$ 400 million financing for the QAFCO 4 expansion project.
- The US\$ 160 million Ras Abu Fontas 'B' power station expansion.
- The US\$ 572 million loan facility for the Ras Laffan Independent Water and Power Project (IWPP).



QNB was the sole provider of a US\$ 44.5 million term loan for Qatar Airways for the purchase of new Airbus A300-600 aircraft.

STAFF

Major achievements on the human resources side include:

- An increase in the percentage of Qatari staff (both male and female), who now account for 42% of the total number of employees which currently stand at 660.
- The development and implementation of a Bank-wide Code of Ethics and Conduct.
- Further expansion of the Job Evaluation, Individual Development Programme and Performance Appraisal schemes.
- Offered 178 training courses, covering 9,968 training days.
- Expansion of the Universal Banker Training Programme.

COMMUNITY SUPPORT

In a pioneering move, Qatar National Bank initiated a Volunteer Award Scheme, encouraging the public to devote some of their free time to voluntary work with local societies and charitable organisations. The organisations, in turn, each nominated two trophy recipients.

Major financial contributions were also made by QNB in the field of education, health and sport to:

- Fund the provision of personal computers for 12 primary schools in Qatar.
- Continue funding the National Centre for Economic Research at Qatar University.
- Help establish an oncology centre at Hamad Medical Corporation.
- Sponsor and co-sponsor major community projects, cultural programmes and sporting events.

LOCAL MARKET SHARE



QNB was the co-lead arranger of a US\$ 400 million financing for the QAFCO 4 expansion project in Mesitend.



Business Review



SENIOR MANAGEMENT

standing, left to right:

Ali Al Kuwari, AGM Retail and Domestic Branches; **Sherif Samy**, AGM Administration;
Tariq Al Malki, AGM Corporate Banking; **Keith Warden**, AGM Financial Control;
Tariq Amjad, AGM Risk Control; **Marwan Marouf**, AGM Information Technology;
David Axtell, AGM Treasury

sated, left to right:

Khursheed Hassan, AGM Operations; **Ali Al Emadi**, AGM Credit



*Our commitment to utilise technology to serve our customers
has resulted in speedier, error-free and greatly improved
counter services*

Qatar National Bank's core values of service excellence, product innovation and maximisation of shareholder's interests continued to be the driving force behind our dominant market leadership position in the country's banking industry. Meeting the needs of an increasingly cosmopolitan, diverse and mobile customer base, we employ the latest technology to ensure that our retail and corporate clients can access our banking services whenever and wherever needed.

RETAIL BANKING

With an extensive and regularly updated product range, convenient telephone and online banking services and the most comprehensive ATM and branch network in the country, Qatar National Bank seeks to provide tailored banking solutions to meet the needs of our customers.

Major achievements during 2001 included the opening of the country's first self service 24-hour fully automated Electronic Branch (e-branch), the addition of 6 new ATMs, expanding the network to 52, and the opening of new branches at Salwa Road and The Ritz-Carlton Doha, raising the total number of branches and offices to 31.



Our Call Centre and Al Watani Line home banking services continue to provide customers with access to their accounts 24 hours a day, seven days a week. During 2001 ATM services have been upgraded to include additional features such as utility bill and credit card payments. Instant cheque book printing and commercial depository facilities have been added to our suite of 24-hour services to enable more day-to-day transactions to be conducted at a time and place convenient to the customer.

Our commitment to utilise state-of-the-art technology to serve our customers has resulted in speedier, error-free and greatly improved counter services. System time for cross-counter customer transactions has been reduced to less than one minute - a substantial achievement. In an independent customer satisfaction survey conducted during 2001, QNB (among other key quality service attributes) outperformed all its rivals in teller transaction time. Extended hours at several key branch locations has added to the accessibility and convenience QNB customers receive.



In 2001, QNB became the first bank in Qatar to issue a co-branded credit card, in partnership with MasterCard International and The Ritz-Carlton Doha. As a reflection of our expertise in credit card services and related innovations, QNB received the 2001 MasterCard International Annual Excellence Award for 'Best Platinum MasterCard Programme' in the Middle East and North Africa region. Throughout the year, the Bank continued the expansion of its card acquiring programme and remains the technology leader in this sector offering participating merchants the fastest processing time. Additionally, QNB and its partners have conducted numerous promotions

with major shopping centres and international retail chains to encourage the transition of Qatar to a cashless society.

QNB became the first bank in Qatar to issue a co-branded credit card, in partnership with MasterCard International and The Ritz-Carlton Doha.



CORPORATE BANKING

Qatar National Bank has maintained its dominant position in the Corporate Banking Sector by offering a growing range of products and services to its customers.

The Bank has developed a core expertise in project finance and syndicated lending. Having achieved co-lead arranger positions in each of the three substantial project-related transactions launched in 2001 (QAFCO 4, Ras Abu Fontas 'B' Station Expansion and the Ras Laffan IWPP –

which received the prestigious Project Finance International 'Power of the Year' award), QNB expects to play a prominent role in all major Qatari transactions in 2002 and beyond, and is committed to participate fully in Qatar's industrial drive and related multi-layered finance structures. Anticipated forthcoming project finance transactions include RasGas Trains 3 and 4, the QP-Sasol Gas-to-Liquids project, the QP Condensate Refinery, 'Q-Chem II' and Qatargas's expected Fourth Train. Aggregate project value for these projects alone will exceed QR18 billion.



Our project finance business has also led to development of global relationships with resident foreign corporate businesses. The Bank, through its Corporate Banking division and its overseas branches, added a number of high quality international corporate names to its portfolio of relationships during 2001.

Structured marine and aviation finance represents yet another growth area for QNB. In 2001, QNB was the sole provider of a US\$ 44.5 million term loan for Qatar Airways. It is currently working as one of three Lead Arrangers for the US\$ 230 million export credit-backed financing for 6 new Airbus A320-200 aircraft for the airline and in the same capacity for the similar, US\$ 370

million finance package for acquisition of four A330-200, the first delivery of which is scheduled in April 2002. Marine financing during 2001 included the US\$ 50 million 9.5-year term loan for Hafal Offshore Services Co., being the financing of a fleet of service vessels.

In domestic, relationship-based business development, Corporate Banking provided its long-standing customer Qatar National Hotels Company with a US\$ 55 million 8.5-year term loan for the funding of their current development programme, which included the 2001 development of a new hotel property on the Doha Corniche.

QNB achieved co-lead arranger positions in each of the three substantial project-related transactions launched in 2001 (QAFCO 4, Ras Abu Fontas 'B' Station Expansion and the Ras Laffan IWPP).



Domestic corporate banking has grown rapidly in recent years both in absolute and market share terms. A particular priority is trade finance where in 2002 QNB expects to sustain and accelerate the expansion in business volumes seen in recent years.

Corporate Banking is also increasingly active in the Gulf regional markets and in 2001 participated in a number of important GCC-wide transactions. Further such business is anticipated in 2002.

Corporate Banking's efforts in recent years have culminated in our current position as the primary or leading lender in almost all of the larger syndications outstanding for Qatari borrowers. The Bank will continue to consolidate its existing business, and develop opportunities to cross-sell new products. As part of this strategy we are committed to the expansion of our advisory business. In particular, we aim to build on our past experience in pioneering privatisation transactions to capture a significant share of this sector.

TREASURY

The dominant position that Qatar National Bank enjoys in the Treasury segment is aptly reflected in an ever expanding customer base. The Bank participates actively in the interbank business with a wide range of first-class counterparties worldwide.



Our highly qualified team and a strong capital base allow us to provide appropriate solutions to the challenging demands of our corporate clients in managing their interest rate and foreign exchange exposure.

The Bank has further enhanced its role in the capital market as a market maker in the State of Qatar Bonds, denominated both in US Dollars and Qatari Riyals, quoting competitive two-way prices in all issues to banks and corporate clients.

Qatar National Bank currently deals with over 500 correspondent banks worldwide, including the top financial institutions in Europe, the United States and the GCC. With the ever improving liquidity being experienced by the banking sector in the

State, Qatar National Bank has sought to diversify its asset base by investing in international high grade fixed income and floating rate bonds. The Bank will continue to build this portfolio in a conservative manner, utilising strict investment criteria and mandated policies.

The Bank enhanced its role in the capital market as market maker in the State of Qatar Bonds, denominated both in US Dollars and Qatari Riyals.



PRIVATE BANKING

Qatar National Bank continues to address the needs of an increasing number of high net worth individuals in the country through the development of its Private Banking services.

During 2001, the Bank placed greater emphasis on offering utmost confidentiality, unbreakable trust and the ultimate in banking convenience for its most discerning customers. The high levels of professionalism and expertise exhibited by our Private Banking personnel have yielded commendable results in the form of an expanding and satisfied client base. The Bank continues to discharge greater efforts in anticipating the needs of its private banking customers and to provide solutions for their unique requirements.



INVESTMENT BANKING

Qatar National Bank has expanded its product mix to meet the evolving needs of its affluent customers. The Bank is actively involved in brokerage services associated with back-to-back deals on behalf of its clients as well as the marketing of other investment products. In order to meet the needs of the Bank's investment and high net worth Private Banking clients, Qatar National Bank finalised plans during 2001 to open a new Investment Centre adjacent to the West Bay Branch, located on the Doha Corniche.



The new Investment Centre will be a gateway to global investment opportunities in an atmosphere of total confidentiality and trust delivered with the highest level of personal attention. Discreet and luxuriously appointed, the 400-square metre lounge was furnished and equipped during the latter part of 2001, and is scheduled to open in the first quarter of 2002. Secure access control to the lounge and advanced technology links will provide our clients with privacy and the ability to conduct their

transactions in major markets, with the help of a highly professional ONB team.

The Bank's product mix of brokerage (local and international), sector specific equity funds, globally diversified funds, options on specific stocks or index-linked options, offers QNB investors the convenience of maintaining one worldwide portfolio.

INTERNATIONAL BRANCHES

Qatar National Bank's branches in London and Paris continue to grow and develop in their niche market. London and Paris maintain their own treasury and corporate business units to meet the trade finance, corporate, retail and foreign exchange needs of the Bank's European customers. Through these two overseas branches, QNB is better able to select and participate in loan syndications launched in European markets and to target international corporate clients with Qatari business interests.



QNB will introduce a new Integrated Banking System (IBS) in 2002 which will streamline processes and create substantial financial savings. This investment in system modernisation is the largest ever undertaken by any bank in Qatar.

LONDON BRANCH

Located in the heart of Mayfair at One Mount Street, the Branch continues to provide a comprehensive choice of retail and wholesale products ranging from the simple cashing of travellers cheques through to the complex participation in project and structured multi-bank financings within Qatar itself.

During the year the Branch has continued to grow its corporate loan portfolio, has participated in several new Qatari project financings, and along with Paris Branch was actively involved in the Qatar Airways aircraft financing package via the UK's ECGD element. London Branch's total loan portfolio now exceeds one billion Qatari Riyals.

In addition to its residential property expertise, the Branch has the mandate to build up a high quality commercial property portfolio and completed the first of these transactions in October 2001 with a significant participation in a financing package on behalf of a prime regional investor.

In 2002 the Branch will be focusing attention on expanding its private banking clientele and further enhancing its reputation in the syndication and structured finance market in London.



PARIS BRANCH

Qatar National Bank's Paris Branch, located at 58 Avenue d'Iena, offers corporate banking and syndication services, trade finance and private banking along with continued growth in activity and market coverage of large corporates across Europe. The Branch was instrumental in QNB's first ever participation in a medium-term financing syndication for the account of a continental European corporate, Technip. The Branch was also involved in the implementation of the French side of the Colace-guaranteed loan for the financing of Qatar Airways' six Airbus A320s.

Paris, like London, has also developed its real estate expertise with the implementation of several significant deals for investors. Through its involvement in the Qatari-French Business Club, the Paris Branch organised the visit of a 60-member trade delegation to Qatar in May.

Through its overseas branches, QNB is better able to select and participate in loan syndications launched in European markets and to target international corporate clients with Qatari business interests.



HUMAN RESOURCES

Pronounced emphasis was placed on the advancement of the Bank's human resources capabilities during 2001. A co-ordinated programme encompassing recruitment, training and development services has been established to support our evolving business requirements. A new Personnel Policy is now in force which will further promote and develop our results-oriented culture.

Additional major improvements were introduced to the performance management system, which lead to better alignment of individual performance objectives and to the overall business plans of the Bank.

Under the innovative Individual Development Programme, staff members and their managers are able to use the on-line technology of the Bank's secure Intranet platform to plan and monitor staff training and development activities. The Bank continued to maintain high standards of training by developing and participating in several customer focused and product oriented courses held under the supervision of both local and international experts. During 2001, the Bank's training department offered 178 training courses, covering a total of 9,968 training days. The scope of our training expertise covered in-house and local courses for both Qatari and non-Qatari employees and overseas courses for nationals.



INFORMATION TECHNOLOGY

QNB, during 2001 successfully focused on improving the quality, the number of bank services and its productivity, with the support of state-of-the-art technology. QNB will introduce a new Integrated Banking system (IBS) in 2002 which will streamline processes and create substantial financial savings. This investment in system modernisation is the largest ever undertaken by any bank in Qatar.

In selecting the new system, the Bank focused on customer-centric technology to improve further its services by consolidating the information around the customers' needs and behaviour. In addition the Bank will enter a new era of uninterrupted 24-hour processing and continuous system availability and customer services ranging from branch to electronic channels.



A co-ordinated programme encompassing recruitment, training and development services has been established to support our evolving business requirements.

COMMUNITY SUPPORT PROGRAMME

Due to its ongoing commitment to be a model corporate citizen, Qatar National Bank remained active in raising social responsibility awareness among the corporate community in Qatar. Through its leading Community Support Programme, the Bank aims to foster volunteer work, it also offers financial support to non-profitable and charitable associations and societies in the areas of education, health, social development, environment and sport. With 60% of the Qatari population under the age of 15, particular emphasis is placed on youth development and children's rights. One specific innovative example was the establishment of children's tennis tournament.



The Community Support Programme works with groups from all segments of Qatari society in its efforts to create a caring, healthy, educated and socially aware environment. The Bank's objective is to create projects that have the widest and most significant impact. During 2001, the Community Support Programme extended financial support totalling QR 11 million to further its ongoing objective of helping to create a better society for all.



To complement these efforts, the Bank staff for the second year running, took the initiative to launch the Ramadan Charity Campaign to support needy families, the sick, children with special needs and the elderly.



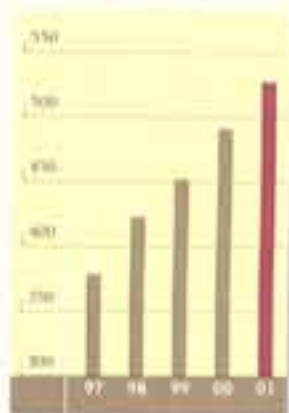
For the second year running, the Bank continued to sponsor in co-operation with the Family Development Centre, the Volunteers-Trophy Award, under the patronage of H.H. Sheikha Mouza Bin Nasser Al Misnad, wife of H.H. the Emir, Sheikh Hamad Bin Khalifa Al-Thani. QNB also continued to sponsor major trade and economic events, most notable of which was the Arab European Banking Conference in Frankfurt, Germany and the 4th WTO Ministerial Conference 2001 in Doha, Qatar.

During the year, the Qatar National Bank Volunteer Trophy Awards were introduced, in which eleven associations and societies participated



Financial Highlights

NET PROFIT
(QR Million)



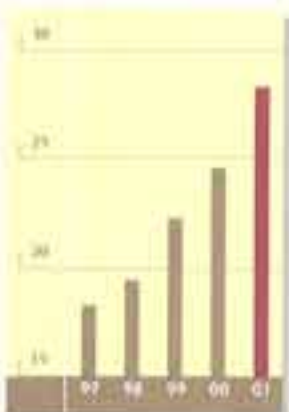
- Net profit up by QR 36.3 million (7.4%) to **QR 527.3 million**
- Net interest income up by QR 62.5 million (10%) to **QR 690.5 million**
- Other income up by QR 25.3 million (22%) to **QR 142.2 million**

EARNINGS PER SHARE
(QR)



- Earnings per share up from QR 4.7 to **QR 5.1**
- Market share price up from QR 45 to **QR 59** per share
- Price/Earnings ratio increased from 9.5 to **11.6**

TOTAL ASSETS
(QR billion)



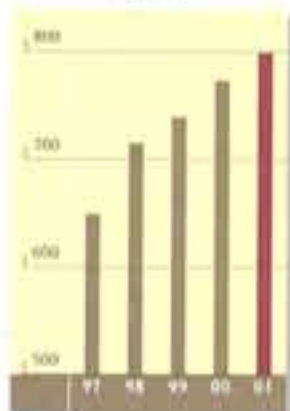
- Total assets up by QR 3.8 billion (15%) to **QR 28.4 billion**
- Loans and Advances up by QR 5.4 billion (39%) to **QR 19.1 billion**
- Deposits up by QR 3.2 billion (18%) to **QR 21.4 billion**



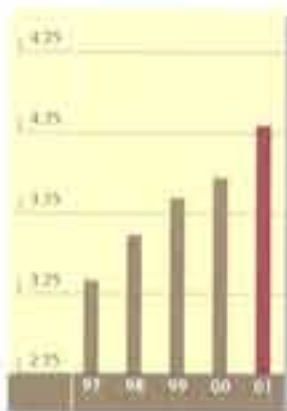
Two new branches were opened in 2001 – the state-of-the-art E-Branch at Salwa Road and at The Ritz-Carlton Doha, increasing the total number of branches and offices to 31

- Profit per employee up by QR 25,644 (3%) to **QR 798,927**
- General and administrative expenses up by QR 23.2 million (11%) to **QR 236.2 million**
- Efficiency ratio (costs to income) at **28.4%** (2000: 28.6%)

PROFIT PER EMPLOYEE
(QR '000)

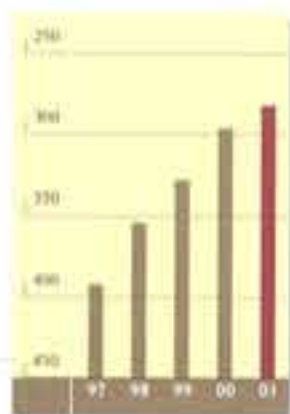


TOTAL SHAREHOLDERS' EQUITY
(QR '000,000)



- Shareholders' equity totalled **QR 4.3 billion**, after distribution of proposed dividends
- Market capitalisation increased from QR 4.7 billion to **QR 6.1 billion**
- Return on Equity up from 12.6% to **13.1%**

SHAREHOLDERS' EQUITY
WORLD RANKING*



- Qatar National Bank currently ranks **282nd** in the world in terms of shareholders' equity
- QNB is ranked **39th** in the world in terms of Equity to Assets Ratio
- Risk Asset Ratio at **41%** compared with the minimum level of 10% set by Qatar Central Bank

* The Banker Magazine - Sep 1999

The Bank continues to expand its Corporate Banking business by adding many high quality international corporate names to its portfolio of relationships

City Centre-Doha



Financial Review



- *Strong capital base*
 - *Increased shareholders value*
 - *Dynamic balance sheet growth*
 - *Record profit and earnings per share*
 - *Improved cost efficiencies (costs to income)*



Alternative delivery and distribution channels were further developed during 2001 with the commissioning of more 'drive-up' ATMs and the enhancement of the home, telephone and internet banking services.

2001 was another successful year for Qatar National Bank, with record profits and earnings per share.

Net profit rose by 7.4% to QR 527.3 million, compared with the net profit of QR 491 million delivered in 2000.

Net interest income increased by QR 62.5 million (10%) to QR 690.5 million. This increase was generated during a period of declining interest rates and spreads and therefore reflect the Bank's strenuous efforts to generate significant additional quality business against this lower interest rate background.

Other operating income grew by QR 25.3 million (22%) to QR 142.2 million. This increase was particularly encouraging as it was a key aim at the beginning of 2001 to deliver strong growth in other operating income in order to mitigate the impact of reduced spreads on net interest income. Accordingly, the Bank's ratio of non-interest income to total income grew from 15.7% in 2000 to 17.1% in 2001, and it is one of the Bank's principal goals to see this ratio increase significantly in the coming years.

Total costs, excluding community support, increased by QR 23.2 million (11%) to QR 236.2 million. Staff related costs grew by QR 7.5 million (5%) to QR 144.8 million and the controlled increase in staff costs, in comparison with the increase in operating profit, reflects the Bank's aim of the optimal utilisation of its valuable staff resources. Other general and administrative expenses grew by QR 15.6 million (20%) to QR 91.5 million, a key factor of which was the QR 4.5 million increase in depreciation and other direct IT expenditure resulting from the significant investment the Bank is making in its IT systems. Future years will see further significant investment in IT expenditure to ensure that the Bank remains at the forefront of IT developments in the banking industry as it is clear that much more of the Bank's business will be generated through IT and electronic channels. To ensure a maximum return on this investment, at the project appraisal stage, a rigorous assessment is carried out to ensure that clear financial benefits are demonstrated, either through increased revenues or cost efficiencies, before any expenditure is committed to a particular project.



As evidence of the Bank's success in the optimal allocation of its staff and IT resources, the Bank's efficiency ratio, being total costs as a percentage of income, improved from 28.6% in 2000 to 28.4% in 2001 and the Bank remains, and will continue to remain, one of the most efficient financial institutions, not only within the GCC, but in the entire global banking sector.

Net provisions for the impairment of loans were QR 63.7 million, QR 32 million higher than in 2000. QR 21 million of this increase was due to lower recoveries than in 2000, with QR 2.4 million being due to an increase in other general provisions for loan impairment. The increase was not therefore a reflection of deteriorating credit quality.

Full transition to the Euro currency was successfully carried out during 2001, enabling customers to deal in the new currency for foreign exchange transactions and trade finance business.



during the year. Credit quality remains high, with the ratio of the Bank's non-performing loans as a percentage of total loans and advances improving from 2.6% in 2000 to 1.9% in 2001.

2001 saw the implementation of International Accounting Standard (IAS) 39 dealing with the accounting treatment and disclosure of financial instruments. The Bank committed significant resources towards the successful implementation of IAS 39 and in the assessment of the business implications and necessary fair value adjustments required by the Standard. These are fully set out in the audited financial statements. The impact upon the Bank's 2001 results was minimal, since it was the Bank's clear objective throughout the implementation of IAS 39 to ensure that the future earnings streams of the Bank would not be subjected to unnecessary volatility either in 2001 or in future years.



BALANCE SHEET GROWTH

During 2001, the Bank's total assets increased by QR 3.8 billion (15%) to QR 28.4 billion, with total deposits increasing by QR 3.2 billion (18%) to QR 21.4 billion.

The Bank's advances to deposits ratio stood at 89% at 31st December 2001, and the Bank now operates with optimal levels of liquidity resulting from the eradication of the tight liquidity situation, which was for so long a predominant feature of the Qatari banking system.

CAPITAL STRENGTH

Total shareholders' equity at 31st December 2001 was QR 4.7 billion (US\$ 1.3 billion) and the Bank now ranks 282nd in the world (up 14 places from the previous year) in The Banker's 'Top 1000 Banks for 2001'. In addition the Bank ranks 39th in the world in terms of capital strength as measured by its equity to assets ratio. The Bank's risk assets ratio stands at 41%, comfortably in excess of the minimum level of 8% stipulated in the Basle capital adequacy directives and the 10% minimum level set by Qatar Central Bank.



SHAREHOLDER VALUE

The Bank's return on shareholders' equity improved from 12.6% in 2000 to 13.1% in 2001. Earnings per share improved from QR 4.7 to QR 5.1. The Bank's express aim is the strong growth in shareholder value as measured by these key indicators and this growth remains the platform upon which the Bank's long-term future will be built.



QNB is committed to business excellence by providing superior customer service and the application of the latest technology.



Auditors' Report to the Shareholders

We have audited the accompanying balance sheet of Qatar National Bank S.A.Q. ("the Bank") as at 31st December 2001, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31st December 2001, and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with International Accounting Standards and Qatar Central Bank regulations.

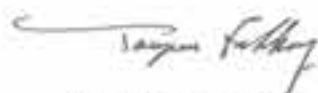
We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Bank and that we are not aware of any contravention by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank regulations and of the Qatar Commercial Companies Law No. 11 of 1981 during the financial year that would materially affect its activities or its financial position.



Walid A. Saadi

Andersen

Qatar Auditors' Registry No. 92



Jacques Fakhoury

PricewaterhouseCoopers

Qatar Auditors' Registry No. 97

15th January 2002

Doha

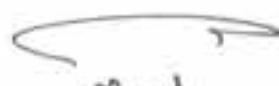
State of Qatar

Balance Sheet

as at 31st December 2001 and 2000

	Note	2001 QR 000	2000 QR 000
Assets			
Cash and Deposits with Qatar Central Bank		741,675	502,111
Due from Banks and Other Financial Institutions	3	3,676,980	6,434,297
Investments	4	4,664,821	3,642,139
Loans and Advances	5	19,056,584	13,690,581
Fixed Assets	6	85,893	83,956
Other Assets	7	153,604	268,359
Total Assets		28,379,557	24,621,443
Liabilities			
Due to Banks and Other Financial Institutions	8	1,968,710	1,648,969
Customer Deposits	9	21,389,883	18,169,107
Other Liabilities	10	310,357	468,652
Total Liabilities		23,668,950	20,286,728
Shareholders' Equity			
Share Capital	11	1,038,207	1,038,207
Statutory Reserve	12	1,038,207	1,038,207
General Reserve	13	1,770,036	1,770,036
Fair Value Reserve	14	215,793	-
Proposed Dividend	15	415,283	363,373
Retained Earnings		233,081	124,892
Total Shareholders' Equity		4,710,607	4,334,715
Total Liabilities and Shareholders' Equity		28,379,557	24,621,443
Contingent Liabilities, Guarantees and Other Commitments			
	16	13,831,969	6,593,900

These financial statements were approved by the Board of Directors on 15th January 2002 and were signed on their behalf by:



Yousef Hussain Kamal
Chairman



Sheikh Hamad Bin Faisal Al-Thani
Vice Chairman



Saeed Bin Abdullah Al Misnad
Chief Executive Officer

The report of the auditors is set forth on page 25

The notes on pages 30 to 43 form an integral part of these financial statements.

Statement of Income

for the years ended 31st December 2001 and 2000

	Note	2001 OR 000	2000 OR 000
Income			
Interest Income	17	1,771,338	1,964,280
Interest Expense	18	(1,080,845)	(1,336,271)
Net Interest Income		690,493	628,009
Other Income	19	142,184	116,847
		832,677	744,856
Expenses			
General and Administrative Expenses	20	(228,097)	(203,380)
Depreciation		(19,128)	(16,021)
Provisions for Impairment of Loans & Advances	5	(63,712)	(31,651)
Release of Provision/(Provision) for Impairment of Investments		5,552	(162)
Provision for Properties Acquired Against Settlement of Debts		-	(2,607)
Net Profit for the Year		527,292	491,035
Earnings per Share (OR)		5.1	4.7
Weighted Average Number of Shares		103,820,772	103,820,772

The report of the auditors is set forth on page 25.

The notes on pages 30 to 41 form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

for the years ended 31st December 2001 and 2000

	Note	Share Capital OR 000	Statutory Reserve OR 000	General Reserve OR 000	Fair Value Reserve OR 000	Proposed Dividend OR 000	Retained Earnings OR 000	Total OR 000
Balance as at 1st January 2000		865,171	865,171	1,450,000	-	-	881,797	4,062,141
Net Profit for the Year		-	-	-	-	-	491,035	491,035
Dividend Paid During the Year	15	-	-	-	-	-	(216,293)	(216,293)
Bonus Shares Issued During the Year		171,034	-	-	-	-	(171,034)	-
Transfer to Statutory Reserve		-	171,034	-	-	-	(171,034)	-
Transfer to General Reserve		-	-	319,436	-	-	(319,436)	-
Proposed Dividend	15	-	-	-	-	363,373	(363,373)	-
Directors' Fees		-	-	-	-	-	(2,770)	(2,770)
Balance as at 31st December 2000		1,038,207	1,038,207	1,770,036	-	363,373	124,892	4,334,715
Balance as at 1st January 2001		1,038,207	1,038,207	1,770,036	-	363,373	124,892	4,314,715
Effect of Adopting IAS 29 - Available for Sale Securities		-	-	-	-	-	67,118	67,118
As Restated		1,038,207	1,038,207	1,770,036	-	363,373	192,010	4,401,833
Net Profit for the Year		-	-	-	-	-	527,292	527,292
Dividend Paid during the Year	15	-	-	-	-	(363,373)	-	(363,373)
Proposed Dividend	15	-	-	-	-	415,283	(415,283)	-
Net Movement in Fair Values	14	-	-	-	146,675	-	-	146,675
Transfer to Fair Value Reserve	14	-	-	-	67,118	-	(67,118)	-
Directors' Fees		-	-	-	-	-	(3,820)	(3,820)
Balance as at 31st December 2001		1,038,207	1,038,207	1,770,036	215,793	415,283	233,081	4,710,607

The report of the auditors is set forth on page 27

The notes on pages 30 to 43 form an integral part of these financial statements

Notes to the Financial Statements

for the years ended 31st December 2001 and 2000

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar National Bank S.A.Q. (the Bank) was incorporated in the State of Qatar as a joint Stock Company under Emiri Decree No. 7 issued in 1964.

The Bank is engaged in commercial banking activities and operates through branches established in Qatar, the United Kingdom and France.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements represent the combined financial statements of the Bank's branches after elimination of material inter-branch transactions and balances. These financial statements are prepared in accordance with International Accounting Standards, under the historical cost convention, except for the measurement at fair values of derivatives and available for sale securities.

The following are the significant accounting policies which have been applied in the preparation of these financial statements.

a) Change in Accounting Policies

With effect from 1st January 2001, the Bank has adopted IAS 39 - Financial Instruments: Recognition and Measurement. This has resulted in the following principal changes in the accounting policies of the Bank in respect of the recognition and measurement of derivatives, as well as the measurement of certain non-derivative financial instruments.

Derivative Financial Instruments

With effect from 1st January 2001, the Bank has recognised all derivative financial instruments in its balance sheet as either assets or liabilities at their fair values. All opening fair value adjustments have been made against retained earnings on 1st January 2001, except those relating to cash flow hedges which have been taken to the fair value reserve. Subsequent changes in fair value relating to cash flow hedges have been taken to the fair value reserve.

Non-derivative Financial Instruments

With effect from 1st January 2001, the Bank reclassified its investments as originated debt securities, held to maturity or available for sale investments and re-measured to fair value those classified as available for sale. On 1st January 2001, the adjustments relating to the re-measurement of the available for sale investments to fair value have been made against retained earnings. Subsequent changes in fair value relating to available for sale investments have been taken to the fair value reserve.

In addition, impaired loans and advances are now stated at the net present value of future cash flows by reference to their original interest rates. The net present value adjustments to impaired loans and advances as at 1st January 2001 have been made against retained earnings. Subsequent changes in net present value have been taken to the statement of income.

Comparative Figures

In accordance with the transitional provisions of IAS 39, the Bank is not required to restate the comparative amounts.

b) Revenue Recognition

Interest income and expense are recognised on an accrual basis using the effective yield method, if applicable.

Management fees and commission income on syndicated loans are amortised over the period of the transaction using the effective yield method, if applicable.

Fees and commission income on other services are accounted for on the date of the transaction giving rise to that income.

Dividend income is recorded when declared or received and is included in income from investments under other income.

c) Loans and Advances

Loans and advances are stated at cost less any provisions for their impairment.

Specific provisions for the impairment of loans are determined to reduce the carrying value of identified impaired loans and advances to their expected net present values, based on original interest rates and on a detailed appraisal of the lending portfolio by the management, and following Qatar Central Bank regulations. Other provisions are made to cover impaired loans and advances which are known from experience to be present in any banking portfolio in accordance with Qatar Central Bank regulations.

Loans and advances are written off only in circumstances where all reasonable restructuring and collection activities have been exhausted.

d) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling on the balance sheet date. Translation differences arising from the application of closing rates of exchange to the opening balances of net assets held overseas and to related foreign currency borrowings are taken directly to reserves. All other foreign exchange profits and losses which arise from normal banking activities during the year are dealt with in the determination of net profit.

e) Investments

The Bank maintains three separate investment portfolios, as follows:

- Available for sale
- Held to maturity
- Originated debt securities

All investments are initially recognised at cost, being the fair value of the consideration given. Premiums and discounts on investments are amortised using the effective yield method.

Available for sale investments are subsequently measured at fair value. In relation to available for sale investments whose fair value has not been hedged, any gain or loss arising from a change in its fair value is recognised directly in the fair value reserve until the investment is sold or impaired, at which time the cumulative gain or loss previously recognised in shareholders' equity is included in the statement of income for the period. Available for sale investments whose fair value cannot be reliably measured are carried at amortised cost.

Held to maturity investments are subsequently measured at amortised cost, less provision for impairment. Any gain or loss is recognised in the statement of income when the investment is sold or impaired.

Originated debt securities include investments which are purchased directly from the issuer other than those purchased with the intent to be sold in the short term. Originated debt securities whose fair value has not been hedged are stated at amortised cost, less provision for impairment. Any gain or loss is recognised in the statement of income when the investment is sold or impaired.

Investments in associated companies are accounted for following the equity method.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows, or the underlying net asset base of the security.

f) Properties Acquired Against Settlement of Debts

Properties acquired against settlement of debts are stated at the lower of the net realisable value of the related loans and advances or the properties' fair market value. Gains and losses on disposal and unrealised losses on the revaluation of properties acquired against settlement of debts are recognised in the statement of income.

Notes to the Financial Statements

for the years ended 31st December 2001 and 2000

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

	Years
Buildings	20
Equipment, furniture and fittings	3 to 7
Motor vehicles	5

Freehold land is stated at cost.

h) Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the statement of income.

i) Employees' Termination Benefits

The Bank makes a provision for all termination indemnities payable to employees in accordance with the Bank's regulations, calculated on the basis of the individual's period of service at the balance sheet date. The Bank's regulations provide for an amount greater than the minimum required by the Qatar Labour Law.

The provision for employees' termination benefits is included under other liabilities.

j) Derivatives

The Bank uses various derivative instruments including swaps, forwards, futures, and options for both trading and hedging purposes. Derivatives are initially measured at cost and are subsequently stated at fair value. Fair values represent quoted market prices or internal pricing models as appropriate. Derivatives with positive market values are included in other assets and derivatives with negative market values are included in other liabilities. The resultant gains and losses from derivatives held for trading purposes are included in the statement of income.

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 fair value of a recognised asset or liability. Cash flow hedges hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast 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 statement of income. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the statement of income.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in equity and the ineffective portion is recognised in the statement of income. The gains or losses on cash flow hedges initially recognised in shareholders' equity are transferred to the statement of income in the period in which the hedged transaction impacts the statement of income. 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 shareholders' equity 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 statement of income for the period.

Hedge accounting is discontinued when the hedging instrument expires, terminates or is exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in shareholders' equity is held therein until the forecast transaction occurs. When the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' equity is transferred to the statement of income.

k) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and deposits with Qatar Central Bank and amounts due from other banks on demand.

3. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2001 QR 000	2000 QR 000
On Demand	461,810	194,323
Placements Maturing within One Year	2,858,428	5,931,445
Placements Maturing over One Year	356,742	308,529
Total	3,676,980	6,434,297

4. INVESTMENTS

	2001 QR 000	2000 QR 000
a) Available for Sale Investments		
Quoted Equities	411,645	163,256
Unquoted Equities	13,533	54,541
Fixed Rate Securities	78,489	-
Floating Rate Securities	100,898	18,111
	604,565	235,908
b) Held to Maturity Investments		
Fixed Rate Securities	731,521	81,104
	731,521	81,104
c) Originated Debt Securities		
Fixed Rate Securities	3,318,735	3,313,821
	3,318,735	3,313,821
d) Investment in Associates		
Unquoted Equities	10,000	11,306
	10,000	11,306
Total	4,664,821	3,642,139

The fair value of held to maturity investments and originated debt securities is QR 765.2 million and QR 3,642.1 million respectively (2000: QR 82.9 million and QR 3,366.7 million). Unquoted equities are stated at cost.

5. LOANS AND ADVANCES

	2001 QR 000	2000 QR 000
a) By maturity		
On Demand	3,018,638	6,914,105
Within One Year	3,538,098	4,021,126
Above One Year	13,259,285	3,433,126
Total Loans and Advances	19,816,021	14,368,357
Specific Provision for Impairment of Loans	(695,515)	(630,776)
Other Provision for Impairment of Loans	(63,922)	(47,000)
Net Loans and Advances	19,056,584	13,690,581

The aggregate amount of non-performing loans and advances upon which interest has been suspended amounted to QR 377.1 million (2000: QR 376.8 million). The specific provision for impairment of loans includes interest in suspense amounting to QR 176.4 million (2000: QR 152.8 million).

Notes to the Financial Statements

for the years ended 31st December 2001 and 2000

5: LOANS AND ADVANCES (continued)

			2001 QR 000	2000 QR 000
b) By type				
Overdrafts			2,665,757	6,700,389
Loans			17,138,452	7,656,263
Bills Discounted			11,812	11,705
Total Loans and Advances			19,816,021	14,368,357
Specific Provision for Impairment of Loans			(695,515)	(630,776)
Other Provision for Impairment of Loans			(63,922)	(47,000)
Net Loans and Advances			19,056,584	13,690,581
c) By Industry				
	Overdrafts	Loans & Advances	2001 Total	2000 Total
	QR 000	QR 000	QR 000	QR 000
Government	1,667,836	10,598,021	12,265,857	8,550,548
Government Agencies	80,926	1,041,120	1,122,046	357,852
Commercial	235,925	1,402,749	1,638,674	1,068,202
Industry	12,408	469,114	481,522	264,094
Transportation	32,314	527,521	559,835	163,952
Personal	386,920	2,500,617	2,887,537	3,120,551
Contracting	223,237	489,039	712,276	699,069
Others	26,191	122,083	148,274	144,089
Total Loans and Advances	2,665,757	17,150,264	19,816,021	14,368,357
Specific Provision for Impairment of Loans			(695,515)	(630,776)
Other Provision for Impairment of Loans			(63,922)	(47,000)
Net Loans and Advances			19,056,584	13,690,581
d) Movement in Specific Provision for Impairment of Loans				
			2001 QR 000	2000 QR 000
Balance at 1st January			630,776	710,218
Foreign Currency Translation			(949)	(601)
Balance at 1st January as Restated			629,827	709,617
Provisions made during the Year			133,089	111,131
Recoveries during the Year			(62,365)	(75,361)
Written off during the Year			(5,036)	(114,611)
Balance at 31st December			695,515	630,776
e) Movement in Other Provision for Impairment of Loans				
			2001 QR 000	2000 QR 000
Balance at 1st January			47,000	32,500
Provisions made during the Year			16,922	14,500
Balance at 31st December			63,922	47,000

6. FIXED ASSETS

	Land & Buildings OR 000	Equipment, Furniture & Fittings OR 000	Motor Vehicles OR 000	Total OR 000
Cost				
As at 1st January 2001	113,555	119,370	1,605	234,530
Additions/Transfers	3,433	20,866	146	24,445
Disposals	(4,250)	(924)	—	(5,174)
Foreign Currency Translation	(337)	(421)	—	(758)
As at 31st December 2001	112,401	138,891	1,751	253,043
Accumulated Depreciation				
As at 1st January 2001	57,592	92,173	809	150,574
Charged during the Year	5,157	13,720	251	19,128
Disposals	(1,484)	(732)	—	(2,216)
Foreign Currency Translation	(81)	(255)	—	(336)
As at 31st December 2001	61,184	104,906	1,060	167,150
Net Book Amount:				
At 31st December 2001	51,217	33,985	691	85,893
At 31st December 2000	55,963	27,197	796	83,956

7. OTHER ASSETS

	2001 OR 000	2000 OR 000
Interest Receivable	77,968	211,900
Net Properties Acquired Against Settlement of Debts	21,469	21,469
Positive Fair Value of Derivatives	161	—
Prepayments and Others	54,006	34,900
Total	153,604	268,359

8. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2001 OR 000	2000 OR 000
Demand and Call Deposits	502,826	84,317
Deposits Maturing within One Year	1,465,884	1,539,652
Deposits Maturing above One Year	—	25,000
Total	1,968,710	1,648,969

9. CUSTOMER DEPOSITS

	2001 OR 000	2000 OR 000
a) By Type		
Current Accounts	1,082,174	929,109
Saving Accounts	216,172	174,291
Time Deposits	15,877,261	14,374,429
Other Deposits	4,214,276	2,691,278
Total	21,389,883	18,169,107

Notes to the Financial Statements

for the years ended 31st December 2001 and 2000

9. CUSTOMER DEPOSITS (continued)

	2001 QR 000	2000 QR 000
b) By maturity		
On Demand	1,309,537	1,111,451
Within One Year	19,675,809	15,033,833
Above One Year	404,537	2,021,821
Total	21,389,883	18,169,107
c) By Sector		
Government	2,762,806	3,366,199
Government Agencies	10,688,982	6,399,119
Individuals and Corporate	7,938,095	8,403,789
Total	21,389,883	18,169,107

10. OTHER LIABILITIES

	2001 QR 000	2000 QR 000
Interest Payable	66,219	251,252
Provision for Employees' Termination Benefits	111,396	106,432
Negative Fair Value of Derivatives	19,755	-
Others	112,987	110,968
Total	310,357	468,652

11. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Bank as at 31st December 2001 consists of 103,820,772 shares of QR 10 each (2000: 103,820,772 shares of QR 10 each).

The Government of Qatar holds 50% of the ordinary shares of the Bank with the remaining 50% held by members of the public.

12. STATUTORY RESERVE

In accordance with Qatar Central Bank regulations, at least 20% of net 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. 11 of 1981.

13. GENERAL RESERVE

In accordance with the Bank's Articles of Association, the General Reserve shall be employed according to a resolution of the General Assembly upon the recommendation from the Board of Directors.

14. FAIR VALUE RESERVE

	Cash Flow Hedges QR 000	Available for Sale Investments QR 000	Total QR 000
Effect of implementation of IAS 39 transferred from Retained Earnings	-	67,118	67,118
	-	67,118	67,118
Net Change in Fair Value	(19,594)	168,269	148,675
Transfer to Statement of Income	-	-	-
Net Movement during the Year	(19,594)	168,269	148,675
Balance at 31st December 2001	(19,594)	235,387	215,793

The balance as at 1st January 2001 amounting to QR 67.1 million was transferred from Retained Earnings to the Fair Value Reserve during 2001 in accordance with instructions from Qatar Central Bank.

15. DIVIDENDS PAID AND PROPOSED

The Board of Directors has proposed a cash dividend of 40% (OR 4.0 per share) for the year ended 31st December 2001 (2000: 35% - OR 3.5 per share). A cash dividend for the year ended 31st December 2000 amounting to OR 363.4 million was paid during the year after approval at the General Assembly Meeting held on 25th February 2001.

16. CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS

	2001 OR 000	2000 OR 000
Letters of Credit and Acceptances	1,760,567	822,592
Guarantees	3,274,172	2,511,528
Forward Foreign Exchange Contracts	946,478	612,213
Interest Rate Swaps	5,628,715	495,196
Other Financial Instruments and Commitments	2,222,037	2,152,371
Total	13,831,969	6,593,900

17. INTEREST INCOME

	2001 OR 000	2000 OR 000
Due from Banks and Other Financial Institutions	272,332	412,589
Investments	295,761	270,307
Loans and Advances	1,203,126	1,280,958
Others	219	426
Total	1,771,338	1,964,280

18. INTEREST EXPENSE

	2001 OR 000	2000 OR 000
Due to Banks and Other Financial Institutions	97,085	296,603
Customer Deposits	980,402	1,024,947
Others	3,358	14,721
Total	1,080,845	1,336,271

19. OTHER INCOME

	2001 OR 000	2000 OR 000
Fees and Commissions	86,876	81,729
Income from Investments	34,323	17,710
Net Gains from Dealing in Foreign Currencies	18,791	15,072
Other Income	2,194	2,336
Total	142,184	116,847

20. EXPENSES

Included in general and administrative expenses are the following:

a) Staff Expenses

Staff expenses for 2001 amounted to OR 144.8 million (2000: OR 137.2 million). The total number of staff employed by the Bank as at 31st December 2001 was 660 (2000: 635 employees).

b) Community Support

Expenditure in respect of the Bank's Community Support programme amounted to OR 11.0 million (2000: OR 6.7 million).

Notes to the Financial Statements

for the years ended 31st December 2001 and 2000

21. SEGMENT INFORMATION

The Bank is organised into one main business segment which comprises commercial banking activities.

Geographically, the Bank operates in Qatar and Europe, through its branches in Paris and London. Qatar operations contribute 98% in terms of profit (2000: 98%) and hold 83% of the Bank's assets (2000: 80%).

22. GEOGRAPHICAL DISTRIBUTION

	Qatar QR 000	Other GCC Countries QR 000	Europe QR 000	North America QR 000	Others QR 000	Total QR 000
As at 31st December 2001:						
Cash and Deposits						
with Qatar Central Bank	733,430	7	7,803	429	-	741,669
Due from Banks	13,030	1,291,710	1,115,803	11,551	280,886	2,612,980
Investments	4,892,969	36,427	74,041	42,635	18,749	4,964,821
Loans and Advances	12,916,385	281,802	792,981	49,147	22,367	13,952,682
	23,151,834	1,611,441	2,990,630	103,753	282,402	28,140,060
Other Assets						279,477
Total Assets						28,379,557
Due to Banks	807,615	94,084	557,945	82	908,984	1,968,710
Customer Deposits	30,852,641	16,617	82,085	13,201	425,342	31,329,886
	31,660,256	110,701	640,030	13,283	1,334,326	23,358,593
Other Liabilities						110,217
Shareholders' Equity						4,710,647
Total Liabilities and Equity						28,379,557
Off-Balance Sheet Items	4,465,431	149,716	7,491,085	1,170,488	555,249	13,831,969
As at 31st December 2000:						
Cash and Deposits						
with Qatar Central Bank	497,406	-	4,205	-	-	501,611
Due from Banks	9,244	2,817,231	2,304,050	334,725	969,049	6,434,299
Investments	1,630,874	4,647	1,306	3,312	-	1,639,139
Loans and Advances	13,185,206	199,584	255,690	167	49,934	13,690,581
	17,322,730	3,021,462	2,565,251	340,204	1,018,979	24,269,128
Other Assets						352,313
Total Assets						24,621,441
Due to Banks	343,260	389,193	220,664	82	895,770	1,648,969
Customer Deposits	17,831,915	7,669	109,013	3,350	219,560	18,169,107
	18,175,175	292,862	329,677	3,432	1,115,330	19,818,076
Other Liabilities						468,652
Shareholders' Equity						4,334,713
Total Liabilities and Equity						24,621,441
Off-Balance Sheet Items	3,717,469	227,399	1,858,070	209,643	581,319	6,593,900

23. INTEREST RATE RISK

The following tables summarise the repricing profile of the Bank's assets, liabilities and off-balance sheet exposures.

As at 31st December 2001:	Within 3 Months QR 000	3-6 Months QR 000	6-12 Months QR 000	More than 1 Year QR 000	Non-Interest Sensitive QR 000	Total QR 000	Effective Interest Rate
Cash and Deposits							
with Qatar Central Bank	-	-	-	-	741,675	741,675	
Due from Banks	2,809,313	10,328	38,186	356,742	461,808	3,676,980	4.30%
Investments	-	980,112	28,116	3,215,363	440,830	4,664,821	7.97%
Loans and Advances	7,884,936	10,662,318	108,653	5,978	294,079	19,076,564	7.00%
Other Assets	-	-	-	-	239,497	239,497	
Total Assets	10,694,254	11,653,958	174,955	3,578,483	2,277,909	28,379,557	
Due to Banks	1,328,179	139,705	-	-	502,826	1,968,710	4.29%
Customer Deposits	19,623,890	313,570	952,522	404,537	1,093,365	21,389,884	4.64%
Other Liabilities	-	-	-	-	310,353	310,353	
Shareholders' Equity	-	-	-	-	4,710,007	4,710,007	
Total Liabilities and Equity	19,950,059	453,284	952,522	404,537	6,617,155	28,379,557	
Balance Sheet Items	(4,255,805)	11,198,672	(777,567)	3,173,940	(4,339,246)	-	
Off-Balance Sheet Items	5,433,947	(4,537,863)	(18,203)	(877,861)	-	-	
Interest Rate Sensitivity Gap	(3,821,858)	6,660,789	(795,770)	2,296,079	(4,199,246)	-	
Cumulative Interest Rate Sensitivity Gap	(3,821,858)	2,838,931	2,043,161	4,339,246	-	-	
As at 31st December 2000:							
Cash and Deposits							
with Qatar Central Bank	-	-	-	-	502,111	502,111	
Due from Banks	5,262,843	30,903	28,699	308,529	194,323	6,434,297	6.20%
Investments	-	-	-	1,413,036	229,101	3,642,139	3.89%
Loans and Advances	12,813,928	575,067	36,720	8,736	256,130	13,690,581	8.68%
Other Assets	-	-	-	-	352,315	352,315	
Total Assets	18,076,771	614,970	65,419	3,730,301	1,533,982	24,621,443	
Due to Banks	1,262,241	216,235	55,945	25,000	91,544	1,648,969	6.07%
Customer Deposits	14,206,396	540,361	498,747	2,023,823	899,580	18,169,107	6.92%
Other Liabilities	-	-	-	-	468,652	468,652	
Shareholders' Equity	-	-	-	-	4,334,715	4,334,715	
Total Liabilities and Equity	15,468,641	756,996	552,692	2,048,823	5,794,291	24,621,443	
Balance Sheet Items	3,208,130	(142,026)	(487,273)	1,681,478	(4,260,309)	-	
Off-Balance Sheet Items	(105,639)	121,433	3,884	(19,658)	-	-	
Interest Rate Sensitivity Gap	3,102,471	(20,593)	(483,389)	1,661,820	(4,260,309)	-	
Cumulative Interest Rate Sensitivity Gap	3,102,471	3,081,878	2,598,489	4,260,309	-	-	

Interest rate risk reflects the risk of a change in interest rates which might affect future earnings. Exposure to interest rate risk is managed by the Bank 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 or maturity dates, whichever dates are earlier.

Notes to the Financial Statements

for the years ended 31st December 2001 and 2000

24. DERIVATIVES

In the ordinary course of business, the Bank utilises the following derivative financial instruments for both trading and hedging purposes.

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counterparties generally exchange fixed and floating interest payments in a single currency without exchanging principal. For currency swaps, fixed interest payments and principal are exchanged in different currencies. For cross-currency interest rate swaps, principal, fixed and floating interest payments are exchanged in different currencies.

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

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

Derivatives Held for Trading Purposes

Most of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products.

Derivatives Held for Hedging Purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves reducing the Bank's exposure to fluctuations in foreign exchange rates and interest rates to acceptable levels as determined by the Bank within the guidelines issued by Qatar Central Bank. The Bank 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 Bank 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 within the established limits.

As part of its asset and liability management the Bank 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 as well as strategic overall balance sheet exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified fixed interest rate exposures. The Bank also uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all 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 fair value or cash flow hedges.

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 Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, or market risk.

Notional Amount by Term to Maturity

As at 31st December 2001:	Positive Fair Value QR 000	Negative Fair Value QR 000	Notional Amount QR 000	Within 3 Months QR 000	3 - 12 Months QR 000	1 - 5 Years QR 000	More than 5 Years QR 000
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	161	19,755	5,628,715	-	4,750,853	164,293	713,569
Total	161	19,755	5,628,715	-	4,750,853	164,293	713,569

Notional Amount by Term to Maturity

As at 31st December 2000:	Positive Fair Value QR 000	Negative Fair Value QR 000	Notional Amount QR 000	Within 3 Months QR 000	3 - 12 Months QR 000	1 - 5 Years QR 000	More than 5 Years QR 000
Derivatives Held for Trading:							
Interest Rate Swaps	450	32	327,645	254,815	72,810	-	-
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	33	336	167,551	36,405	63,429	5,828	61,899
Total	483	368	495,196	291,240	136,239	5,828	61,899

The table below shows the summary of hedged items as at 31st December 2001, the nature of the risk being hedged, the hedging instrument and its fair value.

Description of Hedged Items	Risk	Hedging Instrument	Fair Value QR 000	Cost QR 000	Positive Fair Value QR 000	Negative Fair Value QR 000
Floating Rate Due to Banks Funding Fixed Rate Assets	Cash Flow	Interest Rate Swap	5,609,121	5,628,715	161	19,755

Notes to the Financial Statements

for the years ended 31st December 2001 and 2000

25. CREDIT RISK

The Bank attempts to manage its credit risk exposure through diversification of its investments, capital markets and lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

The Bank controls the credit risk arising from derivatives and foreign exchange contracts through its credit approval process and the use of risk control limits and monitoring procedures. The Bank uses the same credit risk procedures when entering into derivative and foreign exchange transactions as it does for traditional lending products.

The debt securities included in the investment portfolio carry mainly sovereign risk. The composition of loans and advances is set out in note 5. Information on the credit risk relating to derivative instruments is provided in note 24.

26. CURRENCY RISK

	QR QR 000	US\$ QR 000	Other Currencies QR 000	Total QR 000
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As at 31st December 2001:

Assets	12,835,804	13,702,327	1,841,426	28,379,557
Liabilities and Equity	14,100,033	12,471,960	1,807,564	28,379,557
Net Balance Sheet Position	(1,264,229)	1,230,367	33,862	-

As at 31st December 2000:

Assets	11,033,368	12,801,497	786,578	24,621,443
Liabilities and Equity	12,803,653	11,034,420	783,370	24,621,443
Net Balance Sheet Position	(1,770,285)	1,767,077	3,208	-

The Qatari Riyal has for many years maintained a stable parity against the United States Dollar at officially quoted Qatar Central Bank rates of QR 3.6385/3.6405 = US\$ 1.

27. 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 Bank has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities.

Notes 3, 5, 8 and 9 set out the maturity profile of the Bank's major 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 Bank's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Bank's financial instruments approximates the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

In the opinion of management, the book values of financial assets and liabilities, excluding held to maturity investments and originated debt securities, are not significantly different from their fair values due to their short-term nature or, in the case of customer deposits and loans, due to frequent repricing.

The fair value of held to maturity investments and originated debt securities is based on their market price. The current market value of these investments is disclosed in note 4.

29. RELATED PARTIES

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

	2001 QR 000	2000 QR 000
Loans and Advances	105,590	143,990
Deposits	320,806	61,200
Contingent Liabilities, Guarantees and Other Commitments	22,745	40,616

The Bank also has significant commercial transactions with the Government which are disclosed in notes 5 and 9. 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.

30. CASH AND CASH EQUIVALENTS

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

	2001 QR 000	2000 QR 000
Cash and Deposits with Qatar Central Bank	741,675	502,111
Due from Banks - On Demand	461,810	194,323
Total	1,203,485	696,434

Balances with Qatar Central Bank include mandatory reserve deposits of QR 546.2 million (2000: QR 423.8 million). These deposits are not available to fund the Bank's day to day operations.

31. COMPARATIVE FIGURES

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

Directory of QNB Domestic Branches

DOHA AREA

Main Branch

P.O. Box 1000, Doha
Tel: (+974) 440-7407
Fax: (+974) 441-5020

Al Sadd Branch

P.O. Box 9366, Doha
Tel: (+974) 442-0424
Fax: (+974) 444-6296

Al Sadd Ladies Branch

P.O. Box 7068, Doha
Tel: (+974) 442-3654
Fax: (+974) 442-1206

Airport Road Branch

(Al Matar Street)
P.O. Box 3252, Doha
Tel: (+974) 432-8125
Fax: (+974) 443-2339
Ladies Section
Tel: (+974) 432-8125
Fax: (+974) 443-2339

Al Rayyan Branch

P.O. Box 90923, Doha
Tel: (+974) 480-7090
Fax: (+974) 480-6909
Ladies Section
Tel: (+974) 480-5069
Fax: (+974) 480-6909

Al Gharrafa Branch

P.O. Box 24777, Doha
Tel: (+974) 486-2900
Fax: (+974) 486-2151
Ladies Section
Tel: (+974) 486-2900
Ext. 230/231

Musheireb Branch

P.O. Box 1618, Doha
Tel: (+974) 442-3643
Fax: (+974) 441-5021

West Bay Branch

QNH Building
Tel: (+974) 440-7979
Fax: (+974) 440-7975

Industrial Area Branch

P.O. Box 40611, Doha
Tel: (+974) 460-0344
Fax: (+974) 460-0427

Qatar University/Men's Campus

Tel: (+974) 483-2619
Fax: (+974) 483-3082

Qatar University/Ladies Campus

Tel: (+974) 483-3027
Fax: (+974) 483-5137

Hamad Hospital Branch

Tel: (+974) 442-1517/442-1917
Fax: (+974) 441-5022

Air Force Base Branch

Tel: (+974) 462-2016
Fax: (+974) 462-2724

The Mall Branch

Tel: (+974) 467-7888
Fax: (+974) 467-7886

City Center - Doha Branch

Tel: (+974) 483-5700
Fax: (+974) 483-1228

Salwa Road Branch

Tel: (+974) 435-2111
Fax: (+974) 435-5021

Sheraton Doha Hotel Branch

Tel: (+974) 483-1878/483-1879
Fax: (+974) 483-1469

Doha Marriott Gulf Hotel Branch

Tel: (+974) 432-8606
Fax: (+974) 432-9041

Ritz Carlton Doha Branch

Tel: (+974) 483-9009
Fax: (+974) 483-5694

Doha Airport Office

Departures Terminal
Tel: (+974) 462-1100
Fax: (+974) 462-1929

Doha Airport Office

Arrivals Terminal
Tel: (+974) 462-1911
Tel: (+974) 462-1929

Doha Airport Transit Office

Tel: (+974) 462-1100
Fax: (+974) 462-1929

OP Al Sadd Office

Tel: (+974) 447-8294
Fax: (+974) 447-8295

OP HQ Office

Tel: (+974) 483-1218/483-1253
Fax: (+974) 483-1081

Exhibition Centre Office

Tel: (+974) 483-4784
Fax: (+974) 483-4774

AL KHOR AREA

Al Khor Branch

P.O. Box 60030, Al Khor
Tel: (+974) 472-0127
Fax: (+974) 472-1625
Ladies Section
Tel: (+974) 472-0127
Fax: (+974) 472-1625

Ras Laffan Branch

Ras Laffan Industrial City
Tel: (+974) 473-9550
Fax: (+974) 473-9554

Qatargas Office

Ras Laffan Industrial City
Tel: (+974) 473-6001
Fax: (+974) 473-6002

RasGas Office

Ras Laffan Industrial City
Tel: (+974) 473-8433
Fax: (+974) 473-8066

MESAIEED AREA

Mesaleed Branch

P.O. Box 50050, Mesaieed
Tel: (+974) 477-1529
Fax: (+974) 477-1062

AL SHAMAL AREA

Al Shamal Branch

P.O. Box 70232, Al Shamal
Tel: (+974) 473-1246
Fax: (+974) 473-1501

OTHER OFFICE DETAILS

Doha Securities Market Office

(Brokerage Office)

Tel: (+974) 435-5220
Fax: (+974) 435-5330

Vehicle Finance Section

Tel: (+974) 440-7987
Fax: (+974) 440-7986

24-hour Call Centre

Al Watani Direct

Tel: (+974) 440-7777
Fax: (+974) 481-6178

24 hour E-Branch at

Salwa Road Branch

Website: www.qnb.com.qa

E-mail: webmaster@qatarbank.com



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