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 subsidiary (the "Group"), which comprise the consolidated balance sheet as at 31 December 2006, 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.

Auditor's 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 2006, 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 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 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

15 January 2007
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, income statement and the method of calculation adopted for the distribution of profits between the depositors and shareholders for the financial year ended 31 December 2006. The Fatwa and Sharia Control Board confirms that the application of Sharia rules and controls is the responsibility of the management, 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

Qatar National Bank S.A.Q
Consolidated Balance Sheet
At 31 December 2006

	Note	2006 QR000	2005 QR000
ASSETS			
Cash and Balances with Central Banks	4	2,481,218	2,406,327
Due from Banks and Other Financial Institutions	5	12,780,711	7,499,202
Loans and Advances and Financing Activities to Customers	6	46,226,610	31,477,500
Financial Investments	7	8,877,702	7,585,486
Investment in Associates	8	32,810	52,460
Property and Equipment	9	589,093	467,419
Other Assets	10	674,889	571,762
Total Assets		**71,663,033**	**50,060,156**
LIABILITIES and SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to Banks and Other Financial Institutions	11	6,254,842	2,598,708
Customer Deposits	12	51,930,594	36,457,014
Other Liabilities	13	1,177,176	2,046,368
		59,362,612	**41,102,090**
Unrestricted Investment Accounts	15	3,859,469	249,151
SHAREHOLDERS' EQUITY			
Issued Capital	16	1,297,760	1,038,208
Statutory Reserve	16	1,297,760	1,038,208
Other Reserves	16	1,760,004	1,775,457
Risk Reserve	16	421,000	169,422
Fair Value Reserve	16	1,099,895	2,549,232
Proposed Dividend	16	778,656	778,656
Proposed Bonus Shares	16	324,440	259,552
Proposed Transfer to Statutory Reserve		324,440	259,552
Retained Earnings		1,136,997	840,628
Total Shareholders' Equity		**8,440,952**	**8,708,915**
Total Liabilities and Shareholders' Equity		**71,663,033**	**50,060,156**

These financial statements were approved by the Board of Directors on 15 January 2007 and were signed on their behalf by:

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

The attached notes 1 to 32 form an integral part of these financial statements.

Qatar National Bank S.A.Q
Consolidated Statement of Income
For the Year Ended 31 December 2006

	Note	2006 QR000	2005 QR000
Interest Income	17	3,397,013	2,172,318
Interest Expense	18	(1,794,624)	(887,507)
Net Interest Income		**1,602,389**	**1,284,811**
Fees and Commission Income	19	517,903	416,470
Fees and Commission Expense		(64,630)	(28,477)
Net Fees and Commission Income		**453,273**	**387,993**
Dividend Income	20	86,717	68,709
Net Gains from Dealing in Foreign Currencies	21	117,913	64,646
Net Gains from Financial Investments	22	334,503	340,940
Share in Profit of Associates	8	-	3,750
Income from Islamic Financing and Investing Activities		277,834	14,304
Other Operating Income		22,267	23,698
Total Operating Income		**2,894,896**	**2,188,851**
General and Administrative Expenses	23	(721,651)	(634,910)
Depreciation	9	(53,025)	(56,071)
Recoveries for Impairment of Loans and Advances	6	139,194	76,457
Net Investment Revaluation (Loss) / Gain	7	(66,449)	9,071
Other Recoveries / (Provisions)		8,360	(2,407)
Recovery of Provision for Properties Acquired against Settlement of Debts		5,271	4,020
Goodwill Impairment	32	-	(40,378)
Unrestricted Investment Account Holders' Share of Profit		(193,476)	(798)
Net Profit Before Taxes		**2,013,120**	**1,543,835**
Income Tax Expense		(8,567)	(7,023)
Net Profit for the Year		**2,004,553**	**1,536,812**
Basic Earnings Per Share (QR)	24	15.4	11.8
Diluted Earnings Per Share (QR)	24	15.4	11.8

The attached notes 1 to 32 form an integral part of these financial statements.

Qatar National Bank S.A.Q
Consolidated Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2006

	Issued Capital	Statutory Reserve	Other Reserves*	Risk Reserve	Fair Value Reserve	Proposed Dividend	Proposed Bonus Shares	Proposed Transfer to Statutory Reserve	Retained Earnings	Total
	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000
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	840,628	8,708,915
Directors' Fees Paid for the year 2005	-	-	-	-	-	-	-	-	(6,450)	(6,450)
Net Movement in Risk Reserve	-	-	-	251,578	-	-	-	-	(274,198)	(22,620)
Net Movement in Currency Translation Adjustments	-	-	(15,453)	-	-	-	-	-	-	(15,453)
Net Movement in Fair Value Reserve	-	-	-	-	(1,449,337)	-	-	-	-	(1,449,337)
Total Changes in Reserves Recognised Directly in Equity	-	-	(15,453)	251,578	(1,449,337)	-	-	-	(280,648)	(1,493,860)
Net Profit for the Year	-	-	-	-	-	-	-	-	2,004,553	2,004,553
Total Income and Expense for the Year	-	-	(15,453)	251,578	(1,449,337)	-	-	-	1,723,905	510,693
Dividend Paid for the year 2005	-	-	-	-	-	(778,656)	-	-	-	(778,656)
Bonus Shares for the year 2005	259,552	-	-	-	-	-	(259,552)	-	-	-
Transfer to Statutory Reserve for the year 20	-	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**	**421,000**	**1,099,895**	**778,656**	**324,440**	**324,440**	**1,136,997**	**8,440,952**
Balance at 1 January 2005	1,038,208	1,038,208	1,770,034	-	1,439,387	622,925	-	-	626,588	6,535,350
Adjustment Arising from the Application of the Revised IAS 39 (Note 2)	-	-	-	149,422	-	-	-	-	-	149,422
Balance at 1 January 2005 (Restated)	1,038,208	1,038,208	1,770,034	149,422	1,439,387	622,925	-	-	626,588	6,684,772
Directors' Fees Paid for the year 2004	-	-	-	-	-	-	-	-	(4,560)	(4,560)
Net Movement in Risk Reserve	-	-	-	20,000	-	-	-	-	(20,452)	(452)
Net Movement in Currency Translation Adjustments	-	-	5,423	-	-	-	-	-	-	5,423
Net Movement in Fair Value Reserve	-	-	-	-	1,109,845	-	-	-	-	1,109,845
Total Changes in Reserves Recognised Directly in Equity	-	-	5,423	20,000	1,109,845	-	-	-	(25,012)	1,110,256
Net Profit for the Year	-	-	-	-	-	-	-	-	1,536,812	1,536,812
Total Income and Expense for the Year	-	-	5,423	20,000	1,109,845	-	-	-	1,511,800	2,647,068
Dividend Paid for the year 2004	-	-	-	-	-	(622,925)	-	-	-	(622,925)
Proposed Dividend	-	-	-	-	-	778,656	-	-	(778,656)	-
Proposed Bonus Shares	-	-	-	-	-	-	259,552	-	(259,552)	-
Proposed Transfer to Statutory Reserve	-	-	-	-	-	-	-	259,552	(259,552)	-
Balance at 31 December 2005	**1,038,208**	**1,038,208**	**1,775,457**	**169,422**	**2,549,232**	**778,656**	**259,552**	**259,552**	**840,628**	**8,708,915**

* Other reserves as at 31 December 2006 include a debit balance of QR10.0 million in respect of currency translation adjustments (2005: a credit balance of QR5.4 million).

Retained earnings as at 31 December 2006 include QR6.69 million in respect of proposed directors' fees for the year 2006 (2005:QR6.45 million).

The attached notes 1 to 32 form an integral part of these financial statements.

Qatar National Bank S.A.Q
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2006

	Note	2006 QR000	2005 QR000
Cash flow from Operating Activities			
Net Profit for the Year Before Taxes		2,013,120	1,543,835
Reconciliation of Net Profit to Net Cash Flow from Operating Activities			
Depreciation	9	53,025	56,071
Recoveries for Impairment of Loans and Advances	6	(139,194)	(76,457)
Net Investment Revaluation Losses / (Gains)	7	66,449	(9,071)
Other Provisions		794	12,388
Release of Staff Indemnity Provision	14	(39,915)	(5,441)
Profit on Sale of Property and Equipment		(12,812)	(12,443)
Profit on Sale of Financial Investments		(334,503)	(340,940)
Goodwill Impairment		-	40,378
Tax Paid		(13,929)	(7,412)
Amortisation of Premium or Discount on Investments		3,389	3,205
Gain from Investment in Associates		-	(3,750)
Recovery of Provision for Property Acquired Against Settlement of De	10	(5,271)	(4,020)
		1,591,153	**1,196,343**
Net (Increase) / Decrease in Assets			
Due from Banks		(1,595,417)	(112,702)
Loans and Advances and Financing Activities		(14,609,916)	(4,810,060)
Other Assets		(117,480)	150,639
Net Increase / (Decrease) in Liabilities			
Due to Banks		3,656,134	445,325
Customer Deposits and Unrestricted Investment Accounts		19,083,898	7,092,332
Other Liabilities		(909,790)	965,324
Net Cash Inflow from Operating Activities		**7,098,582**	**4,927,201**
Cash flow from Investing Activities			
Purchase of Financial Investments		(5,573,810)	(1,007,361)
Sale / Redemption of Financial Investments		3,243,860	2,334,829
Purchase of Associates		-	(48,710)
Purchase of Property and Equipment	9	(123,643)	(42,352)
Sale of Property and Equipment		32,689	24,326
Net Cash (Outflow) / Inflow from Investing Activities		**(2,420,904)**	**1,260,732**
Cash flow from Financing Activities			
Dividend Paid		(771,976)	(617,384)
Net Cash Outflow from Financing Activities		**(771,976)**	**(617,384)**
Net Cash Inflow during the Year		3,905,702	5,570,549
Changes in Foreign Exchange Rates		(144,719)	175,973
Balance at 1 January		8,599,594	2,853,072
Balance at 31 December	31	**12,360,577**	**8,599,594**

The attached notes 1 to 32 form an integral part of these financial statements.

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 Bank is engaged in commercial and Islamic banking activities and operates through its head office in Doha and a total of 37 branches and offices in Qatar and two branches in the United Kingdom and France. 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 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 15 January 2007.

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 due to the adoption of the revised IAS 32 and 39 becoming mandatory for financial year beginning on or after 1 January 2005:

Originated Debt Securities

Investments in certain debt securities where the Group provided funds directly to the issuer were previously classified as originated debt securities and carried at amortised cost, less provision for impairment. In accordance with the revised IAS 39, these investments have been reclassified with effect from 1 January 2005 as held to maturity investments. There has been no effect on the carrying value of these investments upon this reclassification.

General Provision for Impairment of Loans

The general provision for impairment of loans made by the Group was previously charged to the statement of income. With effect from 1 January 2005, this provision is treated as an appropriation of profit and appears within shareholders' equity as risk reserve.

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 Bank:

Amendments to IAS 1 - Capital Disclosures
IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments
IFRIC Interpretation 8 Scope of IFRS 2
IFRIC Interpretation 9 Reassessment of Embedded Derivatives

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. The application of IFRIC 8, which is also effective for 2007 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 are prepared under the historical cost convention except for the measurement at fair value of derivatives and available for sale financial investments and 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 subsidiary. All intergroup balances and transactions have been eliminated in full. The details of the subsidiary are as follows:

Name of Subsidiary	Country of Incorporation	Share Capital QR000	Ownership %
QNB International Holdings Limited	Luxembourg	500,198	100%

d) Islamic Banking

The Group opened it's first Islamic branch on 17 April 2005. 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 Shari'a, as determined by the Shari'a Control Board. Islamic branches accounts are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Qatar Central Bank regulations.

e) Foreign Currencies

The consolidated financial statements are denominated in Qatari Riyals. 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 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.

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. The gains or losses on cash flow hedges initially recognised in shareholders' equity are transferred to the statement of income in the period in which the hedged transaction impacts the statement of income. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognised in shareholders' equity are included in the initial measurement of the cost of the related asset o 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 shareholders' equity is held therein until the forecasted transaction occurs. When the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' equity is transferred to the statement of income.

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 Bank will receive it.

Management fees and commission income on syndicated loans are amortised over the period of the transaction using the effective yield method, if applicable. Fees and commission income on other services are accounted fo on the date of the transaction giving rise to that income.

Dividend income is recognised when declared.

h) Financial Investments

Available for sale investments are measured at fair value on an individual basis. Unrealised gains or losses arising from a change in the fair value are recognised directly in the fair value reserve under shareholders' equity until the investment is sold, at which time the cumulative gain or loss previously recognised in shareholders' equity is included in the statement of income.

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 not recognised in the statement of income. Reversal of impairment losses on debt instruments are reversed through the statement of income.

Held to maturity investments are measured at amortised cost, less provision for impairment. 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 are accounted for following 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 transactions

All financial assets and liabilities are recognised using the settlement date.

k) Loans and Advances and Financing Activities

Loans and advances are stated at amortised cost less any provisions for their impairment and interest in suspense.

Specific provisions for the impairment of loans 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.

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 Islamic Branch and its clients, Mudaraba which is a partnership in profit between capital and work and Ijara which is the transfer of ownership of a services or leased assets for an agreed upon consideration are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit. Due from 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.

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 depreciated on a straight-line basis over their estimated useful lives as follows:

	Years
Buildings	20
Equipment, Furniture and Fittings	3 to 7
Motor Vehicles	5

Freehold land is stated at cost.

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.

o) Employees' Termination Benefits and Pension Fund

The Bank makes a provision for all termination indemnity payable to employees in accordance with it's regulations, calculated on the basis of the individual's final salary and period of service at the balance sheet date. The provision for employees' termination benefits is included in other provisions within other liabilities.

With respect to Qatari employees, the Bank makes contribution to the Qatari Pension Fund calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions. The cost is considered as part of general and administrative expenses and is disclosed in note 23.

p) Other Provisions

The Bank 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 14.

q) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of acquisition over the Bank's interest in the fair value of the subsidiary's net assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment on an annual basis.

r) Contingent Liabilities and Other Commitments

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

s) 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's instructions, which are summarised as follows:

The profit arrived at after taking into account all income and expenses at the end of the financial year is distributed between unrestricted investment account holders and shareholders. 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 against the statement of income.

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

Where the Islamic branches results at the end of a financial year is 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 for such losses, and compliance with Islamic Sharia rules and principles.

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

t) 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 31.

u) Taxes

Taxes are calculated based on tax laws and regulations in other countries in which the Bank 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.

v) Fiduciary assets

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

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, 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

Based on the methods used to determine the fair value of financial instruments explained in the notes accompanying the financial statements, the book values of financial assets and liabilities, excluding held to maturity investments, are not significantly different from their fair values. The fair value of held to maturity investments is disclosed in note 7.

II. Risk Management

a) Derivatives used in Risk Management

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

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.

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

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

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at 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.

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.

3. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

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 as determined by the Group 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 forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, 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. Note 28 discloses the derivative financial instruments used by the Group.

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 security when appropriate.

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

Note 6 discloses the distribution of loans and advances and financing activities by industrial sector. Note 27 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	
	2006	**2005**
Cash and Balances with Central Banks (excluding cash on hand)	2,195,826	2,234,276
Due from Banks and Other Financial Institutions	12,780,711	7,499,202
Loans and Advances and Financing Activities to Customers	46,226,610	31,477,500
Financial Investments	8,877,702	7,585,486
Other Assets	674,889	571,762
	70,755,738	**49,368,226**
Contingent Liabilities	21,471,364	14,259,391
Total Credit Risk Exposure	**92,227,102**	**63,627,617**

c) Market Risk Arising from Investments

The Group takes on exposure to market risks from equity products 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. Note 7 discloses the fair value of investments.

(All amounts are shown in thousands of Qatari Riyals)

3. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

d) 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 tables summarise the repricing profile of the Group's assets, liabilities and off-balance sheet exposures.

At 31 December 2006:	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
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	-	-	-	-	3,859,469	3,859,469	
Other Liabilities	421,127	54,606	-	-	701,443	1,177,176	
Shareholders' Equity	-	-	-	-	8,440,952	8,440,952	
Total Liabilities and Equity	**49,034,184**	**2,001,787**	**220,335**	**-**	**20,406,727**	**71,663,033**	
Balance Sheet Items	2,556,055	4,308,537	1,934,334	1,630,022	(10,428,948)	-	
Off-Balance Sheet Items	1,182,364	1,665,627	(1,130,360)	(1,717,631)	-	-	
Interest Rate Sensitivity Gap	**3,738,419**	**5,974,164**	**803,974**	**(87,609)**	**(10,428,948)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**3,738,419**	**9,712,583**	**10,516,557**	**10,428,948**	**-**	**-**	

At 31 December 2005:	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
Cash and Balances with Central Banks	750,821	-	-	-	1,655,506	2,406,327	
Due from Banks	6,876,717	178,068	-	-	444,417	7,499,202	2.92%
Loans and Advances	25,202,271	4,401,016	1,323,366	100,595	450,252	31,477,500	5.81%
Financial Investments	835,145	347,662	1,367,767	1,336,256	3,751,116	7,637,946	5.65%
Other Assets	-	-	-	-	1,039,181	1,039,181	
Total Assets	**33,664,954**	**4,926,746**	**2,691,133**	**1,436,851**	**7,340,472**	**50,060,156**	
Due to Banks	2,222,133	48,362	-	-	328,213	2,598,708	3.01%
Customer Deposits	28,234,262	1,156,208	213,525	-	6,853,019	36,457,014	2.49%
Unrestricted Investment Accounts					249,151	249,151	
Other Liabilities	11,512	56,732	-	-	1,978,124	2,046,368	
Shareholders' Equity	-	-	-	-	8,708,915	8,708,915	
Total Liabilities and Equity	**30,467,907**	**1,261,302**	**213,525**	**-**	**18,117,422**	**50,060,156**	
Balance Sheet Items	3,197,047	3,665,444	2,477,608	1,436,851	(10,776,950)	-	
Off-Balance Sheet Items	310,706	723,208	(1,102,141)	68,227	-	-	
Interest Rate Sensitivity Gap	**3,507,753**	**4,388,652**	**1,375,467**	**1,505,078**	**(10,776,950)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**3,507,753**	**7,896,405**	**9,271,872**	**10,776,950**	**-**	**-**	

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2006

(All amounts are shown in thousands of Qatari Riyals)

3. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

e) Liquidity Risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit down-grades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Group has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities. The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 2006:						
Cash and Balances with Central Banks	2,481,218	-	-	-	-	2,481,218
Due from Banks	10,948,408	205,116	297,344	1,329,843	-	12,780,711
Loans and Advances	12,547,946	8,786,302	9,056,242	12,816,678	3,019,442	46,226,610
Financial Investments	3,872,646	236,587	505,171	2,502,807	1,793,301	8,910,512
Other Assets	430,661	83,333	72,667	77,740	599,581	1,263,982
Total Assets	**30,280,879**	**9,311,338**	**9,931,424**	**16,727,068**	**5,412,324**	**71,663,033**
Due to Banks	4,658,117	1,542,118	54,607	-	-	6,254,842
Customer Deposits	43,845,080	6,104,585	1,760,593	220,336	-	51,930,594
Unrestricted Investment Accounts	3,579,868	116,236	140,293	0	23,072	3,859,469
Other Liabilities	1,129,091	241,866	66,540	1,112	8,179,519	9,618,128
Total Liabilities and Equity	**53,212,156**	**8,004,805**	**2,022,033**	**221,448**	**8,202,591**	**71,663,033**
Difference	**(22,931,277)**	**1,306,533**	**7,909,391**	**16,505,620**	**(2,790,267)**	**-**
At 31 December 2005:						
Cash and Balances with Central Banks	2,406,327	-	-	-	-	2,406,327
Due from Banks	6,926,980	86,284	76,453	409,485	-	7,499,202
Loans and Advances	4,884,935	9,180,585	6,910,663	8,884,935	1,616,382	31,477,500
Financial Investments	3,836,420	105,596	248,887	1,875,881	1,571,162	7,637,946
Other Assets	347,009	88,522	57,835	78,127	467,688	1,039,181
Total Assets	**18,401,671**	**9,460,987**	**7,293,838**	**11,248,428**	**3,655,232**	**50,060,156**
Due to Banks	2,309,267	271,239	18,202	-	-	2,598,708
Customer Deposits	31,292,433	3,678,804	1,264,766	221,011	-	36,457,014
Unrestricted Investment Accounts	202,932	33,855	11,912	-	452	249,151
Other Liabilities	1,939,877	37,765	3,082	55,171	8,719,388	10,755,283
Total Liabilities and Equity	**35,744,509**	**4,021,663**	**1,297,962**	**276,182**	**8,719,840**	**50,060,156**
Difference	**(17,342,838)**	**5,439,324**	**5,995,876**	**10,972,246**	**(5,064,608)**	**-**

f) 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 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**	**-**
At 31 December 2005:						
Assets	18,929,131	24,651,434	2,006,007	3,582,163	891,421	50,060,156
Liabilities and Equity	26,661,918	17,006,636	2,677,638	3,097,549	616,415	50,060,156
Net Balance Sheet Position	**(7,732,787)**	**7,644,798**	**(671,631)**	**484,614**	**275,006**	**-**

(All amounts are shown in thousands of Qatari Riyals)

3. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

g) Capital Adequacy

	2006	2005
Tier 1 Capital	6,134,711	5,205,155
Tier 2 Capital	915,953	1,316,576
Total Capital	**7,050,664**	**6,521,731**
Risk Weighted Assets	**42,188,075**	**31,046,346**
Tier 1 Capital ratio	14.5%	16.8%
Total Capital ratio	16.7%	21.0%

Effective 1st January 2006, the Group started calculating the capital adequacy ratio under Basel II requirements, while in 2005, the ratio was calculated under Basel I requirements.

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

Tier 2 capital includes risk reserve and 45% of the fair value reserve.

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

h) Risk of Managing Customer Investments

The Group provides custody and corporate administration to third parties in relation to mutual funds marketed by the Bank. These services give rise to legal and operating risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 29 lists mutual funds marketed by the Group.

I) Operational and Other Risks

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.

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.

4. CASH AND BALANCES WITH CENTRAL BANKS

	2006	2005
Cash	285,392	172,051
Cash Reserve with Qatar Central Bank	1,274,165	819,997
Other Balances with Qatar Central Bank	921,507	1,413,463
Balances with Other Central Banks	154	816
Total	**2,481,218**	**2,406,327**

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

	2006	2005
Current Accounts	722,261	497,899
Placements	10,054,261	6,265,679
Loans	2,004,189	735,624
Total	**12,780,711**	**7,499,202**

6. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS

a) By Type

	2006	2005
(i) Conventional Banking Loans and Advances		
Loans	40,588,275	30,079,809
Overdrafts	3,769,643	1,552,194
Bills Discounted	343,724	62,672
	44,701,642	**31,694,675**
Specific Provision for Impairment of Loans	(298,991)	(465,841)
Interest In suspense	(176,045)	(170,160)
Net Conventional Banking Loans and Advances	**44,226,606**	**31,058,674**
(ii) Financing Activities		
Murabaha and Musawama	872,957	154,558
Musharaka	427,374	-
Mudaraba	94,815	-
Istisna	2,874	42
Ijara	549,467	258,814
Others	52,517	5,412
Net Financing Activities	**2,000,004**	**418,826**
Net Loans and Advances and Financing Activities	**46,226,610**	**31,477,500**

The aggregate amount of non-performing loans and advances amounted to QR553.0 million, 1.2% of total loans and advances (2005: QR690.7 million, 2.2% of total loans and advances).

b) By Industry

At 31 December 2006:	**Loans & Advances**	**Overdrafts**	**Bills Discounted**	**Total**
Government	6,717,187	2,401,805	-	9,118,992
Government Agencies	5,973,125	25,529	-	5,998,654
Industry	2,533,464	6,227	340,147	2,879,838
Commercial	886,594	109,005	3,361	998,960
Services	8,177,984	21,504	-	8,199,488
Contracting	410,687	155,230	-	565,917
Real Estate	7,800,113	24,337	-	7,824,450
Personal	9,394,321	920,857	216	10,315,394
Others	694,691	105,262	-	799,953
Total Loans and Advances	**42,588,166**	**3,769,756**	**343,724**	**46,701,646**

At 31 December 2005:	**Loans & Advances**	**Overdrafts**	**Bills Discounted**	**Total**
Government	9,126,720	841,039	-	9,967,759
Government Agencies	4,286,512	12,328	-	4,298,840
Industry	1,940,949	5,915	62,456	2,009,320
Commercial	750,019	102,478	-	852,497
Services	2,081,144	18,189	-	2,099,333
Contracting	278,139	144,945	-	423,084
Real Estate	5,266,994	47,649	-	5,314,643
Personal	6,345,615	316,205	216	6,662,036
Others	422,133	63,856	-	485,989
Total Loans and Advances	**30,498,225**	**1,552,604**	**62,672**	**32,113,501**

Total loans and advances includes both conventional banking and Islamic banking gross figures before subtracting specific provision for impairment of loans and interest in suspense accounts.

(All amounts are shown in thousands of Qatari Riyals)

6. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS (Continued)

c) Movement in Provisions for Impairment of Loans

	Specific Provision	Interest in Suspense	Total
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**

In addition to the net recoveries, the Group recovered QR2.8m directly to the statement of income related to loans previously written off.

	Specific Provision	Interest in Suspense	Total
Balance at 1 January 2005	604,001	193,643	797,644
Foreign Currency Translation	(3,314)	(187)	(3,501)
Net Rcoveries during the Year	(74,616)	(7,094)	(81,710)
Provisions Made during the Year	96,832	52,302	149,134
Recoveries during the Year	(171,448)	(59,396)	(230,844)
Written off during the Year	(60,230)	(16,202)	(76,432)
Balance at 31 December 2005	**465,841**	**170,160**	**636,001**

7. FINANCIAL INVESTMENTS

Investments as at 31 December 2006 totaled QR8,877,702 thousand (2005: QR7,585,486 thousand). The analysis of investments is detailed below:

a) Available for Sale Financial Investments

	2006		2005	
	Quoted	Unquoted	Quoted	Unquoted
Equities	2,312,333	86,238	3,543,793	37,878
State of Qatar Debt Securities	217,752	-	226,680	-
Other Debt Securities	354,138	538,199	492,306	236,537
Mutual Funds	1,075,932	45,548	108,130	8,704
	3,960,155	**669,985**	**4,370,909**	**283,119**

Fixed rate securities and floating rate securities amounted to QR314.1 million and QR796.0 million respectively (2005: QR288.2 million and QR667.3 million).

In accordance with IFRS 39 and Qatar Central Bank regulations, the Group recognised a revaluation loss of QR66.4 million (2005: a revaluation gain of QR9.1 million).

b) Held to Maturity Financial Investments

	2006		2005	
- By Issuer	Quoted	Unquoted	Quoted	Unquoted
State of Qatar Debt Securities	907,045	419,604	645,035	419,604
Other Debt Securities	2,120,002	800,911	938,490	928,329
	3,027,047	**1,220,515**	**1,583,525**	**1,347,933**
- By Interest Rate				
Fixed Rate Securities	2,328,784	1,147,704	1,136,909	1,147,704
Floating Rate Securities	698,263	72,811	446,616	200,229
	3,027,047	**1,220,515**	**1,583,525**	**1,347,933**

The fair value of held to maturity investments is QR4,453 million (2005: QR3,155 million).

(All amounts are shown in thousands of Qatari Riyals)

8. INVESTMENT IN ASSOCIATES

	2006	2005
Balance at 1 January	52,460	-
Investments Acquired during the Year	-	49,010
Share in Profit	-	3,750
Less: Cash Dividend	-	(300)
Associates Sold	(19,650)	-
Balance at 31 December	**32,810**	**52,460**

Name of Associate	Nationality	Ownership % 2006	Ownership % 2005
Mansour Bank	Iraqi	25.0%	25.0%

9. PROPERTY AND EQUIPMENT

At 31 December 2006	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
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**
At 31 December 2005					
Cost:					
Balance at 1 January	500,363	71,482	323,534	1,840	897,219
Additions / Transfers	7,176	6,681	28,495	-	42,352
Disposals	-	(5,799)	(14,898)	(1,373)	(22,070)
Foreign Currency Translation	(44,215)	(2,559)	(15,329)	201	(61,902)
	463,324	**69,805**	**321,802**	**668**	**855,599**
Accumulated Depreciation:					
Balance at 1 January	65,456	46,370	255,672	1,286	368,784
Charged during the Year	11,826	6,665	37,179	401	56,071
Disposals	-	(5,329)	(13,074)	(737)	(19,140)
Foreign Currency Translation	(4,458)	(888)	(11,871)	(318)	(17,535)
	72,824	**46,818**	**267,906**	**632**	**388,180**
Net Carrying Amount	**390,500**	**22,987**	**53,896**	**36**	**467,419**

(All amounts are shown in thousands of Qatari Riyals)

10. OTHER ASSETS

	2006	2005
Interest Receivable	434,046	215,553
Prepaid Expenses	20,886	24,669
Capital Expenditure in Progress	21,260	16,588
Properties Acquired Against Settlement of Debts	360	14,160
Positive Fair Value of Derivatives (Note 28)	51,941	59,268
Sundry Debtors	20,859	7,419
Others	125,537	234,105
Total	**674,889**	**571,762**

Properties acquired against settlement of debts are disclosed net of revaluation provision amounting to QR0.1 million (2005: QR5.4 million).

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2006	2005
Balances with Qatar Central Bank	103,990	268,180
Current Accounts	1,403,492	273,224
Deposits	4,747,360	2,057,304
Total	**6,254,842**	**2,598,708**

12. CUSTOMER DEPOSITS

	2006	2005
a) By Type		
(i) Conventional Banking Customer Deposits		
Current and Call Accounts	22,588,299	17,382,084
Saving Accounts	670,311	652,897
Time Deposits	26,982,438	16,544,175
	50,241,048	**34,579,156**
(ii) Islamic Banking Current Accounts	**1,689,546**	**1,877,858**
Total	**51,930,594**	**36,457,014**

Customer deposits include QR31.4 million of margins held for direct and indirect facilities (2005: QR31.8 million).

b) By Sector		
Government	7,299,463	5,404,073
Government Agencies	18,027,082	12,914,729
Individuals	16,332,457	11,941,155
Corporate	10,271,592	6,197,057
Total	**51,930,594**	**36,457,014**

13. OTHER LIABILITIES

	2006	2005
Interest Payable	317,370	111,419
Expense Payable	82,911	88,196
Other Provisions (Note 14)	35,994	80,112
Staff Provident Fund	1,387	80,280
Tax Payable	2,485	7,245
Negative Fair Value of Derivatives (Note 28)	80,809	59,857
Initial Public Offering Proceeds	-	1,191,940
Others	656,220	427,319
Total	**1,177,176**	**2,046,368**

(All amounts are shown in thousands of Qatari Riyals)

14. OTHER PROVISIONS

	Staff Indemnity	Legal Provision	2006 Total	2005 Total
Balance at 1 January	63,084	17,028	80,112	73,935
Foreign Currency Translation	-	1,083	1,083	(770)
Provisions Made during the Year	9,154	307	9,461	12,388
	72,238	18,418	90,656	85,553
Paid and Recovered during the Year	(39,915)	(8,667)	(48,582)	(5,441)
Written off during the Year	-	(6,080)	(6,080)	-
Balance at 31 December	**32,323**	**3,671**	**35,994**	**80,112**

15. UNRESTRICTED INVESTMENT ACCOUNTS

	2006	2005
Call Accounts	366,308	182,050
Saving Accounts	46,929	19,881
Time Deposits	3,423,160	46,768
	3,836,397	248,699
Unrestricted Investment Accounts Share of Risk Reserve	23,072	452
Total	3,859,469	249,151

Unrestricted investment accounts share of risk reserve for the year 2006 amounting to QR22.62 m was transferred from retained earnings (2005: 0.452 m).

16. SHAREHOLDERS' EQUITY

a) Issued Capital

The authorised, issued and fully paid share capital of the Group totaling QR1,298 million consists of 129,775,965 shares of QR10 each (2005: 103,820,772 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.

c) 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.

d) Risk Reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on the private sector loans and advances, with a minimum requirement of 1.25% of the total private sector exposure.

e) Fair Value Reserve

	Cash Flow Hedges	Available for Sale Investments	2006 Total	2005 Total
Balance at 1 January	(5,483)	2,554,715	2,549,232	1,439,387
Net Changes in Fair Value	(10,666)	(1,075,292)	(1,085,958)	1,346,461
Transfer to Statement of Income	-	(363,379)	(363,379)	(236,616)
Net Movement during the Year	(10,666)	(1,438,671)	(1,449,337)	1,109,845
Balance at 31 December	**(16,149)**	**1,116,044**	**1,099,895**	**2,549,232**

Fair value reserve for available for sale investments as at 31 December 2006 includes a negative fair value amounting to QR78.3 million (2005: QR822,232).

(All amounts are shown in thousands of Qatari Riyals)

16. SHAREHOLDERS' EQUITY (Continued)

f) Dividend Paid and Proposed

The Board of Directors has proposed a cash dividend of 60% (QR6.0 per share) and a bonus share of 25% of the share capital for the year ended 31 December 2006 (2005: cash dividend 75% (QR7.5 per share) and a bonus share of 25% of the share capital). The amounts are subject to the approval of the general assemblies.

17. INTEREST INCOME

	2006	2005
Due from Central Banks	51,685	23,745
Due from Banks and Other Financial Institutions	488,618	152,977
Debt Securities	276,997	242,413
Loans and Advances	2,579,713	1,753,183
Total	**3,397,013**	**2,172,318**

18. INTEREST EXPENSE

	2006	2005
Due to Banks and Other Financial Institutions	259,692	113,179
Customer Deposits	1,531,244	750,520
Others	3,688	23,808
Total	**1,794,624**	**887,507**

19. FEES AND COMMISSIONS INCOME

	2006	2005
Loans and Advances	222,439	166,347
Off Balance Sheet Items	55,979	39,004
Bank Services	74,372	58,711
Investment Activities to Customers	137,569	136,848
Others	27,544	15,560
Total	**517,903**	**416,470**

20. DIVIDEND INCOME

	2006	2005
Available for Sale Securities	85,317	68,399
Mutual Funds	1,400	310
Total	**86,717**	**68,709**

21. NET GAINS FROM DEALING IN FOREIGN CURRENCIES

	2006	2005
Dealing in Foreign Currencies	80,119	54,356
Revaluation of Assets and Liabilities	31,474	11,079
Revaluation of Derivatives	6,320	(789)
Total	**117,913**	**64,646**

22. NET GAINS FROM INVESTMENTS

	2006	2005
Net Gains from Sale of Available for Sale Financial Investments	334,503	340,940
Total	**334,503**	**340,940**

(All amounts are shown in thousands of Qatari Riyals)

23. GENERAL AND ADMINISTRATIVE EXPENSES	**2006**	**2005**
Staff Costs	434,950	362,865
Staff Pension Fund Costs	4,296	3,686
Staff Indemnity Costs	9,154	9,981
Training	8,998	8,090
Advertising	49,050	35,597
Professional Fees	28,120	33,443
Communication and Insurance	39,400	36,788
Occupancy and Maintenance	47,486	34,962
Computer and IT Costs	27,923	25,881
Community Support	32,132	43,457
Others	40,142	40,160
Total	**721,651**	**634,910**

24. 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 2006, the Bank issued bonus shares for the year 2005. Accordingly, the previously reported earnings per share as at 31 December 2005 have been restated for the effects of the bonus share issue made during the year.

	2006	**2005**
Net Profit for the Year (QR000)	2,004,553	1,536,812
Weighted Average Number of Shares	129,775,965	129,775,965
Earnings Per Share (QR)	**15.4**	**11.8**

The weighted average number of shares have been calculated as follows:	**2006**	**2005**
Qualifying shares at the beginning of the year	103,820,772	103,820,772
Effect of bonus share issue	25,955,193	25,955,193
	129,775,965	**129,775,965**

If the effect of bonus shares issued during the year was not considered on the earnings per share for the previous year then basic earnings per share for the year ended 31 December 2005 would be QR14.8 per share.

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.

25. CONTINGENT LIABILITIES AND OTHER COMMITMENTS	**2006**	**2005**
a) Contingent Liabilities		
Unused Facilities	8,023,870	7,002,104
Acceptances	398,145	161,955
Guarantees	7,025,947	4,610,198
Letters of Credit	3,656,562	1,817,403
Others	2,366,840	667,731
Total	**21,471,364**	**14,259,391**
b) Other Commitments		
Forward Foreign Exchange Contracts	4,981,544	3,764,054
Interest Rate Swaps	12,972,547	7,963,329
Options, Caps and Floors	1,784,941	2,527,889
Marketed Mutual Funds	33,067	49,907
Total	**19,772,099**	**14,305,179**

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 contract amounts do not necessarily represent future cash requirements.

Acceptances, Guarantees and Letters of Credit
The Group commits to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees and standby letters of credit carry the same credit risk as loans.

(All amounts are shown in thousands of Qatari Riyals)

26. 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 2006
Total Assets	64,385,801	5,893,331	4,993,769	(3,609,868)	71,663,033
Total Liabilities	53,425,703	1,881,366	4,591,946	(536,403)	59,362,612
Net Interest Income	1,509,090	-	93,299	-	1,602,389
Net Income from Financing and Investing Activities	-	84,358	-	-	84,358
Total Other Income	867,629	9,458	137,586	-	1,014,673
Total Operating Income	2,376,719	287,292	230,885	-	2,894,896
General and Administrative Expenses	(487,306)	(18,248)	(216,097)	-	(721,651)
Depreciation	(34,986)	(452)	(17,587)	-	(53,025)
(Provisions) / Recoveries and Others	82,719	-	(4,910)	-	77,809
Net Profit / (Loss)	1,937,146	75,116	(7,709)	-	2,004,553

Geographically, the Group operates in Qatar and through its branches and subsidiary in Europe. Qatar operations contribute 99% in terms of profit (2005: 104%) and hold 80% of the Group's assets (2005: 78%).

27. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
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	3,853,651	5,818	0	0	0	3,859,469
	51,595,130	**1,646,863**	**3,078,842**	**1,211,110**	**4,512,960**	**62,044,905**
Other Liabilities						1,177,176
Total Liabilities						**63,222,081**
Shareholders' Equity						8,440,952
Total Liabilities and Equity						**71,663,033**
At 31 December 2005:						
Cash and Balances with Central Banks	2,399,601	3	5,211	692	820	2,406,327
Due from Banks	1,089,986	2,205,529	2,396,339	1,095,481	711,867	7,499,202
Loans and Advances	26,039,848	556,637	3,736,530	75,251	1,069,234	31,477,500
Financial Investments	4,338,050	728,442	1,364,509	118,537	1,088,408	7,637,946
	33,867,485	**3,490,611**	**7,502,589**	**1,289,961**	**2,870,329**	**49,020,975**
Other Assets						1,039,181
Total Assets						**50,060,156**
Due to Banks	1,332,318	668,471	269,051	1,734	327,134	2,598,708
Customer Deposits	31,938,587	419,604	2,322,842	758,342	1,017,639	36,457,014
Unrestricted Investment Accounts	243,995	5,156				249,151
	33,514,900	**1,093,231**	**2,591,893**	**760,076**	**1,344,773**	**39,304,873**
Other Liabilities						2,046,368
Shareholders' Equity						8,708,915
Total Liabilities and Equity						**50,060,156**

(All amounts are shown in thousands of Qatari Riyals)

28. 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 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**
At 31 December 2005:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	34,415	34,076	3,764,054	3,274,992	489,062	-	-
Options	534	534	490,523	490,523	-	-	-
Caps and Floors	1,484	1,484	2,037,366	-	-	1,786,294	251,072
Interest Rate Swaps	5,357	802	5,837,911	80,445	7,281	2,969,879	2,780,306
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	17,478	22,961	2,125,418	-	9,972	1,446,512	668,934
Total	**59,268**	**59,857**	**14,255,272**	**3,845,960**	**506,315**	**6,202,685**	**3,700,312**

(All amounts are shown in thousands of Qatari Riyals)

29. MUTUAL FUNDS

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

	2006	2005
Al Watani Capital Guaranteed Fund - Class A	-	4,281
Al Watani Capital Guaranteed Fund -Class B	-	1,536
Al Watani Amana - Notes 1	146	211
Al Watani Amana - Notes 2	32,921	43,879
Total	**33,067**	**49,907**

Funds administered on behalf of the customers to which the Group does not have legal title are not included in the consolidated financial statements.

30. RELATED PARTIES

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

	2006	2005
Balance Sheet Items		
Loans and Advances	920,933	312,835
Deposits	707,134	638,746
Contingent Liabilities and Other Commitments	279,772	152,184
Statement of Income Items		
Interest and Commission Income	41,249	17,825
Interest and Commission Expense	25,045	19,685

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:	2006	2005
Salaries and Other Benefits	14,586	11,707
End of Service Indemnity Benefits	369	438

31. CASH AND CASH EQUIVALENTS

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

	2006	2005
Cash and Balances with Central Banks	1,207,053	1,586,330
Due from Banks Maturing in 3 months	11,153,524	7,013,264
Total	**12,360,577**	**8,599,594**

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

32. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgments and 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 determination of what is "significant" or "prolonged" requires considerable judgment.

The Group reviews its problem loans and advances on a half yearly basis to assess whether a provision for impairment 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 about 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 unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on this, the Group decided during 2005 to write off the goodwill in the subsidiary amounting to QR40.4 million.

Qatar National Bank S.A.Q
Supplementary Information to the Consolidated Financial Statements
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A) PARENT COMPANY

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

(i) Balance Sheet as at 31 December 2006:

	2006 QR000	2005 QR000
ASSETS		
Cash and Balances with Central Banks	2,481,011	2,405,464
Due from Banks and Other Financial Institutions	12,455,346	7,306,702
Loans and Advances and Financing Activities to Customers	43,072,761	28,996,535
Financial Investments	8,851,673	7,575,722
Property and Equipment	242,743	150,334
Other Assets	625,463	527,345
Total Assets	**67,728,997**	**46,962,102**
LIABILITIES and SHAREHOLDERS' EQUITY		
LIABILITIES		
Due to Banks and Other Financial Institutions	6,094,849	2,485,627
Customer Deposits	48,182,614	33,516,094
Other Liabilities	1,052,738	1,930,452
	55,330,201	**37,932,173**
Unrestricted Investment Accounts	3,859,469	249,151
SHAREHOLDERS' EQUITY		
Fully Paid Share Capital	1,297,760	1,038,208
Statutory Reserve	1,297,760	1,038,208
Other Reserves	1,772,258	1,768,828
Risk Reserve	421,000	169,422
Fair Value Reserve	1,099,961	2,549,378
Proposed Dividend	778,656	778,656
Proposed Bonus Shares	324,440	259,552
Proposed Transfer to Statutory Reserve	324,440	259,552
Retained Earnings	1,223,052	918,974
Total Shareholders' Equity	**8,539,327**	**8,780,778**
Total Liabilities and Shareholders' Equity	**67,728,997**	**46,962,102**

Qatar National Bank S.A.Q
Supplementary Information to the Consolidated Financial Statements
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(ii) Statement of Income for the Year Ended 31 December 2006:

	2006 QR000	2005 QR000
Interest Income	3,156,839	1,984,396
Interest Expense	(1,647,749)	(800,459)
Net Interest Income	**1,509,090**	**1,183,937**
Fees and Commission Income	393,908	274,666
Fees and Commission Expense	(61,646)	(25,571)
Net Fees and Commission Income	**332,262**	**249,095**
Dividend Income	86,717	68,709
Net Gains from Dealing in Foreign Currencies	109,441	57,096
Net Gains from Financial Investments	334,503	340,940
Gains from Investment in Associates	-	3,750
Income from Islamic Financing and Investing Activities	277,834	14,304
Other Operating Income	14,164	14,062
Total Operating Income	**2,664,011**	**1,931,893**
General and Administrative Expenses	(505,554)	(368,258)
Depreciation	(35,438)	(28,175)
Recoveries / (Provisions) for Impairment of Loans and Advances	144,343	76,366
Investment Revaluation Gains	(66,183)	9,224
Other Provisions	8,667	-
Recovery of Provision for Properties Acquired against Settlement of Debts	5,271	4,020
Unrestricted Investment Account Holders' Share of Profit	(193,476)	(798)
Net Profit Before Taxes	**2,021,641**	**1,624,272**
Taxes	(9,379)	(9,114)
Net Profit for the Year	**2,012,262**	**1,615,158**

Qatar National Bank S.A.Q
Supplementary Information to the Consolidated Financial Statements
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B) ISLAMIC BANKING

The balance sheet and statement of income of the bank's Islamic branch are presented below:

(i) Balance Sheet as at 31 December 2006:

	2006 QR000	2005 QR000
ASSETS		
Cash and Balances with Central Banks	64,547	16,786
Due from and Investments with Banks and Financial Institutions	1,284,713	1,274,529
Due from Financing Activities	2,000,004	418,826
Financial Investments	32,473	-
Properties, Furniture and Equipment	2,010	819
Other Assets	2,509,584	585,330
Total Assets	**5,893,331**	**2,296,290**
LIABILITIES and SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Accounts with Banks and Financial Institutions	173,864	-
Customer Current Accounts	1,689,546	1,877,858
Other Liabilities	17,956	62,368
	1,881,366	**1,940,226**
Unrestricted Investment Accounts	3,859,469	249,151
SHAREHOLDERS' EQUITY		
Capital	100,000	100,000
Risk Reserve	3,696	3,534
Retained Earnings	48,800	3,379
Total Shareholders' Equity	**152,496**	**106,913**
Total Liabilities and Shareholders' Equity	**5,893,331**	**2,296,290**

(ii) Statement of Income for the Year Ended 31 December 2006:

	2006 QR000	2005 QR000
Income From Financing and Investing Activities	277,834	14,304
Total Income from Financing and Investing Activities	**277,834**	**14,304**
Fees and Commission Income	6,245	370
Fees and Commission Expense	(115)	(2)
Net Fees and Commission Income	**6,130**	**368**
Net Gains from Dealing in Foreign Currencies	3,314	302
Other Operating Income	14	11
Total Operating Income	**287,292**	**14,985**
General and Administrative Expenses	(18,248)	(6,737)
Depreciation	(452)	(85)
Net Profit for the Year	**268,592**	**8,163**
Less:		
Unrestricted Investment Account Holders' Share of Profits	(193,476)	(798)
Net Profit for the Year Attributable to Shareholders	**75,116**	**7,365**