Annual Report 1999

Qatar National Bank

35 years of Excellence

In the Name of God
Most Gracious, Most Merciful

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

His Highness
Sheikh Jassem Bin Hamad Al-Thani
Heir Apparent

His Highness
Sheikh Abdullah Bin Khalifa Al-Thani
Prime Minister & Minister of Interior

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Emir of the State of Qatar

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Sheikh Abdullah Bin Khalifa Al-Thani
Prime Minister & Minister of Interior

1) H.E. Yousef Hussain Kamal
Chairman

2) H.E. Sheikh Hamad Bin Faisal Al-Thani
Vice Chairman

3) H.E. Sheikh Ahmed Bin Mohammed Al-Thani

4) H.E. Dr. Abdulla Bin Saleh Al Khulaifi

5) Mr. Haider Sulaiman Al Haider

6) Mr. Mohd. Bin Fahed S. Buzwair Al-Dosari

7) Mr. Mohammed Marzouq Al Shamlan

8) Mr. Rashid Misfer Al-Hajri

9) Dr. Ghanem Mohammed Al-Hammadi

10) Mr. Ali Hussain Ali Al-Sada

Committees of the Board

Executive Committee

H.E. Sheikh Hamad Bin Faisal Al-Thani	*Chairman*
H.E. Sheikh Ahmed Bin Mohammed Al-Thani	
H.E. Dr. Abdulla Bin Saleh Al Khulaifi	
Mr. Haider Sulaiman Al Haider	
Mr. Mohammed Marzouq Al Shamlan	

Audit Committee

Mr. Rashid Misfer Al-Hajri	*Chairman*
Dr. Ghanem Mohammed Al-Hammadi	

Board of Directors

Senior Management

John P. Finigan *(Seated Left)*
General Manager - Chief Executive

Saeed A. Al-Misnad *(Seated Right)*
Deputy General Manager

(Standing from left)
Tariq Amjad
Ali Ahmed Al Kuwari
Peter H. Clarke

Support Services

Sherif Samy
Marwan Marouf R. Mahmoud
Mohamed Jama Musa
Mohammed Ali Al-Khulaifi
Keith W. Warden
Yousef Mohammed Al Othman

Banking Services

David J. Axtell
Waleed Jassim Al-Mossallam
Ashraf N. Makram
Ali Shareef Al-Emadi
Ihsan Rachid
Abdulla Abbas Kamal

Overseas Management

Martin Bowen	London
Roland Chalhoub	Paris
Luc Debieuvre	Paris

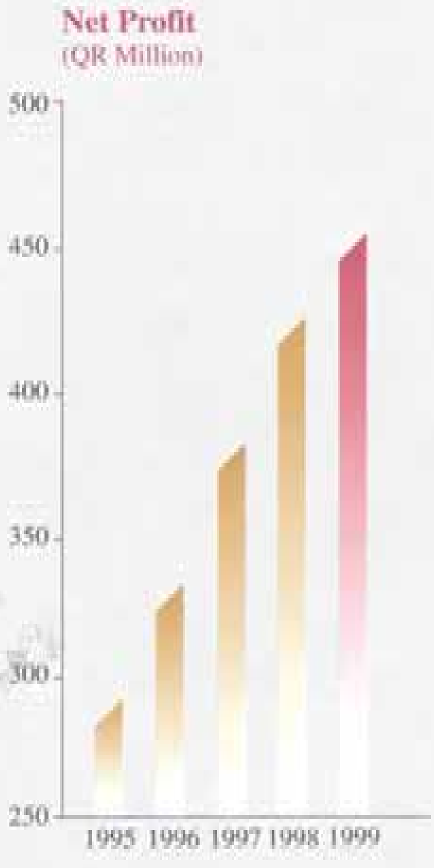
Management

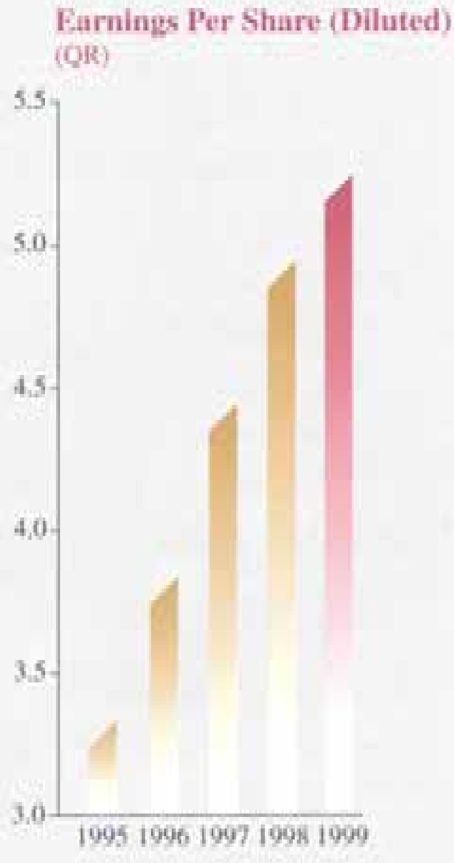
Head Office

P.O. Box 1000, Doha, State of Qatar.
Tel: (+974) 407407
Fax: (+974) 413753
Telegraphic Address: Qatarbank
Telex: 4064/4212/4357 Qatbnk Dh
SWIFT: QNBAQAQA
Internet: www.qatarbank.com
E-Mail: webmaster@qatarbank.com

	Telephone	Facsimile
Board of Directors' Office	407286	413394
General Manager - Chief Executive	430240	438349
Deputy General Manager	414529	415019
Corporate Banking	407321	431036
Credit	407394	436577
Retail Banking	407415	413889
Retail Credit	407307	407501
Private Banking	413978	431894
Operations	413126	416514
Information Systems	413774	433934
Treasury	432444	414943
International	413768	410418
Legal	407919	407930
Financial Control	407855	407854
Internal Audit	413876	438612
Administration	407807	407800
Human Resources	407833	407838
Economics and Planning	407933	407930
Public Relations	407900	407827
Local Investment	407268	407445

- Net profit increased by 7% to QR 452 million
- Total assets increased by 15% to QR 22.4 billion
- Earnings per share increased from QR 4.9 to QR 5.2
- Total shareholders' equity increased to QR 3.8 billion (US$ 1.1 billion)





Financial Highlights

Five Year Summary

(Figures in QR Millions)	*1995*	*1996*	*1997*	*1998*	*1999*
Operating Income	472	526	589	672	696
Operating Expenses	143	149	166	179	195
Net Income	289	330	379	423	452
Total Assets	17,224	16,284	18,298	19,487	22,356
Total Shareholders' Equity	2,877	3,094	3,332	3,614	3,847
Share Capital	354	443	554	692	865
Operating Expenses/Income (%)	30.2	28.4	28.3	26.6	28.1
Year End Share Price* (QR)	63	63	72	79	65
Diluted*	26	32	46	63	65
Number of Shareholders	718	732	773	989	1,137
Earnings per Share* (QR) Diluted	3.3	3.8	4.4	4.9	5.2
Price/Earnings Multiple	7.7	8.5	10.5	12.9	12.5
Number of Employees	533	552	584	587	612
1. Domestic	478	500	532	534	562
(of which Qatari)	(114)	(132)	(163)	(185)	(205)
2. International	55	52	52	53	50

* Adjusted for share split of 10 for 1

Exchange Rate

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.

On behalf of the Board of Directors I am pleased to present this 35th Annual Report of Qatar National Bank to our Shareholders highlighting our principal achievements during 1999.

As we entered into 1999 the regional and international economic perspective was far from promising as global output was perceived to be stagnating. Fortunately as the year unfurled these concerns appeared less founded as the industrialised economies exhibited previously unforeseen resilience whilst many emergent economies appeared to recover towards their pre-crisis growth paths and the year 2000 is expected to witness the transition from recovery to expansion.

For the Gulf Co-operation Council economies the seminal event was the Vienna OPEC conference in March. By creating a consensus for reduced oil production ceilings, this facilitated a rapid recovery in energy prices which benefited energy exporting nations such as Qatar from May onwards. By the year end energy prices had risen by almost 170% from their lows in February last. However, it is apposite to reflect that with the low price environment prevailing for the first five months of the calendar year, the average oil price of $17.60 for Qatar's exports in 1999 reflected only a 44% increase over the prevailing levels for 1998 and remained 7% below the average for 1997.

Turning to the performance of Qatar National Bank in 1999, I am pleased to be able to report that it was another year of solid achievement.

In terms of profitability, the Bank again achieved another record with net operating profits rising by QR29.4 million to reach QR452.1 million, an increase of 7% over 1998's own record level. This reflected continuing improvement in our overall operating ratios as well as stringent expense discipline whilst continuing the groundwork for productivity and quality enhancements.

Total assets grew by 15% to reach QR22.4 billion as we welcomed the introduction of Government Treasury Bonds to provide greater flexibility and liquidity to our overall balance sheet structure. Meanwhile, on the liability side of the balance sheet, growth in deposits of QR1.6 billion (a 14.4% increase) proved a welcome development.

The Bank's business base continued its prudent and profitable expansion with major developments in the Retail Bank reflecting our obligation to our customers to provide the most comprehensive access to the widest range of retail banking services available in the State of Qatar.

The Corporate Bank continued its steady progress consistently expanding the range and scope of the services it proffers to our growing domestic and international corporate and project finance customer base whilst also augmenting our Risk Control capabilities.

We successfully navigated the information technology challenge into the new Millennium and continue to invest substantial sums in both revenue and human resource terms in the expansion of our information technology base to enhance productivity and remain the lowest cost producer of the widest range of banking and financial services.

Our overall progress received independent corroboration with the nomination of Qatar National Bank as the Best Bank in Qatar once again by Euromoney, and also by Global Finance.

During the course of the year Mr. Saleh M Abo Dawood Al Muhanadi, who had served the Bank loyally for 11 years, latterly as Vice Chairman, stepped down from the Board of

Chairman's Statement

Directors. We remain grateful for his contribution to the Bank and wish him well in his retirement. H.E. Sheikh Hamad Bin Faisal Al-Thani succeeded to the position of Vice Chairman of the Board of Directors and Chairman of the Executive Committee and we welcomed to the Board H.E. Sheikh Ahmed Bin Mohammed Bin Jabor Al-Thani, Acting Secretary General of the Planning Council.

The Board of Directors is recommending to the General Assembly the distribution of a cash dividend for the 1999 fiscal year of QR216 million representing a return on issued share capital of 25% (QR2.50 per share: 1998 - QR 2 per share) coupled with an issue of bonus shares on the basis of one ordinary share for every five shares (1998 - issue of bonus shares in the proportion of 1 for 4).

This combined distribution of cash and bonus shares continues the well established tradition of delivering long-term benefits in the form of added value to our shareholders.

Besides the generation of reward for our shareholders we are always mindful of the importance of acting as good corporate citizens for the benefit of all elements of society in Qatar. This is manifest in many diverse ways with the provision of the broadest based branch network and the largest number of ATM's across the State; our employment of 205 Qatari citizens who now constitute 37% of our professional team many of whom hold the most senior positions; coupled with our commitment (incurring substantial direct and opportunity costs) to the training of those Qatari officers to the highest international standards; our management of the Government's Senior Staff Housing Scheme; our close collaboration with the University of Qatar to help develop the next generation of citizens; and, last but by no means least, our exemplary commitment to Social Responsibility issues to develop medical, education, artistic and other philanthropic opportunities for the lasting benefit of all the people of Qatar.

The Year 2000 will still exhibit many of the features of a transitional year and so will continue to embrace many elements of challenge which remain to be overcome. However, for us in Qatar it is likely to be the precursor of a period of sustained growth in Gross Domestic Product which will surpass that of many other countries and provide long term benefits for all the citizens and residents. We believe that Qatar National Bank is well placed to surpass those challenges and to continue to deliver superior service to all our valued clients coupled with enhanced value to our shareholders.

We express our sincere appreciation, gratitude and respect to His Highness The Emir, Sheikh Hamad Bin Khalifa Al-Thani, for his constant encouragement, support and wise guidance for the Bank in all its activities. We extend our loyal greetings and appreciation to Their Highnesses The Heir Apparent, Sheikh Jassem Bin Hamad Al-Thani, the Prime Minister and Minister of Interior, Sheikh Abdullah Bin Khalifa Al-Thani, and the Deputy Prime Minister, Sheikh Mohamed Bin Khalifa Al-Thani, for their sustained support.

We also express our appreciation to Qatar Central Bank, under the leadership of H.E. The Governor, Abdulla Bin Khalid Al-Attiya, for their collaboration, encouragement and ever-helpful guidance whilst saluting H.E. The Governor upon the renewal of his appointment for a further five years.

In conclusion, I would reiterate our appreciation to the four component elements of our corporate existence: our shareholders; our valued clients; our loyal, dedicated and diligent staff and all the Qatari community for the confidence which they all repose in the Bank. In the Year 2000 and all the years ahead we shall strive constantly to justify and repay that confidence.

Yousef Hussain Kamal
Chairman of the Board of Directors

Global Economy

After a difficult start when underlying prospects were far from encouraging, 1999 turned out to be a year of global recovery as growth developed positively across a broad geographic area embracing both the industrial and emergent economies.

In retrospect, this welcome recovery in 1999 reflected a geographically well diversified acceleration in industrial production which, in turn, led to higher rates of inventory accumulation. The favourable cycle continued with sustained increases in final demand, which contributed to enhanced corporate profitability. This engendered renewed confidence as residual financial market concerns arising from the crisis of confidence in 1998 dissipated. Fears of a credit crunch evaporated as financial markets adjusted from recessionary fears to embrace a growing global economy.

As we enter the new Millennium, the world economy stands on the verge of a second year of an expansionary phase as global growth rates reach 3% on the back of this favourable combination of sustained growth in developed economies and welcome recovery in many emergent markets. The latest World Economic Outlook figures released by the International Monetary Fund forecast real GDP growth for the developed economies of 2.8% in calendar 1999, followed by 2.7% in 2000. With the emerging market economies projected to grow at 3.5% in 1999 and 4.8% in 2000 the expected growth rate for the world as a whole is now 3% in 1999 and 3.5% in 2000.

These IMF forecasts reflect confidence in a sustained global cyclical upswing with the industrial economies set to maintain their rate of expansion at around 2.5% - 3% in 2000, with the Asian economies reverting to their more robust growth levels of around 5%- 5.5% whilst Latin America's growth is forecast to be around 4%. Europe and the Middle East combined are expected to grow by 1.8 % in 1999 advancing to 3.1% in 2000.

In the United States growth in 1999 is forecast to be 3.7%, representing the third consecutive year in which American growth has approached the 4% level. However in 2000 a cyclical slowdown is envisaged that would reduce U.S. growth to 2.6%.

If this favourable progress is actually realised then the world economy will become increasingly more balanced in terms of the growth rates of the major geographical blocks.

However, there is also the possibility of a less favourable scenario that could arise following a contractionary monetary tightening in the United States. This may occur as a result of rising inflation or weakness in the external parity of the dollar emanating from the high U.S. current account deficit or significant global portfolio re-allocation. There are also worrying imbalances in the form of growing personal-sector financial deficits and the increasing public sector deficit. Additional dangers of an asset price bubble in the equity markets combine to cause factors which could lead to U.S. domestic disequilibria with a consequent risk of external contagion.

Such a scenario in the United States would be likely to cut global GDP growth by 1.2% from the more positive forecast of 3.5% in 2000 and by diminishing amounts in subsequent years.

Other risks to balanced global growth may arise from a number of areas. There is the continuing fragility of the rehabilitation process within the Japanese economy, where the strength of the Yen could impede recovery. There is the possibility of a renewed lack of confidence in emergent markets, (possibly engendered by competitive devaluation by a major exporting nation). There is also the possibility that recent recoveries in commodity price levels may fail to consolidate.

On balance, however, the prospects for 2000 are being forecast with cautious optimism with the expectation of a progressive but stable phase ahead. This should reflect underlying growth in both consumer and capital spending which will help to redress the key structural concerns of high unemployment, budget deficits and weaknesses in the corporate and financial sectors of a number of emergent markets.

However, this initially benign forecast will create the renewed spectre of inflation as more economies expand and progressively become subjected to increased monetary tightening by the central banking authorities.

This process is already well advanced in the United States (where the policy of easing interest rates during 1998 has been fully reversed) and also in Europe, including the United Kingdom.

The United States is now enjoying its longest ever positive business cycle (having avoided any recessionary bias since 1991). It will prove challenging to create a smooth deceleration of the domestic economy without introducing any unwelcome strains into the global economy. Throughout the year the focus of much of the world will be on the Federal Reserve as they address these challenges.

GCC Economies

1999 proved a year of contrasts for the economies of the GCC States. We entered the year against a background of collapsing oil prices which reached a 22 year low in February.

The challenging situation for all the regional economies gave rise to the critically important OPEC Meeting in Vienna in March when an accord was reached on OPEC supply cuts of 4.32 million barrels per day. With support from a number of non-OPEC members, the Vienna Accord rapidly changed the energy supply and demand equation, leading to a sustained recovery in price levels from mid year onwards. By the year end energy prices had risen by almost 170% from their levels of February.

In a region where oil revenues have traditionally accounted for almost 35% of GDP and 75% of the overall exports, such a dramatic decline in energy prices led to significant contractions within the regional economies. During 1998 oil revenues of GCC States declined by almost $30 billion. The aggregate current account deficit exceeded $12.82 billion in 1998 compared with a surplus of $11.97 billion in the previous year. This naturally resulted in negative GDP growth rates being recorded for all the GCC countries specifically by 10.8% in Saudi Arabia; 10.2% in Oman; 7.4% in Qatar; 6% in Kuwait; 5.6% in the United Arab Emirates; and by 4% in Bahrain.

NODCO Foundation Stone Ceremony

The impact upon the state budgets and current account balances was strikingly similar. The pan GCC budget deficit deteriorated to $21.03 billion in 1998 compared with an aggregate deficit of $4.22 billion in 1997. Higher projected budget deficits were recorded for Saudi Arabia ($12.3 bn), and Kuwait ($6.3 bn) with estimated deficits of $767 million for Oman; $908 million for Qatar; $480 million for the United Arab Emirates and $286 million for Bahrain. Austerity measures have of necessity been taken by all the GCC countries. They include accelerating the privatisation process, cutting expenditures, increasing medical fees and petrol prices, freezing development projects, and relaxing constraints upon foreign investment.

As 1999 unfolded and the impact of the Vienna Accord took hold the outlook changed somewhat dramatically with oil prices reaching the $25 level

QAFAC Inauguration Ceremony

before the year-end, a rise of 170% from their record lows of February. However, it should be noted that with the low price environment prevailing for the first five months of 1999, the region's average oil export earnings will have risen by only 44% above the prevailing levels for 1998, or stated differently, by 7% less than the level of 1997's energy exports. Accordingly all the GCC countries will record positive growth rates for 1999. It is forecast that a pan GDP growth rate of 6%-7.5% will be recorded for this year compared with a decline of like amount (7.3%) last year.

The oil price recovery and the disciplined fiscal measures adopted by these countries will undoubtedly provide a degree of relief from the fiscal strains imposed by these extremes of volatility in energy prices. The GCC countries are now better positioned to lower or balance budget deficits this year, as most of the 1999 budgets assumed an average Brent crude oil price of $9-12 a barrel, down from $12.7 in 1998. Accordingly the $22.4 billion aggregate deficit projected for 1999 is more likely to be balanced and some countries will even record modest surpluses in their budgets.

However, there is a general recognition among all GCC countries that structural economic problems cannot adequately be solved by the imposition of changes in energy market prices. What the present crisis has done is to underscore in a dramatic fashion the urgency of undertaking essential reform measures to achieve fiscal equilibrium. These include fiscal discipline, greater emphasis on privatisation; removing obstacles in the path of investment, both foreign and local; amending investment laws and regulations, plus attracting modern technology and manpower training. The welcome imposition of these measures and policies will ensure that the region will learn the critical lessons from the sharp contraction in energy prices and be able to resume sustainable and balanced growth rates in the foreseeable future.

The GCC Stock Markets

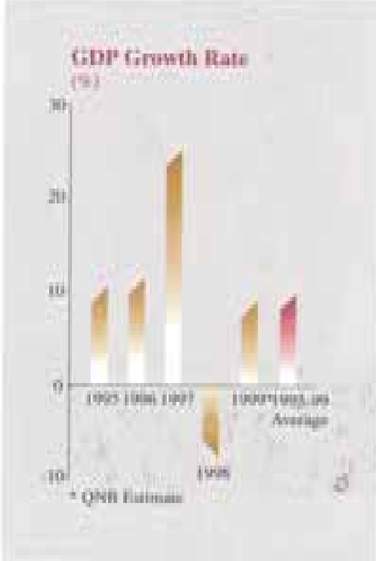
Low oil prices, a general slowdown in economic growth in the region and a delayed reaction to the sharp falls in emergent market indices in 1998 all combined adversely to affect the performance of the GCC stock markets in 1999. The United Arab Emirates and Kuwaiti markets recorded declines of 17.9% and 8.9% respectively, while Saudi Arabia, Oman and Bahrain showed positive returns of 43.5%, 9.5% and 1.06% respectively. The Doha Securities Market (DSM) which was the best performing market in the Middle East in 1998 (35%) held its value in 1999 exhibiting only a marginal decline of less than 1%. Over the course of the past two years the two best performing regional stock markets have been the DSM (34%), followed by Saudi Arabia (15.7%).

The Qatari Economy

The Qatari economy is in a transitional stage, primarily based on the production and export of crude oil and liquefied natural gas (LNG), which accounted for 37% of GDP, 75% of total exports and 62% of total public revenues in 1998. The economy's vulnerability to oil price movements has led the Government to exploit Qatar's significant reserves of natural gas and to develop the non-oil sector of the economy, particularly downstream industries which utilise gas as a source of fuel and/or feedstock.

Economic diversification has included the development of projects to produce and export LNG and investment in petrochemical industries. Qatar's natural gas resources are estimated to rank in size only behind those of Russia and Iran, and account for an estimated 5.8% of worldwide proven reserves. The exploitation of these natural gas reserves, is expected to significantly boost the contribution of this sector and other related industries to Qatar's GDP in future years.

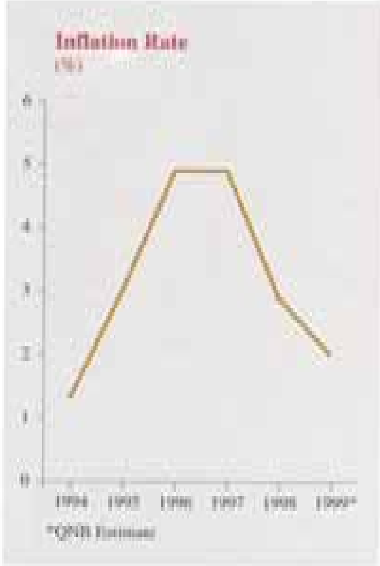
Gross Domestic Product (GDP)



Driven largely by the expansion of oil and gas sectors, Qatar experienced a period of strong growth in 1995 (10.4%), 1996 (11.3%) and 1997 (24.7%) as per the latest official figures emanating from the Central Statistical Organisation. Thereafter progressively declining oil prices throughout 1998 significantly impacted the economy. The value of oil and gas exports decreased by 19.3% despite volume increases in crude oil and LNG production. During 1998, the average oil price slumped by 35% to $12.20 per barrel. Accordingly, Qatar's GDP declined by 7.4% to reach QR 38,074 million in 1998 compared to QR 41,124 million in 1997. However a combination of a sustained recovery in energy prices, and increased LNG and related exports indicate that the decline has now been reversed. QNB projects GDP growth at 9% in 1999, very close to the average rate of 9.6% achieved over the last five years.

The combination of energy resources and a small population has provided Qatar with a per capita GDP that is high even by world standards ($21,643 in 1997 and $19,370 in 1998) and which is likely to accelerate rapidly in the early years of the new Millennium.

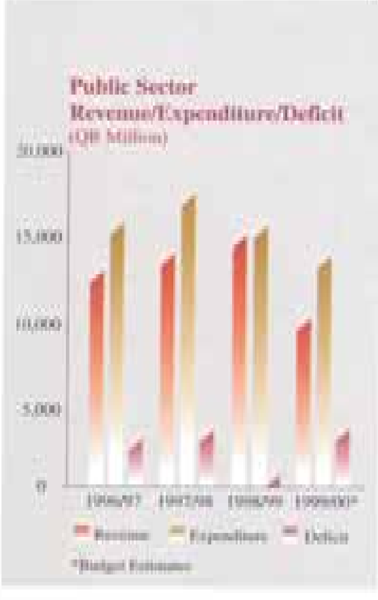
Inflation



Inflation rates in Qatar remain low relative to those experienced in other oil-exporting developing countries, due in part to the successful imposition of monetary and exchange rate policies such as pegging the Riyal to the U.S. Dollar. The inflation rate was 1.3% in 1994, 3% in 1995, and 4.9% in both 1996 and 1997, as measured by changes in the Consumer Price Index (CPI). This rate declined to 2.9% in 1998. Whilst official figures are still awaited, QNB forecasts that inflation in 1999 is again likely to out-turn at around the 2% level.

Fiscal Position

Fiscal policy is considered the core of overall economic policy, which aims to achieve full utilisation of Qatar's factor and economic resources and to raise the standard of living of all the citizens and residents of the State.



1998/99 Budget

Total revenues in the 1998/99 fiscal year (ending in March) were QR 15,150 million ($4,162 million) an 8% increase compared with the preceding fiscal year, and 22.6% higher than the budgeted figure of QR 12,354 million ($3,394 million).

Total expenditures declined to QR 15,689 million ($4,310 million), a reduction of 10.9% compared with the preceding fiscal year and very close (0.21%) to the budgeted figure of QR 15,656 million ($4,301 million).

Due to the higher than forecast aggregate Government revenues, the deficit for the 1998/99 fiscal year was only QR 539 million ($148 million), compared with an initially forecast deficit of QR 3,300 million ($907 million). This constitutes a reduction of 84% compared with the deficit for the preceding 1997/98 fiscal year.

NGL - 4 Foundation Stone Ceremony

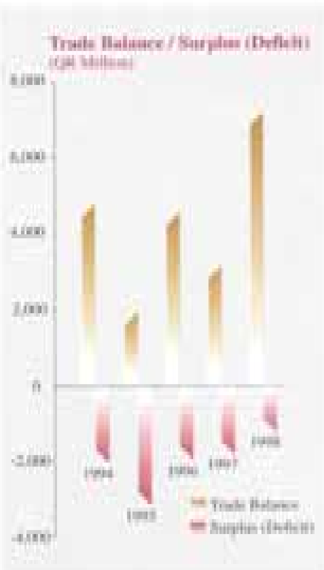
1999/2000 Budget

The budget for the 1999/2000 fiscal year estimates total revenues of QR 10,534 million ($2,894 million), a reduction of 29.5% compared with the previous budget. The estimated revenues were based on an assumed oil price of $10 per barrel and an average daily production level of 615,000 barrels per day.

Total expenditures were estimated at QR 14,134 million ($3,883 million), a reduction of 5.8% compared with the previous fiscal year. The budget deficit was anticipated to out-turn at QR 3,600 million ($990 million), an increase of QR 300 million ($82 million) over the prior fiscal year's forecast deficit. With energy prices having exhibited a sharp and sustained recovery (averaging $17.7 per barrel in 1999), there is every likelihood that the Government will succeed in its objectives in a similar fashion to the very successful fiscal outcome in 1998/1999, not merely by balancing the budget, but also in achieving a modest surplus. This favourable evolution is likely to result in a budget for the coming fiscal year 2000/2001 which is very close to neutral.

The Balance of Payments

Preliminary figures indicate that total exports increased by 30% to QR 18,311 million in 1998 compared with QR 14,036 million in 1997. Total imports are estimated to have increased by only 2.6% to QR 11,177 million in 1998 compared with QR 10,893 million in the previous year, resulting in a positive trade balance of QR 7,134 million in 1998 compared with QR 3,143 million in 1997. The overall balance of payments deficit is estimated to have been QR 1,200 million in 1998 compared with QR 1,775 million in 1997. Whilst oil revenues have shown significant recovery as higher oil prices have more than offset production cuts, revenues from LNG exports are exhibiting more robust rates of growth, as the pace of production accelerates. LNG exports were 2.2 million tonnes per annum (mtpa) in 1997 rising to 4.6 mtpa (including spot sales) in 1998. Estimates for 1999 volumes are 6 mtpa which will rise progressively until 2002 beyond the level of 18.3 mtpa for which long-term sales and purchase contracts have already been concluded. Total export earnings are projected to have increased to QR 19,878 million ($5,461 million) in 1999. As a result of declining imports of capital goods (mainly related to the development of the LNG industry), a decrease in total imports to QR 11,000 ($3,022 million) is foreseen to result in a positive trade balance of QR 8,878 million for 1999.



Doha Securities Market (DSM)

The DSM was officially commissioned in May 1997. It was classified as the best performing stock exchange in the GCC in 1998 with capital appreciation of 35%.

In 1999, the value of traded shares increased by 27% to QR 1,232 million compared with QR 970 million in 1998 and the number of traded shares increased from 3.1 million shares in 1998 to 28.2 million shares in 1999. This followed the introduction of a market wide stock split in the proportion of 10 to 1 early in 1999, as a result of an amendment to the Commercial Companies Law requiring shares to have a nominal value of QR 10 ($2.74) rather than the previous level of QR 100 ($27.5). The number of transactions executed on the DSM also increased from 7,747 contracts in 1998 to 13,964 in 1999.

Other developments included the listing in London of Qatar's first global depository receipt (GDR) by Q-Tel. The company is the only domestic stock accessible to foreign investors, although there are plans to liberalise the market further in 2000, by opening up the market to GCC citizens on a direct basis and to other overseas investors through the medium of mutual funds.

Gas Export Developments

1999 saw the realisation of a number of major steps towards the achievements of Qatar's long held ambition of becoming one of the world's leading LNG suppliers. Developments included the commissioning of the third train of the Qatargas project. Shortly thereafter, Qatar's second world scale LNG plant, RasGas, commenced operations in April, gas exports in August, and was officially inaugurated in October, with the second train due to come on stream ahead of schedule early in 2000. With the signature of a sales and purchase contract from Petronet of India for the supply of 7.5 mtpa of LNG as well as progress with negotiations to supply Tamil Nadu (also in India) with 2.6 mtpa supplemented by a growing number of spot sales, the prospects for Qatar's LNG industry are extremely favourable. Reflecting these buoyant prospects, advanced planning was initiated, through the award of the FEED contract to Chiyoda Corporation, for the RasGas Expansion Project, entailing two further LNG trains to meet the demand from the Indian market.

RasGas Inauguration Ceremony

In like fashion prospects for exports of gas by pipeline, although less developed to date, look also to be very bright. The huge Dolphin project is attracting widespread interest. This project entails an accord by the UAE Offset Group in Abu Dhabi for the supply by pipeline of up to 3,000 million cubic feet per day of gas from the North Field, to the United Arab Emirates with the prospect of onward export to other regional neighbours in due course.

Industrial and Infrastructural Development

Industrial project development also accelerated during 1999, a year which saw the commissioning, at a cost of $635 million, of the Qatar Fuel Additives (QAFAC) MTBE / methanol plant in Mesaieed. Advanced on-site construction work continued on the National Oil Distribution Company (NODCO) refinery expansion project and the Qatar Vinyl Company (QVC) ethylene dichloride / VCM plant. The main contractors responsible for the newly awarded NGL-4 and Q-Chem projects (respectively Snamprogetti in consortium with Hyundai and Kellogg Brown & Root in consortium with Technip) commenced work on the early stages of these construction contracts. The total contract value of the QAFAC, NODCO, QVC, NGL-4 and Q-Chem projects all located in the Mesaieed Industrial Area exceeds $3.5 billion.

The pace of industrial development in Qatar continues to quicken, with major developments expected in the next two years including a toluene di-isocyanate (TDI) plant being developed jointly by QGPC and Enichem, and further expansion of urea and ammonia production.

Infrastructural expansion is naturally keeping pace with this very rapid pace of export-led industrial growth. Two major power projects are currently at contractor pre-qualification stage. Other important infrastructural contracts will include expansion and enhancement of facilities at both of Qatar's industrial ports and the international airport. Significant private sector projects are well advanced in the form of hotel and shopping mall developments as well as an increased focus upon the provision of medical facilities by the private sector.

Outlook

The medium-term prospects for the economy of Qatar are extremely bright. The recovery in oil prices coupled with volume increases in LNG and products exports will result in progressively appreciating export revenue streams in the early years of the new Millennium. This will transform the public sector financial position and lead to rapid growth in aggregate and per capita GDP.

The remarkable determination evidenced by the Government in budgetary discipline, amendments to investment laws, accelerating the privatisation process and stimulating the role and growth of the private sector, will strengthen further the Qatari economy. Within a very short period of time, Qatar can be expected to become a capital surplus nation playing a growing role in direct external international investment flows.

Convenient Services

Operating Review

Qatar National Bank has always been at the forefront of change in its pursuit of market leadership. However, our core values of service excellence, product innovation and the maximisation of shareholder value remain unchanged and, as market leader, we continue to deliver those values. While we look back with modest satisfaction and pride on our achievements, we look forward with determination and single-minded devotion to building on this firm foundation.

Retail and Private Banking

Customers needs and expectations are our prime concern and we have introduced a range of new products and services of superior quality to meet the demand for more comprehensive and convenient banking services.

Our focus during 1999 has been on diversifying our electronic delivery platforms. This resulted in the launch of Al Watani Phone, an interactive voice response system that can be accessed from any touch-tone telephone; Al Watani.Com, a PC based intranet system and; Al Watani Direct, our customer call centre. All of these services extend a comprehensive range of secure banking services, 24 hours a day, offering customers a quality and convenience of service that differentiates Qatar National Bank from other banks.

We have further developed the geographical coverage of our physical delivery network with the installation of seven new Automated Teller Machines (ATMs) to augment our extensive branch and office network. Both networks continue to represent the largest and most widespread in Qatar and total 38 and 26 respectively. Our domestic network continues to be complemented by our international branches in the heart of the financial capitals of London and Paris.

Private Banking

We continue to extend an unrivalled service to our Private Banking customers, including comprehensive property acquisition and management assistance through our London branch. With the renovation of our Private Banking offices in Doha, we are now able to enhance the discrete personal service offered to our valued clients in an elegant confidential environment.

The Bank's equity brokerage and trading operations have substantially increased the volume of transactions in both domestic and international markets. This has resulted in Qatar

National Bank achieving, and maintaining, the position of number one broker on the Doha Securities Market (DSM). Parallel with the development of our domestic and regional investment business, we are progressively expanding our role as intermediaries for our valued clients in their growing international investment operations and are developing a number of product initiatives in this sector.

24 hour delivery channels

Corporate, International and Investment Banking

During 1999, we continued our long-standing policy of improving asset quality by increasing our volume of low risk, high quality corporate and institutional credit facilities.

We continue to play a pivotal role in the financing arrangements of the key industrial projects as the country continues to diversify its export orientated industrial base. During 1999, Qatar National Bank acted as an Arranger for the $510 million NODCO Refinery Expansion project, the $400 million Natural Gas Liquids Plant No. 4 (NGL-4) project, and the $750 million Qatar Chemical Company (Q-Chem) joint-venture project to finance construction of a polyethylene plant.

Our international branches in London and Paris continued to enhance their relationships with major institutional and corporate clients to facilitate their growing volume of business activities involving the State of Qatar.

We were actively involved in the Initial Public Offering (IPO) of United Development Company, the largest IPO start-up witnessed in Qatar to date, as well as in the establishment of Qatar's first Global Depositary Receipt programme when the shares of Q-Tel were admitted to the London Stock Exchange.

Treasury

During 1999, the Treasury Division continued to grow its major business constituents, embracing a comprehensive range of foreign exchange, interest rate management and asset and liability management services coupled with in-depth market research and analysis covering the full spectrum of domestic, regional and international capital as well as money markets.

17 hours a day Treasury services

We continue to develop our interest rate and currency risk management products to meet the ever-demanding requirements of our customers.

24 hour Call Centre

These services are extended to our growing range of customers and counterparties including private banking clients, international and multi-national companies, investment institutions, as well as to other banks and financial institutions.

The Treasury provides a fully-manned operation extending services to customers and counter-parties throughout a 17 hour trading day with the pricing and risk control elements managed and controlled internally on a 24 hour, 365 day basis.

With the largest Treasury operations in the Qatar market, our experienced, professional team is equipped to deliver the full spectrum of financial products, from conventional currency options to sophisticated derivatives required as part of a balanced risk hedging strategy. Furthermore, we are committed to remaining the provider of choice for Treasury services for all parties actively involved in the Qatari market.

Risk Control

During the year the Bank further enhanced the critical Risk Control function entailing the classification, measurement, monitoring and controlling of the disparate elements of risk comprised within both on and off balance sheet portfolios.

The Bank's overall risk management strategy is focussed specifically upon risk limitation through the containment and diversification of exposures and products and the controlling of risk concentrations by obligors, industrial sectors, geographic location, products or market.

The Risk Control function will assume ever increasing importance as we progressively expand the Bank's product range for the benefit of our customers.

State-of-the-art
Information Technology

Information Technology

The main focus of our attention in Information Technology issues throughout 1999 was understandably the "Year 2000" issue and its implications. Since the inception of our Year 2000 programme in 1995, we remained confident that Qatar National Bank would enter the new Millennium without any interruption to the highest possible standards of service we offer our valued customers at all times, both in Qatar and overseas. This confidence was enhanced as each of the Year 2000 programme milestones were achieved on or before schedule, and after the entire programme was verified by one of the Big Five international auditing firms. Although confident, we remained ever vigilant to the magnitude and consequences of this unique challenge and subsequently committed substantial financial and human resources to our Year 2000 programme and contingency plans to ensure "business as usual" in the unlikely event of any problems occurring. This investment proved judicious as the Bank entered the new Millennium in a seamless fashion devoid of any concerns affecting the integrity and efficient operation of our Information Technology resources.

Conveniently located branch network

Our Year 2000 programme did not impede the ongoing strategic goal of upgrading and enhancing our systems and operating platforms to enable the Bank to continue to extend the best service and product quality in a cost-effective manner, thus maintaining our enviable position as the market leader within the Qatari financial system.

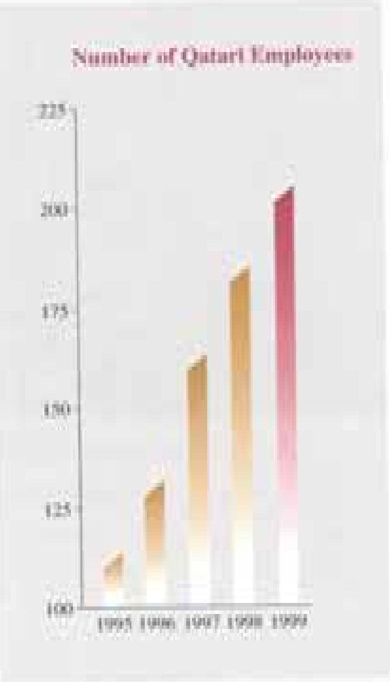
Human Resources & Training

Investing in people is a constant at Qatar National Bank, and 1999 was no exception.

The number of training programmes held internally, overseas and at the Qatar Banking Training Institute totalled 130 during 1999 equating to 5,000 total training days or approximately nine training days per staff member. Furthermore, we have identified specialist programmes for specific areas of the Bank's business to accelerate the development of all staff in all key operating areas. Many of these programmes have been developed and are conducted by our own professional staff who have accumulated unparalleled on-the-job expertise enabling them to fully develop our team in both theoretical and practical solutions, with a constant emphasis upon quality of customer service as our paramount objective.

Commitment to training

During 1999, the Bank's Individual Development Programme was finalised. This programme is geared towards the development of our Qatari officers, both gentlemen and ladies, who demonstrate the requisite professional and personal traits to enhance their own professional development for the combined future benefit of both the individuals and the Bank. These programmes have included intensive courses for a number of our Qatari managers with major international banks and institutions.



The Bank continues to fully meet and indeed, in some elements, to surpass the National Programme requirements. In 1999, a total of 205 Qatari citizens were engaged within our professional staff representing 37% of the total staff compliment of 562. This represents an increase of 117 (133%) over the first five year phase of our dedicated programme of Qatarisation. We are also committed to increasing the number of the less able members of society whom we recruit, and are pleased to offer them challenging and gratifying employment opportunities.

We constantly strive to ensure that Qatar National Bank is a caring employer which has invested significantly throughout the year to provide learning opportunities for our employees and to promote a working environment that is second to none, and that the rewards of this are manifest in our employees' commitment and levels of productivity.

Community

We remain committed to continue operating as a socially responsible organisation, contributing to the community substantial financial and human resources focussed upon activities that directly benefit the people and organisations of Qatar. In this way we seek to return to the community some of the benefits which they bestow upon the Bank by entrusting such substantial volumes of business to us.

Social Responsibility

We believe our corporate success is closely linked to the community environment in which we operate. As a result, our Social Responsibility support, led by a Member of the Board of Directors, emphasizes programmes that improve the quality of life for individuals and families. To ensure that our contributions generate the maximum benefits for the community, we concentrate our efforts upon organisations with well-defined objectives, sound leadership, and a demonstrable record of achievements in the areas of youth development, health, education, art and culture, humanitarian issues and the environment. Specific projects that were completed during 1999 included the Ibn Khaldoun Hall at the University of Qatar. The building, which incorporates a multi-purpose hall and lecture facilities, was formally opened in June and has since hosted a number of conferences and speeches of national and international renown. These manifest, in demonstrable fashion, the fundamental objectives of the Bank's involvement in education. In a facility provided by the Bank, for the benefit of

Official opening of Ibn Khaldoun Hall

the faculty and students of the University of Qatar, named after the greatest of Arab historians (who first identified the concept of the rise and fall of civilisations), the process of informed debate and education endures.

Another major Social Responsibility Programme entailed the funding by the Bank, on an exclusive basis, of the construction and equipping of a Technical and Vocational School on behalf of the Ministry of Education and Higher Education to further increase the level of technical training in the State of Qatar.

Official Bank of annual Qatar open tennis tournament

During the year the Bank contributed a total of QR11.2 million to the Social Responsibility Programme, an amount equal to 2.5% of the net profit for the year.

Sponsorship

The Bank continues generously to support conferences, exhibitions and sporting events, both large and small, held throughout Qatar as part of its continued commitment to assist the development of the community for the benefit of the citizens.

Land Loans

On behalf of the Ministry of Finance, Economy and Commerce, the Bank maintains a dedicated department to administer the Government funded Housing Programme for senior Qatari managers.

During 1999, 467 new residential properties were handed over to their owner-occupiers, with a further 426 properties currently at various stages of construction through the auspices of the programme.

Outlook

Coupled with the successful evolution of our financial results the prudent but progressive expansion of the volume and scope of the Bank's business and operations demonstrate continued progress in an increasingly competitive domestic and regional marketplace. This is due in no small part to our willingness and ability to grow our business to meet new challenges and capitalise upon new opportunities. The Bank looks forward to the new Millennium with the confidence that it is well positioned to take maximum advantage of whatever the future has to offer for the combined benefit of all our shareholders, customers, staff and members of the Qatari community.

Asset Structure
(%)

Profitability

The Bank again delivered record profits in 1999, reflecting a consistent improvement in performance which has seen underlying operating profits double since 1994.

Net profit increased by 7% to QR 452.1 million, up QR 29.4 million on the net profit of QR 422.7 million achieved in 1998.

Net interest income grew by QR 47.8 million (9%) to reach QR 603.8 million, reflecting a corresponding increase in the overall risk asset portfolio. Total income increased by QR 23.8 million (4%) to QR 696 million.

General and administrative expenses, excluding Social Responsibility contributions and legal recoveries, totalled QR 195.3 million, an increase of QR 16.5 million, or 9% on the 1998 level. Staff related costs increased by QR 9.7 million (8%) and other expenses by QR 6.8 million (11%), due principally to increased expenditure on our property and information technology infrastructure.

The Bank's underlying efficiency ratio marginally increased to 28.1% from 26.6% in 1998. The Bank continues, however, to maintain one of the lowest efficiency ratios, not merely among all GCC banks, but among the world's leading banks, and remains committed to its aim of ensuring that, on a continuing basis, growth of income exceeds growth in costs.

Specific provisions for loan losses, net of recoveries, were QR 28.1 million, QR 42.1 million lower than in 1998. Additional specific provisions amounted to QR 71.8 million, down QR 26.2 million on 1998, and reflected the more benign economic environment as a result of the recovery of energy prices during 1999. Management continues to remain confident that further substantial recoveries of amounts provided in previous years will arise in future.

Loans & Advances
(%)

Furthermore, an additional QR 5.5 million was provided in respect of the general provision for loan losses which now amounts to QR 32.5 million. This provision, representing loan losses which are known from experience to exist in any portfolio, but cannot be specifically identified, reflects the policy requirements of Qatar Central Bank that a general provision, equivalent to 1% of private sector debt should be built up by 2002. Already the general provision for loan losses amounts to 0.9% of private sector debt as at 31st December, 1999.

The Bank's non-performing loans amounted to QR 421 million, down QR 150 million on 1998, again demonstrating the great efforts continuously being made to reduce the remedial portfolio.

Balance Sheet Growth

In 1999 total assets grew from QR 19.5 billion to QR 22.4 billion at the balance sheet date, representing an increase of QR 2.9 billion, or 15%. Customer deposits increased by QR 1.6 billion (14%) to a level of QR 12.8 billion. Credit facilities decreased by QR 1.6 billion (10%) to QR 14.5 billion. The Bank now holds QR 3.3 billion of Treasury Bonds issued during the course of 1999 by the Ministry of Finance, Economy and Commerce of the State of Qatar.

Capital Strength

Total shareholders' equity at the end of 1999 amounted to QR 3.8 billion ($1.1 billion) and the Bank ranked 328th in the world (up 24 places from the previous year) in "The Banker" Top 1000 Banks for 1999. The Bank continues to be the only Qatari bank to figure in this listing and is again highly ranked in terms of its equity to assets ratio, which place it in the top 30 in the world. The consolidated Risk Asset Ratio remains in excess of 50%, compared with the minimum level of 8% stipulated in the Basle Capital Adequacy Directives. The Bank's capital base comprises entirely of Tier 1 capital.

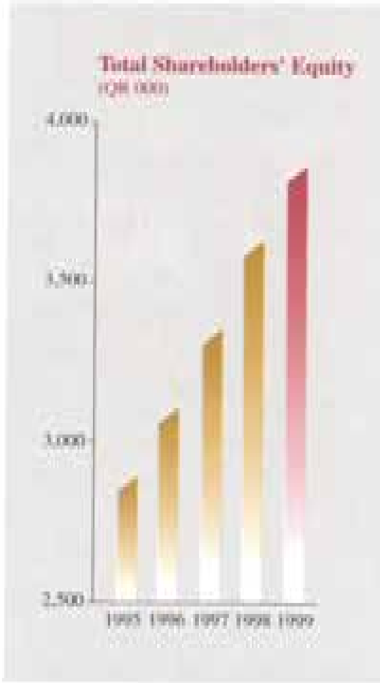
Shareholder Value

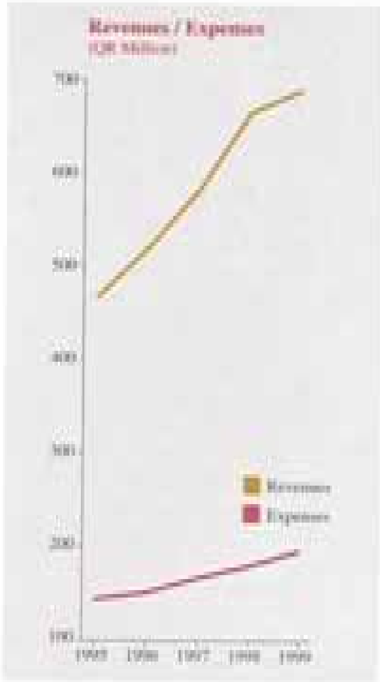
The Bank has delivered consistent growth in shareholder value and demonstrated excellent rates of return in recent years.

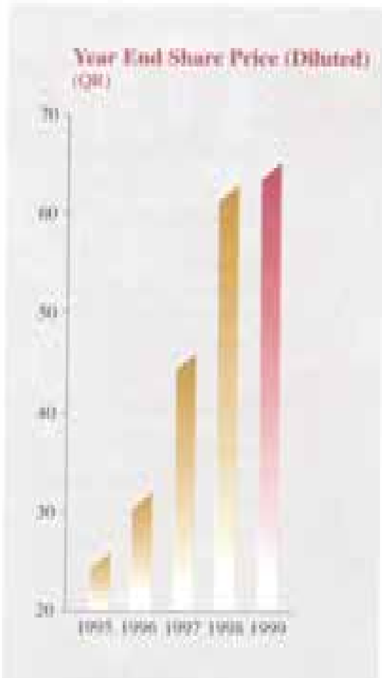
During 1999, the Bank's shareholders benefited from a QR 189 million (3.5%) increase in the quoted market capitalisation which stood at QR 5.7 billion at 31st December, 1999, with earnings per share increasing on a fully diluted basis from QR 4.9 in 1998 to QR 5.2 in 1999. In order to assist shareholders and other key users to obtain the maximum benefit from the Annual Report, the Bank's financial statements now fully comply with International Accounting Standards.

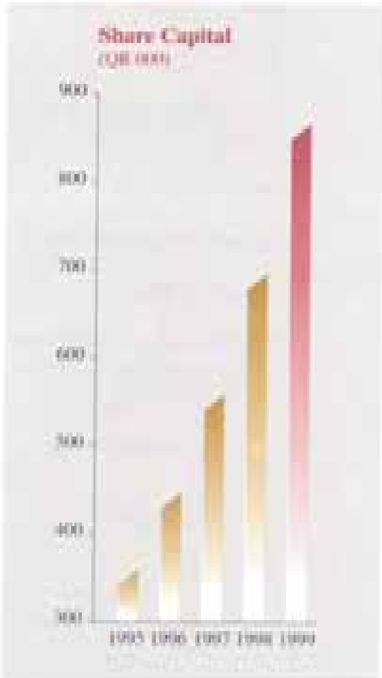
Outlook

As the bank enters the new Millenium, new and diverse challenges will present themselves as the Qatari economy develops and grows. With strong projected growth in Gross Domestic Product and the imminent elimination of budget deficits which have been a characteristic of the economy for such a long period, there is good reason for optimism over the improving economic outlook and the opportunities that this will present both to the Bank and to all parties, both domestic and international, who have invested in Qatar's future.









Directory

Head Office

P.O. Box 1000, Doha.
Tel: (+974) 407407, Fax: (+974) 413753, Telex: 4064/4212/4357 Qatbnk Dh
Telegraphic Address: Qatarbank, SWIFT: QNBAQAQA
Internet: www.qatarbank.com
E-Mail: webmaster@qatarbank.com

Domestic Branches

Doha Area

Main Branch
P.O. Box 1000, Doha
Tel: (+974) 407407
Fax: (+974) 415020

Al Sadd
P.O. Box 9366, Doha
Tel: (+974) 420424
Fax: (+974) 446296

Al Sadd Ladies
P.O. Box 7068, Doha
Tel: (+974) 423654
Fax: (+974) 421206

Airport Road (Al Matar Street)
P.O. Box 3252, Doha
Tel: (+974) 328125
Fax: (+974) 432339
Ladies Section
Tel: (+974) 328125
Fax: (+974) 432339

Al Rayyan
P.O. Box 90923, Doha
Tel: (+974) 807090
Fax: (+974) 806909
Ladies Section
Tel: (+974) 805069
Fax: (+974) 806909

Al Gharrafa
P.O. Box 24777, Doha
Tel: (+974) 862900
Fax: (+974) 862151
Ladies Section
Tel: (+974) 862900 Ext: 230/231

Musheireb
P.O. Box 1818, Doha
Tel: (+974) 423643
Fax: (+974) 415021

Industrial Area
P.O. Box 40611, Doha
Tel: (+974) 600344
Fax: (+974) 600427

Qatar University/Men's Campus
Tel: (+974) 892619
Fax: (+974) 835082

Qatar University/Ladies Campus
Tel: (+974) 892586
Fax: (+974) 835137

Hamad Hospital
Tel: (+974) 421517/421917
Fax: (+974) 415022

Air Force Base
Tel: (+974) 622016
Fax: (+974) 622724

The Mall
Doha
Tel: (+974) 677888
Fax: (+974) 677086

Doha Airport
Doha
Departures Terminal
Tel: (+974) 621100
Fax: (+974) 621929

Doha Airport Office
Doha
Arrivals Terminal
Tel: (+974) 621911

Doha Airport Transit Office
P.O. Box 1000, Doha
Tel: (+974) 621100
Fax: (+974) 621929

Sheraton Doha Hotel Office
Tel: (+974) 831878/831879
Fax: (+974) 831469

Doha Marriot Gulf Hotel Office
Tel: (+974) 328606
Fax: (+974) 329041

QGPC Al Sadd Office
Doha
Tel: (+974) 478294
Fax: (+974) 478295

QGPC HQ Office
Doha
Tel: (+974) 831218/491253
Fax: (+974) 831081

Exhibition Centre Office
P.O. Box 1000, Doha
Tel: (+974) 834784
Fax: (+974) 834774

Doha Securities Market Office
Doha
Tel: (+974) 355220
Fax: (+974) 355330

Al Khor Area

Al Khor
P.O. Box 60030, Al Khor
Tel: (+974) 720127
Fax: (+974) 721625
Ladies Section
Tel: (+974) 720127
Fax: (+974) 721625

Ras Laffan
Ras Laffan Industrial City
Tel: (+974) 739550
Fax: (+974) 739554

Qatargas Office
Ras Laffan Industrial City
Tel: (+974) 736001
Fax: (+974) 736002

Mesaieed Area

Mesaieed
P.O. Box 50050, Mesaieed
Tel: (+974) 771529
Fax: (+974) 771062

Al Shamal Area

Al Shamal
P.O. Box 70222, Al Shamal
Tel: (+974) 731246
Fax: (+974) 731503

Foreign Branches

United Kingdom
One Mount Street
London W1Y 6HQ
Tel: (+44) 207 647 2600
Fax: (+44) 207 647 2647

France
58 Avenue d'Iena
75116 Paris
Tel: (+33) 1 53 23 00 77
Fax: (+33) 1 53 23 00 70

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 1999, and the related statement of income and appropriations, 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 mis-statement. 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 1999, and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with International Accounting Standards.

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that 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, and 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.

Samer H. Jaghoub
Deloitte and Touche
Qatar Auditors' Registry No. 88

Abbas A. Muhsin Al-Radhi
PricewaterhouseCoopers
Qatar Auditors' Registry No. 91

22nd January, 2000
Doha
State of Qatar

Balance Sheet

as at 31st December 1999

	Note	1999 QR 000	1998 QR 000
ASSETS			
Cash and Deposits with Qatar Central Bank		300,709	273,546
Due from Banks	3	204,165	214,047
Placements with Banks and Other Financial Institutions	3	3,433,471	2,376,137
Loans and Advances	4	14,495,993	16,140,308
Treasury Bonds	5	3,282,330	-
Investments	6	254,138	215,976
Other Assets	7	308,113	194,670
Fixed Assets	8	77,241	72,650
Total Assets		**22,356,162**	**19,487,334**
LIABILITIES			
Due to Banks and Other Financial Institutions	9	5,184,062	4,260,715
Customer Deposits	10	12,778,845	11,171,253
Other Liabilities	11	330,512	303,246
Proposed Dividend	12	216,293	138,428
Total Liabilities		**18,509,712**	**15,873,642**
SHAREHOLDERS' EQUITY			
Share Capital	13	865,173	692,139
Statutory Reserve	14	865,173	692,139
General Reserve	14	1,450,600	1,500,000
Retained Earnings	14	665,504	729,414
Total Shareholders' Equity		**3,846,450**	**3,613,692**
Total Liabilities and Shareholders' Equity		**22,356,162**	**19,487,334**
CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS			
Letters of Credit and Acceptances		1,320,291	2,511,938
Guarantees		2,183,816	2,402,241
Forward Foreign Exchange Contracts		2,493,624	2,062,086
Other Financial Instruments and Commitments		5,516,011	4,026,235
		11,513,742	**11,002,500**

The notes on pages 10 to 40 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22nd January 2000 and were signed on their behalf by:

Yousef Hussain Kamal
Chairman

Sheikh Hamad Bin Faisal Al-Thani
Vice Chairman

John P. Finigan
General Manager - Chief Executive

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

Statement of Income and Appropriations

for the year ended 31st December 1999

	Note	1999 QR 000	1998 QR 000
Income			
Interest Income		1,580,694	1,416,162
Interest Expense		(976,878)	(860,190)
Net Interest Income		603,816	555,972
Other Income	15	92,155	116,154
		695,971	**672,126**
Expenses			
General and Administrative Expenses	16	(190,501)	(164,274)
Depreciation		(16,033)	(13,929)
Specific Provision for Loan Losses		(28,691)	(66,792)
General Provision for Loan Portfolio		(5,500)	-
Provision for Diminution in Value of Investments		(4,518)	(11,437)
Recovery of Provision for Properties Acquired against Settlement of Debts		1,373	60
Recovery in Value of Leasehold Property		-	6,941
Net Profit for the Year		**452,101**	**422,695**
Retained Earnings Brought Forward (as previously reported)		-	15,081
Provision for General Banking Risks	14	-	432,746
Retained Earnings Brought Forward (as restated)		432,746	447,827
Available for Appropriation		**884,847**	**870,522**
Proposed Appropriations			
Proposed Dividend		(216,293)	(138,428)
Directors' Fees		(3,050)	(2,680)
Proposed Issue of Bonus Shares		(173,034)	(173,034)
Transfer to Statutory Reserve		(173,034)	(173,034)
Transfer (to)/from General Reserve		(319,436)	49,400
Retained Earnings Carried Forward (as restated for 1998)	14	-	**432,746**
Earnings per Share (QR)		5.2	4.9
Number of Shares (Adjusted for Bonus Issue)		86,517,310	86,517,310

The notes on pages 30 to 40 form an integral part of these financial statements.

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

Statement of Changes in Shareholders' Equity

for the year ended 31st December 1999

	Share Capital QR 000	Statutory Reserve QR 000	General Reserve QR 000	Retained Earnings QR 000	Total QR 000
Balance as at 1st January 1999 (as restated)	**865,173**	**865,173**	**1,450,600**	**432,746**	**3,613,692**
Net Profit for the Year	-	-	-	452,101	452,101
Proposed Dividend	-	-	-	(216,293)	(216,293)
Directors' Fees	-	-	-	(3,050)	(3,050)
Balance before Appropriations	865,173	865,173	1,450,600	665,504	3,846,450
Proposed Issue of Bonus Shares	173,034	-	-	(173,034)	-
Transfer to Statutory Reserve	-	173,034	-	(173,034)	-
Transfer to General Reserve	-	-	319,436	(319,436)	-
Balance as at 31st December 1999	**1,038,207**	**1,038,207**	**1,770,036**	-	**3,846,450**
Balance as at 1st January 1998 (as previously reported)	692,139	692,139	1,500,000	15,081	2,899,359
Provision for General Banking Risks (note 14)	-	-	-	432,746	432,746
Balance as restated	**692,139**	**692,139**	**1,500,000**	**447,827**	**3,332,105**
Net Profit for the Year	-	-	-	422,695	422,695
Proposed Dividend	-	-	-	(138,428)	(138,428)
Directors' Fees	-	-	-	(2,680)	(2,680)
Balance before Appropriations	692,139	692,139	1,500,000	729,414	3,613,692
Proposed Issue of Bonus Shares	173,034	-	-	(173,034)	-
Transfer to Statutory Reserve	-	173,034	-	(173,034)	-
Transfer from General Reserve	-	-	(49,400)	49,400	-
Balance as at 31st December 1998	**865,173**	**865,173**	**1,450,600**	**432,746**	**3,613,692**

The notes on pages 30 to 40 form an integral part of these financial statements.

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

Statement of Cash Flows

for the year ended 31st December 1999

	1999 QR 000	1998 QR 000
Net Cash Inflows from Operating Activities	**212,935**	**390,607**
Returns on Investments and Servicing of Finance		
Dividends Received	10,270	12,978
Dividends Paid	(138,206)	(138,063)
Net Cash Outflow from Returns and Servicing of Finance	**(127,936)**	**(125,085)**
Investing Activities		
Purchase of Investments	(43,428)	(61,259)
Sale of Investments	-	17,562
Purchase of Fixed Assets and Property	(26,317)	(15,747)
Sale of Fixed Assets and Property	1,082	61,990
Net Cash (Outflow)/Inflow from Investing Activities	**(68,663)**	**2,546**
Increase in Cash and Cash Equivalents	**16,336**	**268,068**
Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities		
Operating Profit	452,101	422,695
Interest Receivable	(60,528)	63
Interest Payable	18,124	15,170
Provision for Loan Losses	28,691	66,792
Depreciation Charged	16,033	13,929
Provision for Diminution in Value of Investments	5,223	11,226
Provision for Property Acquired against Settlement of Debts	(1,373)	(60)
Dividends Received	(10,270)	(12,978)
Profit on Sale of Investments	-	(10,319)
Loss on Sale of Fixed Assets and Acquired Property	234	(5,312)
Recovery in Value of Leasehold Property	-	(6,941)
General Provision for Loan Portfolio	5,500	-
Net Cash Inflow from Trading Activities	**453,735**	**494,265**
Increase/(Decrease) in Due to Banks	924,147	(363,880)
Increase in Customer Deposits	1,606,792	1,279,758
Decrease/(Increase) in Loans to Customers	1,610,124	(2,118,312)
(Increase) in Treasury Bonds	(3,282,130)	-
(Increase)/Decrease in Placement with Banks	(1,057,336)	1,124,289
(Increase)/Decrease in Other Assets	(48,067)	202
Increase/(Decrease) in Other Liabilities	5,870	(25,715)
Net Cash Inflow from Operating Activities	**212,935**	**390,607**
Reconciliation of Increase in Cash and Cash Equivalents		
Balance at 1st January 1999	487,593	219,837
Net Cash Inflows (before adjustment for the effect of changes in foreign exchange rates)	16,336	268,068
Exchange Rate Differences	945	(312)
Balance at 31st December 1999	**504,874**	**487,593**

The notes on pages 30 to 40 form an integral part of these financial statements.
The report of the auditors is set forth on page 25.

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

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 under the historical cost convention, in accordance with International Accounting Standards.

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

a) Revenue Recognition

Interest income and expense are recognised on an accrual basis. Interest on loans and advances is accrued to income until such time as reasonable doubt exists with regard to its collectability; thereafter such interest is included in interest in suspense in accordance with International Accounting Standards and the regulations of the Qatar Central Bank and taken to income only upon receipt.

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

Management fees and commission income on syndicated loans are amortised over the period of the transaction.

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

b) Provision for Loan Losses

Specific provisions are determined to reduce the carrying value of identified impaired loans and advances to their expected ultimate net realisable value based on a detailed appraisal of the lending portfolio by the management and in accordance with Qatar Central Bank regulations. A general provision is made to cover for 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.

c) 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.

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

d) Investments

Trading securities are valued at the lower of cost and market value determined on an individual investment basis.

Treasury bonds are valued at cost.

Long term securities portfolios and bonds are stated at cost, less any provision which, in the opinion of the management, is necessary to recognise any impairment, other than temporary, in the value of these investments.

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

e) Fixed Assets and Depreciation

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 - freehold	20
Equipment, furniture and fittings	3 to 7
Motor vehicles	5

Freehold land is stated at cost.

f) 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".

g) Off-Balance Sheet Financial Instruments

The Bank uses various off-balance sheet financial instruments to manage its interest rate and currency exposures, including interest rate swaps, forward rate agreements, financial futures and forward foreign exchange contracts. Gains and losses arising from hedging transactions are deferred and amortised over the lives of the related hedged assets and liabilities. Trading positions are revalued at market rates prevailing at the balance sheet date. Gains and losses arising therefrom are included in income.

The Bank's criteria for a derivative instrument to be classified as a hedge are that the transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being held and that there is adequate evidence of the intent to hedge at the outset of the transaction.

In the ordinary course of business the Bank enters into other off-balance sheet financial instruments consisting of letters of credit, acceptances and guarantees.

h) Cash and Cash Equivalents

For the purposes 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.

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

3. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS INCLUDING PLACEMENTS	1999 QR 000	1998 QR 000
a) By maturity		
On Demand	204,165	214,047
Placements maturing within one year	3,374,391	2,314,480
Placements maturing over one year	59,082	61,657
	3,637,638	**2,590,184**
b) By geographical distribution		
Qatar	88,067	94,986
GCC countries	421,435	822,086
Europe	2,347,677	1,244,584
North America	618,581	262,894
Other countries	161,878	165,634
	3,637,638	**2,590,184**

4. LOANS AND ADVANCES

	1999	1998
a) By maturity		
On demand	8,547,633	9,160,445
Within one year	3,367,429	3,242,437
Above one year	3,323,649	4,493,625
Total Loans and Advances	15,238,711	16,896,507
Specific Provision for Loan Losses	(535,923)	(537,250)
General Provision for Loan Portfolio	(32,500)	(27,000)
Interest in Suspense	(174,295)	(191,949)
Net Loans and Advances	**14,495,993**	**16,140,308**

The aggregate amount of non-performing loans and advances upon which interest has not been accrued amounted to QR 421 million (1998: QR 571 million).

	1999	1998
b) By geographical distribution		
Within Qatar	14,906,596	16,527,188
GCC countries	170,106	217,419
Europe	150,622	69,475
North America	165	40,058
Other countries	11,222	42,367
Specific Provision for Loan Losses	(535,923)	(537,250)
General Provision for Loan Portfolio	(32,500)	(27,000)
Interest in Suspense	(174,295)	(191,949)
Net Loans and Advances	**14,495,993**	**16,140,308**

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

c) By type

	1999 QR 000	1998 QR 000
Overdrafts	8,328,661	8,972,657
Loans	6,890,683	7,903,750
Bills Discounted	19,367	20,100
Specific Provision for Loan Losses	(535,923)	(537,250)
General Provision for Loan Portfolio	(32,500)	(27,000)
Interest in Suspense	(174,295)	(191,949)
Net Loans and Advances	**14,495,993**	**16,140,308**

d) By industry

	Overdrafts QR 000	**Loans & Advances** QR 000	**Total 1999** QR 000	**Total 1998** QR 000
Government	6,776,897	3,653,051	10,429,948	12,076,553
Government Agencies	63,879	146,425	210,304	321,329
Commercial	258,405	529,211	787,616	833,038
Industry	9,967	99,929	109,896	102,944
Transportation	508	93,379	93,887	100,559
Personal	929,203	1,828,622	2,757,825	2,826,071
Contracting	247,433	344,567	592,000	460,243
Others	42,369	214,866	257,235	175,770
Total Loans and Advances	8,328,661	6,910,050	15,238,711	16,896,507
Specific Provision for Loan Losses			(535,923)	(537,250)
General Provision for Loan Portfolio			(32,500)	(27,000)
Interest in Suspense			(174,295)	(191,949)
Net Loans and Advances			**14,495,993**	**16,140,308**

e) Movement in Specific Provision for Loan Losses

	1999 QR 000	1998 QR 000
Balance at 1st January	537,250	528,372
Foreign currency translation	(2,249)	1,989
Balance at 1st January as restated	535,001	530,361
Provisions made during the year	71,767	97,938
Recoveries during the year	(43,624)	(27,713)
Written off during the year	(27,221)	(63,336)
Balance at 31st December	535,923	537,250

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

f) Movement in General Provision for Loan Portfolio	1999 QR 000	1998 QR 000
Balance at 1st January	27,000	27,000
Provisions made during the year	5,500	-
Balance at 31st December	**32,500**	**27,000**
g) Movement in Interest in Suspense		
Balance at 1st January	191,949	191,817
Interest suspended during the year	35,692	27,694
Recoveries during the year	(2,342)	(3,556)
Written off during the year	(51,004)	(24,006)
Balance at 31st December	**174,295**	**191,949**

5. TREASURY BONDS

The treasury bonds were issued during 1999 by the Ministry of Finance, Economy and Commerce of the State of Qatar and have maturities between 18 months and five years. They carry interest rates of 7.75% and 8.0%.

6. INVESTMENTS	1999 QR 000	1998 QR 000
Trading Investments	46,579	14,855
Long-term Investments:		
Quoted	173,914	173,915
Unquoted	39,011	28,011
Provision for diminution in value of quoted securities	(16,955)	(12,437)
Net	242,549	204,344
Investments in Associated Companies	11,703	25,450
Provision in diminution in value	(114)	(13,818)
Net	11,589	11,632
Total Investments	**254,138**	**215,976**

Quoted investments are stated at cost. The market value of these securities is QR 220.4 million (1998: QR 212.8 million).

7. OTHER ASSETS	1999 QR 000	1998 QR 000
Interest receivable	209,385	148,857
Net Properties acquired against Settlement of Debts*	26,876	22,028
Prepayments and others	71,852	23,785
	308,113	**194,670**

* These represent acquisitions of properties made in settlement of debts and held for resale. These properties are valued by independent valuers and are stated at their estimated realisable value.

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

8. FIXED ASSETS

	Land & Buildings QR 000	Equipment, Furniture & Fittings QR 000	Motor Vehicles QR 000	Total 1999 QR 000
Cost				
As at 1st January 1999	97,868	99,693	1,545	199,106
Additions	7,720	13,799	398	21,917
Disposals	-	(3,549)	(28)	(3,577)
Foreign currency translation	(243)	(1,423)	(32)	(1,698)
As at 31st December 1999	105,345	108,520	1,883	215,748
Accumulated depreciation				
As at 1st January 1999	49,640	75,616	1,200	126,456
Charged during the year	3,840	12,058	135	16,033
Disposals	-	(3,158)	(28)	(3,186)
Foreign currency translation	(31)	(733)	(32)	(796)
As at 31st December 1999	53,449	83,783	1,275	138,507
Net book amount				
At 31st December 1999	51,896	24,737	608	77,241
At 31st December 1998	48,228	24,077	345	72,650

9. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	1999 QR 000	1998 QR 000
a) By maturity		
Demand and call deposits	124,514	57,417
Deposits maturing within one year	5,060,348	4,203,298
	5,184,862	**4,260,715**
b) By geographical distribution		
Qatar	352,351	345,584
GCC countries	1,758,299	1,271,501
Europe	1,778,263	1,563,903
North America	71,388	54,656
Other countries	1,224,561	1,025,071
	5,184,862	**4,260,715**

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

10. CUSTOMER DEPOSITS

	1999 QR 000	1998 QR 000
a) By type		
Current Accounts	760,341	804,262
Saving Accounts	168,969	175,220
Time Deposits	10,696,944	9,094,661
Other Deposits	1,151,791	1,097,110
	12,778,045	**11,171,253**
b) By maturity		
On demand	922,486	1,002,584
Within one year	10,742,808	9,637,272
Above one year	1,112,751	531,397
	12,778,045	**11,171,253**
c) By geographical distribution		
Qatar	12,090,485	10,600,525
GCC countries	374,200	221,810
Europe	95,066	94,169
North America	2,855	1,361
Other countries	215,439	253,388
	12,778,045	**11,171,253**
d) By Sector		
Government	4,434,887	2,693,960
Government Agencies	1,866,984	1,870,146
Individuals and Corporate	6,476,174	6,607,147
	12,778,045	**11,171,253**

11. OTHER LIABILITIES

Provision for Employees' Termination Benefits	105,011	96,547
Interest payable	160,638	142,514
Others	64,863	64,185
	330,512	**303,246**

12. PROPOSED DIVIDEND

The Board of Directors propose a cash dividend of 25% (QR 2.5 per share) and the issue of one bonus share for every five shares held. In 1998 a cash dividend of 20% (QR 2.0 per share) was declared in addition to one bonus share for every four shares held.

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

13. SHARE CAPITAL

	1999 After Appropriations QR 000	1999 QR 000	1998 After Appropriations QR 000	1998 QR 000
Issued and paid up 86,517,310 ordinary shares of QR 10 each (1998: 69,213,850)	865,173	865,173	692,139	692,139
Proposed bonus issue 17,303,462 ordinary shares of QR 10 each (1998: 17,303,460)	173,034	-	173,034	-
	1,038,207	**865,173**	**865,173**	**692,139**

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

In accordance with Law No. 9 of 1998 amending Qatar Commercial Companies Law No. 11 of 1981, during 1999, each share with a nominal value of QR 100 was split into 10 shares of QR 10 each.

14. RESERVES

	1999 After Appropriations QR 000	1999 QR 000	1998 After Appropriations QR 000	1998 QR 000
Statutory Reserve*	1,038,207	865,173	865,173	692,139
General Reserve	1,770,036	1,450,600	1,450,600	1,500,000
Retained Earnings	-	665,504	432,746	729,414

* 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.

International Accounting Standard 30 stipulates that any amount set aside as provisions in respect of general banking risks should be shown as an appropriation of income for the year. Accordingly the Bank has reclassified the provision for general banking risks amounting to QR 432,746,439 from Other Liabilities to Retained Earnings. Prior year figures have been restated accordingly.

15. OTHER INCOME

	1999 QR 000	1998 QR 000
Fees and Commissions	67,643	74,748
Income from Investments	13,558	25,737
Net Gains from Dealing in Foreign Currencies	10,261	8,803
Other Income	693	6,866
	92,155	**116,154**

16. EXPENSES

Included in general and administrative expenses are the following:

a) **Staff Expenses**

Staff expenses for 1999 amounted to QR 128.1 million (1998: QR 118.4 million).

b) **Social Responsibility**

Expenditure in respect of the Bank's Social Responsibility programme amounted to QR 11.2 million (1998: QR 1.1 million).

17. 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 99% in terms of profit and hold 93% of the Bank's assets.

18. INTEREST RATE SENSITIVITY

The following table summarises the repricing profile of the Bank's assets, liabilities and off-balance sheet exposures as at 31st December 1999.

	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	-	-	-	-	300,709	300,709	
Placements with Banks	3,362,339	7,683	4,369	59,082	204,165	3,637,638	4.60%
Loans and Advances	13,631,660	480,531	-	15,721	368,081	14,495,993	7.98%
Treasury Bonds	-	-	-	3,282,330	-	3,282,330	7.61%
Investments	-	-	-	49,055	205,083	254,138	
Other Assets	-	-	-	-	385,354	385,354	
Total Assets	**16,993,999**	**488,214**	**4,369**	**3,406,188**	**1,463,392**	**22,356,162**	
Due to Banks	4,461,938	407,728	186,441	-	128,755	5,184,862	4.96%
Customer Deposits	10,194,826	235,318	479,053	1,112,751	756,097	12,778,045	6.46%
Other Liabilities	-	-	-	-	546,805	546,805	
Shareholders' Equity	-	-	-	-	3,846,450	3,846,450	
Total Liabilities	**14,656,764**	**643,046**	**665,494**	**1,112,751**	**5,278,107**	**22,356,162**	
On Balance Sheet Items	2,337,235	(154,832)	(661,125)	2,293,437	(3,814,715)	-	
Off Balance Sheet Items	(857,072)	706,357	175,086	(24,371)	-	-	
Interest Rate Sensitivity Gap	1,480,163	551,525	(486,039)	2,269,066	(3,814,715)	-	
Cumulative Interest Rate Sensitivity Gap:							
As at 31st December 1999	**1,480,163**	**2,031,688**	**1,545,649**	**3,814,715**	-	-	
As at 31st December 1998	**4,901,373**	**4,925,708**	**3,826,520**	**3,375,995**	-	-	

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 forming an integral part of the Financial Statements

for the year ended 31st December 1999

19. CREDIT RISK

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

The Bank manages 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.

A summary of off-balance sheet derivative financial instruments is as follows:

	1999 QR 000	1998 QR 000
Notional Principal:		
Foreign Exchange Contracts	2,493,624	2,062,086
Credit Risk:		
Foreign Exchange Contracts	16,973	9,265

Interest rate contracts carry no additional credit risk.

20. 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 dates, such significant balances included:

	1999 QR 000	1998 QR 000
Loans and Advances	70,755	35,362
Deposits	328,328	332,001
Contingent Liabilities, Guarantees and Other Commitments	7,991	18,977

The Bank also has significant commercial transactions with the Government which are disclosed in notes 4 and 10. 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.

21. 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 investments, 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 investments is based on their market price. The current market value of the Bank's investments exceeds their book value.

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1999

22. CASH AND CASH EQUIVALENTS

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

	1999 QR 000	1998 QR 000
Cash and Deposits with Qatar Central Bank	300,709	273,546
Due from Banks	204,165	214,047
	504,874	**487,593**

Balances with Qatar Central Bank include mandatory reserve deposits of QR 128.5 million (1998: QR 128.5 million). These funds are not available to fund the Bank's day to day operations.

23. COMPARATIVE FIGURES

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