An Outstanding Performance For A Boundless Expansion

Annual Report 2007

QNB

Together Forward

His Highness
Sheikh Tamim Bin Hamad Al-Thani
Heir Apparent

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

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Board of Directors

Chairman

H.E. Yousef Hussain Kamal

Vice Chairman

H.E. Sheikh Hamad Bin Faisal Al-Thani

Member

H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani

Member

H.E. Sheikh Jassem Bin Abdulaziz Bin Jassem Bin Hamad Al-Thani

Member

H.E. Sheikh Hamad Bin Abdullah Bin Khalifa Al-Thani

Member

Mr. Rashid Misfer Al-Hajri

Member

Mr. Ali Hussain Ali Al-Sada

Member

Mr. Bader Abdullah Darwish Fakhroo

Member

Mr. Fahad Mohammed Fahad Buzwair

Member

Mr. Mansoor Ebrahim Al-Mahmoud

Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present Qatar National Bank's Annual Report for 2007, a year that witnessed important achievements in terms of initiatives and performance.

In 2007, the Board approved an ambitious five-year strategic plan, laying a solid foundation that will enable QNB to become among the leading financial institutions in the area, a move that complements its role as Qatar's leading and most successful bank. In tandem with the new strategic plan, the Board also approved a new corporate governance structure in order to transform QNB into a Group Structure by introducing international corporate governance best practices in various organizational aspects of the Bank.

In line with our strategic aim to increase our presence in the region and in other selected markets, important achievements were made during 2007 in terms of international expansion, whereby Representative Offices were established in Libya and Singapore, along with Branches in Oman, Yemen and Kuwait. These new locations will capitalize on the growing trade and investment flows with Qatar, while at the same time benefiting from the favourable economic prospects of these countries. Complementing this strategic aim, a 30.5 percent acquisition was concluded with The Housing Bank for Trade and Finance, Jordan's second largest bank. Additionally, an agreement was reached for the establishment of a new private bank in Syria in which QNB's stake amounts to 49 percent and an approval was obtained to establish a presence in Mauritania.

Apart from the implementation of the ambitious international expansion strategy, and despite increased competition in the local market, QNB continues to assert its success in the domestic arena, with the launch in 2007 of Corporate Advisory and Portfolio Management services. These new services, along with the revamp of our Retail activities and the continued growth of QNB Al Islami will ensure that QNB will remain the preferred banking partner for customers in Qatar and the region.

The Bank has traditionally enjoyed a high credit rating from a number of leading rating agencies due to its dominant domestic position, strong financial performance and sound asset quality. Following an increase in 2006 by Moody's to Aa3, by Fitch to A+, and by Capital Intelligence to A+, Standard & Poor's raised QNB's rating to A+ in May 2007, a rating assigned to a small and select group of leading financial institutions in the region.

QNB's Head Office

I am pleased with the successful launch of QNB's first syndicated loan, which at US$1.85 billion and priced at 19.5 basis points over London interbank offer rate, was the largest and most competitively priced of any syndicated loan in the region. The ability to conclude this loan at a time of uncertainty in the credit markets is a testimony of QNB's standing amongst the leading financial institutions in the region.

As far as the financial performance during 2007 is concerned, I am pleased to report another year of strong growth with net profit increasing by 25.5 percent to QR2,508 million, compared to QR1,998 million delivered in 2006. Similarly, a substantial increase in assets was achieved with growth emanating from all business areas with total assets reaching QR114.4 billion, up by 60 percent, from year-end 2006.

Consistent with our long standing policy of maximizing the long-term return to shareholders, the Board recommends to the General Assembly the distribution of a cash dividend of 50 per cent of share capital, representing QR5 per share, along with a bonus share distribution of 20 percent, representing 1 share for every 5 shares held.

On behalf of the Board of Directors, I express our sincere gratitude to His Highness the Emir, Sheikh Hamad Bin Khalifa Al-Thani and to His Highness the Heir Apparent, Sheikh Tamim Bin Hamad Al-Thani for their continued support and guidance.

We also express our appreciation to Qatar Central Bank's Governor, His Excellency Sheikh Abdullah Bin Saud Al-Thani, for his efforts in promoting Qatar's banking sector.

We reassure our shareholders of our relentless efforts to continue delivering financial results that meet their expectations in the coming years. Finally, I would like to thank the Management and Staff of QNB for their sincere efforts and commitment to the growth of QNB.

Yousef Hussain Kamal
Chairman

Group Chief Executive's Report

It gives me great pleasure to provide an overview of achievements during 2007 along with key strategic directions to be taken in 2008.

Having achieved a set of outstanding results in the 5-year strategy during 2003 - 07, the Board set the benchmark much higher approving a new 5-year strategy to further enhance QNB's position as Qatar's leading financial institution and to broaden its international presence.

In order to benefit from the increasing economic and investment flows between Qatar and countries in the region, important achievements were concluded during 2007 whereby we established a presence in five new locations including Kuwait, Yemen, Oman, Libya and Singapore. Of vital importance as well was the 30.5 percent acquisition of The Housing Bank for Trade and Finance, which has a presence in eight countries, of which five countries we currently do not operate. Going forward, we will utilise this path vigilantly as opportunities arise in order to meet our long-term strategic objectives.

In regard of our domestic operations, Retail Banking undertook special emphasis and focus on customer service during 2007, wherein various surveys were used to further improve customer satisfaction. The action taken from the feedback of these surveys along with the re-branding of the branch network and the introduction of new products and services will further strengthen QNB's position as Qatar's leading provider of retail banking services.

QNB Al Islami increased its operations to ten dedicated branches and offices in 2007, and has managed since its establishment about two years ago to record substantial results with assets reaching QR7.2 billion and net profit of QR148.3 million at year-end 2007.

To complement our strong position in Corporate Banking and Project Finance in Qatar and the region, we have augmented our ability in providing advisory services with the establishment of a dedicated Corporate Advisory unit. To date, our Corporate Advisory team has participated in a number of major transactions, and successfully completed a number of complex transactions reflecting the team's high ability and skills. Another dedicated service launched in 2007 included Portfolio Management, offering a unique service to key clients to participate in the growth of the equity market in Qatar and other markets.

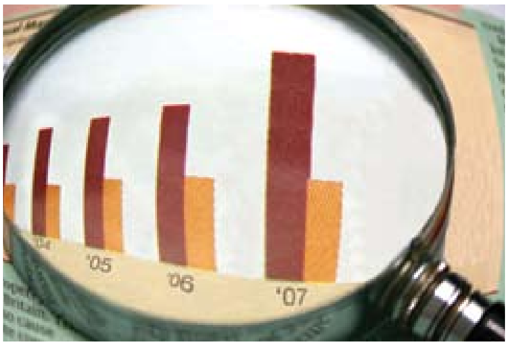
Having a highly motivated and experienced team remains a high priority for the Bank in order to execute its ambitious growth strategy and achieve its long-term objectives. At the same time, the ability to recruit and retain talented and qualified employees and providing them with continuous learning and development opportunities remains a critical success factor.

The various initiatives undertaken during 2007 were reflected in the strong growth being recorded in terms of the balance sheet and profitability. We look into 2008 and beyond with confidence in our ability to continue generating results that exceed our customers' expectation.

Ali Shareef Al-Emadi
Group Chief Executive

Internal Audit

Ensuring consistency and efficiency



As the Bank expands its presence regionally and internationally multiplying its products and service offerings, the regulatory requirements, risk management needs and operational guidelines are subject to increase in complexity. QNB boldly embraced these new challenges in 2007, effectively re-positioning its audit function to ensure its activities consistently met, or exceeded, requirements in its new operating jurisdictions. Ensuring a versatile, robust audit function and having a solid understanding of both domestic and international business was critical to its successful foray into new markets this past year.

In its quest to implement and respect best practices and international standards throughout all its operations, QNB continues to align its internal audit functions more closely with the Bank's risk management activities. In December 2007, it implemented a new audit management system that supports that objective.

As QNB asserts its lead in the regional domain and expands globally, it is committed to maximizing its professional capacity, internally, in all areas, to ensure it consistently meets or exceeds the highest international banking standards. Identifying valuable learning and training opportunities for its staff is a key component of that activity.

The Bank continues to enhance the skills of its auditors to cover all new areas of business, particularly enabling them to acquire skill sets in Islamic banking operations, risk management, corporate governance and more.

QNB is focused on hiring professionally qualified auditors who hold designations awarded by leading international professional institutions. Additionally, QNB is encouraging auditors to pursue the Certification in Shari'a Advisor and Auditor (CSAA) by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain.

QNB also emphasizes training and development of Qatari nationals in Internal Audit and banking. Continuing efforts are being directed towards enriching and empowering Qatari nationals in the profession.

Retail

Responding to our customers' needs

QNB is committed to continue working closely with its retail customers, to gauge their satisfaction levels and to do everything in its power to meet and exceed their expectations.

During 2007, QNB's Retail Banking Division invested significant resources into improving customer service experiences at its branches. Through the implementation of a range of customer service tracking and surveying mechanisms, the Bank was able to identify key areas of concern to customers and develop and implement a number of changes in the way it interacted with customers to improve customer service against key service standards.

We're listening to you

The introduction of an automated Customer Feedback System (CFS) at all branches and offices enabled the Bank to measure customer service perceptions at Customer Service Officer (CSO) and Teller Service Points. The new system provides branch units with weekly customer feedback on key service attributes and enables staff to regularly review service improvement opportunities at the branch unit level in weekly meetings.

A Mystery Shopping Programme was also introduced in 2007 to measure customer service performance at the Customer Care Center. The feedback gathered through this activity is enabling QNB to adjust shift patterns and focus training to improve service experience.

Improving efficiencies and client satisfaction

In response to customer feedback, a number of key processes were re-engineered to improve service response times. These included the implementation of an "Account at Speed" initiative which enables the Bank to activate an account and issue a debit card as soon as an account is opened. The introduction of a new process for delivery of credit cards and Personal Identification Numbers (PINs) is also ensuring faster, more efficient access to requested services.

Early in the second-half of 2007, a new multi-currency ATM capacity was welcomed by seasoned travelers who can now access cash in UAE Dirhams, US Dollars, or Euros at four strategically located QNB ATMs situated at the airport and at port entries.

To help improve "In-Branch" cross-sales performance and the quality of the customer service experience at both the teller and customer service touch points, the Bank implemented "Project AHDAF". The project included the introduction of branch Customer

Care Representatives (CCR) to assist customers with routine enquiries, a customer education programme to encourage the migration of routine transactions to ATMs, the upgrading of the Customer Care Center and the internet banking channel, and improved management of queue times at branches. Core training programmes in sales and service for branch staff were also introduced.

Expanding and enhancing our reach

During 2007, new offices were opened at Al-Sharq (Wealth Center), Dlala, and Q-Tel increasing the scope of the QNB network to 25 branches, 3 mobile branches and 14 offices. The Bank also refreshed the presentation of the QNB physical brand with new branch signage and new ATM surrounds this past year. In addition, a new branch interior design was rolled out at QNB's refurbished Main Office and other key locations. The new interior will be rolled out gradually across the full domestic network and to all international locations.

A new look was complemented by the initiation of a number of key system enhancements in 2007. These included replacement of the branch automation platform used by tellers, to improve transaction processing times; replacement of the Customer Care Center application platform, to improve productivity and customer service experience and the introduction of a new 'collection and recovery system' to facilitate improved customer management of loan servicing.

A wealth of "**EAZY***Life*" options

Under the "**EAZY***Life*" banner, the Bank now offers a comprehensive non-branch channels suite, which includes internet and phone banking (live and IVR), SMS services and e-statements. These services are complemented by the largest ATM network in Qatar, providing QNB customers with the most accessible and convenient range of service delivery channels in the industry. The Bank's upgraded internet banking services earned it, in September 2007, the accolade of Best Internet Bank in Qatar by the Middle East Excellence Award Institute.

Furthermore, in April 2007, QNB became the first bank in Qatar to offer automated IPO subscriptions. The Bank's new e-IPO facility enables QNB customers to subscribe to initial public offerings via the internet and at all QNB ATMs.

Direct Sales Force team expansion

The Bank's physical and "**EAZY***Life*" channels are also complemented by its Direct Sales Agent (DSA) team, which was expanded to more than 100 in 2007. QNB's DSA team provides convenient direct-to-customer application services eliminating the need for customers to visit a QNB branch. The customer response to the DSA team has been very encouraging, and the Bank intends to continue expanding the concept in the future.

Product enhancements to meet changing needs

The new priority proposition, QNB First, was launched in October to provide a distinctive and differentiated service proposition to our most valuable customers. Key highlights of the new service include exclusive access to the QNB First Wealth Center located at a luxury six-star resort and dedicated QNB First service points in key branches. Dedicated Customer Relationship Officers provide access to off-shore accounts through QNB's wholly-owned subsidiary, Ansbacher; and a broad range of specialized banking products and investment services that are tailor-made for QNB's most exclusive customers.

In addition, Small and Medium-size Enterprise (SME) customers were offered a new Business Banking proposition that provides a distinctive and differentiated service for businesses with an annual turn-over of QR10 million or less. Customers are served by dedicated Relationship Officers who are available around the clock every day of the year and have access to a comprehensive array of account options, working capital, term and trade financing and payment and investment services.

Improved, award-winning card services

In 2007, QNB's premium credit card offerings were enhanced to include free personal accident and travel inconvenience insurance, providing coverage up to US$1 million, on air ticket purchases and free purchase protection insurance to cover loss, theft and damage of items purchased using QNB credit cards.

QNB's co-branded Qatar Airways credit card placed third in the Best Affinity Credit Card category in the Middle East region's Freddies Awards. The co-branded Qatar Airways credit card launch campaign earned second place in the 2007 edition of the Gulf Marketing Review Effectiveness in Marketing Awards (GEMAS), an event that was televised by the BBC and attracted more than 800 marketing professionals from all industry sectors. In addition, the Bank's innovative "Win 1 Million Q-Miles" usage campaign reinforced QNB's position as a leading card issuer in Qatar.

Enhanced card security for peace of mind

In March 2007, QNB became the first bank in Qatar to implement a new '3D Secure' system in association with anti-fraud schemes verified by VISA and MasterCard Secure Code. QNB Secure is an enhanced security service for clients making online shopping transactions. In addition, the Bank replaced the Visa Electron debit card with a new MasterCard unembossed international chip debit card, providing customers with enhanced payment transaction security using chip and PIN technology.

Communicating more effectively

In 2007, to help improve communication with retail customers, QNB launched QNB Harvest, a retail customer newsletter. The publication is helping ensure customers are better informed about new initiatives and special promotions.

In addition, a series of major promotional campaigns were implemented throughout the year to raise awareness of key products and services including QNB's Savings Plus Account and the Bank's new "Instant Account" which provides limited free service banking with no minimum balance requirements. It's an ideal solution for customers with simple banking needs and no credit requirements.

QNB's Retail Asset product range, which includes personal, vehicle and mortgage loans were promoted through an extensive "Best Deals' campaign which also highlighted the Bank's Buy-to-Let Mortgage Loan – a new product for Qatari customers investing in residential real estate for rental purposes – and the first product of its kind in the market.

In sum, QNB's retail services are undergoing significant changes that are designed to inspire customer loyalty and attract new customers. Through these channels, QNB is confident it will continue to dominate the local banking scene and make significant inroads into new markets regionally and internationally.

Corporate
Contributing to boundless development

Financial Institutions

QNB's Financial Institutions Department (FID) has achieved an outstanding year following its re-organization into specialized units. The change has had a positive impact on its efficiency and productivity, which can be detected in three key areas: business generation and corporate support, risk management and the communication of recent developments.

As a front office for trade products and activities, FID has experienced significant success during 2006, increasing the volume of export L/Cs by 80 percent as compared to 2006 levels, and by maintaining a 45 percent market share for L/Gs business. With respect to its role to provide support for core businesses, the Department has successfully leveraged additional support through correspondent banks that now actively refer many potential non-FI transactions to other QNB profit centers.

Additionally, the Department continues to play a major role in various syndication campaigns. Notably, in 2007 it successfully negotiated with several banks to secure participation in the largest syndication loan facility in the region; furthermore, FID was able to consistently support increased funding amounts despite heightened global concerns in the credit markets.

With regard to risk management, FID has developed new tools for assessing the credit risk for financial institutions and countries; these tools enable the Bank to simultaneously reduce risks and meet growing business needs. Furthermore, in collaboration with the Bank's Economics & Research and Corporate Communication Departments, FID heightened the interest and participation of correspondent banks throughout 2007, and increased financial institution support for several QNB-funded developments through the timely distribution of economic reports on QNB and the State of Qatar.

Large Corporations

During 2007, QNB successfully developed new corporate business relationships and further solidified existing core bank relationships, through offering improved and innovative products, superior customer service, tailored lending instruments and expanded service delivery channels.

In 2007, QNB became the first and only SWIFT-licensed bank in Qatar to launch a Member Assisted Closed User Group (SWIFT MA-CUG), a move that enables it to use SWIFT standards-driven financial messaging to communicate more effectively with registered organizations and corporations the world over. As a result of continuously improving customer facilities and enhanced lending capacity, QNB increased its corporate loan portfolio considerably over the previous year, which represents a substantial contribution to QNB's overall loan portfolio.

QNB also secured a leading role in a number of complex transactions for leading corporate entities in 2007, thanks in large part to its dedicated and highly experienced corporate banking team that provides tailored solutions to both local and international corporations. Working in close collaboration with colleagues across various functions including Project Finance, Syndications, Trade Finance, Operations, Investment Banking and Treasury, QNB's involvement in loan deals continued to expand, both regionally and internationally.

Meanwhile, QNB continues to expand its corporate business activities, to support robust economic development and expansion and secure the loyalty of existing clients and developing new relationships, both domestically and internationally. In March 2007, QNB fully supported Qatar Telecom's (Q-Tel) flagship US$3 billion revolving credit facility serving as Financial Advisor, Mandated Lead Arranger, and Facility Agent, and committing US$300 million to this facility. Shortly thereafter, QNB's advisory services helped secure a US$150 million commitment to a further US$2 billion revolving credit facility for Q-Tel. These facilities enabled Q-Tel to significantly expand its regional footprint through the 51 percent acquisition of Kuwait's Al Wataniya Telecom.

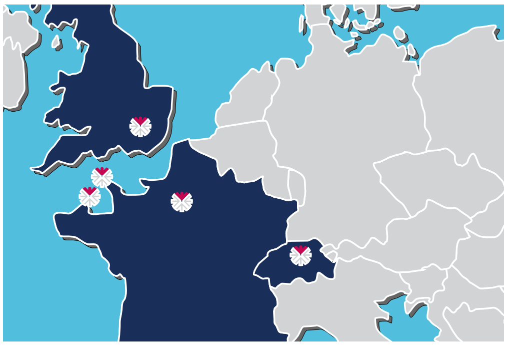
QNB is also leading the way for Qatar Steel's ambitious expansion and development programs by developing regional and international banking support. In this case, QNB arranged and served as agent for two facilities, one totaling US$210 million and the other in the amount of US$375 million. Additionally, QNB remains the dominant local financier to major local corporations and has committed substantial direct lending support to facilitate growth in key sectors, including shipping, transportation, power, petrochemicals, oil and gas.

Syndications

QNB's project finance and syndication commitments more than doubled its 2006 performance. This strong growth is a direct result of the Bank's concerted efforts to strengthen its syndication and project financing capacity by bringing in solid expertise. The syndications unit, established in 2004, continues to enhance its capabilities to provide superior service through the addition of experienced staff.

QNB continues to be the leading syndication and project finance force in Qatar, consistently leading the country's largest deals. However, now that role is complemented by a dominating presence in regional markets. Its project finance portfolio, represented a 56-44 percent split between Qatari projects and projects outside of the country, demonstrating its growing presence in other markets.

During the year, the Bank was able to raise the largest syndicated loan facility on record to a



Middle East Bank. The facility raised US$1.85 billion with an exceptionally low margin of 0.195% per annum over London Interbank Offer Rate. The low margin indicates the strong reception that the facility received on international capital markets and was so successful that the original target capital raising was increased twice to cater for demand. The syndicated loan is being used for the general funding requirements of the Bank to ensure that we have sufficient resources to meet the ever increasing needs of our customers.

Notable syndication transactions

In March 2007, QNB served as Mandated Lead Arranger, Financial Advisor and Facility Agent for a US$3 billion revolving standby credit facility for Q-Tel, committing US$300 million to the deal. Subsequently, it advised on Qatar's largest revolving credit facility, a US$2 billion deal made on behalf of Q-Tel, which marked the telecom giant's first major move into international capital markets.

Another key syndication deal that further underscores QNB's expanding role in this realm domestically was its dual role as Facility Agent and Mandated Lead Arranger for a US$3 billion term loan on behalf of the Qatar Investment Authority (QIA), to which QNB committed US$900 million. In addition to playing a critical role in supporting domestic project financing, QNB continues to be a dominant force in regional activities, committing US$495 million to 14 regional deals valued at more than US$4.3 billion.

Growing presence in acquisition financing in Europe

QNB's role in European financial market deals is also advancing, whereby during the year the bank played a lead role in three prominent acquisition finance deals in Europe – The Netherlands, Germany and Switzerland, totaling US$8.2 billion, of which QNB committed US$163 million. By way of comparison, in 2006 QNB helped finance three European term loans with a total value of US$950 million, of which QNB committed US$63.5 million.

Corporate Advisory

Given the high growth in the local economy over recent years, and the large volume of projects on the horizon, the Bank made the important decision during the year to build a world class investment banking unit. During the first half of the year, the Bank recruited a senior corporate finance executive to establish the new business area and to recruit an experienced and highly skilled team to support the ongoing needs of our clients and the national economy. That process has already commenced and will continue with the team being expected to expand five fold during 2008.

Already the Corporate Advisory team has completed a number of significant transactions including capital raisings, mergers and acquisitions, debt structuring, project advisory and feasibility studies, establishing a major

presence in the domestic market. Indeed, the team has successfully developed a number of innovative transactions to meet the specific needs of clients and this record is expected to develop further as the reputation of our Corporate Advisory team becomes increasing recognized in the market.

From 2008 onwards, the Corporate Advisory team will have the capacity to satisfy all the investment banking needs of clients at a standard which has never been seen in Qatar, to date, and will be equal to the best available in the global investment banking market. These services include:

- mergers and acquisitions advice, covering pre-deal evaluations, valuation advice, transaction structuring, deal management and divestitures;
- project advice incorporating initial evaluation and feasibility studies, valuations and financial structuring;
- capital markets services including capital structuring advice, strategic balance sheet reviews and advising on private equity raisings and IPO transactions; and advising clients on debt structuring and refinancing.

Investment

Buoyed by a soaring stock market, the Asset Management Division increased its Assets under Management considerably during 2007, and continues to be Qatar's market leader in this business segment. The performance of funds under management, including Al Watani Fund I, Al Watani Fund II, Al Watani Fund III, Al Watani Fund IV, and Al Beit Al Mali was robust during 2007. Fund growth ranged from 35 to 45 percent in 2007 and, since inception, all funds continue to out-perform against their respective benchmarks. Meanwhile, the Shari'a compliant fund, Beit Al Mali, distributed an 8 percent cash dividend during the holy month of Ramadan based on the excellent results it had achieved during the year.

In October 2007, ZAWYA, a leading provider of financial news in the region, reported that Al Watani Fund I and Fund II were the best performing funds for the trailing 12 months.

Meanwhile, throughout 2007, QNB's Asset Management Division continued its efforts to widen investor knowledge through the conduct of several seminars on Al Watani Fund I and II, a move that helped attract new foreign institutions into the Doha Securities Market (DSM).

In addition, the Division launched Portfolio Management Services for key clients across the globe. This unique service enables clients to participate in the growth of the DSM and other GCC markets.

Islamic

Strengthening our roots and branching out

From a humble start in May 2005 from one location with less than 10 employees, QNB Al Islami has witnessed a substantial increase in its capabilities and reach, becoming a leading provider of Islamic banking products and services to institutions, corporates and retail customers.

The past year has proved to be a fruitful one for QNB Al Islami. Through a joint club deal it led and arranged a US$275 million bridge financing transaction to support Barwa, one of Doha's most prominent land developers. The deal enabled Barwa to commence construction of a housing project comprised of some 6,000 housing units targeted towards middle and low income families. This project is part of the Qatari Government's plans to increase the availability of affordable housing in Doha given the current high rental costs. In addition, Doha-based Mackeen Real Estate Company benefited from a QNB Al Islami led and arranged club deal valued at US$192 million to support various real estate investment projects.

New services offered to QNB Al Islami clients in 2007 included the introduction of Wakala, an investment agency technique that provides general working capital finance to corporate clients. Through Wakala, the Bank provided US$82 million to Doha's National Leasing Company in June 2007.

Using the innovative Istisna/Forward Ijara, QNB Al Islami financed the construction of a number of real estate towers and residential compounds, a feat that demonstrates the value-add Islamic banking offers to real estate developers intent on capitalizing on Doha's current extraordinary growth capacity.

As sole sponsor of the Strategic Shari'a Open Forum at the 2nd Annual World Islamic Infrastructure Finance Forum, held in Doha in November 2007, QNB Al Islami clearly demonstrated its commitment to actively implement its corporate social responsibility doctrine. The participation of the Deputy Chairman of QNB Al Islami's Shari'a Board added an important and valuable dimension to the program's discussions and deliberations.

Meanwhile, 2007 witnessed the opening of four new offices – three are situated within dedicated premises, one at Hamad Hospital, a second at the Qatar Olympic Committee (QOC) building, and a third at the Ras Laffan offices. These offices enable QNB Al Islami to offer convenient and accessible retail banking services to both employees and visitors at these institutions, while simultaneously being available to address the corporate banking needs of the institutions themselves. The fourth new office, located in Mesiaeed, focuses on delivering retail banking services to residents in that community. These new dedicated locations increased QNB Al Islami's distribution channels to ten, and underscore its tremendous growth capacity in providing focused customer service.

International Banking and Ansbacher
Exploring a world of opportunities

In 2007, QNB made remarkable progress in its international expansion plan, with a focus on the Middle East and North Africa (MENA) region and in other selected markets.

QNB secured a presence in five new countries in 2007 that included three branches and two representative offices. As a first step towards a GCC-wide representation, new branches in Oman and Kuwait were established in December 2007. The Sana'a Branch, established in September 2007, was the first GCC bank branch presence in Yemen. Furthermore, the number of QNB's representative offices increased to three with the opening in March 2007 of representative offices in Libya and Singapore, with the Singapore office being QNB's first foray into the Asian region.

QNB's international expansion with a presence in these five new countries was further augmented in August 2007 by the acquisition of a 20 percent stake in Jordan's Housing Bank for Trade and Finance, that country's leading retail bank and its second largest bank. Through an additional transaction, that stake has now increased to more than 30 percent. This acquisition has given QNB access to five additional markets where we do not operate including Abu Dhabi, Algeria, Bahrain, Palestine, and Syria. Additionally, an agreement was reached in September 2007 to establish a new bank in Syria, in which QNB will hold a 49 percent stake and regulatory approval was obtained to operate in Mauritania.

The Bank's ongoing operations in London and Paris continue to benefit from the rising trade and investment flows between Qatar and Europe. These branches also attract and inform European companies of investment opportunities throughout the MENA region.

World-class international investment advice for QNB's most valued clients

Through its wholly-owned subsidiary headquartered in the UK, Ansbacher continues to provide solid wealth management advice to international private clients. As winner of the Investment Performance: Growth Portfolios Award at the 2007 Private Asset Management Awards, Ansbacher again underscored its world-class capabilities in asset management.

Ansbacher also played an instrumental role in supporting QNB in the October 2007 launch of QNB First, the new priority banking proposition targeting QNB's most valued clients. The new service enables QNB's high net-worth clients to benefit from superior offshore banking services.

Ansbacher continues to maintain its position as market leader in super yacht financing. Sarnia Yachts, an Ansbacher subsidiary that provides yacht administration services, achieved record performance in 2007.

Treasury
Building on our strengths

Qatar Electricity & Water Company

US$ 100,000,000
Term Loan
Mandated Lead Arranger
March-2007

Qatar Investment Authority

US$ 3,000,000,000
Term Loan
Mandated Lead Arranger
Facility Agent
June-2007

Solidifying QNB's treasury functions

As part of the corporate governance re-alignment activities, QNB's Treasury function was subject to significant changes. The changes undertaken over the past year ensured the Bank's Treasury function effectively aligns with corporate objectives, segregating the business units as per the policy guidelines. Also, in liaison with the Finance Department, Treasury introduced a new Funds Transfer Pricing methodology, and updates, monitors and distributes this on a daily basis.

New structured products increase yield potential

The launch of a range of new structured products enabled QNB and its clients to achieve portfolio diversification and higher returns in 2007. Among the new yield-enhancement assets were capital-guaranteed range accrual notes, inverse floaters and credit default swap products. New equity and fixed income options provided clients with additional reduced-risk, yield enhancement alternatives.

Innovative commodity structured product - another local market first

The introduction of new, innovative FX and commodity-structured products also helped generate high returns this past year. In May 2007, QNB introduced Qatar's first-ever Islamic derivative trade, a profit rate swap.

In general, growth on the private equity side was significant in 2007, as the Bank more than doubled its investment in this area. In July 2007, QNB also advised on a new structured equity participation transaction in Europe for one of its major clients, the first of its kind, and a forerunner of things to come.

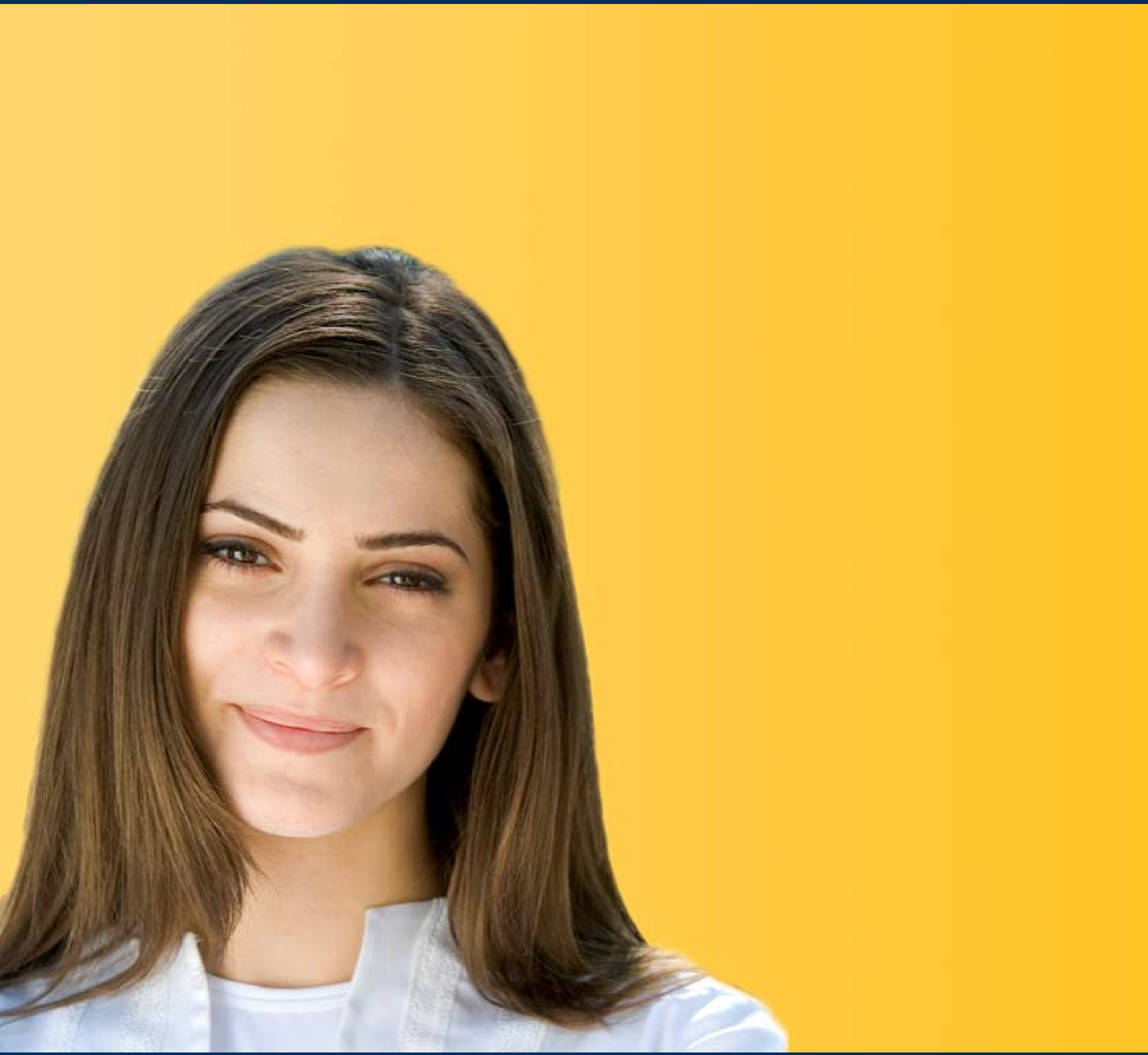
Implementation of comprehensive Treasury Front Office System

In September 2007, QNB began implementing a new and improved Treasury Front Office System that significantly enhances its capability. The initial phase, which is expected to be completed by April 2008, provides a comprehensive risk management system that links its deal capture system with the core banking system, thus improving its FX and interest risk management.

Leading the way in coordinating local debt origination

Another key feat, achieved in June 2007, was the introduction of an innovative Islamic structure for raising corporate deposits. This move will contribute towards enabling QNB to keep pace with its balance sheet requirements. The Bank continues to be a leading advisor in the area of local debt origination and has several potential transactions in the pipeline.

Throughout 2007, QNB's Treasury continued to play a lead role in the local debt market, including serving as market maker for Qatar RasGas Bonds. It is focused on enhancing its capability in this regard in both local and regional fixed income markets.



Our People
Creating a culture of leadership

Embracing new opportunities

QNB is on an accelerated growth path and its operations expanded significantly over the past couple of years. The rapid change it experienced over the past year fueled the development and implementation of innovative and creative Human Resources policies and processes in order to sustain success.

To cope with the challenges of international expansion and global competition, an expansive organizational restructuring was undertaken in 2007 to support the implementation of a sound corporate governance program. The new governance structure will enable the Bank to effectively penetrate regional and international markets.

In January 2007, the Bank introduced a comprehensive Reward and Recognition program - the STAR Program. This program recognises the contributions of individuals and teams and rewards them appropriately in order to encourage high performance and motivate employees on a continuous basis. Multiple options are available under the STAR Program to suitably reward various levels of achievements; right from the SPOT awards for instantaneous recognition to the “Chairman’s Club Awards” as a highest level of recognition instilling pride and a strong sense of belongingness amongst the honored employees.

In order to meet the wealth of opportunities resulting from continued growth and expansion, a Qatari Top Talent Development Program was introduced in 2007. It follows a structured Talent Management process to identify high potential Qatari Talent and groom them through a systematic Leadership Development Program over a period of 2 to 3 years. Group CEO inaugurated the Leadership Development Program by sharing the vision and long-term objectives of the Bank with the Qatari Top Talent engaging them positively with the organization. Around 50 high potential Qatari youths were identified through this process and they are being groomed to take key leadership positions in the near future.

In tandem, the Bank has put in significant efforts and investment to develop entry-level Qatari fresh graduates by introducing focused development program entitled “Lighting the Torch”. As the name suggests, the program aims at igniting strong desire in fresh Qatari graduates to fulfill their career aspirations. The program targets at covering all essential skills and knowledge areas as well as providing hands on experience.

Creating a culture that supports continuous learning is a high priority for QNB. In 2007, it boosted learning activities by deploying more than 280 courses with a 93 percent coverage rate. Determined to remain at the forefront of

banking, both in the region and beyond, QNB invested significant resources in 2007 to create a comprehensive Learning Resource Center. To further sharpen the focus on continuous learning, QNB is opening a state of the art Learning Resource Center in Doha in early 2008, which will ensure development and learning of the Group's employees across the globe.

Fostering Performance Oriented Culture

The Bank introduced a group wide comprehensive performance management system (IPMD–Integrated Performance Management & Development System) in order to cascade, communicate and translate the bank's strategic initiatives and business plans into employees' objectives. IPMD is a key strategic initiative undertaken by HR to help the Group in achieving its long-term goals.

In order to facilitate efficient and effective employee transactions, the Bank has introduced a new HR Management System (HRMS) that digitizes all related processes and transactions at a Group level. This helps in aligning policies and processes across multiple locations having diverse requirements.

Committed to Qatarisation

QNB is determined to encourage Qataris to lead the country's thriving financial sector. During 2007, a Qatarisation ratio of 44 percent as achieved, up from 42 percent in 2006, which makes QNB the front-runner amongst financial institutions in this initiative. In addition, representation at the management level advanced from 34 to 36 percent. As new opportunities are generated through the Bank's expansion and growth, every effort is being made to integrate Qatari employees in leadership roles.

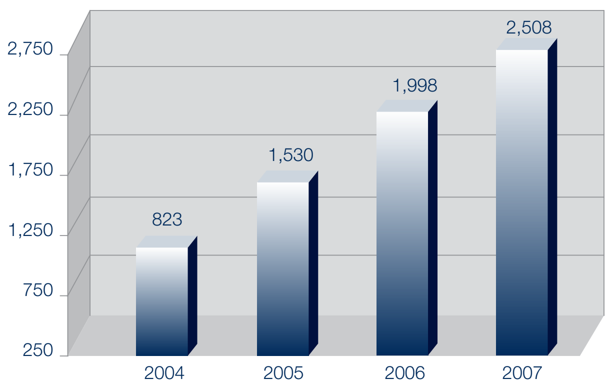
Valuing our staff is central to our operations. To improve internal communications and help develop a cohesive work environment where various areas recognize and appreciate the contributions of each other, in early 2007 the Bank launched an internal newsletter – QNB Bulletin, and continues to enhance the intranet system. As the Bank moves ahead and expands rapidly, the need to focus on sound internal communications will become paramount. In 2007, it took steps to set the stage to meet that challenge.

Financial Results
2007

FINANCIAL HIGHLIGHTS

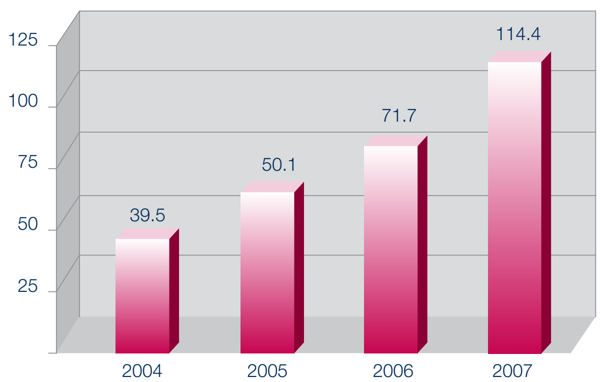
- Net profit up by QR510 million (25.5%) to QR2,508 million from QR1,998 million in 2006
- Total assets up by QR42.7 billion (59.6%) to QR114.4 billion
- Total loans and advances and financing activities up by QR19.8 billion (42.9%) to QR66.1 billion
- Total customer deposits and unrestricted investment accounts up by QR23.6 billion (42.3%) to QR79.4 billion
- Earnings per share up to QR14.5 from QR11.7

Net Profit (QR Million)



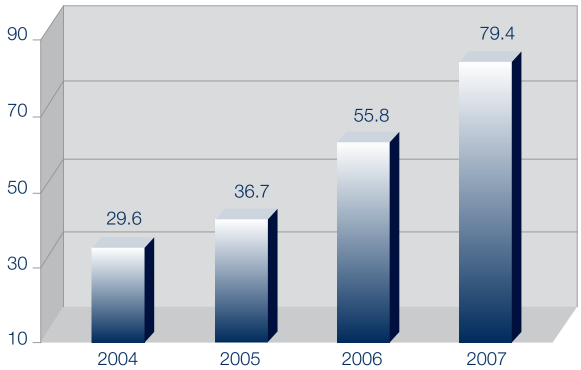
Net profit up by 25.5% to QR2,508 million

Total Assets (QR Billion)



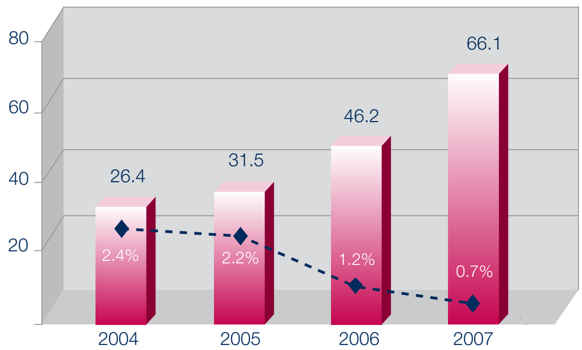
Total assets up by 59.6% to QR114.4 billion

Customer Deposits and Unrestricted Investment Accounts (QR Billion)



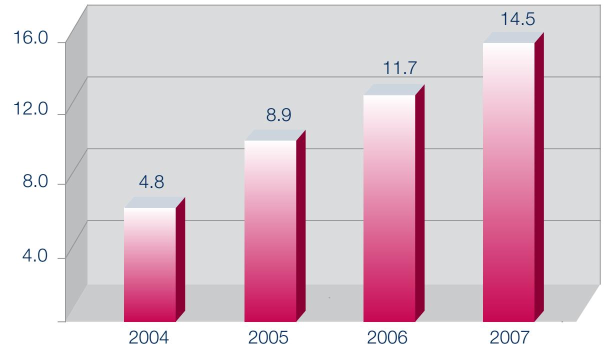
Customer deposits and unrestricted investment accounts
up by 42.3% to QR79.4 billion

Loans and Advances and Financing Activities (QR Billion)



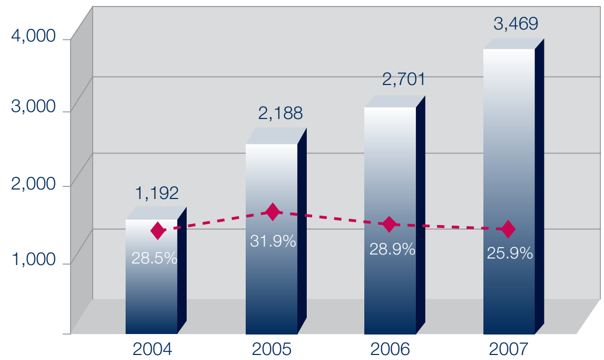
Loans and advances and financing activities up by 42.9% to QR66.1 billion
NPL as % of total loans dropped to 0.7%

Earnings Per Share (QR)



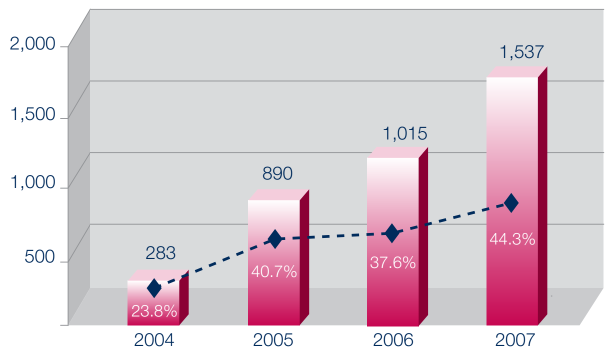
Earnings per share up to QR14.5

Total Income (QR Million)



Total income up by 28.4% to QR3,469 million
Efficiency ratio improved to 25.9%

Other Income (QR Million)



Other income up by 51.5% to QR1,537 million
Other income to total income increased to 44.3%

FINANCIAL REVIEW

For the first time in its history, QNB was able to exceed the QR2.5 billion profit level thanks to its success in diversifying its income resources and the maintenance of a strong efficiency ratio (total costs to total income).

Net profit rose by 25.5% to QR2,508 million, compared with the net profit of QR1,998 million delivered in 2006. The Bank saw a substantial growth in all of its income components. As a result, total income grew by QR767.8 million (28.4%) to QR3,469 million.

Net interest income and income from Islamic financing activities improved by QR245.4 million (14.5%) to QR1,932 million, mainly due to the Bank’s success in maintaining its interest margins with a strong growth in loans and advances and financing activities.

Other operating income continued its strong growth reaching QR1,537 million, representing an increase of QR522.4 million (51.5%), with net fees and commissions growing by QR273 million (60.2%) to QR726.3 million and foreign exchange income growing by QR57.3 million (48.6%) to QR175.2 million.

At the same time, other income from investment related activities showed strong growth with dividend income growing by QR35.3 million (40.7%) to QR122 million, reflecting high dividend distribution of the Bank’s equity portfolio. Realised profit from sales of equity securities generated a gain of QR374.5 million, and the Bank's share in profit of associates amounted to QR122.9 million.

General and administrative expenses increased by QR118.2 million (15.1%) to QR899.6 million. The increase is mainly attributed to an increase in staff costs, marketing expenses and IT systems development aiming to diversify and improve customer services. The Bank’s success in improving efficiency and increasing productivity was reflected in its efficiency ratio, being total costs as a percentage of total income, which improved from 28.9% in 2006 to 25.9% in 2007.

Recoveries of provision for credit losses of loans and advances amounted to QR19.7 million, compared to QR139.2 million in 2006. The Bank’s success in improving its collection process and the effectiveness of its credit risk management policies is clearly reflected in its ratio of non-performing loans to gross loans which improved from 1.2% in 2006 to just 0.7% in 2007.

Balance Sheet Growth

At year-end 2007, the Bank's total assets stood at QR114.4 billion reflecting an increase of QR42.7 billion (59.6%) compared with QR71.7 billion in 2006. The growth in total assets was mainly attributable to the growth in loans and advances and financing activities which grew to QR66.1 billion, representing an increase of QR19.8 billion, or 42.9%. Customer deposits and unrestricted investment accounts also grew by QR23.6 billion (42.3%) during the year to reach QR79.4 billion, mainly due to the increase in retail and corporate banking business.

Islamic Banking

During 2007, QNB Al Islami succeeded in achieving excellent results, with total assets reaching QR7.2 billion, up by QR1.3 billion (22%) since 31 December 2006. Financing activities up by QR2.5 billion (125%) to reach QR4.5 billion, and net profit rose by QR73.2 million (97.5%) to reach QR148.3 million.

Capital Strength

Total shareholders' equity as at 31 December 2007 reached QR13.9 billion (US$3.8 billion). The Bank's risk assets ratio stood at 16.2%, comfortably in excess of the 10% minimum level set by Qatar Central Bank and the 8% minimum stipulated in the Basle capital adequacy directives.

Earnings Per Share

Earnings per share improved to QR14.5 from QR11.7 in 2006.

Outlook

QNB enjoyed an excellent year in terms of new products and services, along with the level of profitability achieved for shareholders. QNB reassures its customers and shareholders to continue building on its achievements by introducing innovative products, providing the highest level of customer service, and ensuring optimal return for shareholders.

Financial Statements

Independent Auditors’ Report to the Shareholders of Qatar National Bank S.A.Q.

We have audited the accompanying consolidated financial statements of Qatar National Bank S.A.Q. (the Bank) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and Qatar Central Bank laws and regulations.

Report on Other Legal and Regulatory Requirements

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 Group and that we are not aware of any contravention by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank laws and regulations and of the Qatar Commercial Companies Law No. 5 of 2002 during the financial year that would materially affect its activities or its financial position.

Firas Qoussous
Ernst & Young
Qatar Auditors’ Registry No. 236

14 January 2008
Doha - State of Qatar

Statement of the Sharia Control Board

Praise be to Allah and peace be upon his prophet. Subject to the Articles of Association of Al Watani Al Islami, a branch of Qatar National Bank S.A.Q, the Fatwa and Sharia Control Board has issued Fatwas (Sharia opinion) on the matters presented to it, provided Sharia solutions for the difficulties encountered during implementation and oversaw compliance with the Sharia principles and rules set by it for the branch.

As well, through its Executive Committee and Internal Sharia Control, the Board continuously carried out its duties, reviewed the contracts and forms, oversaw the correctness of implementation of its decisions, ensured the soundness of execution of banking operations and reviewed the balance sheet, statement of income and the method of calculation adopted for the distribution of profits between the depositors and shareholders for the financial year ended 31 December 2007. The Fatwa and Sharia Control Board confirms that the application of Sharia rules and controls is the management responsibility, and its role is limited to issuing Fatwa and overseeing transactions through the Internal Sharia Control within the limits of resources available to it.

In the Opinion of the Sharia Board:

- The branch has complied with the Sharia principles and rules set for Islamic branches.
- The matters presented to it, including contracts and forms, and the transactions reviewed by the Sharia Control were in compliance with the Sharia rules and controls, and the discrepancies discovered were either corrected, revised or the appropriate decision were taken in their respect.
- The distribution of profit was carried out in compliance with the guidance established by the Board in accordance with the principles of Islamic Sharia.

Finally, we thank, and pray to Allah to bless, the dedicated efforts which contributed to the initiation and success of this business. In particular, our thanks are due to the Board and senior management of QNB and the staff of Al Watani Al Islami for their sincere cooperation with the Sharia Control Board. May Allah Al Mighty guide all to the prosperity of this country, and praise be to Allah.

His Eminence, Dr. Yousof Al Qaradawi
S.C.B. Chairman

His Eminence, Dr. Ali Alqurah Dagi
S.C.B. Vice Chairman

Dr. Sultan Al Hashemi
S.C.B. Member

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007

(All amounts are shown in thousands of Qatari Riyals)

	Note	2007	2006
ASSETS			
Cash and Balances with Central Banks	4	10,948,569	2,481,218
Due from Banks and Other Financial Institutions	5	21,302,608	12,780,711
Loans and Advances and Financing Activities to Customers	6	66,064,137	46,226,610
Financial Investments	7	11,308,925	8,877,702
Investment in Associates	8	2,703,546	32,810
Property and Equipment	9	651,496	589,093
Other Assets	10	1,381,387	674,889
Total Assets		**114,360,668**	**71,663,033**
LIABILITIES and SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to Banks and Other Financial Institutions	11	9,928,352	6,254,842
Repurchase Agreements		2,495,142	-
Customer Deposits	12	74,180,689	51,930,594
Other Borrowings	13	6,714,819	-
Other Liabilities	14	2,000,110	1,183,866
		95,319,112	**59,369,302**
Unrestricted Investment Accounts	16	5,183,192	3,836,397
Total Liabilities and Unrestricted Investment Accounts		**100,502,304**	**63,205,699**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Issued Capital	17	1,824,975	1,297,760
Statutory Reserve	17	3,852,723	1,297,760
Other Reserves	17	1,751,616	1,760,004
Risk Reserve	17	783,072	444,072
Fair Value Reserve	17	2,346,658	1,099,895
Proposed Dividend	17	912,487	778,656
Proposed Bonus Shares	17	364,995	324,440
Proposed Transfer to Statutory Reserve		567,770	324,440
Retained Earnings		1,453,563	1,130,307
Total Equity Attributable to Equity Holders of Parent		**13,857,859**	**8,457,334**
Minority Interest		505	-
Total Equity		**13,858,364**	**8,457,334**
Total Liabilities and Equity		**114,360,668**	**71,663,033**

These financial statements were approved by the Board of Directors on 14 January 2008 and were signed on their behalf by:

Yousef Hussain Kamal	**Hamad Bin Faisal Al-Thani**	**Ali Shareef Al-Emadi**
Chairman	Vice Chairman	Group Chief Executive Officer

The attached notes 1 to 34 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

(All amounts are shown in thousands of Qatari Riyals)

	Note	2007	2006
Interest Income	18	4,622,719	3,397,013
Interest Expense	19	(2,855,168)	(1,794,624)
Net Interest Income		**1,767,551**	**1,602,389**
Fees and Commission Income	20	778,241	517,903
Fees and Commission Expense		(51,941)	(64,630)
Net Fees and Commission Income		**726,300**	**453,273**
Dividend Income	21	122,048	86,717
Net Gains from Dealing in Foreign Currencies	22	175,173	117,913
Net Gains from Financial Investments	23	374,470	334,503
Share in Profit of Associates	8	122,895	-
Income from Islamic Financing and Investing Activities		417,586	277,834
Other Operating Income		16,233	22,267
Net Operating Income		**3,722,256**	**2,894,896**
General and Administrative Expenses	24	(842,295)	(728,341)
Depreciation	9	(57,293)	(53,025)
Recoveries of Provision for Credit Losses of Loans and Advances	6	19,709	139,194
Net Impairment Losses of Financial Investments		(61,957)	(66,449)
Other (Provisions)/ Recoveries		(93)	8,360
Recovery of Provision for Properties Acquired against Settlement of Debts		-	5,271
Goodwill Impairment		(1,860)	-
Unrestricted Investment Account Holders' Share of Profit		(253,009)	(193,476)
Net Profit Before Taxes		**2,525,458**	**2,006,430**
Income Tax Expense		(19,339)	(8,567)
Net Profit for the Year		**2,506,119**	**1,997,863**
Attributable to:			
The Bank's Shareholders		2,507,508	1,997,863
Minority Interest		(1,389)	-
		2,506,119	**1,997,863**
Basic Earnings Per Share (QR)	25	14.5	11.7
Diluted Earnings Per Share (QR)	25	14.5	11.7

The attached notes 1 to 34 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

(All amounts are shown in thousands of Qatari Riyals)

	Issued Capital	Statutory Reserve	Other Reserves	Risk Reserve	Fair Value Reserve	Proposed Dividend	Proposed Bonus Shares	Proposed Transfer to Statutory Reserve	Retained Earnings	Equity Attributable to Equity Holders of Parent	Minority Interest	Total
Balance at 1 January 2007	1,297,760	1,297,760	1,760,004	444,072	1,099,895	778,656	324,440	324,440	1,130,307	8,457,334	-	8,457,334
Net Movement in Risk Reserve	-	-	-	339,000	-	-	-	-	(339,000)	-	-	-
Net Movement in Currency Translation Adjustments	-	-	(3,438)	-	-	-	-	-	-	(3,438)	-	(3,438)
Share of Changes Recognised Directly in Associate Equity	-	-	(4,950)	-	-	-	-	-	-	(4,950)	-	(4,950)
Net Movement in Fair Value Reserve	-	-	-	-	1,246,763	-	-	-	-	1,246,763	-	1,246,763
Total Changes in Reserves Recognised Directly in Equity	-	-	(8,388)	339,000	1,246,763	-	-	-	(339,000)	1,238,375		1,238,375
Net Profit for the Year	-	-	-	-	-	-	-	-	2,507,508	2,507,508	(1,389)	2,506,119
Total Income and Expense for the Year	-	-	(8,388)	339,000	1,246,763	-	-	-	2,168,508	3,745,883	(1,389)	3,744,494
Dividend Paid for the Year 2006	-	-	-	-	-	(778,656)	-	-	-	(778,656)	-	(778,656)
Bonus Shares for the Year 2006	324,440	-	-	-	-	-	(324,440)	-	-	-	-	-
Rights Issue	202,775	-	-	-	-	-	-	-	-	202,775	-	202,775
Premium on Rights Issue	-	2,230,523	-	-	-	-	-	-	-	2,230,523	-	2,230,523
Transfer to Statutory Reserve for the Year 2006	-	324,440	-	-	-	-	-	(324,440)	-	-	-	-
Proposed Dividend	-	-	-	-	-	912,487	-	-	(912,487)	-	-	-
Proposed Bonus Shares	-	-	-	-	-	-	364,995	-	(364,995)	-	-	-
Proposed Transfer to Statutory Reserve	-	-	-	-	-	-	-	567,770	(567,770)	-	-	-
Net Movement in Minority Interest	-	-	-	-	-	-	-	-	-	-	1,894	1,894
Balance at 31 December 2007	**1,824,975**	**3,852,723**	**1,751,616**	**783,072**	**2,346,658**	**912,487**	**364,995**	**567,770**	**1,453,563**	**13,857,859**	**505**	**13,858,364**
Balance at 1 January 2006	1,038,208	1,038,208	1,775,457	169,422	2,549,232	778,656	259,552	259,552	834,630	8,702,917	-	8,702,917
Net Movement in Risk Reserve	-	-	-	274,650	-	-	-	-	(274,650)	-	-	-
Net Movement in Currency Translation Adjustments	-	-	(15,453)	-	-	-	-	-	-	(15,453)	-	(15,453)
Net Movement in Fair Value Reserve	-	-	-	-	(1,449,337)	-	-	-	-	(1,449,337)	-	(1,449,337)
Total Changes in Reserves Recognised Directly in Equity	-	-	(15,453)	274,650	(1,449,337)	-	-	-	(274,650)	(1,464,790)	-	(1,464,790)
Net Profit for the Year	-	-	-	-	-	-	-	-	1,997,863	1,997,863	-	1,997,863
Total Income and Expense for the Year	-	-	(15,453)	274,650	(1,449,337)	-	-	-	1,723,213	533,073	-	533,073
Dividend Paid for the Year 2005	-	-	-	-	-	(778,656)	-	-	-	(778,656)	-	(778,656)
Bonus Shares for the Year 2005	259,552	-	-	-	-	-	(259,552)	-	-	-	-	-
Transfer to Statutory Reserve for the Year 2005	-	259,552	-	-	-	-	-	(259,552)	-	-	-	-
Proposed Dividend	-	-	-	-	-	778,656	-	-	(778,656)	-	-	-
Proposed Bonus Shares	-	-	-	-	-	-	324,440	-	(324,440)	-	-	-
Proposed Transfer to Statutory Reserve	-	-	-	-	-	-	-	324,440	(324,440)	-	-	-
Balance at 31 December 2006	**1,297,760**	**1,297,760**	**1,760,004**	**444,072**	**1,099,895**	**778,656**	**324,440**	**324,440**	**1,130,307**	**8,457,334**	**-**	**8,457,334**

The attached notes 1 to 34 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007

(All amounts are shown in thousands of Qatari Riyals)

	Note	2007	2006
Cash Flow from Operating Activities			
Net Profit for the Year Before Taxes		2,525,458	2,006,430
Reconciliation of Net Profit to Net Cash Flow from Operating Activities			
Depreciation	9	57,293	53,025
Recoveries of Provision for Credit Losses of Loans and Advances	6	(19,709)	(139,194)
Net Impairment Losses of Financial Investments		61,957	66,449
Other Provisions		3,954	794
Release of Staff Indemnity Provision	15	(4,478)	(39,915)
Profit on Sale of Property and Equipment		(170)	(12,812)
Profit on Sale of Financial Investments		(374,470)	(334,503)
Goodwill Impairment		1,860	-
Tax Paid		(10,585)	(13,929)
Amortisation of Premium or Discount on Financial Investments		4,242	3,389
Gain from Investment in Associates	8	(122,895)	-
Recovery of Provision for Property Acquired Against Settlement of Debts	10	-	(5,271)
		2,122,457	**1,584,463**
Net (Increase) / Decrease in Assets			
Due from Banks		(1,053,061)	(1,595,417)
Loans and Advances and Financing Activities		(19,817,818)	(14,609,916)
Other Assets		(719,368)	(117,480)
Net Increase / (Decrease) in Liabilities			
Due to Banks		3,673,510	3,656,134
Repurchase Agreements		2,495,142	-
Customer Deposits and Unrestricted Investment Accounts		23,596,890	19,083,898
Other Borrowings		6,714,819	-
Other Liabilities		800,774	(903,100)
Net Cash Inflow from Operating Activities		**17,813,345**	**7,098,582**
Cash Flow from Investing Activities			
Purchase of Financial Investments		(6,583,801)	(5,573,810)
Sale / Redemption of Financial Investments		5,745,028	3,243,860
Purchase of Associates		(2,554,797)	-
Purchase of Property and Equipment	9	(114,190)	(123,643)
Sale of Property and Equipment		1,149	32,689
Net Cash Outflow from Investing Activities		**(3,506,611)**	**(2,420,904)**
Cash Flow from Financing Activities			
Dividend Paid		(779,888)	(771,976)
Proceeds from Rights Issue		2,433,298	-
Net Cash Inflow / (Outflow) from Financing Activities		**1,653,410**	**(771,976)**
Net Cash Inflow during the Year		**15,960,144**	**3,905,702**
Changes in Foreign Exchange Rates		(23,957)	(144,719)
Balance at 1 January		12,360,577	8,599,594
Balance at 31 December	32	**28,296,764**	**12,360,577**

The attached notes 1 to 34 form an integral part of these financial statements.

(All amounts are shown in thousands of Qatari Riyals)

1. Corporate Information

Qatar National Bank S.A.Q. (the Bank) was incorporated in the State of Qatar on 6 June 1964 as a Joint Stock Company under Emiri Decree No. 7 issued in 1964. The registered office of the Bank is at Doha, State of Qatar.

The Bank together with its subsidiaries (the Group) is engaged in commercial and Islamic banking activities and operates through its head office in Doha and a total of 51 branches and offices in Qatar, branches in the United Kingdom, France, Yemen, Kuwait and Sultanate of Oman, and Representative Offices in Iran, Libya and Singapore. In addition, QNB owns 100% of the issued share capital of Ansbacher Group Holdings Limited, a wealth management financial institution with operations in the UK, Switzerland, Bahamas, Channel Islands, United Arab Emirates and Qatar Financial Center. It owns Ansbacher Group Holdings Limited through a Luxembourg based holding company, QNB International Holdings Limited.

The consolidated financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 14 January 2008.

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

a) Change in Accounting Policies

The following accounting policies have been changed and becoming mandatory for financial year beginning on or after 1 January 2007:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity can not identify specifically some or all of the services received, in particular where equity instruments are issued for consideration which appears to be less than fair value. The interpretation had no impact on the financial position or performance of the Group.

2. Significant Accounting Policies (Continued)

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

b) IASB Standards and Interpretations Issued but not Adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:
IFRS 8 Operating Segments
IAS 23 - Borrowing Costs - Revised
IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions
IFRIC 13 - Customer Loyalty Programmes
The application of the above standards and interpretations is not expected to have a material impact on the financial statements of the Group.

c) Basis of Presentation and Consolidation

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of derivatives and available for sale financial investments. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Qatar Central Bank regulations.

The consolidated financial statements are presented in Qatari Riyals (QR), and all values are rounded to the nearest QR thousand except when otherwise indicated.

The consolidated financial statements comprise the financial statements of Qatar National Bank S.A.Q. and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as Qatar National Bank S.A.Q, using consistent accounting policies.

All intergroup balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The details of the subsidiaries are as follows:

2. Significant Accounting Policies (Continued)

Name of Subsidiary	Country of Incorporation	Share Capital	Ownership
QNB International Holdings Limited	Luxembourg	511,141	100%
Qatar Capital Partners	Qatar	4,736	60%

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired is recognised as goodwill.

d) Islamic Banking

Islamic branches carry out Islamic banking services through various Islamic modes of financing. The activities of the Islamic branches are conducted in accordance with the Islamic Sharia, as determined by the Sharia Control Board. Islamic branches accounts are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and Qatar Central Bank regulations.

e) Foreign Currencies

The consolidated financial statements are denominated in Qatari Riyals (functional currency). Transactions in foreign currencies are translated into Qatari Riyals at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling at the balance sheet date. Exchange gains and losses resulting therefrom appear in the statement of income under net gains from dealing in foreign currencies. Assets and liabilities of subsidiaries and overseas branches are translated into Qatari Riyals (presentation currency) at the rates ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year.

Exchange differences arising on translation are taken directly to other reserves within shareholders' equity.

f) Derivatives

Derivatives are measured at fair value. Fair value represent quoted market prices or internal pricing models as appropriate. Derivatives with positive fair value are included in other assets and derivatives with negative fair value are included in other liabilities. The resultant gains and losses from derivatives held for trading purposes are included in the 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 the fair value of a recognised asset or liability. Cash flow hedges hedge exposure to the variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction.

2. Significant Accounting Policies (Continued)

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, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in shareholders' equity. Gains or losses on cash flow hedges initially recognised in 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, is terminated or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity is held therein until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' equity is transferred to the statement of income.

g) Revenue Recognition

Revenues are recognised on an accrual basis. Interest income and expense are recognised using the effective yield method. Interest income on non-performing loans is suspended if doubt exists with regard to the collectability of the interest or the original loan.

Revenues on Islamic financing transactions are recognised on accrual basis using the reducing installment method.

Income on non-performing financing accounts is suspended when it is not certain the Group will receive it.

Loan management fees and commission income are amortised over the period of the transaction using the effective interest 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 recognised when declared.

h) Financial Investments

Available for Sale Financial Investments

After initial measurement, available for sale investments are subsequently measured at fair value. Unrealised gains or losses arising from a change in the fair value are recognised directly in the fair value reserve under equity until the investment is sold, at which time the cumulative gain or loss previously recognised in equity is included in the statement of income.

2. Significant Accounting Policies (Continued)

In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognised in the statement of income as a provision for impairment of investments. Reversals in respect of equity investments classified as available for sale are treated as increase in fair value through statement of changes in equity. Reversal of impairment losses on debt instruments are reversed through the statement of income.

Held to Maturity Financial Investments

After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate method, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognised in the statement of income as a provision for impairment of investments.

Investment in Associates

The Group's investments in associates are accounted for using the equity method of accounting.

i) Fair Value

The fair value of financial assets traded in organised financial markets is determined by reference to quoted market bid prices on a regulated exchange at the close of business on the balance sheet date. For financial assets where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same.

j) Date of Recognition of Financial Instruments

All financial assets are recognised using the settlement date.

Financial assets are derecognised when the right to receive cash flows from the assets have expired, or when the Group has transferred the contractual right to receive cash flows of the financial assets. Financial liabilities are derecognised when they are extingiushed, that is when the obligation is discharged, cancelled or expired.

k) Due from Banks, Loans and Advances and Financing Activities

After initial measurement, due from banks and loans and advances are stated at amortised cost less any provisions for their credit losses and interest in suspense.

Islamic financing activities such as Murabaha and Musawama which is a sale of goods with an agreed upon profit mark up, Musharaka which is a form of partnership between the Bank and its clients, Mudaraba which is a partnership in profit between capital and work and Ijara which is the transfer of ownership of services or leased assets for an agreed upon consideration, are stated at their gross principal amounts less any amount received, provision for credit loss, profit in suspense and deferred profit. Financing activities are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, and recoveries from previously written off financing activities are written back to the specific provision.

2. Significant Accounting Policies (Continued)

l) Properties Acquired against Settlement of Debts

Properties acquired against settlement of debts appear under other assets at their net acquired values.

Unrealised losses due to the diminution in the fair value of these assets appear in the statement of income. Future unrealised gains on these properties are recognised in the statement of income to the extent of unrealised losses previously recognised.

In accordance with Qatar Central Bank regulations, all properties acquired against settlement of debts must be sold within three years. Any extension or transfer to property and equipment must be with Qatar Central Bank approval.

m) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

	Years
Buildings	20
Equipment and Furniture	3 to 7
Motor Vehicles	5
Leasehold improvements	4

Freehold land is stated at cost.

n) 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.

Specific provisions for the credit losses are calculated based on the difference between the book value of the loans and advances and their recoverable amount, being the net present value of the expected future cash flows, discounted at the original interest rates. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

The Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.This takes into consideration factors such as any deterioration in country risk, industry as well as identified structural weaknesses or deterioration in cash flows.

2. Significant Accounting Policies (Continued)

o) Employees' Termination Benefits and Pension Fund

The Group makes a provision for all termination indemnity payable to employees in accordance with its regulations, calculated on the basis of the individual's final salary and period of service at the balance sheet date.

The expected costs of these benefits are accrued over the period of employment.

The provision for employees' termination benefits is included in other provisions within other liabilities.
With respect to Qatari employees, the Group makes contribution to the Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of general and administrative expenses and is disclosed in note 24.

p) Other Provisions

The Group takes provisions for any expected legal or financial liabilities as a charge to the statement of income based on the likelihood and expected amount of such liabilities at the balance sheet date. Other provisions are disclosed in note 15.

q) Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date (repos) are not derecognised from the balance sheet. The corresponding cash received, including accrued interest, is recognised on balance sheet as 'repurchase agreements', reflecting economic substance as a loan to the Group. The difference between sale and repurchase price is treated as interest expense and is accrued over the tenor of the agreement using effective interest method.

r) Contingent Liabilities and Other Commitments

At the balance sheet date, contingent liabilities and other commitments do not represent actual assets or liabilities.

s) Other Borrowings

Other borrowings represent loan secured by the Group through a syndicated loan facility which is subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

t) Unrestricted Investment Accounts' Share of Profit

Islamic branches profit for the year is distributed among unrestricted account holders and shareholders in accordance with Qatar Central Bank regulations.

The share of profit of the unrestricted account holders is calculated on the basis of their daily deposit balances over the year, after reducing the agreed and declared Mudaraba fee.

In case of any expense or loss, which arise out of misconduct on the part of the Group due to non-compliance with Qatar Central Bank regulations, then such expenses or losses are not to be borne by the unrestricted investment account holders. Such matter is subject to Qatar Central Bank decision.

2. Significant Accounting Policies (Continued)

Where the Islamic branches result at the end of a financial year is a net loss, the unrestricted investment account holders are not charged with any share of such loss, except as approved by Qatar Central Bank in its capacity as the regulator having responsibility of assessing the Bank's management of such losses and compliance with Islamic Sharia rules and principles.

The unrestricted investment accounts carry preferential rights over others in respect of utilisation of funds towards financing and investment activities.

u) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash, balances with central banks and balances with banks and other financial institutions with an original maturity of three months or less as disclosed in note 32.

v) Taxes

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. Tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are not subject to income tax.

w) Financial Guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in provision for credit losses. The premium received is recognised in the statement of income in fees and commission income on a straight line basis over the life of the guarantee.

x) Fiduciary Assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the balance sheet.

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments

I. Financial Instruments

a) Definition and Classification

Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks and other financial institutions, financial investments and loans and advances to customers and banks. Financial liabilities include customer deposits and due to banks. Financial instruments also include contingent liabilities and commitments included in off-balance sheet items.

Note 2 explains the accounting policies used to recognise and measure the major financial instruments and their related income and expense.

b) Fair Value of Financial Instruments

The following table provides a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Financial Assets				
Cash and Balances with Central Banks	10,948,569	10,948,569	2,481,218	2,481,218
Due from Banks and Other Financial Institutions	21,302,608	21,302,608	12,780,711	12,780,711
Loans and Advances and Financing Activities	66,064,137	66,064,137	46,226,610	46,226,610
Available for Sale Financial Investments	7,013,960	7,013,960	4,630,140	4,630,140
Held to Maturity Financial Investments	4,294,965	4,536,644	4,247,562	4,452,783
Derivatives Held for Trading	73,106	73,106	35,016	35,016
Derivatives Held as Cash Flow Hedges	4,055	4,055	16,925	16,925
Financial Liabilities				
Due to Banks and Other Financial Institutions	9,928,352	9,928,352	6,254,842	6,254,842
Repurchase Agreements	2,495,142	2,497,506	-	-
Customer Deposits	79,363,881	79,363,881	55,766,991	55,766,991
Other Borrowings	6,714,819	6,714,819	-	-
Derivatives Held for Trading	44,961	44,961	47,734	47,734
Derivatives Held as Cash Flow Hedges	52,335	52,335	33,075	33,075

3. Risk Management of Financial Instruments (Continued)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Financial Instruments for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that are liquid or having a term maturity less than three months, the carrying amounts approximate their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

II. Risk Management

a) Risk Management Framework

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, operating risk and market risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk Management Structure

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

Risk Committee

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

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

Information compiled from all businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division.

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

Internal Audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy and compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk Mitigation

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

b) Credit Risk

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

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

Note 6 discloses the distribution of loans and advances and financing activities by industrial sector. Note 28 discloses the geographical distribution of the Group’s assets and liabilities.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross Maximum Exposure	
	2007	**2006**
Cash and Balances with Central Banks (Excluding Cash on Hand)	10,648,130	2,195,826
Due from Banks and Other Financial Institutions	21,302,608	12,780,711
Loans and Advances and Financing Activities	66,064,137	46,226,610
Financial Investments	11,308,925	8,877,702
Other Assets	1,381,387	674,889
	110,705,187	**70,755,738**
Contingent Liabilities	39,330,050	21,471,364
Total	**150,035,237**	**92,227,102**

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

c) Risk Concentration for Maximum Exposure to Credit Risk by Industry Sector

An industry sector analysis of the Group's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross Maximum Exposure 2007	Net Maximum Exposure 2007	Gross Maximum Exposure 2006	Net Maximum Exposure 2006
Government	8,621,441	-	10,428,134	-
Government Agencies	20,023,896	5,716,527	7,161,553	5,194,833
Industry	4,027,159	3,624,137	2,909,591	2,657,871
General Trade	2,664,587	1,190,435	1,542,830	1,360,257
Services	45,804,079	44,140,234	27,788,251	23,218,622
Contractors	667,203	471,647	574,409	432,137
Real Estate	10,905,013	646,099	7,969,054	1,175,121
Consumption	16,211,784	9,742,049	11,162,252	10,013,597
Others	1,780,025	1,780,025	1,219,664	1,219,664
Contingent Liabilities	39,330,050	38,920,920	21,471,364	20,455,846
Total	**150,035,237**	**106,232,073**	**92,227,102**	**65,727,948**

d) Credit Risk Exposure for each Internal Risk Rating

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

	2007	2006
Equivalent Grades		
AAA to AA-	25,767,764	13,074,507
A+ to A-	53,631,668	22,923,447
BBB+ to BBB-	9,545,595	4,484,048
BB+ to B-	1,516,038	863,936
Below B-	5,601	566,118
Unrated	59,568,571	50,315,046
Total	**150,035,237**	**92,227,102**

Unrated exposures represent credit facilities granted to corporations and individuals which do not have external credit rating. Also, the ratings used by the Group are in line with the ratings and definitions published by international rating agencies. The above exposures include loans and advances which are neither past due nor impaired amounting to QR65,807 million (2006: QR46,045 million).

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

e) Aging Analysis of Past Dues not Impaired per Class of Financial Assets

	Less than 30 Days	31 - 60 Days	61 - 90 Days	Total
As at 31 December 2007:				
Corporate Lending	149,369	5,986	6,043	161,398
Small Business Lending	601	-	-	601
Consumer Lending	31,530	6,800	11,154	49,484
Residential Mortgages	1,975	115	58	2,148
Total	**183,475**	**12,901**	**17,255**	**213,631**
As at 31 December 2006:				
Corporate Lending	33,356	-	16,661	50,017
Consumer Lending	23,417	739	28,889	53,045
Residential Mortgages	757	-	-	757
Total	**57,530**	**739**	**45,550**	**103,819**

f) Renegotiated Loans and Advances and Financing Activities

	2007	2006
Corporate Lending	14,814	-
Consumer Lending	867,175	1,020,622
Residential Mortgages	92,358	-
Total	**974,347**	**1,020,622**

g) Market Risk

The Group takes on exposure to market risks from interest rates, foreign exchange rates and equity prices due to general and specific market movements. The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits on the value of risk that may be accepted, which is monitored on a daily basis.

3. Risk Management of Financial Instruments (Continued)

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The effect on equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Indices %	Effect on Equity 2007	Change in Equity Indices %	Effect on Equity 2006
Market Indices				
Doha Securities Market	±10%	±631,096	±10%	±416,202

h) Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

i) Other Risks

Other risks to which the Group is exposed are regulatory risk, legal risk, and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the Group, with guidelines and policies being issued as appropriate.

j) Risk of Managing Customer Investments

The Group provides custody and corporate administration to third parties in relation to mutual funds marketed or managed by the Group. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 30 lists mutual funds marketed by the Group.

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

k) Interest Rate Risk

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

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
At 31 December 2007:							
Cash and Balances with Central Banks	1,532,518	-	-	-	9,416,051	10,948,569	
Due from Banks	20,009,400	480,127	156,542	-	656,539	21,302,608	4.87%
Loans and Advances	55,786,463	5,674,346	65,256	-	4,538,072	66,064,137	7.16%
Financial Investments	1,689,107	462,174	1,609,650	1,716,626	8,534,914	14,012,471	6.05%
Other Assets	-	-	-	-	2,032,883	2,032,883	
Total Assets	**79,017,488**	**6,616,647**	**1,831,448**	**1,716,626**	**25,178,459**	**114,360,668**	
Due to Banks	8,853,291	660,558	-	-	414,503	9,928,352	5.05%
Repurchase Agreements	2,495,142	-	-	-	-	2,495,142	
Customer Deposits	63,653,844	2,586,077	185,759	-	7,755,009	74,180,689	4.36%
Other Borrowings	6,714,819	-	-	-	-	6,714,819	
Unrestricted Investment Accounts	-	-	-	-	5,183,192	5,183,192	
Other Liabilities	-	-	-	-	2,000,110	2,000,110	
Shareholders' Equity	-	-	-	-	13,858,364	13,858,364	
Total Liabilities and Equity	**81,717,096**	**3,246,635**	**185,759**	**-**	**29,211,178**	**114,360,668**	
Balance Sheet Items	(2,699,608)	3,370,012	1,645,689	1,716,626	(4,032,719)	-	
Off-Balance Sheet Items	1,060,620	1,136,545	(1,869,222)	(327,943)	-	-	
Interest Rate Sensitivity Gap	**(1,638,988)**	**4,506,557**	**(223,533)**	**1,388,683**	**(4,032,719)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(1,638,988)**	**2,867,569**	**2,644,036**	**4,032,719**	**-**	**-**	
At 31 December 2006:							
Cash and Balances with Central Banks	800,207	-	-	-	1,681,011	2,481,218	
Due from Banks	11,274,986	157,465	-	-	1,348,260	12,780,711	4.64%
Loans and Advances	38,347,662	5,655,474	91,809	-	2,131,665	46,226,610	7.04%
Financial Investments	1,167,384	497,385	2,062,860	1,630,022	3,552,861	8,910,512	5.99%
Other Assets	-	-	-	-	1,263,982	1,263,982	
Total Assets	**51,590,239**	**6,310,324**	**2,154,669**	**1,630,022**	**9,977,779**	**71,663,033**	
Due to Banks	5,978,319	54,608	-	-	221,915	6,254,842	4.54%
Customer Deposits	42,634,738	1,892,573	220,335	-	7,182,948	51,930,594	3.92%
Unrestricted Investment Accounts	-	-	-	-	3,836,397	3,836,397	
Other Liabilities	427,817	54,606	-	-	701,443	1,183,866	
Shareholders' Equity	-	-	-	-	8,457,334	8,457,334	
Total Liabilities and Equity	**49,040,874**	**2,001,787**	**220,335**	**-**	**20,400,037**	**71,663,033**	
Balance Sheet Items	2,549,365	4,308,537	1,934,334	1,630,022	(10,422,258	-	
Off-Balance Sheet Items	1,182,364	1,665,627	(1,130,360)	(1,717,631)	-	-	
Interest Rate Sensitivity Gap	**3,731,729**	**5,974,164**	**803,974**	**(87,609)**	**(10,422,258)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**3,731,729**	**9,705,893**	**10,509,867**	**10,422,258**	**-**	**-**	

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

l) Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Groups statement of income.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available for sale financial assets, including the effect of any associated hedges and swaps designated as cash flow hedges.

The sensitivity of equity is analysed by maturity of the asset or swap. Total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

			Sensitivity of Equity				
	Increase in Basis Points	Sensitivity of Net Interest Income 2007	Within 3 Months 2007	3 - 12 Months 2007	1 - 5 Years 2007	More than 5 Years 2007	Total 2007
Currency							
Qatari Riyal	10	2,780	5,198	(509)	348	-	5,037
US$	10	(2,509)	(900)	3,641	1,863	558	5,162
Euro	10	1,070	1,172	192	-	-	1,364
Pounds Sterling	10	2,055	2,554	19	2	-	2,575
Other Currencies	10	(44)	(34)	81	37	-	84

			Sensitivity of Equity				
	Decrease in Basis Points	Sensitivity of Net Interest Income 2007	Within 3 Months 2007	3 - 12 Months 2007	1 - 5 Years 2007	More than 5 Years 2007	Total 2007
Currency							
Qatari Riyal	10	(3,649)	(5,523)	453	1,205	-	(3,865)
US$	10	501	425	(3,995)	1,641	(611)	(2,540)
Euro	10	(1,358)	(1,256)	(210)	407	-	(1,059)
Pounds Sterling	10	(2,633)	(2,749)	(22)	788	-	(1,983)
Other Currencies	10	(3)	24	(88)	31	-	(33)

			Sensitivity of Equity				
	Increase in Basis Points	Sensitivity of Net Interest Income 2006	Within 3 Months 2006	3 - 12 Months 2006	1 - 5 Years 2006	More than 5 Years 2006	Total 2006
Currency							
Qatari Riyal	10	1,154	1,414	1,098	334	-	2,846
US$	10	3,730	4,031	2,236	657	670	7,594
Euro	10	2,788	2,974	(38)	22	-	2,958
Pounds Sterling	10	(80)	147	(30)	11	-	128
Other Currencies	10	2,256	2,232	53	-	-	2,285

			Sensitivity of Equity				
	Decrease in Basis Points	Sensitivity of Net Interest Income 2006	Within 3 Months 2006	3 - 12 Months 2006	1 - 5 Years 2006	More than 5 Years 2006	Total 2006
Currency							
Qatari Riyal	10	(1,112)	(1,430)	(1,220)	311	-	(2,339)
US$	10	(5,453)	(4,235)	(2,454)	1,364	(737)	(6,062)
Euro	10	(3,892)	(3,254)	20	1,130	-	(2,104)
Pounds Sterling	10	151	(155)	27	(63)	-	(191)
Other Currencies	10	(3,012)	(2,452)	(58)	900	-	(1,610)

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

m) Liquidity Risk

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable and diverse assets readily liquefiable in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with Qatar Central Bank and other Central Banks. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

	One Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 2007:						
Due to Banks	7,822,892	1,121,013	1,241,448	20,668	-	10,206,021
Repurchase Agreements	-	2,502,625	-	-	-	2,502,625
Derivative Financial Instruments						
Contractual Amounts Payable	4,286,085	1,276,581	173,039	7,053	-	5,742,758
Contractual Amounts Receivable	(4,285,097)	(1,297,316)	(172,984)	(6,797)	-	(5,762,194)
Customer Deposits	65,605,501	11,187,086	2,648,747	186,377	-	79,627,711
Other Borrowings	-	-	-	6,809,681	-	6,809,681
Total Liabilities	**73,429,381**	**14,789,989**	**3,890,250**	**7,016,982**	**-**	**99,126,602**
At 31 December 2006:						
Due to Banks	4,747,331	1,571,653	55,653	-	-	6,374,637
Derivative Financial Instruments						
Contractual Amounts Payable	2,945,173	946,011	311,765	2,473,437	90,099	6,766,485
Contractual Amounts Receivable	(2,945,210)	(946,023)	(311,769)	(2,473,468)	(90,100)	(6,766,570)
Customer Deposits	47,592,981	6,242,851	1,907,618	221,116	-	55,964,566
Total Liabilities	**52,340,275**	**7,814,492**	**1,963,267**	**221,085**	**(1)**	**62,339,118**

n) Liquidity Risk And Funding Management

The table below summarises the contracted expiry dates by maturity:

	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 2007:						
Contingent Liabilities	253,577	10,818,077	14,895,610	12,555,863	806,923	39,330,050
At 31 December 2006:						
Contingent Liabilities	1,455,208	7,767,446	5,082,394	5,843,463	1,322,853	21,471,364

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

o) Currency Risk

The Group takes on exposure to the effect of fluctuations in prevailing foreign currency exchange rates on its financial position. The Group has a set of limits on the level of currency exposure, which are monitored daily. The Group has the following significant net exposures denominated in foreign currencies:

	QR	US$	Euro	Pounds Sterling	Other Currencies	Total
At 31 December 2007:						
Assets	44,088,343	51,948,141	4,222,169	10,601,168	3,500,847	114,360,668
Liabilities and Equity	50,315,823	48,639,327	3,776,999	10,954,954	673,565	114,360,668
Net Balance Sheet Position	**(6,227,480)**	**3,308,814**	**445,170**	**(353,786)**	**2,827,282**	**-**
At 31 December 2006:						
Assets	26,594,766	36,828,035	4,194,640	3,546,327	499,265	71,663,033
Liabilities and Equity	37,178,876	26,667,934	3,318,201	4,015,709	482,313	71,663,033
Net Balance Sheet Position	**(10,584,110)**	**10,160,101**	**876,439**	**(469,382)**	**16,952**	**-**

p) Currency Risk - Effect of Change In Fair Value of Currency

The table below indicates the effect of a reasonably possible movement of the currency rate against the Qatari Riyal on the income statement, with all other variables held constant:

	Change in Currency Rate %	Effect on Statement of Income	
		2007	2006
Currency			
US$	+2	66,176	203,202
Euro	+3	13,355	26,293
Pounds Sterling	+2	(7,076)	(9,388)
Other Currencies	+3	84,818	509
US$	-2	(66,176)	(203,202)
Euro	-3	(13,355)	(26,293)
Pounds Sterling	-2	7,076	9,388
Other Currencies	-3	(84,818)	(509)

(All amounts are shown in thousands of Qatari Riyals)

3. Risk Management of Financial Instruments (Continued)

q) Capital

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank in supervising the Group.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

r) Capital Adequacy

	2007	2006
Tier 1 Capital	9,834,060	6,134,711
Tier 2 Capital	1,820,650	939,025
Total Capital	**11,654,710**	**7,073,736**
Risk Weighted Assets	**71,742,177**	**42,188,075**
Tier 1 Capital ratio	13.7%	14.5%
Total Capital ratio	16.2%	16.8%

Tier 1 capital includes issued capital, statutory reserve, other reserves and retained earnings including current year profit and excluding proposed dividend.

Tier 2 capital includes risk reserve (up to 1.25% of risk weighted assets) and 45% of the fair value reserve and currency translation adjustment.

The minimum accepted capital adequacy ratio is 10% under Qatar Central Bank requirements and 8% under Basel Committee on Banking Supervision requirements.

4. Cash and Balances with Central Banks

	2007	2006
Cash	300,439	285,392
Cash Reserve with Qatar Central Bank	1,841,319	1,274,165
Other Balances with Qatar Central Bank	8,806,093	921,507
Balances with Other Central Banks	718	154
Total	**10,948,569**	**2,481,218**

The cash reserve with Qatar Central Bank is a mandatory reserve and cannot be used to fund the Group’s day-to-day operations.

(All amounts are shown in thousands of Qatari Riyals)

5. Due from Banks and other Financial Institutions

	2007	2006
Current Accounts	400,710	722,261
Placements	18,604,005	10,054,261
Loans	2,297,893	2,004,189
Total	**21,302,608**	**12,780,711**

6. Loans and Advances and Financing Activities to Customers

a) By Type

	2007	2006
(i) Conventional Banking Loans and Advances		
Loans	59,073,990	40,588,275
Overdrafts	2,810,190	3,769,643
Bills Discounted	65,015	343,724
	61,949,195	**44,701,642**
Specific Provision for Credit Losses of Loans and Advances	(248,582)	(298,991)
Interest In Suspense	(156,601)	(176,045)
Net Conventional Banking Loans and Advances	**61,544,012**	**44,226,606**
(ii) Financing Activities		
Murabaha and Musawama	3,391,001	1,189,444
Musharaka	650,000	427,374
Mudaraba	61,611	94,815
Istisna	16,678	2,874
Ijara	1,030,341	549,467
Others	69,834	52,517
	5,219,465	**2,316,491**
Specific Provision for Credit Losses of Financing Activities	(3,112)	-
Profit In Suspense	(23)	-
Financing Activities Deferred Profit	(696,205)	(316,487)
Net Financing Activities	**4,520,125**	**2,000,004**
Net Loans and Advances and Financing Activities	**66,064,137**	**46,226,610**

The aggregate amount of non-performing loans and advances and financing activities amounted to QR451.1 million, 0.7% of total loans and advances and financing activities (2006: QR553.0 million, 1.2% of total loans and advances and financing activities).

(All amounts are shown in thousands of Qatari Riyals)

6. Loans and Advances and Financing Activities to Customers (Continued)

b) By Industry

	Loans & Advances	Overdrafts	Bills Discounted	Financing Activities	Total
At 31 December 2007:					
Government	5,585,551	1,474,761	-	-	7,060,312
Government Agencies	19,636,510	118,923	-	176,953	19,932,386
Industry	3,666,112	38,623	-	184,789	3,889,524
Commercial	1,989,595	177,804	64,799	65,343	2,297,541
Services	8,110,672	14,890	-	84,121	8,209,683
Contracting	396,875	96,381	-	175,875	669,131
Real Estate	5,950,176	-	-	2,420,853	8,371,029
Personal	13,531,042	832,457	216	1,763,998	16,127,713
Others	207,375	56,433	-	347,533	611,341
Total	**59,073,908**	**2,810,272**	**65,015**	**5,219,465**	**67,168,660**
At 31 December 2006:					
Government	6,717,187	2,401,805	-	-	9,118,992
Government Agencies	5,866,619	25,529	-	106,506	5,998,654
Industry	2,441,878	6,227	340,147	91,586	2,879,838
Commercial	856,208	109,005	3,361	35,133	1,003,707
Services	8,074,226	21,504	-	107,338	8,203,068
Contracting	276,630	155,230	-	150,709	582,569
Real Estate	7,321,953	24,337	-	500,737	7,847,027
Personal	8,459,181	920,857	216	1,184,471	10,564,725
Others	574,280	105,262	-	140,011	819,553
Total	**40,588,162**	**3,769,756**	**343,724**	**2,316,491**	**47,018,133**

The amounts above includes both conventional banking and Islamic banking gross figures before subtracting specific provision for credit losses, interest in suspense accounts and deferred profits.

(All amounts are shown in thousands of Qatari Riyals)

6. Loans and Advances and Financing Activities to Customers (Continued)

c) Movement in Provisions for Credit Losses of Loans and Advances and Financing Activities

	Specific Provision	Interest in Suspense	Total
Balance at 1 January 2007	298,991	176,045	475,036
Foreign Currency Translation	2,033	191	2,224
Net Recoveries during the Year	(19,709)	(7,684)	(27,393)
Provisions Made during the Year	86,859	41,338	128,197
Recoveries during the Year	(106,568)	(49,022)	(155,590)
Written off during the Year	(29,621)	(11,928)	(41,549)
Balance at 31 December 2007	**251,694**	**156,624**	**408,318**
Balance at 1 January 2006	465,841	170,160	636,001
Foreign Currency Translation	5,036	820	5,856
Net (Recoveries) / Provisions during the Year	(136,375)	20,293	(116,082)
Provisions Made during the Year	65,229	59,815	125,044
Recoveries during the Year	(201,604)	(39,522)	(241,126)
Written off during the Year	(35,511)	(15,228)	(50,739)
Balance at 31 December 2006	**298,991**	**176,045**	**475,036**

The Group recovered in 2006 QR2.8 million directly to the statement of income related to loans previously written off.

d) Provisions for Credit Losses of Loans and Advances and Financing Activities

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance at 1 January 2007	141,229	259	134,781	22,722	298,991
Foreign Currency Translation	239	-	977	817	2,033
Provisions Made during the Year	4,136	651	82,072	-	86,859
Recoveries during the Year	(30,072)	(318)	(76,178)	-	(106,568)
Written off during the Year	(29,017)	-	(604)	-	(29,621)
Balance at 31 December 2007	**86,515**	**592**	**141,048**	**23,539**	**251,694**
Balance at 1 January 2006	215,165	99	228,057	22,520	465,841
Foreign Currency Translation	2,489	-	2,547	-	5,036
Provisions Made during the Year	10,558	230	54,239	202	65,229
Recoveries during the Year	(61,373)	(70)	(140,161)	-	(201,604)
Written off during the Year	(25,610)	-	(9,901)	-	(35,511)
Balance at 31 December 2006	**141,229**	**259**	**134,781**	**22,722**	**298,991**

(All amounts are shown in thousands of Qatari Riyals)

6. Loans and Advances and Financing Activities to Customers (Continued)

e) Net Recoveries of Credit Losses during the Year

	2007	2006
Corporate Lending	27,328	55,537
Small Business Lending	(333)	3,085
Consumer Lending	(7,286)	82,902
Residential Mortgages	-	(5,149)
Total	**19,709**	**136,375**

7. Financial Investments

Investments as at 31 December 2007 totaled QR11,308,925 thousand (2006: QR8,877,702 thousand). The analysis of financial investments is detailed below:

a) Available for Sale Financial Investments

	2007		2006	
	Quoted	Unquoted	Quoted	Unquoted
Equities	4,136,532	251,681	2,312,333	86,238
State of Qatar Debt Securities	213,288	-	217,752	-
Other Debt Securities	289,443	638,467	354,138	538,199
Mutual Funds	92,904	1,391,645	101,198	1,020,282
Total	**4,732,167**	**2,281,793**	**2,985,421**	**1,644,719**

Fixed rate securities and floating rate securities amounted to QR932.7 million and QR208.5 million respectively (2006: QR314.1 million and QR796.0 million).

b) Held to Maturity Financial Investments

	2007		2006	
	Quoted	Unquoted	Quoted	Unquoted
- By Issuer				
State of Qatar Debt Securities	928,237	419,604	907,045	419,604
Other Debt Securities	2,134,839	812,285	2,120,002	800,911
Total	**3,063,076**	**1,231,889**	**3,027,047**	**1,220,515**
- By Interest Rate				
Fixed Rate Securities	2,193,273	1,147,704	2,328,784	1,147,704
Floating Rate Securities	869,803	84,185	698,263	72,811
Total	**3,063,076**	**1,231,889**	**3,027,047**	**1,220,515**

The fair value of securities pledged under repurchase agreements amounted to QR2,465 million.

(All amounts are shown in thousands of Qatari Riyals)

8. Investment in Associates

	2007	2006
Balance at 1 January	32,810	52,460
Investments Acquired during the Year	2,554,797	-
Share in Profit	122,895	-
Associates Sold / Transferred	-	(19,650)
Other Movements	(6,956)	-
Balance at 31 December	**2,703,546**	**32,810**

Name of Associate	Nationality	Ownership % 2007	Ownership % 2006
Mansoor Bank	Iraqi	23.1	25.0
Housing Bank for Trade and Finance	Jordanian	30.5	-
Al Jazeera Islamic Company	Qatari	20.0	-

9. Property and Equipment

	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
At 31 December 2007:					
Cost:					
Balance at 1 January	578,300	76,913	386,769	840	1,042,822
Additions / Transfers	26,444	18,782	68,964	-	114,190
Disposals	(9)	-	(3,423)	-	(3,432)
Foreign Currency Translation	9,227	1,122	3,650	-	13,999
	613,962	**96,817**	**455,960**	**840**	**1,167,579**
Accumulated Depreciation:					
Balance at 1 January	88,392	54,114	310,557	666	453,729
Charged during the Year	12,078	8,645	36,519	51	57,293
Disposals	(450)	-	697	-	247
Foreign Currency Translation	1,021	627	3,166	-	4,814
	101,041	**63,386**	**350,939**	**717**	**516,083**
Net Carrying Amount	**512,921**	**33,431**	**105,021**	**123**	**651,496**
At 31 December 2006:					
Cost:					
Balance at 1 January	463,324	69,805	321,802	668	855,599
Additions / Transfers	63,660	5,262	54,549	172	123,643
Disposals	-	-	(4,357)	-	(4,357)
Foreign Currency Translation	51,316	1,846	14,775	-	67,937
	578,300	**76,913**	**386,769**	**840**	**1,042,822**
Accumulated Depreciation:					
Balance at 1 January	72,824	46,818	267,906	632	388,180
Charged during the Year	10,783	6,520	35,688	34	53,025
Disposals	-	-	(6,237)	-	(6,237)
Foreign Currency Translation	4,785	776	13,200	-	18,761
	88,392	**54,114**	**310,557**	**666**	**453,729**
Net Carrying Amount	**489,908**	**22,799**	**76,212**	**174**	**589,093**

(All amounts are shown in thousands of Qatari Riyals)

10. Other Assets

	2007	2006
Interest Receivable	750,954	434,046
Prepaid Expenses	27,644	20,886
Capital Expenditure in Progress	37,854	21,260
Properties Acquired Against Settlement of Debts	360	360
Positive Fair Value of Derivatives (Note 29)	77,161	51,941
Sundry Debtors	47,988	20,859
Others	439,426	125,537
Total	**1,381,387**	**674,889**

Properties acquired against settlement of debts are disclosed net of revaluation provision amounting to QR0.1 million (2006: QR0.1 million).

11. Due to Banks and Other Financial Institutions

	2007	2006
Balances to Central Banks	1,047,521	103,990
Current Accounts	837,424	1,403,492
Deposits	8,043,407	4,747,360
Total	**9,928,352**	**6,254,842**

12. Customer Deposits

a) By Type

	2007	2006
(i) Conventional Banking Customer Deposits		
Current and Call Accounts	23,859,604	22,588,299
Saving Accounts	809,598	670,311
Time Deposits	48,766,134	26,982,438
	73,435,336	**50,241,048**
(ii) Islamic Banking Current Accounts	**745,353**	**1,689,546**
Total	**74,180,689**	**51,930,594**

Customer deposits include QR51.3 million of margins held for direct and indirect facilities (2006: QR31.4 million).

(All amounts are shown in thousands of Qatari Riyals)

12. Customer Deposits (Continued)

b) By Sector

	2007	2006
Government	12,554,209	7,299,463
Government Agencies	30,184,861	18,027,081
Individuals	14,587,252	16,332,456
Corporate	16,854,367	10,271,594
Total	**74,180,689**	**51,930,594**

13. Other Borrowings

Other borrowings represent a syndicated term loan amounting to USD1.85 billion (QR6,715 million). This is an unsecured bullet repayment loan facility on 24 July 2012. Interest rate on the loan is 19.5 bp above LIBOR.

14. Other Liabilities

	2007	2006
Interest Payable	660,263	317,370
Expense Payable	193,052	82,911
Other Provisions (Note 15)	34,667	35,994
Staff Provident Fund	-	1,387
Tax Payable	12,920	2,485
Negative Fair Value of Derivatives (Note 29)	97,296	80,809
Others	1,001,912	662,910
Total	**2,000,110**	**1,183,866**

15. Other Provisions

	Staff Indemnity	Legal Provision	Total 2007	Total 2006
Balance at 1 January	32,323	3,671	35,994	80,112
Foreign Currency Translation	-	28	28	1,083
Provisions Made during the Year	3,861	749	4,610	9,461
	36,184	**4,448**	**40,632**	**90,656**
Provisions Recovered during the Year	-	(656)	(656)	(8,667)
Provisions Paid and Written off during the Year	(4,478)	(831)	(5,309)	(45,995)
Balance at 31 December	**31,706**	**2,961**	**34,667**	**35,994**

(All amounts are shown in thousands of Qatari Riyals)

16. Unrestricted Investment Accounts

a) By Type	2007	2006
Call Accounts	1,844,543	366,308
Saving Accounts	143,064	46,929
Time Deposits	3,195,585	3,423,160
Total	**5,183,192**	**3,836,397**

b) By Sector	2007	2006
Customers	4,964,654	1,373,725
Banks and Other Financial Institutions	218,538	2,462,672
Total	**5,183,192**	**3,836,397**

Following are the profit distribution rates for unrestricted investment accounts:

	2007	2006
	%	%
One Year Term	5.27	4.66
Nine Months Term	5.27	4.66
Six Months Term	4.96	4.39
Three Months Term	4.65	4.12
Saving Accounts	3.10	2.74
Call Accounts	3.10	2.74

17. Shareholders' Equity

a) Issued Capital

The authorised, issued and fully paid share capital of the Bank totaling QR1,825 million consists of 182,497,450 shares of QR10 each (2006: 129,775,965 shares of QR10 each). The Government of Qatar holds 50% of the ordinary shares of the Group with the remaining 50% held by members of the public.

b) Statutory Reserve

In accordance with Qatar Central Bank Law, 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. 5 of 2002 and after Qatar Central Bank approval.

The proceeds received from new rights issue, net of any directly attributable transaction costs, are directly credited to share capital (nominal value) and statutory reserve (share premium) when shares have been issued higher than their nominal value as per Qatar Commercial Companies Law No. 5 of 2002.

(All amounts are shown in thousands of Qatari Riyals)

17. Shareholders' Equity (Continued)

c) Proposed Rights Issue

The Bank's extraordinary general assembly has approved a rights issue, to be commenced on 6 April 2008, where the Bank will issue one share for every 10 shares held (10% of the share capital), at a price of QR120 per share, which includes a nominal share price of QR10 and a premium of QR110 per share, covering all the Bank's shares at the subscription date.

d) Other Reserves

Other reserves represent mainly a general reserve which, in accordance with the Bank's Articles of Association, shall be employed according to a resolution of the General Assembly upon the recommendation from the Board of Directors and after Qatar Central Bank approval. Details of other reserves are as follows:

	2007	2006
General Reserve	1,770,034	1,770,034
Currency Translation Adjustments	(13,468)	(10,030)
Share of Changes Recognised Directly in Associates' Equity	(4,950)	-
Total	**1,751,616**	**1,760,004**

e) Risk Reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on loans and advances and financing activities, with a minimum requirement of 1.5% of the total direct facilities after excluding provisions for credit losses, interest in suspense and deferred profits, after excluding exposure granted to or guaranteed by Government and exposure against cash collaterals.

f) Fair Value Reserve

	Cash Flow Hedges	Available for Sale Investments	Total 2007	Total 2006
Balance at 1 January	(16,149)	1,116,044	1,099,895	2,549,232
Net Changes in Fair Value	(32,130)	1,573,773	1,541,643	(1,085,958)
Transfer to Statement of Income	-	(294,880)	(294,880)	(363,379)
Net Movement during the Year	(32,130)	1,278,893	1,246,763	(1,449,337)
Balance at 31 December	**(48,279)**	**2,394,937**	**2,346,658**	**1,099,895**

Fair value reserve for available for sale financial investments as at 31 December 2007 includes a negative fair value amounting to QR0.8 million (2006: QR78.3 million).

(All amounts are shown in thousands of Qatari Riyals)

17. Shareholders' Equity (Continued)

g) Dividend Paid and Proposed

The Board of Directors has proposed a cash dividend of 50% of the nominal share value (QR5.0 per share) and a bonus share of 20% of the share capital for the year ended 31 December 2007 (2006: cash dividend of 60% of the nominal share value (QR6.0 per share) and a bonus share of 25% of the share capital). The amounts are subject to the approval of the general assembly. Dividends paid during the year for the year 2006 amounted to QR778.7 million (2006: QR778.7 million for the year 2005).

18. Interest Income

	2007	2006
Due from Central Banks	35,341	51,685
Due from Banks and Other Financial Institutions	591,785	488,618
Debt Securities	345,969	276,997
Loans and Advances	3,649,624	2,579,713
Total	**4,622,719**	**3,397,013**

19. Interest Expense

	2007	2006
Due to Banks and Other Financial Institutions	837,407	259,692
Customer Deposits	2,013,878	1,531,244
Others	3,883	3,688
Total	**2,855,168**	**1,794,624**

20. Fees and Commission Income

	2007	2006
Loans and Advances	403,130	222,439
Off Balance Sheet Items	70,187	55,979
Bank Services	159,520	74,372
Investment Activities to Customers	117,596	137,569
Others	27,808	27,544
Total	**778,241**	**517,903**

(All amounts are shown in thousands of Qatari Riyals)

21. Dividend Income

	2007	2006
Available for Sale Securities	120,684	85,317
Mutual Funds	1,364	1,400
Total	**122,048**	**86,717**

22. Net Gains from Dealing in Foreign Currencies

	2007	2006
Dealing in Foreign Currencies	98,240	80,119
Revaluation of Assets and Liabilities	76,518	31,474
Revaluation of Derivatives	415	6,320
Total	**175,173**	**117,913**

23. Net Gains from Financial Investments

	2007	2006
Net Gains from Sale of Available for Sale Financial Investments	374,470	334,503
Total	**374,470**	**334,503**

24. General and Administrative Expenses

	2007	2006
Staff Costs	519,885	434,950
Staff Pension Fund Costs	5,712	4,296
Staff Indemnity Costs	3,861	9,154
Training	11,286	8,998
Advertising	71,479	81,182
Professional Fees	42,394	28,120
Communication and Insurance	47,200	39,400
Occupancy and Maintenance	59,708	47,486
Computer and IT Costs	34,357	27,923
Directors' Fees	11,740	6,690
Others	34,673	40,142
Total	**842,295**	**728,341**

(All amounts are shown in thousands of Qatari Riyals)

25. Earnings Per Share

Earnings per share for the Group are calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the year.

During the year 2007, the Bank issued bonus shares for the year 2006. Also, the Bank made a rights issue during November 2007. Accordingly, the previously reported earnings per share as at 31 December 2006 have been restated for the effects of these transactions.

	2007	2006
Net Profit for the Year	2,507,508	1,997,863
Weighted Average Number of Shares	172,640,446	171,324,137
Earnings Per Share (QR)	**14.5**	**11.7**

The weighted average number of shares have been calculated as follows:

	2007	2006
Qualifying Shares at the Beginning of the Year	129,775,965	129,775,965
Effect of Bonus Share Issue	32,443,991	32,443,991
Effect of Rights Issue	10,420,490	9,104,181
Total	**172,640,446**	**171,324,137**

The 1st phase of the rights issue was exercised during November 2007.

There were no potentially dilutive shares outstanding at any time during the year, therefore, the diluted earnings per share are equal to the basic earnings per share.

26. Contingent Liabilities and other Commitments

	2007	2006
a) Contingent Liabilities		
Unused Facilities	16,568,154	8,023,870
Acceptances	977,189	398,145
Guarantees	11,354,019	7,025,947
Letters of Credit	6,851,002	3,656,562
Others	3,579,686	2,366,840
Total	**39,330,050**	**21,471,364**
b) Other Commitments		
Forward Foreign Exchange Contracts	5,762,194	4,981,544
Interest Rate Swaps	10,364,634	12,972,547
Options, Caps and Floors	1,850,346	1,784,941
Mutual Funds	7,306,333	5,514,234
Total	**25,283,507**	**25,253,266**

(All amounts are shown in thousands of Qatari Riyals)

26. Contingent Liabilities and other Commitments (Continued)

Unused Facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire in the next year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Acceptances, Guarantees and Letters of Credit

Acceptances, guarantees and letters of credit commits the Group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

27. Segment Information

The Group is organised into three main business segments which comprise conventional commercial banking, Islamic banking and wealth management activities. Details of each of the segments are stated below:

	Conventional Banking	Islamic Banking	Wealth Management (Subsidiary)	Intra-group Transactions	Total
As at 31 December 2007:					
Total Assets	105,958,414	7,167,949	4,801,313	(3,567,008)	114,360,668
Total Liabilities and Unrestricted Investment Accounts	90,543,015	6,019,605	4,402,922	(463,238)	100,502,304
Net Interest Income	1,669,330	-	98,221	-	1,767,551
Net Income from Financing and Investing Activities	-	164,577	-	-	164,577
Total Other Income	1,379,292	20,605	135,139	2,083	1,537,119
Net Operating Income	3,048,622	438,191	233,360	2,083	3,722,256
General and Administrative Expenses	(574,027)	(31,824)	(232,972)	(3,472)	(842,295)
Depreciation	(42,494)	(1,083)	(13,716)	-	(57,293)
(Provisions) / Recoveries and Others	(61,221)	(3,931)	1,612	-	(63,540)
Net Profit / (Loss)	2,370,880	148,344	(11,716)	-	2,507,508
As at 31 December 2006:					
Total Assets	64,385,801	5,893,331	4,993,769	(3,609,868)	71,663,033
Total Liabilities and Unrestricted Investment Accounts	53,432,393	5,717,763	4,591,946	(536,403)	63,205,699
Net Profit / (Loss)	1,930,456	75,116	(7,709)	-	1,997,863

Geographically, the Group operates in Qatar and through its branches and subsidiary in Europe. Qatar operations contribute 94% in terms of profit (2006: 99%) and hold 81% of the Group's assets (2006: 80%).

(All amounts are shown in thousands of Qatari Riyals)

28. Geographical Distribution

	Qatar	Other GCC Countries	Europe	North America	Others	Total
At 31 December 2007:						
Cash and Balances with Central Banks	10,938,202	20	9,557	-	790	10,948,569
Due from Banks	1,599,886	5,649,390	13,020,664	563,212	469,456	21,302,608
Loans and Advances	53,981,086	2,952,237	5,510,784	203,580	3,416,450	66,064,137
Financial Investments	8,854,524	969,165	771,015	146,338	3,271,429	14,012,471
	75,373,698	**9,570,812**	**19,312,020**	**913,130**	**7,158,125**	**112,327,785**
Other Assets						2,032,883
Total Assets						**114,360,668**
Due to Banks	1,373,046	1,147,889	9,697,726	1,081	6,918,571	19,138,313
Customer Deposits	65,650,322	1,147,442	4,162,353	484,761	2,735,811	74,180,689
Unrestricted Investment Accounts	5,182,921	38	62	-	171	5,183,192
	72,206,289	**2,295,369**	**13,860,141**	**485,842**	**9,654,553**	**98,502,194**
Other Liabilities						2,000,110
Shareholders' Equity						13,858,364
Total Liabilities and Equity						**114,360,668**
At 31 December 2006:						
Cash and Balances with Central Banks	2,472,222	10	8,787	41	158	2,481,218
Due from Banks	900,108	3,993,114	6,747,701	885,777	254,011	12,780,711
Loans and Advances	35,697,801	3,409,478	4,617,797	186,950	2,314,584	46,226,610
Financial Investments	6,318,385	813,684	645,149	37,165	1,096,129	8,910,512
	45,388,516	**8,216,286**	**12,019,434**	**1,109,933**	**3,664,882**	**70,399,051**
Other Assets						1,263,982
Total Assets						**71,663,033**
Due to Banks	1,473,201	1,022,200	322,476	814,990	2,621,975	6,254,842
Customer Deposits	46,268,278	618,845	2,756,366	396,120	1,890,985	51,930,594
Unrestricted Investment Accounts	3,830,579	5,818	-	-	-	3,836,397
	51,572,058	**1,646,863**	**3,078,842**	**1,211,110**	**4,512,960**	**62,021,833**
Other Liabilities						1,183,866
Shareholders' Equity						8,457,334
Total Liabilities and Equity						**71,663,033**

(All amounts are shown in thousands of Qatari Riyals)

29. Derivatives

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, or market risk.

				Notional amount by term to maturity			
	Positive Fair Value	Negative Fair Value	Notional Amount	Within 3 Months	3 - 12 Months	1-5 Years	More than 5 Years
At 31 December 2007:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	58,235	39,260	5,762,194	5,283,193	471,948	7,053	-
Options	3,324	3,324	346,363	346,363	-	-	-
Credit Default Swaps	1,245	1,245	145,600	-	-	145,600	-
Caps and Floors	1,132	1,132	1,358,383	145,304	435,937	777,142	-
Interest Rate Swaps	9,170	-	7,693,677	-	44,246	2,450,836	5,198,595
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	4,055	52,335	2,670,957	91,013	610,680	1,641,321	327,943
Total	**77,161**	**97,296**	**17,977,174**	**5,865,873**	**1,562,811**	**5,021,952**	**5,526,538**
At 31 December 2006:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	24,855	46,312	4,981,544	3,847,729	311,765	731,951	90,099
Options	7	7	43,455	43,455	-	-	-
Caps and Floors	1,415	1,415	1,741,486	-	-	1,741,486	-
Interest Rate Swaps	8,739	-	9,997,874	-	908,237	3,006,401	6,083,236
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	16,925	33,075	2,974,673	-	18,203	2,373,481	582,989
Total	**51,941**	**80,809**	**19,739,032**	**3,891,184**	**1,238,205**	**7,853,319**	**6,756,324**

Swaps

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

Forwards and futures

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

29. Derivatives (Continued)

Forward rate agreements

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

Options

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

Caps and floors

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

Derivatives Held for Hedging Purposes

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

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

The Group uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified fixed interest rate exposures. The Group also uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate liabilities. 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.

Derivatives Held for Trading Purposes

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

(All amounts are shown in thousands of Qatari Riyals)

30. Mutual Funds

As part of the Group's investment activities, the following mutual funds were marketed by the Group:

	2007	2006
Al Watani Amana - Notes 1	146	146
Al Watani Amana - Notes 2	16,976	32,921
Total	**17,122**	**33,067**

The Group's investment activities also include management of certain investment funds. As at 31 December 2007, third party funds under management amounted to QR7,289 million (2006: QR5,481 million). The financial statements of these funds are not consolidated with the financial statements of the Group. However, the Group's share of these funds is included in the financial investments of the Group.

31. Related Parties

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

	2007	2006
Balance Sheet Items		
Loans and Advances	1,876,031	920,933
Deposits	629,496	707,134
Contingent Liabilities and Other Commitments	247,405	279,772
Statement of Income Items		
Interest and Commission Income	95,824	41,249
Interest and Commission Expense	33,113	25,045

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 6 and 12. All the transactions with the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

Compensation of key management personnel is as follows:

	2007	2006
Salaries and Other Benefits	13,216	14,586
End of Service Indemnity Benefits	741	369

(All amounts are shown in thousands of Qatari Riyals)

32. Cash and Cash Equivalents

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

	2007	2006
Cash and Balances with Central Banks	9,107,250	1,207,053
Due from Banks Maturing in Three Months	19,189,514	11,153,524
Total	**28,296,764**	**12,360,577**

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

33. Significant Accounting Judgments and Key Sources of Estimating Uncertainty

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Group considers "significant" as 20% or more and "prolonged" as greater than 9 months in accordance with Qatar Central Bank regulations.

The Group reviews non performing loans and advances on a half yearly basis to assess whether a provision for credit losses should be recorded in the statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions of several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

34. Comparative Figures

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

(All amounts are shown in thousands of Qatari Riyals)

A) Parent Company

The balance sheet and statement of income of the parent company are presented below:

(i) Balance Sheet as at 31 December 2007:

	2007	2006
ASSETS		
Cash and Balances with Central Banks	10,948,048	2,481,011
Due from Banks and Other Financial Institutions	20,584,886	12,455,346
Loans and Advances and Financing Activities to Customers	63,523,049	43,072,761
Financial Investments	13,761,804	8,851,673
Property and Equipment	297,258	242,743
Other Assets	1,322,203	625,463
Total Assets	**110,437,248**	**67,728,997**
LIABILITIES and SHAREHOLDERS' EQUITY		
LIABILITIES		
Due to Banks and Other Financial Institutions	9,925,612	6,094,849
Repurchase Agreements	2,495,142	-
Customer Deposits	70,352,915	48,182,614
Other Borrowings	6,714,819	-
Other Liabilities	1,916,805	1,052,738
	91,405,293	**55,330,201**
Unrestricted Investment Accounts	5,183,192	3,836,397
Total Liabilities and Unrestricted Investment Accounts	**96,588,485**	**59,166,598**
SHAREHOLDERS' EQUITY		
Issued Capital	1,824,975	1,297,760
Statutory Reserve	3,852,723	1,297,760
Other Reserves	1,766,687	1,772,258
Risk Reserve	783,072	444,072
Fair Value Reserve	2,346,566	1,099,961
Proposed Dividend	912,487	778,656
Proposed Bonus Shares	364,995	324,440
Proposed Transfer to Statutory Reserve	567,770	324,440
Retained Earnings	1,429,488	1,223,052
Total Shareholders' Equity	**13,848,763**	**8,562,399**
Total Liabilities and Shareholders' Equity	**110,437,248**	**67,728,997**

(All amounts are shown in thousands of Qatari Riyals)

A) Parent Company (Continued)

(ii) Statement of Income for the Year Ended 31 December 2007:

	2007	2006
Interest Income	4,353,763	3,156,839
Interest Expense	(2,684,433)	(1,647,749)
Net Interest Income	**1,669,330**	**1,509,090**
Fees and Commission Income	664,986	393,908
Fees and Commission Expense	(49,952)	(61,646)
Net Fees and Commission Income	**615,034**	**332,262**
Dividend Income	122,048	86,717
Net Gains from Dealing in Foreign Currencies	166,126	109,441
Net Gains from Financial Investments	374,470	334,503
Income from Islamic Financing and Investing Activities	417,586	277,834
Other Operating Income	373	14,164
Net Operating Income	**3,364,967**	**2,664,011**
General and Administrative Expenses	(605,851)	(512,244)
Depreciation	(43,577)	(35,438)
Recoveries of Provision for Credit Losses of Loans and Advances	13,825	144,343
Net Impairment Losses of Financial Investments	(61,957)	(66,183)
Other Recoveries	-	8,667
Recovery of Provision for Properties Acquired against Settlement of Debts	-	5,271
Goodwill Impairment	(945)	-
Unrestricted Investment Account Holders' Share of Profit	(253,009)	(193,476)
Net Profit Before Taxes	**2,413,453**	**2,014,951**
Taxes	(16,075)	(9,379)
Net Profit for the Year	**2,397,378**	**2,005,572**

(All amounts are shown in thousands of Qatari Riyals)

B) Islamic Banking

The balance sheet and statement of income of Al Watani Al Islami are presented below:

(i) Balance Sheet as at 31 December 2007:

	2007	2006
ASSETS		
Cash and Balances with Central Banks	207,074	64,547
Due from and Investments with Banks and Financial Institutions	2,213,909	3,757,528
Due from Financing Activities	4,520,125	2,000,004
Financial Investments	32,365	32,473
Properties and Equipment	2,823	2,010
Other Assets	191,653	36,317
Total Assets	**7,167,949**	**5,892,879**
LIABILITIES and SHAREHOLDERS' EQUITY		
LIABILITIES		
Due to Banks and Other Financial Institutions	14,453	173,864
Customer Current Accounts	745,353	1,689,546
Other Liabilities	76,607	17,956
	836,413	**1,881,366**
Unrestricted Investment Accounts	5,183,192	3,836,397
Total Liabilities and Unrestricted Investment Accounts	**6,019,605**	**5,717,763**
SHAREHOLDERS' EQUITY		
Issued Capital	1,000,000	100,000
Retained Earnings	148,344	75,116
Total Shareholders' Equity	**1,148,344**	**175,116**
Total Liabilities and Shareholders' Equity	**7,167,949**	**5,892,879**

(All amounts are shown in thousands of Qatari Riyals)

B) Islamic Banking (Continued)

(ii) Statement of Income for the Year Ended 31 December 2007:

	2007	2006
Income from Financing and Investing Activities	417,586	277,834
Total Income from Financing and Investing Activities	**417,586**	**277,834**
Fees and Commission Income	17,618	6,245
Fees and Commission Expense	(737)	(115)
Net Fees and Commission Income	**16,881**	**6,130**
Net Gains from Dealing in Foreign Currencies	3,724	3,314
Other Operating Income	-	14
Net Operating Income	**438,191**	**287,292**
General and Administrative Expenses	(31,824)	(18,248)
Depreciation	(1,083)	(452)
Impairment Losses of Financing Activities	(3,112)	-
Net Impairment Losses of Financial Investments	(819)	-
Net Profit for the Year	**401,353**	**268,592**
Less:		
Unrestricted Investment Account Holders' Share of Profits	(253,009)	(193,476)
Net Profit for the Year Attributable to Shareholders	**148,344**	**75,116**

QNB Branches and Offices

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Branches

Main Branch
Al Khor
Al Sadd
Shahaniya
Al Gharrafa
Industrial Area
Al Wakra
Qatar University Men's Campus
Ras Laffan - Industrial City
Grand Hamad
Sheraton Doha Hotel & Resort
Hamad Hospital
Musheireb

West Bay
Al Rayyan
Al Sadd-Ladies
Al Shamal
Air Force Base
The Mall
Qatar Foundation
Qatar Exhibition Centre
City Center-Doha
The Ritz-Carlton Doha
Doha Marriot Gulf Hotel
Mesaieed

QNB Al Islami

Salwa Road
Grand Hamad
Al Gharrafa
Qatar National Olympic Committee
Hamad Hospital

Al Wakra
Al Rayyan
Al Khor
Ras Laffan - Industrial City
Mesaieed

Offices

RasGas
Qatargas
Qatar Petroleum - Head Office Doha
Qatar Petroleum - Al Sadd
Qatar University Ladies Campus
Airport Departures Terminal
Muwasalat

Urban Planning
Q-Post
Ministry of Education
Q-TEL
Dlala
Sharq Village

Other Offices

Investment Department

Vehicle Finance

24-Hour Customer Care Center 440 7777

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Associate Company
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Yemen

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QNB
Together Forward