Going Forward Together

Annual Report 2005

QNB الوطني

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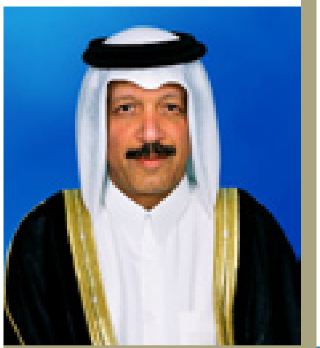
His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar

His Highness
Sheikh Tamim Bin Hamad Al-Thani
Heir Apparent

Board of Directors

H.E. Yousef Hussain Kamal



Chairman

H.E. Sheikh Hamad Bin Faisal Al-Thani

Vice Chairman

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

Member

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

Member

Mr Rashid Misfer Al-Hajri

Member

Mr Mansoor Ebrahim Al-Mahmoud

Member

Mr Fahad Mohammed Fahad Buzwair

Member

Mr Bader Abdullah Darwish Fakhroo

Member

Mr Ali Hussain Ali Al-Sada

Member

Mr Mohammad Marzouq Al-Shamlan

Member

Chairman's Statement

Leading the way with strong leadership and innovative ideas

On behalf of QNB's Board of Directors, I am pleased to present QNB's 41st Annual Report for the year ended 31st December 2005.

QNB remains Qatar's leading financial institution despite increased competition created by new regional and international banks entering the Qatar market. For more than 41 years, QNB has dominated Qatar's banking sector. In 2005, extensive efforts to further enhance our customer service and proactively anticipate customer needs, ensured we remained on top and enabled us to further extend our lead in several key areas.

Thriving national economy

Rising energy prices and increased spending to improve and upgrade the country's infrastructure contributed to strong growth on the national front. Qatar's nominal Gross Domestic Product (GDP) is estimated to have increased by more than 20 per cent in 2005, a trend that is expected to continue as development accelerates at a rapid pace under the able guidance and visionary leadership of His Highness the Emir Sheikh Hamad Bin Khalifa Al-Thani.

Noteworthy achievements extend QNB's lead

QNB continues to outperform its competitors in a broad range of activities, underscoring its role as the nation's leading financial institution. Among its noteworthy achievements in 2005, the launch of QNB Al Islami was a QNB milestone of significant distinction – enabling it to lay claim to being Qatar's first commercial bank to offer Islamic banking services. Additionally, QNB was the first commercial bank to launch investment funds on the Doha Securities Market (DSM). The launch of two Al Watani Funds, one for Qatari investors and another for non-Qatari investors, broadens investment options for local investors. Meanwhile, Ansbacher Group, a subsidiary of QNB, was issued a licence to establish a branch of its London-based operations in Doha, securing the first licence of its kind from the Qatar Financial Centre.

QNB achieves long-term A credit rating

The above-noted key initiatives undoubtedly contributed to the Bank's strong financial performance during 2005, which resulted in QNB's credit rating being increased from several leading agencies. Notably, Standard & Poor's assigned QNB a long-term A rating, the highest rating among the GCC's top three banks.

Exemplary performance

With regard to financial performance, I am pleased to report that net profit attained a record increase of 85.7 per cent to reach QR1,537 million as compared to QR827.5 million in 2004. Our outstanding performance can be largely attributed to our success in increasing the volume of business conducted and diversifying our revenue base, whereby the share of 'Other income' to 'Operating income' increased from 23.8 per cent in 2004, to 41.3 per cent in 2005. In 2005, 'Other income' increased by a massive 219 per cent, reaching QR904 million.

Exemplary profit growth translated into a healthy increase in returns on average shareholders' equity, from 18.3 per cent in 2004 to 30.8 per cent in 2005. QNB's management remains committed to further increasing the return on shareholders' equity in the future, to rival the region's best performing banks.

Consistent with QNB's goal of maximising shareholder returns, the Board of Directors recommended, and the General Assembly has approved, the distribution of a cash dividend of 75 per cent of share capital, representing QR7.5 per share, and a bonus share issue of 25 per cent of share capital. Shareholders also benefited from an 88.8 per cent increase in QNB's share price during 2005.

A team effort

On behalf of the Board of Directors, I express 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 Governor, His Excellency Abdullah Bin Khalid Al-Attiyah for his leadership in promoting Qatar's banking sector.

To our shareholders and customers, thank you for your continued trust and loyalty. We are committed to rewarding you for the confidence you place in QNB. Finally, on behalf of the Board, I express our indebtedness to management and staff, for their tireless dedication and support – they are indeed, a key element of our success. Through their talents and skill, we will continue to Go Forward together to surmount ever-greater challenges and generate continued prosperity.

Yousef Hussain Kamal
Chairman

Acting Chief Executive's Report

Capitalising on new opportunities

It is my distinct privilege as Acting Chief Executive to provide you with a concise overview of QNB's strategic aims during 2005, which enabled it to achieve a number of outstanding goals and a spectacular financial performance.

During 2005 net profit and share earnings out-performed targets outlined in QNB's long-term strategic plan, demonstrating the Bank's ability to surpass ambitious objectives. For instance, our aim to reduce reliance on net interest income was effectively realised, as evidenced in a 136 per cent increase in fees and commissions income, generating QR388 million, and a 219 per cent increase in 'other income', largely derived from core business initiatives as investment gains represented only 15.6 per cent of operating income.

Customer-centric focus

The core thrust of our current strategic plan is to consistently put the customers' needs at the forefront of all our activities. By demanding nothing less than service excellence of our employees, and continuously evaluating and assessing the products and services we offer - with an eye to improving and enhancing the quantity and quality of options - QNB continues to maintain its leading position.

One of our key achievements in 2005 was the launch of QNB Al Islami, the Bank's first Islamic banking branch, which offers a broad range of Shari'a-compliant services and provides a comprehensive new banking option for personal and corporate clients. QNB Al Islami gives Qatari residents broad access to quality Islamic banking and the response has been overwhelmingly positive to date.

Aligning resources and objectives

As Qatar's economy continues to flourish, the need to inject additional resources to enable the Bank to effectively sharpen its competitive edge whilst effectively meeting growing demands, in both personal and business banking segments, becomes ever more critical. Consequently, in 2005 the Bank earmarked additional resources that enabled it to effectively enhance its marketing and cross-selling techniques, and augment superior relationship management strategies for both personal and business customers.

QNB's corporate banking activities continued to gain momentum in 2005, demonstrating the Bank's dominant role in this segment. Two newly established units, one focusing exclusively on Project Finance and the other on Syndications, enabled the Bank to provide more focused, professional advice and expertise. Our growing ability to provide exemplary financial support to corporate clients is evidenced in the significant increase in quantity and value of managed deals we participated in during 2005, which exceeded US$25 billion in value.

These core activities were complemented by the Treasury team's continued active involvement in Qatar's capital markets. During 2005 it structured a significant volume of new transactions, including the launch of three IPOs on the Doha Securities Market and two rights issues. It also facilitated the recent RasGas bond issue. Additionally, QNB became the first Bank to establish a fund on the Doha Securities Market, which was well-received by both individual and corporate investors.

Meanwhile, in a bid to broaden QNB's personal banking market share, a significant internal restructuring was implemented. Private banking services were integrated into Retail and four distinct business units were established, providing dedicated support to key growth areas: small and medium enterprises, wealth management, retail assets and credit cards. The changes also fostered the creation of tailor-made solutions and more effective responses to a broad array of client needs.

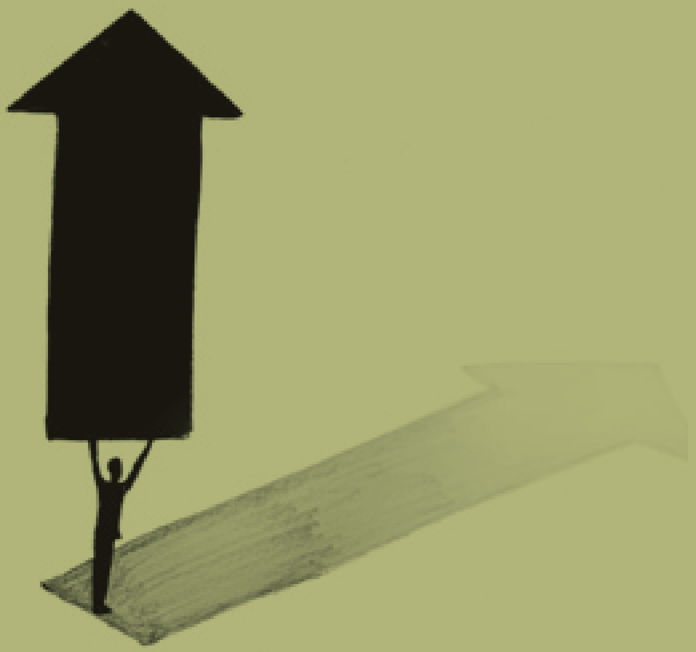
Continued close collaboration with numerous Qatari institutions has enabled QNB to help them enhance their client services, which in turn heightened customer satisfaction. By working together with organisations like Q-Tel, various government departments and others, enabling them to benefit from the Bank's administrative and technical strengths, QNB is positively enhancing the infrastructure in which consumers operate.

2005 also witnessed a strengthening of Ansbacher's presence in Qatar, following the granting of a licence by the Qatar Financial Centre. This move enables QNB to offer enhanced support to wealthy clients throughout the region, a strength we will continue to capitalise on in the future.

It gives me great pleasure to note that QNB's impressive financial outcomes are complemented by extensive evidence that confirms our enhanced products and services are effectively responding to customer needs and demands. For me, this reality generates extreme optimism in our abilities to achieve the Bank's ambitions - and those of our clients as well. I am confident we will continue to achieve prosperity for all as we Go Forward together in 2006.

Ali Shareef Al Emadi
Acting Chief Executive

Personal Customers



QNB was the first in the market to provide customers with easy access to phone card top-ups with the November launch of its Hala pre-paid phone card top-up service.

QNB embarked on an ambitious journey in 2005, aimed at re-positioning its presence in the retail segment to capitalise on the wide range of opportunities the 'new' Qatar economy is generating. It is determined to ensure that, in the future, its market share of its retail banking mirrors that of its corporate banking activities. In 2005, the Bank expended considerable energy and effort in laying the foundation to achieve this objective.

The shift to a more customer-centric, responsive retail banking model was central to the success achieved. In 2005, QNB focused its efforts on improving customer access, offering more competitive products and better value, and restructuring its internal activities to improve service delivery and to enable the development of more specialised, tailor-made products that respond more effectively to client needs and demands.

Improving customer access

Following a comprehensive review of its delivery channels, the Bank created a fully integrated distribution structure that encompasses branch services, electronic services and the call centre.

The consolidation of its distribution network within a single management structure was complemented by a continued broadening of its presence. Its ATM network expanded from 69 to 80 locations. Additionally, the Bank took preliminary steps to enhance its office network, enabling it to establish new offices in key locations, including the Q-Post Head Office and the Ministry of Education, which opened early in 2006.

Additionally, the launch of a new mobile branch improved access for clients residing in more remote communities. It is also used to heighten QNB's visibility at numerous special community events.

Offering better value

In 2005, QNB also focused on developing new partnerships with key institutions to deliver improved, value-added financial services to QNB clients and Qatar residents in general.

QNB was the first in the market to provide customers with easy access to phone card top-ups with the November launch of its Hala pre-paid phone card top-up service. The move enabled QNB customers to top-up their phone card via the Internet and through selected ATMs. Even non-QNB customers can top-up their phone card using one of six new QNB ATMs that accept cash. Plans to broaden access even further, enabling residents to use any QNB ATM and QNB point-of-sale system were also initiated. Additionally, QNB facilitated the Q-Tel Internet bill payment function for Q-Tel customers, responding to Q-Tel customer demands for a simpler, faster and more convenient bill payment transaction option.

QNB's co-branded Platinum MasterCard was the first on the market.

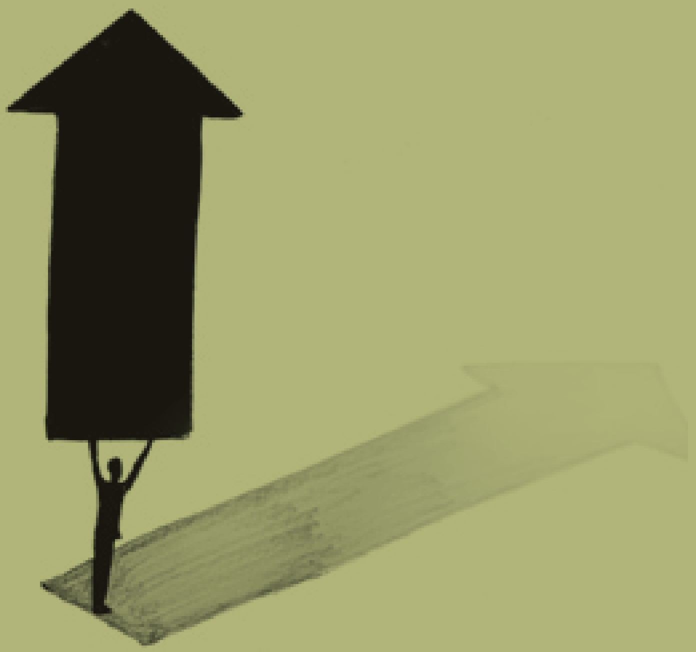
The November 2005 launch of QNB's co-branded Platinum MasterCard, undertaken in partnership with Qatar Airways, and available to non-QNB accountholders, was the first in the market. It enables holders to earn free flights faster with QNB than with any other bank. Clearly the leading co-branded card in the market, it reached its December 2006 target within two months of its launch - a full year ahead of schedule!

Through the launch of promotional activities and more competitive, flexible benefits, all QNB's loan products experienced significant growth. Its monthly vehicle loan sales volumes tripled in the last quarter of 2005. Additionally, a comprehensive overhaul of the features and benefits of its personal loan product generated a significantly positive response.

Facilitating easier access to local investment opportunities

The launch of e-IPO provides all investors in Qatar with easier access to IPO subscriptions. The new network enables all banks in Qatar to easily debit client accounts to support the purchase of IPO shares, and instantly credit their accounts with refunds, shortening the transaction cycle by two weeks.

Personal Customers



QNB received "Best Bank" awards from two leading international banking publications.

QNB was the first bank in Qatar to launch equity funds on the Doha Securities Market.

Recognising that the Doha Securities Market (DSM) is an attractive investment option for many investors, QNB sought to create a product range that offered customers easy access to local market investments while minimising risks by leaving management issues to financial professionals.

To achieve this end, in September 2005, the Bank, with the approval of Qatar Central Bank, became the first bank in Qatar to launch investment funds on the DSM. Al Watani (for Qatari's) and Al Watani 2 (for non-Qatari's) provide viable and direct DSM access while effectively supporting the country's continued growth and development.

The Al Watani funds provide a simple, direct route for investors keen to participate in the market and were highly successful. More than 1,150 investors took up the offer, generating QR194 million after the initial closing on October 31st, and exceeding QR200 million by November 2005.

As for brokerage activity in general, QNB's market share continued to expand. While new regulations will prevent QNB from providing this service in the future, it is exploiting new opportunities by partnering with Qatar's new public brokerage and asset management firm, Dlala.

QNB facilitated implementation of the first electronic link between Dlala and a local bank. The QNB-Dlala link provides investors with improved access to Dlala transactions. Customers with a QNB investment account can initiate straight-through transactions with Dlala for any purchase or sale of shares. Additionally, the link eliminates the need to make check payment processes for customers owed refunds or reimbursements.

Enhanced security to protect clients

In 2005, QNB implemented a new IT system that tracks cardholder behavior to safeguard the Bank's interests and that of its customers. The system monitors spending patterns, highlighting anomalies as they occur, thus enabling bank officials to employ preventive measures to prevent losses due to fraud.

The new system effectively reduced the Bank's fraudulent exposure rate by 50 per cent or more, while considerably minimising QNB client anxiety associated with fraudulent card use risks.

Carving paths that promote client-tailored services

While the full effect of the Bank's internal restructuring of its Retail Banking Division has yet to be realised, the creation of new specialised business units that are more effectively aligned with relevant support units, enables QNB to generate tailor-made, specialised products and to be more responsive to customer needs.

On the investment front, QNB's move to integrate its private banking activities within retail banking, another change implemented in 2005, will also enable it to more effectively capitalise on synergies. QNB is intent on forging a close working relationship with Ansbacher to ensure its private banking and upscale retail clients have full access to Ansbacher's broad range of international and regional wealth management services.

QNB Al Islami

QNB was Qatar's first commercial bank to offer Islamic banking services with the launch of QNB Al Islami in April 2005. QNB embraced the challenge to satisfy market demands for a high quality Islamic banking and investment option with a focus on superior service levels.

Supported by eminent Shari'a scholars

One of the key factors that led to its success in achieving its goal was the formation of a Shari'a Board composed of Qatar's leading Shari'a authorities. Dr. Sheikh Yousef Al Qaradawi, the country's leading Shari'a scholar, heads QNB's Shari'a Board. The other two members, Dr. Ali Alqurah Daghi and Dr. Sultan Al Hashemi, both professors at Qatar University's Shari'a College, are also leading Shari'a scholars, who have an intimate understanding of this specialised field of banking.

The Board, which reviews all QNB Al Islami documentation to ensure its products and contracts are Shari'a-compliant, also issues fatwas impacting its day-to-day activities, which implicate the entire country's Islamic banking sector. Meanwhile two Shari'a auditors carefully scrutinise and safeguard QNB Al Islami's activities, liaising with the Board to seek approval whenever questionable aspects arise.

Furthermore, QNB Al Islami's treasury staff work independently of QNB, ensuring a clear division of activities between QNB and QNB Al Islami.

Armed with a visionary ideal to lead the country's Islamic banking sector in the future, QNB Al Islami is focused on creating innovative, specialised products that enable its clients to fulfill their needs, completely assured they are Shari'a-compliant.

Broad accessibility

QNB Al Islami gives clients access to broad Shari'a-compliant individual and corporate services through QNB's broad modern, efficient and service-oriented network.

Although Islamic banking services have been available in the market for more than twenty years, QNB Al Islami was the first to launch an innovative product - Tawarruk, that enables potential clients to easily shift from conventional to Islamic banking. A fatwa approving the new product was issued in September 2005 and individuals responded enthusiastically to its availability, helping to further strengthen QNB Al Islami's growing assets, which were in excess of QR2 billion at the end of 2005.

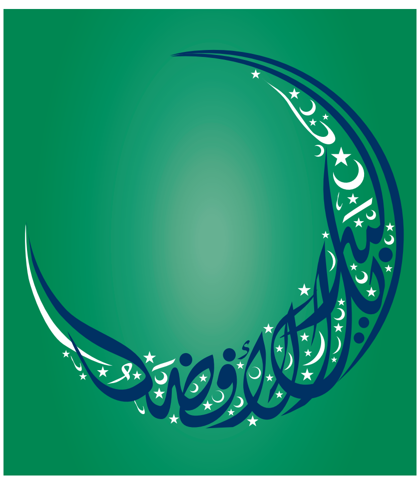
Capacity to structure specialised corporate Sukuks

Additionally, QNB Al Islami was the first bank in Qatar to structure a corporate Sukuk. Working in close collaboration with Ansbacher, QNB Treasury and QNB Corporate Sector's Syndications Unit, the Bank successfully structured a US$ 371 million Sukuk to support Qatar Real Estate Investment Company (QREIC).

Different thinking…that works

QNB Al Islami developed another innovative Islamic financing solution in 2005, which was formed by combining two existing Islamic concepts to support customers requiring a more flexible long-term financing option. The Istisna Over Ijara gives customers the opportunity to access an Istisna that has the flexibility of an Ijara.

QNB Al Islami proposes to provide Istisna financing to projects during their construction phase; however, after completion the arrangement is converted to an Ijara financing framework. By thinking outside the box, the Bank has overcome challenges to providing Istisna financing for extended terms, which reduces the inherent risk of the standard product.



QNB Al Islami's innovative Tawarruk enables potential clients to shift easily from conventional to Islamic banking.

High Net Worth Clients

During 2005, QNB focused on exploiting the extraordinary level of financial expertise it gained through its Ansbacher acquisition. Positioning itself to excel in the delivery of wealth management advice, support and innovative product options for private clients was a central thrust; however, the strategy went well beyond that, striving to integrate Ansbacher's intellectual assets and innovative financing products throughout QNB's operations.

Making world-class financial expertise more accessible

Ansbacher was the first entity granted a licence to establish a branch of its London-based bank in Doha by the Qatar Financial Centre. The new branch, which opened in December 2005, complements its presence at the Dubai International Financial Centre, which enhances its access to regional clients.

Ansbacher was the first entity granted a licence to establish a branch of its London-based bank in Doha by the Qatar Financial Centre.

Leveraging Ansbacher's strengths to create new paths to prosperity

In 2005, numerous individuals, corporations and institutions benefited tremendously from Ansbacher's close working relationship with QNB, which enabled QNB to advance its role as a trusted financial advisor on several fronts.

Ansbacher, which received London's coveted Private Asset Managers Award for Defensive Portfolios in March 2005, served as Fund Manager for the launch of two Doha stock market funds in September 2005.

Additionally, Ansbacher's support was instrumental in securing new roles for QNB Corporate Sector's project finance and syndication activities, including QNB London's appointment as off-shore accountholder for new Q-Power and QASCO projects. It also worked collaboratively with QNB London office staff to develop innovative joint financing for private clients investing in offshore assets in Europe and the United Kingdom.

Ansbacher received London's coveted Private Asset Managers Award for Defensive Portfolios in March 2005.

The creation of a dedicated Project Finance Unit and Syndications Unit within QNB's corporate banking sector, provided the perfect avenue to improve lateral relationships with relevant banking segments, like Ansbacher. Effectively integrating Ansbacher's expertise into corporate sector activities generated remarkable outcomes in 2005, and QNB is committed to further capitalising on this approach in the future.

Meanwhile, the creation of a new Wealth Management business unit in QNB's retail banking segment provided an ideal forum for maximising synergies between Ansbacher's team of wealth experts and QNB's private banking team, who were transferred into the Bank's retail fold in 2005.

Ansbacher continues to be the leading provider of superyacht financing and administration services outside the US. During 2005 private individuals in the region started to draw on this expertise. Several clients also took advantage of Ansbacher's services to source yachts for both purchase and charter, typically in the Mediterranean. The region's rapid marine infrastructure development and the range of unique, island projects is expected to create a surge of interest in this service as time progresses.

QNB's private banking, institutional and corporate clients also took advantage of Ansbacher's expertise to address their needs to acquire international real estate, both for investment purposes and for own-use residential property.

Ansbacher continues to be the leading provider of superyacht financing and administration services outside the US. During 2005 private individuals in the region started to draw on this expertise.

Tailor-made products to meet regional needs

In 2005, Ansbacher began tailoring its products to meet specific market demands. It began delivering advisory and fiduciary solutions for Sharia-compliant financing arrangements for corporations and financial institutions, winning a number of advisory/fiduciary mandates for regional Sukuk issues during 2005.

By providing such services in the region, Ansbacher is effectively delivering wealth management solutions to meet specific market demands.

Helping local business owners secure the future

In 2005, Ansbacher introduced its local family business services in the region. More local families are beginning to appreciate the need for expert advice on the complex cross-border legislation, asset protection, taxation and heir-ship rules for different jurisdictions. Ansbacher's ability to develop and help implement business continuity strategies that minimise conflicts and support the appropriate division of ownership among family members is gradually being recognised in the market.

Corporate Customers

QNB is doing more than contributing funds to regional deals. Its role is expanding to encompass the delivery of expert advice.

In 2005, QNB's corporate banking sector focused on gaining a deeper understanding of its clients' needs so it could expand its services. The move enabled QNB to broaden its lending role to that of a trusted financial advisor and expert consultant, supporting clients from the initial strategic development phase of a project through to execution.

QNB's enhanced role is generating heightened confidence in its ability to deliver on its commitment to provide innovative, viable solutions that effectively meet corporate needs. And, perhaps more significantly, it is positively supporting the Bank's ambition to expand its sphere of influence into the regional domain.

Award-winning performance

In 2005, numerous industry awards from leading international publications helped highlight QNB's growing financial acumen. In addition to receiving Global Finance's Best Treasury and Cash Management Bank Award, it laid claim to Global Finance's Best Emerging Market Bank Award (2005) and the Best Bank Award (2005) from both Global Finance and The Banker. Meanwhile, Euromoney presented QNB with the Best Debt House in Qatar Award (2005).

Expanding its role – literally and laterally

QNB is doing more than contributing funds to regional deals. Here too, its role is expanding to encompass the delivery of expert advice.

Best Debt House in Qatar - 2005
EUROMONEY 2005 Awards for excellence

In 2005, it served as Mandated Lead Arranger for the Nawras project in Oman. It contributed US$ 59 million of a total US$ 220 million and also served as the project's Financial Advisor and Agent Bank. It also served as Mandated Lead Arranger for a major Emirates Airline deal (UAE), Qalhat's new LNG plant project (Oman), the Bahrain port expansion (Bahrain), a Dolphin Energy deal (UAE) and was involved in other transactions spanning the region from Iran Petrochemical (Iran) to Arab Petroleum Investments Corp (APICORP) (Saudi Arabia).

The Bank's lead role in the Emirates Airline deal, which included issuance of a Sukuk, can largely be attributed to QNB's success at leveraging its array of specialised financial knowledge assets. In the Emirates Airline deal, these combined strengths enabled QNB to offer specialised support and sound advice to meet very specific needs.

July 2005

QASCO

Qatar Steel Company Q.S.C

Project Financing
US $ 558,500,000

Mandated Lead Arranger,
Security Agent, Account Bank

QNB's London office was off-shore accountholder for a new Qatar Steel project - a significant first.

QNB's broadened role in complex transactions is also evidenced in its London office's appointment in 2005 as off-shore accountholder for new Q-Power and QASCO projects, a significant first for QNB.

Its off-shore accountholder appointment appears to be indicative of a new trend. In other large 2005 transactions it served as among other things, Senior Lender, Regional Book Runner, Security Trustee, Facility Agent and Custodian.

Integrating resources more effectively

By more closely integrating relevant resources, the Bank is sharpening its competitive edge. During 2005 it sought to leverage new opportunities by working more effectively with its overseas branches through video-conferencing links and encouraged increased information sharing about activities.

As its London and Paris branches facilitated bid processes and issued contract guarantees for multi-national clients involved in projects for Q-Chem, Q-Power, Qatar Petroleum and others, the Bank's Project Finance and Syndications Units back in Doha mobilised to get involved in financing activities on the ground level. This new approach required the hiring of a dedicated resource to focus solely on nurturing multi-national corporate customer relationships.

Corporate Customers

QNB – Qatar's Leading IPO Lead Arranger

Naqilat - January 2005

- 280 million shares
- QR1.4 billion raised
- 190,000 applicants

Dlala - May 2005

- 14.6 million shares
- QR146 million raised
- 65,000 applicants

Barwa - December 2005

- 110 million shares
- QR1.1 billion raised
- 200,000 applicants

Broadening investment services

A similar role-expansion is evident in QNB's IPO and rights issue activities. In some instances during 2005, in addition to serving as Lead Arranger and effectively administering a company's IPO subscription process, QNB served as Financial Advisor, facilitating all preparatory details, including coordinating and implementing mandatory reports and providing requisite legal support.

Years of experience administering IPO subscriptions has built QNB's capacity to serve as Financial Advisor for companies keen to go public.

QNB has been administering IPO subscriptions and rights issues since 1998. It facilitated the issue of three separate IPOs in 2005, securing more than QR2.6 billion in capital through the issue of more than 400 million shares to more than 450,000 applicants.

This activity, along with its management of rights issues, including an April 2005 rights issue on behalf of Qatar Real Estate Company and an August 2005 rights issue on behalf of Al Ahli Hospital, has nurtured a far greater asset: the ability to effectively guide, support and advise clients eager to 'go public', from the moment they consider it a viable option.

Pooling skills and talent

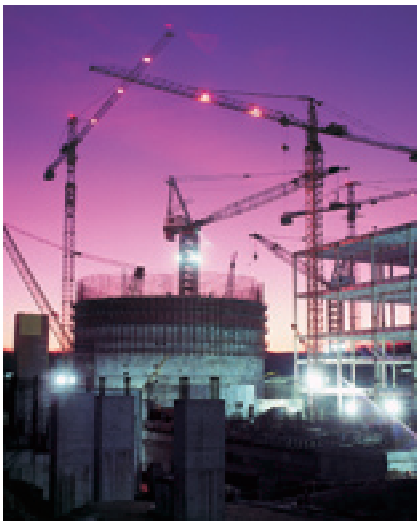
To strengthen its advisory capacity, QNB diligently works at pooling internal expertise more effectively, and augmenting it with 'new hires' as required. For instance, recognising that solid legal support is a critical component of effective financial support, it undertook to expand its team of legal advisors.

In 2005, its corporate sector restructured to create a dedicated unit that focuses solely on Project Finance and another that focuses on its Syndications activities. Each unit is composed of a broad cross-section of professional experts. Working in close collaboration, the team members effectively share knowledge to recommend optimal financing options.

In 2005, QNB's newly established Project Finance and Syndications Units participated in local and regional deals totaling more than US$ 25 billion, with QNB's share representing more than US$ 1.6 billion.

Notably, the restructuring does more than enable the Bank to respond more effectively. It enables it to respond faster too, since all the input required is right at hand. Refined approval processes are also supporting quicker turnarounds.

Additionally, the new dedicated units are driving positive change in the Bank's Contracting Unit, enabling it to broaden its services and help clients effectively structure their real estate projects.
In 2005, QNB continued to help build the country, financing more than half of the country's total complement of contracting and real estate projects, with its contributions reaching QR 3.8 billion.



In 2005, QNB continued to help build the country, with its contributions reaching QR 3.8 billion.

Exploiting in-house expertise

During 2005, QNB also made concerted efforts to actively exploit its Ansbacher acquisition, leveraging its knowledge assets by embedding them into a broad range of its generic banking activities. For instance, Ansbacher played a critical role as Fund Manager for the Al Watani funds launched in September 2005.

Similarly, Ansbacher's wealth management acumen supported QNB in its bid to assume broader responsibilities and new roles in project financing and syndication deals. Additionally, it is helping QNBs corporate sector identify innovative ways of providing financing, from real estate funds to Islamic loan structures, conventional capital market issues and other creative options that involve third parties, like securitisation.

Meanwhile, support from QNB Treasury, in developing innovative risk management products and solutions continued to attract and sustain growing interest from corporate clients and institutions – locally and regionally. QNB's ability to enable clients to effectively minimise foreign exchange and interest rate risks, coupled with the implementation of more efficient and transparent pricing and execution of cash management strategies contributed to increased profits and an increase in the number of clients seeking this type of support in 2005.

As co-manager of the Ras Gas II and III bonds, QNB held the third largest allocation, with its share of the combined bonds totaling US$ 2.25 billion.

Its support to inter-bank and regional corporate clients through the foreign exchange market also continued to broaden. Growing transaction volumes, at local and regional levels, demonstrates its strengthening role as a first-class treasury service provider.

The Bank now goes directly to its clients, physically, to collect their monetary assets for deposit, saving clients time and effort.

Doing things differently

QNB is committed to working proactively to deliver quality service. The introduction of Al Watani Express, a new cash and cheque collection service available to corporate clients, exemplifies its shift in attitude. The Bank now goes directly to its clients, physically, to collect their monetary assets for deposit - saving clients time and effort. The new approach provides improved access to its services and an added measure of security.

Similarly, enhancements introduced to S@hl, the Bank's electronic banking services for corporate clients in 2005 are improving the quality of service delivered. Now client's can directly link their payroll activities to QNB to effectively fast-track their payroll transactions and ease their internal administrative processes.

Institutions

The launch of the Ministry of Interior's (MOI) e-Cash card enabled the government to create a more secure, cashless environment.

QNB is determined to use its financial expertise to enable institutions to effectively manage their finances and meet their customers' expectations. Often, supporting institutions in improving service delivery creates a 'double win' as it translates to enhanced or expanded financial transaction options and improved access for individuals, who may or may not be QNB customers.

Integrating success in this manner helps improve customer satisfaction on many fronts and is instrumental in elevating the status of Qatar's institutions to new levels of professionalism.

Making government services more accessible

The launch of the Ministry of Interior's (MOI) e-Cash card enabled the government to create a more secure, cashless environment, streamline its administrative operations and simultaneously provided easier access and new options for consumers, heightening their satisfaction.

Supporting Q-Tel in its bid to facilitate e-statements and Internet bill payments is another example of how by helping institutions to improve their financial processes, QNB can positively impact individuals. The introduction of phone top ups for Q-Tel's Hala prepaid cards, which can be conveniently done through a variety of QNB distribution channels is another prime example of the success QNB's institutional support generates at the personal level.

Freeing corporate clients from complex financial administrative burdens

QNB's dividend distribution service is another fine example of how the Bank supports positive institutional development while enabling them to meet and exceed their customers' expectations.
In 2005, it undertook to distribute Q-Tel's dividend payments in February and August.

QNB's dividend distribution service enables local companies to benefit from the Bank's efficient financial administrative processes. While enhancing the client's corporate image among its shareholders, it adds new measures of convenience to shareholders.

Whereas, local companies that distribute dividends independently often require shareholders to pick-up dividend disbursements, institutions that rely on QNB's dividend distribution service provide shareholders with welcome options: dividend distribution can be managed through direct account credits or payments can be issued via registered mail. Additionally, the Bank is ideally equipped to manage administrative-intensive lien matters, saving institutions considerable time and effort.

The implementation of e-IPO in 2005 is supporting privitisation by making IPOs listed on the Doha Securities Market more accessible. It is another example of how QNB employs innovative IT networks to support institutional needs, while simultaneously creating advantages to individuals.

e-IPO provides all investors in Qatar with easier access to IPO subscriptions. Through e-IPO, QNB's operations department facilitated broad access to new company subscriptions by creating a network that enables all banks in Qatar to easily debit client accounts to support the purchase of shares. The system provides enhanced security for DSM as well, virtually eliminating the possibility of providing shares to applicants who do not have funds readily available, since the new system ensures transactions are not processed unless funds are readily available in the applicant's account.

QNB's partnership with Dlala is another example of how it works diligently with institutions to identify options driven by innovative technology to improve service levels enabling its client, in turn, to provide exemplary customer service.

e-IPO makes IPOs listed on the Doha Securities Market more accessible.

An electronic link between QNB and Dlala provides the broker with easy online access to an individual's investment account enabling it to respond more quickly to investor requests. Additionally, it benefits from enhanced security measures since its clients' buy and sell transactions are linked directly to their account balance, eliminating the risk of non-payment due to lack of funds.

Meanwhile, QNB investors maintain their cash assets with the Bank rather than the broker, providing an added measure of security for them since their cash assets are protected should the brokerage experience financial instability. The arrangement also provides QNB with improved access to potential new personal banking and corporate clients.

This unique service is the only one of its kind in Qatar and provides both investors and the brokerage firm with direct access to purchase, sell and credit transactions – improving the speed and efficiency of share transactions substantially.

Community

QNB is the Official Bank for the 15th Asian Games to be held in Doha in 2006.

QNB remains highly committed to providing financial support to help improve the quality of life for Qatar residents on a number of fronts. Every year it provides generous donations that support a range of activities in the sports, education, arts and culture and health sectors, in addition to charitable causes.

Showcasing Qatar on the international stage

With Qatar scheduled to host the 15th Asian Games in December 2006, the largest sporting event ever hosted in the region, QNB was keen to assume a lead role and lend its support. It signed a QR36.4 million partnership agreement enabling it to serve as the event's Official Bank.

The Bank was also a major sponsor for international events representing Qatar's four most popular sporting activities – football, tennis, motorbike racing and horse racing – during 2005. Additionally, it continued to provide generous donations to individual sporting clubs at the local level.

QNB's support of sports development extends well beyond its sponsorship activities. The Bank plays a key role in helping finance construction of many of the country's finest sporting facilities that rival the world's best. In 2005, it financed construction of the new QR300 million state-of-the-art Al Sadd Sports complex, site of the 17th Gulf Cup Football Championships. Additionally, it financed construction of the QR200 million world-class Losail Race Track.

Expanding opportunities for Qatar's youth

Eager to promote youth leadership, QNB aligned itself with Nasser Saleh Al Attiyah, a Middle East rally champion from Qatar, to provide youth with an inspiring role model who could inspire winning attitudes that would generate a positive and lasting impact.

In 2005, the QNB Volunteer Awards programme was launched in conjunction with the Qatar Foundation's Social Development Center.

During 2005, the Bank continued to be an enthusiastic supporter of the Qatar Foundation, contributing to the success of many of its initiatives. In collaboration with Qatar Foundation's Social Development Center it initiated the QNB Volunteer Awards programme aimed at promoting the value of volunteer efforts and encouraging individuals of all ages, as well as corporations and institutions to give generously of their time and expertise. The first series of awards under the new programme were presented at a gala dinner hosted by QNB in December 2005.

It also provided direct financial support to the Social Development Center, enabling it to deliver various socially responsive programmes like The First Step Programme, a community programme that has been instrumental in preparing women for the work world by providing relevant training and job skills.

Encouraging the pursuit of higher learning

The country's education sector received extensive support through a range of QNB scholarship contributions. Students attending Virgnia Commonwealth University School of Arts in Qatar (VCUQ), Qatar's College of North Atlantic, The Learning Centre School and others benefited from QNB scholarship grants in 2005. It also supported individual community schools and Qatar University through financial donations.

QNB aligned itself with Nasser Saleh Al Attiyah, Qatar's Middle East rally champion, to provide a role model for Qatar's youth.

Qatar's education sector also benefited directly from QNB's project financing services for contractors. The Bank financed construction projects at Education City, valued at QR240 million and Qatar Foundation expansions valued at QR360 million.

Sharing the wealth

Through its continued support of a wide range of charitable activities, QNB is making a positive difference in the lives of many in Qatar and beyond its borders. In 2005, it provided generous assistance to a variety of local organisations that play an important role in elevating the physical, social and emotional well-being of individuals that face unique challenges, such as the Al Noor Institute, the Qatar Cancer Society, the Qatar Society for Orphans, the Qatar Society for Special Needs, the Qatar Diabetes Association and others.

Furthermore, in 2005 it responded admirably to various international disasters, providing significant support to victims of the Asian tsunami disaster and victims of the earthquake in Pakistan.

Country

QNB's support enables Qatar's leading institutions to achieve their ambitions.

QNB financed a QR743 million deal that enabled Qatar Airways to expand its fleet.

The Bank provided sponsorships for Qatari nationals pursuing studies at the College of North Atlantic - Qatar.

QNB plays a lead role in enabling Qatar to go forward as a nation. With its financial backing, the country's economy continues to flourish – construction continues at a rapid pace and industrial expansions, including numerous Qatar Petroleum projects, which continue to generate new career opportunities and revenue sources for residents and the nation as a whole.

Helping to build the Nation

QNB is proud to provide financial advice to help Qatar's leading institutions achieve their ambitions. In addition to enabling Q-Tel to expand regionally, it supported new RasGas and Qatargas LNG production expansions and continues to finance visionary state projects including Qatar Foundation and Education City developments.

In 2005 it was also instrumental in helping finance a QR743 million deal that enabled Qatar Airways to substantially expand its fleet and compete more effectively with regional and international airlines that have similar operational capacities.

Meanwhile, QNB's Treasury continued to actively promote bond structures that directly benefit Qatar's economy. As the dominant market maker in the State of Qatar and Ras Laffan Euro-bonds, QNB services the regional and international inter-bank markets as well as the local corporate community.

Supporting privatisation

Throughout 2005, QNB worked collaboratively with numerous representatives of Qatar's business community to support the ongoing development of Qatar's financial market, using its expertise to facilitate privatisation and capital increases.

Giving Qatar a competitive edge

Working closely with numerous government agencies, including the Ministry of Interior and national organisations like Q-Chem, QNB continues to provide financial and administrative support that ensures their ongoing success, which in turn, puts Qatar on a level playing field with developed countries the world over.

Supporting Qatari Nationals

QNB offers superb career opportunities for Qatar's youth, providing fertile training ground for future leaders. In 2005, the Bank provided sponsorships to support a number of Qatari nationals who are pursuing post-secondary studies at the College of North Atlantic and Qatar University. Meanwhile, the percentage of Qatari Nationals represented in the Bank's workforce was the highest in the country's financial sector, which earned it an award from the GCC Ministries of Labour and Social Affairs Board, for its exemplary Qatarisation accomplishments.

Building a solid financial foundation

As Qatar's leading bank, it is incumbent on QNB to demonstrate support for national ideals – including the promotion of a stable and sound banking sector. In 2005, QNB led the way in achieving international compliance standards and Basel II requirements, being the first bank in Qatar to identify and measure risks more effectively through the implementation of a comprehensive self-assessment software tool. The implementation of new technology, coupled with enhanced internal reporting processes, elevates QNB's operating standards to rival those of the world's best banks and provides shareholders with enhanced investment security and healthy dividends.

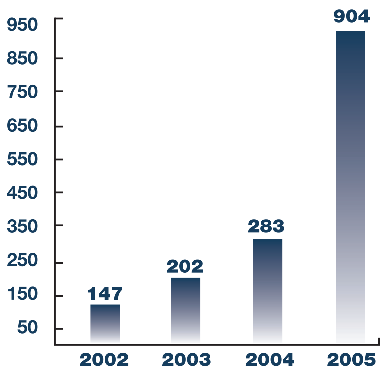
Expanding Islamic banking opportunities

QNB is also playing a lead role in enhancing Islamic banking services available in Qatar. Its 2005 launch of QNB Al Islami attracted significant interest from both personal and corporate clients. Its subsequent introduction of new Sharia-compliant products is also having a profoundly positive impact, encouraging more to perceive Islamic banking as a viable and welcome option.

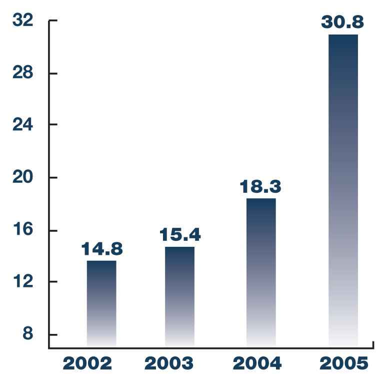
Communicating our successes to the world

The Bank's in-house Economics and Research Department plays a vital role in raising awareness about Qatar. Its semi-annual publication of the Qatar Economic Review is an important document that facilitates a broader understanding of the country's economic potential and progress. It, along with other key publications including the Banking Sector Review and Doing Business in Qatar are shared regularly with business leaders and financial journalists and editors locally, regionally and internationally, to ensure reports about Qatar are based on accurate, reliable data and statistics.

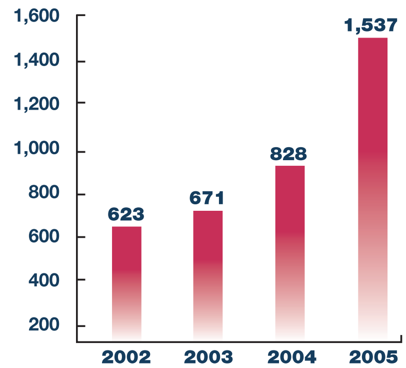
Financial Highlights



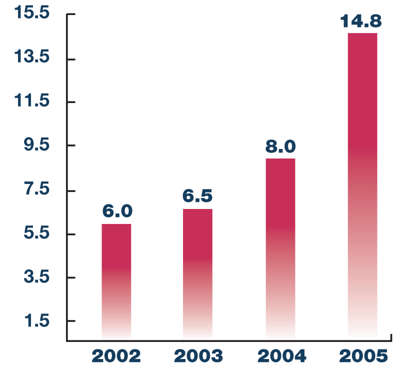
Other Income (QR Million)
Other income up by 219% to QR904 million



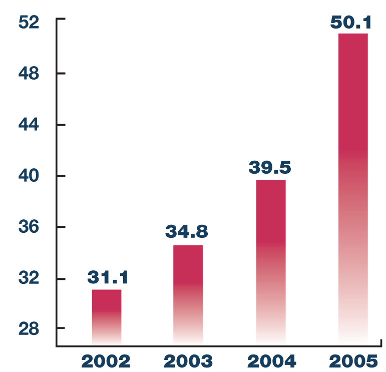
Return on Average Equity (%)
Return on average equity up to 30.8%



Net Profit (QR Million)
Net profit up by 86% to QR1,537 million



Earnings Per Share (QR)
Earnings per share up to QR14.8



Total Assets (QR Billion)
Total assets up by 27% to QR50.1 billion

- Net profit up by 85.7% to QR1,537 million from QR827.5 million in 2004
- Total assets up QR10.5 billion (26.6%) to QR50.1 billion
- Earnings per share up from QR8.0 to QR14.8
- Return on average equity up from 18.3% to 30.8%
- QNB's contribution to Community Support activities has risen to QR43.5 million

Financial Review

2005 Results

2005 was another year of record financial performance and substantial improvement in the profitability and growth of Qatar National Bank.

Net profit rose by 85.7% to QR1,537 million, compared with the net profit of QR827.5 million delivered in 2004.

Net interest income improved by QR375.7 million (41.3%) to QR1,285 million. Other operating income continued its strong growth by increasing QR620.7 million (219%) to QR904 million. As a result, total income grew by QR996.4 million (83.6%) to QR2,189 million.

Net fees and commissions grew by QR223.4 million (135.7%) to QR388.0 million. Foreign exchange income grew by QR26.1 million (67.7%) to QR64.6 million. At the same time, dividend income grew by QR16.1 million (30.5%) to QR68.7 million, reflecting high dividend distribution of the Bank's Doha Securities Market (DSM) equity portfolio.

Investment income from sales of equity securities generated a gain of QR340.9 million.

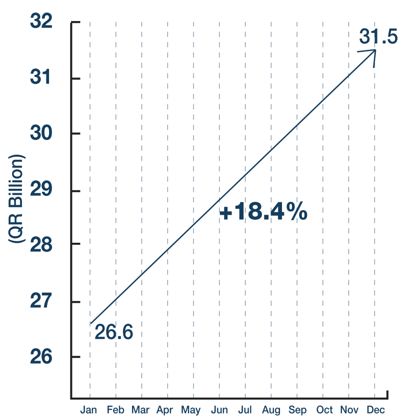
Total costs, excluding Community Support, increased by QR331.6 million (104.9%) to QR647.5 million. A key factor in the growth in expenses was the inclusion of Ansbacher Group Holdings' costs for the first time. The growth in income, combined with the control of costs, enabled the Bank to maintain a strong efficiency ratio, being total costs as a percentage of income, at 29.6%.

Loan impairment recoveries, net of provisions, were QR76.5 million compared with net provisions of QR30.3 million in 2004. The Bank's loan portfolio remains of a high quality, with the ratio of non-performing loans to gross loans improving from 2.4% to 2.2% in 2005.

Balance Sheet Growth

During 2005, the Bank's total assets increased by QR10.5 billion (26.6%) to QR50.1 billion. Loans and advances (net) grew to QR31.5 billion, representing an increase of QR4.9 billion, or 18.4%. Customer deposits also grew by QR6.8 billion (23.1%) during the year to reach QR36.5 billion.

The Bank's advances to deposits ratio stood at 86% at 31st December 2005, ensuring that the Bank operates at levels of liquidity appropriate to its current and planned business volumes.



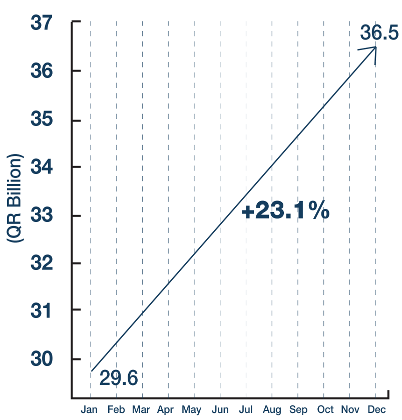
Loans and Advances - 2005

Islamic Banking

On 17th April 2005, QNB launched its Islamic banking services with the opening of its first specialised Islamic branch. During the eight months since its launch, the Islamic branch succeeded in achieving excellent results, with total assets reaching QR2.3 billion and customer deposits reaching QR2.1 billion. Net profit for the branch reached QR7.4 million.

Wealth Management (QNB International Holdings)

Total assets of the subsidiary (QNB International Holdings) as at 31st December 2005 totalled QR4.2 billion, loans and advances reached QR2.5 billion, and customer deposits QR2.9 billion. Net losses of the subsidiary in 2005 reached QR78.3 million mainly due to goodwill impairment amounting to QR40.4 million and reorganising the subsidiary's operations in some countries in which it operates in order to be in line with QNB's overall future strategy.



Customer Deposits - 2005

Capital Strength

Total shareholders' equity at 31st December 2005 was QR8.7 billion (US$2.4 billion). The Bank's risk assets ratio is 21%, comfortably in excess of the 10% minimum level set by Qatar Central Bank and the 8% minimum stipulated in the Basel capital adequacy directives.

Shareholder Value

The Bank's return on shareholders' equity improved from 18.3% in 2004 to 30.8% in 2005. Earnings per share improved from QR8.0 to QR14.8.

Outlook

In view of the exceptional performance during 2005, QNB is confident of its capabilities to continue to deliver superior value to its shareholders and customers.

Financial Statements

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

We have audited the accompanying consolidated balance sheet of Qatar National Bank S.A.Q. and it's subsidiary (the Group) as at 31st December 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2005, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and Qatar Central Bank regulations.

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group and that we are not aware of any contravention by the Group 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.

T. F. Sexton
Ernst & Young
Qatar Auditors' Registry No. 114

19th January 2006
Doha
State of Qatar

Statement of the Sharia Control Board

Praise be to Allah, the Almighty, prayers and peace be upon his messenger, his companions and followers till the day of judgment.

Fatwa and Sharia Control Board of QNB Al Islami assumed its duties since the inauguration of QNB's Islamic operations on 17th April 2005. In performing its duties, Sharia Board is guided by the principles of Islamic Sharia teachings, drawing from the rich resources of Sharia and seeking guidance from the great traditions of the Islamic jurisprudence. Since a primary concern of the Board was to establish financial and administrative independence of the Islamic branch, it set up an internal charter that ensured a financial identity of the branch independent from the commercial operations.

Through its Executive Committee and Sharia compliance function, the Sharia Board drafted the branch's contracts in accordance with the Sharia rules, reviewed the forms and agreements, followed up implementation, oversaw the correct execution of the Sharia Board resolutions and verified the soundness of the banking operations.

As well, the Sharia Board responded to the questions and inquiries of the management and contributed to providing practical Islamic solutions to the difficulties encountered during implementation.

The Sharia Board has reviewed the Islamic branch's balance sheet, income statement and methods of calculating the distribution of profits between depositors and shareholders for the period from the inception of the branch's operations to 31st December 2005, and found them complying with Sharia principles.

The Sharia Board asserts that all matters referred to it and contracts drafted were fully complying with the Sharia rules. However, the implementation of these Sharia rules and contracts is mainly the responsibility of the management, and the responsibility of the Sharia Board is limited to giving Sharia opinion (Fatwa) on the issues referred to it and practicing control on transactions through its Sharia compliance function within the limits of its capabilities.

Finally, we pray to Allah to bless the dedicated efforts that contributed to the foundations and success of this project, and in particular, the efforts made by the management and staff of QNB Al Islami and their valued cooperation with the Sharia Board.

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

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

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

Consolidated Balance Sheet

As at 31st December 2005

	Note	2005 QR000	2004 (Restated) QR000
ASSETS			
Cash and Deposits with Central Banks	4	2,406,327	1,700,369
Due from Banks and Other Financial Institutions	5	7,499,202	2,345,936
Loans and Advances and Financing Activities to Customers	6	31,477,500	26,590,983
Investments	7	7,585,486	7,624,824
Investment in Associates	8	52,460	-
Properties, Furniture and Equipment	9	467,419	528,435
Other Assets	10	571,762	756,996
Total Assets		**50,060,156**	**39,547,543**
LIABILITIES and SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to Banks and Other Financial Institutions	11	2,598,708	2,153,383
Customer Deposits	12	36,457,014	29,613,833
Other Liabilities	13	2,046,368	1,095,555
		41,102,090	**32,862,771**
Unrestricted Investment Accounts	15	249,151	-
SHAREHOLDERS' EQUITY			
Fully Paid Share Capital	16	1,038,208	1,038,208
Statutory Reserve	16	1,038,208	1,038,208
Other Reserves	16	1,775,457	1,770,034
Risk Reserve	16	169,422	149,422
Fair Value Reserve	16	2,549,232	1,439,387
Proposed Dividend	16	778,656	622,925
Proposed Bonus Shares	16	259,552	-
Proposed Transfer to Statutory Reserve		259,552	-
Retained Earnings		840,628	626,588
Total Shareholders' Equity		**8,708,915**	**6,684,772**
Total Liabilities and Shareholders' Equity		**50,060,156**	**39,547,543**

These financial statements were approved by the Board of Directors on 19th January 2006 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 accompanied notes 1 to 33 form an integral part of these financial statements.

Consolidated Statement of Income

For the Year Ended 31st December 2005

	Note	2005 QR000	2004 (Restated) QR000
Interest Income	17	2,172,318	1,413,793
Interest Expense	18	(887,507)	(504,730)
Net Interest Income		**1,284,811**	**909,063**
Fees and Commissions Income	19	416,470	178,971
Fees and Commissions Expense		(28,477)	(14,374)
Net Fees and Commissions		**387,993**	**164,597**
Dividend Income	20	68,709	52,658
Net Gains from Dealing in Foreign Currencies	21	64,646	38,555
Gains from Investments	22	340,940	19,092
Gains from Investment in Associates	8	3,750	-
Income from Financing and Investing Activities		14,304	-
Other Operating Income		23,698	8,461
Total Operating Income		**2,188,851**	**1,192,426**
General and Administrative Expenses	23	(634,910)	(308,198)
Depreciation		(56,071)	(27,159)
Recoveries / (Provisions) for Impairment of Loans and Advances	6	76,457	(30,339)
Investment Revaluation Gains	7	9,071	7,749
Other Provisions	14	(2,407)	(3,435)
Recovery of Provision for Properties Acquired against Settlement of Debts		4,020	6,585
Goodwill Impairment	32	(40,378)	-
Unrestricted Investment Account Holders' Share of Profit		(798)	-
Net Profit Before Taxes		**1,543,835**	**837,629**
Taxes		(7,023)	(10,132)
Net Profit for the Year		**1,536,812**	**827,497**
Basic Earnings Per Share (QR)	24	14.8	8.0
Fully Diluted Earnings Per Share (QR)	24	14.8	8.0

The accompanied notes 1 to 33 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended 31st December 2005

	Share 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 1st January 2004	1,038,208	1,038,208	1,770,034	-	777,871	545,059	-	-	438,336	5,607,716
Adjustment Arising from the Application of the Revised IAS 39 (Note 2)	-	-	-	136,922	-	-	-	-	-	136,922
Balance at 1st January 2004 (Restated)	1,038,208	1,038,208	1,770,034	136,922	777,871	545,059	-	-	438,336	5,744,638
Directors' Fees Paid for the year 2003	-	-	-		-	-	-	-	(3,820)	(3,820)
Net Movement in Risk Reserve	-	-	-	12,500	-	-	-	-	(12,500)	-
Net Movement in Fair Value Reserve	-	-	-	-	661,516	-	-	-	-	661,516
Total Changes in Reserves Recognised Directly in Equity	-	-	-	12,500	661,516	-	-	-	(16,320)	657,696
Net Profit for the Year	-	-	-	-	-	-	-	-	827,497	827,497
Total Income and Expenses for the Year	-	-	-	12,500	661,516	-	-	-	811,177	1,485,193
Dividend Paid for the year 2003	-	-	-	-	-	(545,059)	-	-	-	(545,059)
Proposed Dividend	-	-	-	-	-	622,925	-	-	(622,925)	-
Balance at 31st December 2004	**1,038,208**	**1,038,208**	**1,770,034**	**149,422**	**1,439,387**	**622,925**	**-**	**-**	**626,588**	**6,684,772**
Balance at 1st 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 1st 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 Expenses 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 31st 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 31st December 2005 include a credit balance of QR5.4 million in respect of currency translation adjustments.

Retained earnings as at 31st December 2005 include QR6.45 million in respect of proposed directors' fees for the year 2005 (2004:QR4.56 million).

The accompanied notes 1 to 33 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31st December 2005

	Note	2005 QR000	2004 (Restated) QR000
Cash flow from Operating Activities			
Net Profit for the Year Before Taxes		1,543,835	837,629
Reconciliation of Net Profit to Net Cash Flow from Operating Activities			
Depreciation		56,071	27,159
(Recoveries) / Provisions for Impairment of Loans and Advances		(76,457)	30,339
Investment Revaluation Gains		(9,071)	(7,749)
Other Provisions		12,388	11,262
Release of Other Provisions		(5,441)	(18,291)
Profit on Sale of Properties, Furniture and Equipment		(12,443)	(6,738)
Profit on Sale of Investments		(340,940)	(19,092)
Goodwill Impairment		40,378	-
Tax Paid		(7,412)	(13,327)
Amortisation of Premium or Discount on Investments		3,205	2,960
Gains from Investment in Associates		(3,750)	-
Recovery of Provision for Property Acquired Against Settlement of Debts		(4,020)	(6,585)
		1,196,343	**837,567**
Net (Increase) / Decrease in Assets			
Due from Banks		(112,702)	(259,704)
Loans and Advances and Financing Activities		(4,810,060)	(840,096)
Other Assets		150,639	(229,009)
Net Increase / (Decrease) in Liabilities			
Due to Banks		445,325	(1,615,619)
Customer Deposits		7,092,332	1,900,865
Other Liabilities		965,324	(794,686)
Net Cash Inflow / (Outflow) from Operating Activities		**4,927,201**	**(1,000,682)**
Cash flow from Investing Activities			
Purchase of Investments		(1,007,361)	(993,851)
Sale / Redemption of Investments		2,334,829	2,097,743
Purchase of Associates		(48,710)	-
Acquisition of Subsidiary, Net of Cash Acquired		-	203,744
Purchase of Properties, Furniture and Equipment		(42,352)	(37,432)
Sale of Properties, Furniture and Equipment		24,326	21,639
Net Cash Inflow from Investing Activities		**1,260,732**	**1,291,843**
Cash flow from Financing Activities			
Dividend Paid		(617,384)	(548,178)
Net Cash Outflow from Financing Activities		**(617,384)**	**(548,178)**
Net Cash Inflow / (Outflow) during the Year		**5,570,549**	**(257,017)**
Changes in Foreign Exchange Rates		175,973	(30,444)
Balance at 1st January		2,853,072	3,140,533
Balance at 31st December	31	**8,599,594**	**2,853,072**

The accompanied notes 1 to 33 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
For the Year Ended 31st December 2005

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar National Bank S.A.Q. ("the Bank") was incorporated in the State of Qatar on 6th 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 32 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 United Kingdom, Switzerland, Bahamas, Channel Islands, United Arab Emirates and Qatar Financial Centre. It owns Ansbacher Group Holdings Limited through a Luxembourg-based holding company, QNB International Holdings Limited.

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 1st 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 1st 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 1st January 2005, this provision is treated as an appropriation of net profit and appears within shareholders' equity as risk reserve. The impact of this was an increase to loans and advances and risk reserve at 31st December 2004 of QR149.4 million and net profit for the year then ended of QR12.5 million.

b) Basis of Presentation and Consolidation

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair values of derivatives and available for sale securities and in accordance with International Financial Reporting Standards and related interpretations and the laws and regulations of Qatar Central Bank.

The consolidated financial statements comprise the financial statements of Qatar National Bank 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	439,131	100%

c) Islamic Banking

The Group opened its first Islamic branch on 17th April 2005. The branch carries out Islamic banking services through various Islamic modes of financing. The activities of the branch are conducted in accordance with the Islamic Sharia, as determined by the Sharia Control Board. The branch accounts are prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and regulations of Qatar Central Bank.

d) 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. 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. Translation differences arising from the application of closing rates of exchange to the opening balances of assets and liabilities of overseas branches and subsidiaries are taken directly to other reserves.

e) Derivatives

Derivatives are initially measured at cost and are subsequently stated at fair value. Fair values represent quoted market prices or internal pricing models as appropriate. Derivatives with positive fair values are included in other assets and derivatives with negative fair values are included in other liabilities. The resultant gains and losses from derivatives held for trading purposes are included in the statement of income.

For the purpose of hedge accounting, hedges are classified as either fair value or cash flow hedges. Fair value hedges hedge the exposure to changes in 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 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 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. At that point in time, 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.

f) 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 in accordance with the regulations of Qatar Central Bank.

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

Dividend income is recognised when declared.

g) Investments

Available for sale investments are measured at fair value on an individual basis. Unrealised gain or loss 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 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.

h) 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 or cost.

i) Date of Recognition of Financial Transactions

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

j) Loans and Advances and Financing Activities

Loans and advances are stated at 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, together with a detailed appraisal of the lending portfolio by the management following Qatar Central Bank regulations.

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, Musawama and Istisna contracts are stated at their gross principal amount 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.

k) 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 fixed assets must be with Qatar Central Bank approval.

l) Properties, Furniture and Equipment

Properties, furniture 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.

m) Impairment of Financial Assets

An assessment is made at the 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.

n) Employees' Termination Benefits and Pension Fund

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

The Group calculates its share in the pension fund in accordance with the pension fund law. The cost is considered as part of staff costs within general and administrative expenses and is disclosed in note 23.

o) 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.

p) 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.

q) Contingent Liabilities and Other Commitments

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

r) Unrestricted Investment Accounts' Share of Profit

Islamic branch net profit for the year is distributed among unrestricted account holders and shareholders in accordance with Qatar Central Bank regulations, which are summarised as follows:

The net 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 profit share 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 fees.

Any expense or loss arising out of misconduct on the part of the Bank due to non-compliance with Qatar Central Bank regulations are not borne by the unrestricted investment account holders. Such matter is subject to Qatar Central Bank decision.

Where the Islamic branch results at the end of the 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 cause for 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.

s) 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 less than three months maturity as disclosed in note 31.

t) Taxes

Taxes are calculated based on tax laws and regulations either in Qatar or other countries in which the Bank operates. Tax provision is made based on an evaluation of the expected tax liability.

u) 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 Bank. 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 a 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 favourable 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 exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as fair value or cash flow hedges. 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.

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.

Notes to the Consolidated Financial Statements
For the Year Ended 31st December 2005

(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. 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 or maturity dates, whichever dates are earlier.

The following tables summarise the repricing 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
As at 31st December 2005:							
Cash and Deposits 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 and Financing Activities	25,202,271	4,401,016	1,323,366	100,595	450,252	31,477,500	5.81%
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%
Other Liabilities	11,512	56,732	-	-	2,227,275	2,295,519	
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**	**-**	**-**	
As at 31st December 2004:							
Cash and Deposits with Central Banks	363,019	-	-	-	1,337,350	1,700,369	
Due from Banks	1,815,515	166,264	-	-	364,157	2,345,936	1.95%
Loans and Advances and Financing Activities	20,380,381	3,341,974	934,100	920,799	1,013,729	26,590,983	4.06%
Investments	539,845	1,296,185	1,688,684	1,649,180	2,450,930	7,624,824	5.53%
Other Assets	-	-	-	-	1,285,431	1,285,431	
Total Assets	**23,098,760**	**4,804,423**	**2,622,784**	**2,569,979**	**6,451,597**	**39,547,543**	
Due to Banks	1,919,112	126,499	-	-	107,772	2,153,383	1.64%
Customer Deposits	25,042,723	1,416,992	421,443	28,103	2,704,572	29,613,833	1.58%
Other Liabilities	-	-	-	-	1,095,555	1,095,555	
Shareholders' Equity	-	-	-	-	6,684,772	6,684,772	
Total Liabilities and Equity	**26,961,835**	**1,543,491**	**421,443**	**28,103**	**10,592,671**	**39,547,543**	
Balance Sheet Items	(3,863,075)	3,260,932	2,201,341	2,541,876	(4,141,074)	-	
Off-Balance Sheet Items	1,070,504	293,015	(1,117,960)	(245,559)	-	-	
Interest Rate Sensitivity Gap	**(2,792,571)**	**3,553,947**	**1,083,381**	**2,296,317**	**(4,141,074)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(2,792,571)**	**761,376**	**1,844,757**	**4,141,074**	**-**	**-**	

(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 and the availability of liquid funds. 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
As at 31st December 2005:						
Cash and Deposits 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 and Financing Activities	4,884,935	9,180,585	6,910,663	8,884,935	1,616,382	31,477,500
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
Other Liabilities and Shareholders' Equity	2,142,809	71,620	14,994	55,171	8,719,840	11,004,434
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)**	**-**
As at 31st December 2004:						
Cash and Deposits with Central Banks	1,700,369	-	-	-	-	1,700,369
Due from Banks	1,779,287	17,760	112,637	436,252	-	2,345,936
Loans and Advances and Financing Activities	3,009,421	4,495,442	5,874,692	12,125,394	1,086,034	26,590,983
Investments	2,552,093	167,555	1,309,749	2,193,694	1,401,733	7,624,824
Other Assets	575,015	98,819	308	379,116	232,173	1,285,431
Total Assets	**9,616,185**	**4,779,576**	**7,297,386**	**15,134,456**	**2,719,940**	**39,547,543**
Due to Banks	1,842,777	237,796	72,810	-	-	2,153,383
Customer Deposits	24,582,034	3,424,987	1,311,024	295,788	-	29,613,833
Other Liabilities and Shareholders' Equity	706,531	42,679	36,844	309,904	6,684,369	7,780,327
Total Liabilities and Equity	**27,131,342**	**3,705,462**	**1,420,678**	**605,692**	**6,684,369**	**39,547,543**
Difference	**(17,515,157)**	**1,074,114**	**5,876,708**	**14,528,764**	**(3,964,429)**	**-**

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	UK£	Other Currencies	Total
As at 31st December 2005:						
Assets	18,929,131	24,651,434	2,006,007	3,582,163	891,421	50,060,156
Liabilities and Shareholders' 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**	**-**
As at 31st December 2004:						
Assets	14,612,007	17,545,030	3,979,866	2,615,934	794,706	39,547,543
Liabilities and Shareholders' Equity	20,199,343	12,472,098	3,574,158	2,764,427	537,517	39,547,543
Net Balance Sheet Position	**(5,587,336)**	**5,072,932**	**405,708**	**(148,493)**	**257,189**	**-**

Notes to the Consolidated Financial Statements
For the Year Ended 31st December 2005

(All amounts are shown in thousands of Qatari Riyals)

3. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

g) Capital Adequacy

	Assets		Weighted Assets	
	2005	2004	2005	2004
Cash and Deposits with Central Banks	2,406,327	1,700,369	-	-
Due from Banks and Other Financial Institutions	7,499,202	2,345,936	1,499,840	477,637
Loans and Advances and Financing Activities	31,477,500	26,590,983	15,751,724	11,487,900
Investments	7,637,946	7,624,824	5,401,778	4,429,034
Properties, Furniture and Equipment	467,419	528,435	467,418	528,435
Other Assets	571,762	756,996	509,019	717,087
Contingent Liabilities and Other Commitments	28,564,570	28,605,034	7,416,567	6,081,522
Total Weighted Assets			**31,046,346**	**23,721,615**

			Capital Adequacy Ratio	
	2005	2004	2005	2004
Tier 1 Capital	5,205,155	4,468,478	17%	19%
Tier 1 and Tier 2 Capital	6,521,732	5,265,624	21%	22%

The minimum accepted capital adequacy ratio is 10% under Qatar Central Bank requirements and 8% under Basel 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 Group. These services give rise to legal and operating risks. 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 minimise actual or potential losses from operational risk failures 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 advisors. 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 DEPOSITS WITH CENTRAL BANKS

	2005	2004
Cash	172,051	163,540
Cash Reserve with Qatar Central Bank	819,997	644,344
Other Balances with Qatar Central Bank	1,413,463	890,794
Balances with Other Central Banks	816	1,691
Total	**2,406,327**	**1,700,369**

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	2005	2004
Current Accounts	497,899	478,255
Placements	6,265,679	1,284,044
Loans	735,624	583,637
Total	**7,499,202**	**2,345,936**

6. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS	2005	2004
a) By Type		
(i) Conventional Banking Loans and Advances		
Loans	30,079,809	26,195,500
Overdrafts	1,552,194	1,171,141
Bills Discounted	62,672	21,986
	31,694,675	**27,388,627**
Specific Provision for Impairment of Loans	(465,841)	(604,001)
Interest in Suspense	(170,160)	(193,643)
Net Conventional Banking Loans and Advances	**31,058,674**	**26,590,983**
(ii) Financing Activities		
Murabaha	154,558	-
Istisna	42	-
Ijara	258,814	-
Others	5,412	-
Net Financing Activities	**418,826**	**-**
Net Loans and Advances and Financing Activities	**31,477,500**	**26,590,983**

The aggregate amount of non-performing loans and advances amounted to QR690.7 million, 2.2% of total loans and advances (2004: QR666.6 million, 2.4% of total loans and advances).

b) By Industry	Loans & Advances	Overdrafts	Bills Discounted	2005 Total	2004 Total
Government	9,126,720	841,039	-	9,967,759	10,214,005
Government Agencies	4,286,512	12,328	-	4,298,840	3,453,019
Industry	1,940,949	5,915	62,456	2,009,320	747,605
Commercial	750,019	102,478	-	852,497	1,044,048
Services	2,081,144	18,189	-	2,099,333	913,249
Contracting	278,139	144,945	-	423,084	308,188
Real Estate	5,266,994	47,649	-	5,314,643	4,171,946
Personal	6,345,615	316,205	216	6,662,036	5,687,824
Others	422,133	63,856	-	485,989	848,743
Total Loans and Advances	**30,498,225**	**1,552,604**	**62,672**	**32,113,501**	**27,388,627**

c) Movement in Provisions for Impairment of Loans	Specific Provision	Interest in Suspense	2005 Total	2004 Total
Balance at 1st January	604,001	193,643	797,644	808,727
Foreign Currency Translation	(3,314)	(187)	(3,501)	2,894
Net Provisions during the Year	(74,616)	(7,094)	(81,710)	44,516
Provisions Made during the Year	96,832	52,302	149,134	140,570
Recoveries during the Year	(171,448)	(59,396)	(230,844)	(96,054)
Provisions relating to Acquired Subsidiary	-	-	-	3,225
Written off during the Year	(60,230)	(16,202)	(76,432)	(61,718)
Balance at 31st December	**465,841**	**170,160**	**636,001**	**797,644**

(All amounts are shown in thousands of Qatari Riyals)

7. INVESTMENTS

Investments as at 31st December 2005 totalled QR7,585,486,000 (2004: QR7,624,824,000). The analysis of investments is detailed below:

a) Available for Sale Investments	2005		2004	
	Quoted	Unquoted	Quoted	Unquoted
Equities	3,543,793	37,878	2,381,936	23,182
State of Qatar Bonds	226,680	-	240,569	-
Other Bonds	492,306	236,537	954,151	345,711
Mutual Funds	108,130	8,704	970	5,461
Total	**4,370,909**	**283,119**	**3,577,626**	**374,354**

Fixed rate securities and floating rate securities amounted to QR288.2 million and QR667.3 million respectively (2004: QR411.3 million and QR1,129 million).

When International Accounting Reporting Standard IFRS 39 - Financial Instruments: Recognition and Measurement was first adopted, the Group elected to take unrealised gains and losses on available for sale investments to the fair value reserve within shareholders' equity. In accordance with IFRS 39 and Qatar Central Bank regulations, the Group recognised a revaluation gain of QR9.1 million (2004: a revaluation gain of QR7.7 million) in respect of the appreciation in value or sale of those available for sale investments against which a revaluation loss was recognised in previous years.

b) Held to Maturity Investments	2005		2004	
	Quoted	Unquoted	Quoted	Unquoted
- By Issuer				
State of Qatar Bonds	645,035	419,604	648,995	1,419,604
Other Debt Securities	938,490	928,329	803,336	800,909
Total	**1,583,525**	**1,347,933**	**1,452,331**	**2,220,513**
- By Interest Rate				
Fixed Rate Securities	1,136,909	1,147,704	1,201,322	1,147,704
Floating Rate Securities	446,616	200,229	251,009	1,072,809
Total	**1,583,525**	**1,347,933**	**1,452,331**	**2,220,513**

The fair value of held to maturity investments is QR3,155 million (2004: QR3,906 million).

Notes to the Consolidated Financial Statements
For the Year Ended 31st December 2005

(All amounts are shown in thousands of Qatari Riyals)

8. INVESTMENT IN ASSOCIATES	2005	2004
Balance at 1st January	-	-
Investments Added during the Year	49,010	-
Share in Profit	3,750	-
Less: Cash Dividend	(300)	-
Balance at 31st December	**52,460**	**-**

Name of Associate	Nationality	Ownership %	
Investment House Company	Qatari	30.0%	-
Mansour Bank	Iraqi	25.0%	-

9. PROPERTIES, FURNITURE AND EQUIPMENT

	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Cost					
Balance at 1st January 2005	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)
Balance at 31st December 2005	**463,324**	**69,805**	**321,802**	**668**	**855,599**
Accumulated Depreciation					
Balance at 1st January 2005	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)
Balance at 31st December 2005	**72,824**	**46,818**	**267,906**	**632**	**388,180**
Net Book Amount					
At 31st December 2005	**390,500**	**22,987**	**53,896**	**36**	**467,419**
At 31st December 2004	**434,907**	**25,112**	**67,862**	**554**	**528,435**

10. OTHER ASSETS	2005	2004
Interest Receivable	215,553	274,046
Prepaid Expenses	24,669	16,984
Capital Expenditure in Progress	16,588	12,896
Properties Acquired Against Settlement of Debts	14,160	19,093
Positive Fair Value of Derivatives (Note 28)	59,268	125,979
Sundry Debtors	7,419	65,225
Goodwill	-	42,925
Others	234,105	199,848
Total	**571,762**	**756,996**

Properties acquired against settlement of debts are disclosed net of revaluation provision amounting to QR5.4 million (2004: QR9.4 million).

Notes to the Consolidated Financial Statements

For the Year Ended 31st December 2005

(All amounts are shown in thousands of Qatari Riyals)

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	2005	2004
Balances with Qatar Central Bank	268,180	61,352
Current Accounts	273,224	160,002
Deposits	2,057,304	1,932,029
Total	**2,598,708**	**2,153,383**

12. CUSTOMER DEPOSITS	2005	2004
a) By Type		
(i) Conventional Banking Customer Deposits		
Current and Call Accounts	17,382,084	10,348,320
Saving Accounts	652,897	490,942
Time Deposits	16,544,175	18,774,571
	34,579,156	**29,613,833**
(ii) Islamic Banking Current Accounts	1,877,858	-
Total	**36,457,014**	**29,613,833**

Customer deposits include QR31.8 million of margins held for direct and indirect facilities (2004: QR112.8 million).

b) By Sector	2005	2004
Government	5,404,073	4,391,725
Government Agencies	12,914,729	8,381,365
Individuals	11,941,155	10,657,178
Corporate	6,197,057	6,183,565
Total	**36,457,014**	**29,613,833**

13. OTHER LIABILITIES	2005	2004
Interest Payable	111,419	155,481
Expense Payable	88,196	65,538
Other Provisions (Note 14)	80,112	73,935
Staff Provident Fund	80,280	75,570
Tax Payable	7,245	11,489
Negative Fair Value of Derivatives (Note 28)	59,857	161,498
Initial Public Offering Proceeds	1,191,940	-
Others	427,319	552,044
Total	**2,046,368**	**1,095,555**

Notes to the Consolidated Financial Statements
For the Year Ended 31st December 2005

(All amounts are shown in thousands of Qatari Riyals)

14. OTHER PROVISIONS	Staff Indemnity	Legal Provision	2005 Total	2004 Total
Balance at 1st January	58,544	15,391	73,935	75,120
Foreign Currency Translation	-	(770)	(770)	-
Provisions Made during the Year	9,981	2,407	12,388	12,827
	68,525	**17,028**	**85,553**	**87,947**
Provisions Relating to Subsidiary	-	-	-	5,844
Paid and Recovered during the Year	(5,441)	-	(5,441)	(19,856)
Balance at 31st December	**63,084**	**17,028**	**80,112**	**73,935**

15. UNRESTRICTED INVESTMENT ACCOUNTS	2005	2004
Call Accounts	182,050	-
Saving Accounts	19,881	-
Time Deposits	46,768	-
	248,699	**-**
Unrestricted Investment Accounts Share of Risk Reserve	452	-
Total	**249,151**	**-**

16. SHAREHOLDERS' EQUITY

a) Share Capital

The authorised, issued and fully paid share capital of the Bank totalling QR1,038 million consists of 103,820,772 shares of QR10 each (2004: 103,820,772 shares of QR10 each). The Government of Qatar holds 50% of the ordinary shares of the Bank 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 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% of the total private sector exposure.

e) Fair Value Reserve	Cash Flow Hedges	Available for Sale Investments	2005 Total	2004 Total
Balance at 1st January	(35,068)	1,474,455	1,439,387	777,871
Net Changes in Fair Value	29,585	1,316,876	1,346,461	675,005
Transfer to Statement of Income	-	(236,616)	(236,616)	(13,489)
Net Movement during the Year	**29,585**	**1,080,260**	**1,109,845**	**661,516**
Balance at 31st December	**(5,483)**	**2,554,715**	**2,549,232**	**1,439,387**

Fair value reserve for available for sale investments as at 31st December 2005 includes a negative fair value amounting to QR822,232.

Notes to the Consolidated Financial Statements
For the Year Ended 31st December 2005

(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 75% (QR7.5 per share) and a bonus share of 25% of the share capital for the year ended 31st December 2005 (2004: cash dividend 60.0% (QR6.0 per share)).

17. INTEREST INCOME	2005	2004
Due from Central Banks	23,745	1,099
Due from Banks and Other Financial Institutions	152,977	59,177
Bonds	242,413	312,382
Loans and Advances	1,753,183	1,041,135
Total	**2,172,318**	**1,413,793**

18. INTEREST EXPENSE	2005	2004
Due to Banks and Other Financial Institutions	113,179	79,574
Customer Deposits	750,520	395,313
Others	23,808	29,843
Total	**887,507**	**504,730**

19. FEES AND COMMISSIONS INCOME	2005	2004
Loans and Advances	166,347	88,292
Off Balance Sheet Items	39,004	26,127
Bank Services	58,711	39,497
Investment Activities to Customers	136,848	21,640
Others	15,560	3,415
Total	**416,470**	**178,971**

20. DIVIDEND INCOME	2005	2004
Available for Sale Securities	68,399	52,534
Mutual Funds	310	124
Total	**68,709**	**52,658**

21. NET GAINS FROM DEALING IN FOREIGN CURRENCIES	2005	2004
Dealing in Foreign Currencies	54,356	30,427
Revaluation of Assets and Liabilities	11,079	4,449
Revaluation of Derivatives	(789)	3,679
Total	**64,646**	**38,555**

22. GAINS FROM INVESTMENTS	2005	2004
Income from Sale of Available for Sale Investments	340,940	19,092
Total	**340,940**	**19,092**

(All amounts are shown in thousands of Qatari Riyals)

23. GENERAL AND ADMINISTRATIVE EXPENSES	2005	2004
Staff Costs	362,865	173,235
Staff Pension Fund Costs	3,686	3,165
Staff Indemnity Costs	9,981	7,827
Training	8,090	6,637
Advertising	35,597	11,942
Professional Fees	33,443	20,638
Communication and Insurance	36,788	18,459
Occupancy and Maintenance	34,962	19,642
Computer and IT Costs	25,881	9,266
Community Support	43,457	19,394
Others	40,160	17,993
Total	**634,910**	**308,198**

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.

	2005	2004
Net Profit for the Year (QR000)	1,536,812	827,497
Weighted Average Number of Shares	103,820,772	103,820,772
Earnings Per Share (QR)	**14.8**	**8.0**

25. CONTINGENT LIABILITIES AND OTHER COMMITMENTS	2005	2004
a) Contingent Liabilities		
Unused Facilities	7,002,104	5,043,631
Acceptances	161,955	136,156
Guarantees	4,610,198	4,672,337
Letters of Credit	1,817,403	2,224,187
Others	667,731	591,425
Total	**14,259,391**	**12,667,736**
b) Other Commitments		
Forward Foreign Exchange Contracts	3,764,054	6,670,117
Interest Rate Swaps	7,963,329	5,348,606
Options, Caps and Floors	2,527,889	3,798,370
Marketed Mutual Funds	49,907	120,205
Total	**14,305,179**	**15,937,298**

(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 2005
Total Assets	45,189,180	2,296,290	4,248,822	(1,674,136)	50,060,156
Total Liabilities	35,971,639	1,940,226	3,881,554	(691,329)	41,102,090
Total Operating Income	1,916,908	14,985	256,958	-	2,188,851
Net Profit / (Loss)	1,607,793	7,365	(78,346)	-	1,536,812

The subsidiary's losses amounting to QR78.3 million is mainly due to goodwill impairment amounting to QR40.4 million and reorganising the subsidiary's operations in some countries in which it operates in order to be in line with the Group overall future strategy.

Geographically, the Group operates in Qatar and through its branches and subsidiary in Europe. Qatar operations contribute 104% in terms of profit (2004: 98%) and hold 78% of the Group's assets (2004: 72%).

27. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
As at 31st December 2005:						
Cash and Deposits 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 and Financing Activities	26,039,848	556,637	3,736,530	75,251	1,069,234	31,477,500
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
	33,270,905	1,088,075	2,591,893	760,076	1,344,773	39,055,722
Other Liabilities						2,295,519
Shareholders' Equity						8,708,915
Total Liabilities and Equity						**50,060,156**
As at 31st December 2004:						
Cash and Deposits with Central Banks	1,680,587	1	16,987	315	2,479	1,700,369
Due from Banks	293,195	375,087	1,231,434	224,899	221,321	2,345,936
Loans and Advances and Financing Activities	21,232,064	157,005	4,041,030	76,672	1,084,212	26,590,983
Investments	3,956,935	535,183	1,791,089	164,146	1,177,471	7,624,824
	27,162,781	1,067,276	7,080,540	466,032	2,485,483	38,262,112
Other Assets						1,285,431
Total Assets						**39,547,543**
Due to Banks	837,650	758,478	226,009	1,752	329,494	2,153,383
Customer Deposits	24,211,702	100,335	2,264,206	757,816	2,279,774	29,613,833
	25,049,352	858,813	2,490,215	759,568	2,609,268	31,767,216
Other Liabilities						1,095,555
Shareholders' Equity						6,684,772
Total Liabilities and Equity						**39,547,543**

(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
As at 31st 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**
As at 31st December 2004:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	99,459	98,704	6,670,117	5,225,555	501,379	943,183	-
Options	4,072	4,072	900,471	412,677	487,794	-	-
Caps and Floors	14,554	14,554	2,897,899	-	-	525,665	2,372,234
Interest Rate Swaps	3,679	4,885	3,748,259	-	-	-	3,748,259
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	4,215	39,283	1,600,347	-	79,534	1,126,567	394,246
Total	**125,979**	**161,498**	**15,817,093**	**5,638,232**	**1,068,707**	**2,595,415**	**6,514,739**

29. MUTUAL FUNDS

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

	2005	2004
Al Watani Capital Guaranteed Fund - Class A	4,281	11,726
Al Watani Capital Guaranteed Fund - Class B	1,536	14,114
Al Watani Amana - Notes 1	211	11,515
Al Watani Amana - Notes 2	43,879	82,850
Total	**49,907**	**120,205**

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

(All amounts are shown in thousands of Qatari Riyals)

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 principal owners. At the balance sheet date, such significant balances included:

	2005	2004
Balance Sheet Items		
Loans and Advances	312,835	386,037
Deposits	638,746	435,481
Contingent Liabilities and Other Commitments	152,184	88,373
Statement of Income Items		
Interest Income and Commissions	17,825	16,217
Interest Expense and Commissions	19,685	15,550

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 6 and 12. All 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:	2005	2004
Salaries and Other Benefits	9,105	6,772
End of Service Indemnity	402	335

31. CASH AND CASH EQUIVALENTS

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

	2005	2004
Cash and Deposits with Central Banks	1,586,330	1,056,025
Due from Banks Maturing in 3 months	7,013,264	1,797,047
Total	**8,599,594**	**2,853,072**

Cash and deposits 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 the loans and advances portfolio 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 units 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 to write off the goodwill in the subsidiary amounting to QR40.4 million.

33. COMPARATIVE FIGURES

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

Supplementary Information to the Consolidated Financial Statements

For the Year Ended 31st December 2005

A) PARENT COMPANY

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

(i) Balance Sheet as at 31st December 2005:	2005 QR000	2004 QR000
ASSETS		
Cash and Deposits with Central Banks	2,405,464	1,687,351
Due from Banks and Other Financial Institutions	7,306,702	1,912,038
Loans and Advances and Financing Activities to Customers	28,996,535	24,088,014
Investments	7,575,722	7,101,207
Properties, Furniture and Equipment	150,334	153,580
Other Assets	527,345	533,181
Total Assets	**46,962,102**	**35,475,371**
LIABILITIES and SHAREHOLDERS' EQUITY		
LIABILITIES		
Due to Banks and Other Financial Institutions	2,485,627	2,028,927
Customer Deposits	33,516,094	26,000,895
Other Liabilities	1,930,452	760,777
	37,932,173	**28,790,599**
Unrestricted Investment Accounts	249,151	-
SHAREHOLDERS' EQUITY		
Fully Paid Share Capital	1,038,208	1,038,208
Statutory Reserve	1,038,208	1,038,208
Other Reserves	1,768,828	1,770,034
Risk Reserve	169,422	149,422
Fair Value Reserve	2,549,378	1,439,387
Proposed Dividend	778,656	622,925
Proposed Bonus Shares	259,552	-
Proposed Transfer to Statutory Reserve	259,552	-
Retained Earnings	918,974	626,588
Total Shareholders' Equity	**8,780,778**	**6,684,772**
Total Liabilities and Shareholders' Equity	**46,962,102**	**35,475,371**

Supplementary Information to the Consolidated Financial Statements

For the Year Ended 31st December 2005

(ii) Statement of Income for the Year Ended 31st December 2005:	2005 QR000	2004 QR000
Interest Income	1,984,396	1,413,793
Interest Expense	(800,459)	(504,730)
Net Interest Income	**1,183,937**	**909,063**
Fees and Commissions Income	274,666	178,971
Fees and Commissions Expense	(25,571)	(14,374)
Net Fees and Commissions	**249,095**	**164,597**
Dividend Income	68,709	52,658
Net Gains from Dealing in Foreign Currencies	57,096	38,555
Gains from Investments	340,940	19,092
Gains from Investment in Associates	3,750	-
Income from Islamic Financing and Investing Activities	14,304	-
Other Operating Income	14,062	8,461
Total Operating Income	**1,931,893**	**1,192,426**
General and Administrative Expenses	(368,258)	(308,198)
Depreciation	(28,175)	(27,159)
Recoveries / (Provisions) for Impairment of Loans and Advances	76,366	(30,339)
Investment Revaluation Gains	9,224	7,749
Other Provisions	-	(3,435)
Provision for Pension Fund	-	-
Recovery of Provision for Properties Acquired against Settlement of Debts	4,020	6,585
Unrestricted Investment Account Holders' Share of Profit	(798)	-
Net Profit Before Taxes	**1,624,272**	**837,629**
Taxes	(9,114)	(10,132)
Net Profit for the Year	**1,615,158**	**827,497**

Supplementary Information to the Consolidated Financial Statements

For the Year Ended 31st December 2005

B) ISLAMIC BANKING

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

(i) Balance Sheet as at 31st December 2005:

	2005 QR000	2004 QR000
ASSETS		
Cash and Deposits with Central Banks	9,460	-
Due from and Investments with Banks and Financial Institutions	1,274,529	-
Due from Financing Activities	418,826	-
Properties, Furniture and Equipment	819	-
Other Assets	592,656	-
Total Assets	**2,296,290**	**-**
LIABILITIES and SHAREHOLDERS' EQUITY		
LIABILITIES		
Customer Current Accounts	1,877,858	-
Other Liabilities	62,368	-
	1,940,226	**-**
Unrestricted Investment Accounts	249,151	-
SHAREHOLDERS' EQUITY		
Capital	100,000	-
Risk Reserve	3,534	-
Retained Earnings	3,379	-
Total Shareholders' Equity	**106,913**	**-**
Total Liabilities and Shareholders' Equity	**2,296,290**	**-**

Supplementary Information to the Consolidated Financial Statements

For the Year Ended 31st December 2005

(ii) Statement of Income for the Period Ended 31st December 2005:

	2005 QR000	2004 QR000
Income From Financing and Investing Activities	14,304	-
Total Income from Financing and Investing Activities	**14,304**	**-**
Fees and Commissions Income	370	-
Fees and Commissions Expense	(2)	-
Net Fees and Commissions	**368**	**-**
Net Gains from Dealing in Foreign Currencies	302	-
Other Operating Income	11	-
Total Operating Income	**14,985**	**-**
General and Administrative Expenses	(6,737)	-
Depreciation	(85)	-
Net Profit for the Period	**8,163**	**-**
Unrestricted Investment Account Holders' Share of Profits	(798)	-
Net Profit for the Period Attributable to Shareholders	**7,365**	**-**

QNB Branches and Offices

Head Office

P.O.Box 1000, Doha, State of Qatar
Tel. (+974) 440 7407, Fax (+974) 441 3753
Website www.qnb.com.qa, E-mail ccsupport@qatarbank.com

Branches	Telephone	Fax
Main Branch	440 7236	441 5020
West Bay	440 7979	440 7975
Al Khor	472 0127	472 1625
Al Rayyan	480 7090	480 6909
Al Sadd	442 0424	444 6296
Al Sadd-Ladies Branch	442 3654	442 1206
Shahaniya	471 9595	471 8635
Al Shamal	473 1246	473 1503
Al Gharrafa	486 2900	486 2151
Air Force Base	462 2016	462 2724
Industrial Area	460 0344	460 0427
The Mall	467 7888	467 7086
Wakra	464 6255	464 5679
Qatar Foundation Branch	482 1851	482 1842
Qatar University Men's Campus	485 2619	483 5082
Qatar University Ladies Campus	483 5027	483 5137
Ras Laffan Industrial City	473 9550	473 9554
City Center-Doha	483 5700	483 1228
Grand Hamad	437 8500	437 8501
The Ritz-Carlton Doha	483 9009	483 5694
Sheraton Doha Hotel & Resort	483 1878	483 1469
Doha Marriot Gulf Hotel	432 8606	432 9041
Hamad Hospital	442 1917	441 5022
Mesaieed	477 1529	477 1062
Musheireb	442 3464	441 5021

QNB Al Islami

Salwa Road	443 3786	435 5021

Offices	Telephone	Fax
RasGas	473 8433	473 8066
Qatargas	473 6001	473 6002
Qatar Petroleum - Head Office Doha	483 1218	484 1081
Qatar Petroleum - Al Sadd	447 8294	447 8295
Exhibition Centre	483 4784	483 4774
Airport Departures Terminal	462 1100	462 1929
Ministry of Education	4839828	4839093
Q-Post	4973630	4930971
Urban Planning	4835176	4835174

Other Offices	Telephone	Fax
Investment Department	440 7111	440 7105
Doha Securities Market	435 1901	435 1882
Vehicle Finance	437 8560	437 8559

24-Hour Call Centre

440 7777

International Branches

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15TH ASIAN GAMES
DOHA 2006
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