

## **Report on Review of Interim Condensed Financial Statements to the Board of Directors of Qatar National Bank S.A.Q.**

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar National Bank S.A.Q. (the "Bank") as at 30 June 2007, comprising of the interim consolidated balance sheet as at 30 June 2007 and the related interim consolidated statements of income for the three month and six month periods then ended and the statement of cash flows and changes in shareholders' equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34") and Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and Qatar Central Bank regulations.

**Firas Qoussous**  
of Ernst & Young  
Auditors' Registration No. 236

9 July 2007  
Doha, State of Qatar

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Balance Sheet**  
**As at 30 June 2007**

	Note	30 June 2007 (Reviewed) QR000	30 June 2006 (Reviewed) QR000	31 December 2006 (Audited) QR000
<b>ASSETS</b>				
Cash and Deposits with Central Banks		1,970,184	3,419,899	2,481,218
Due from Banks and Other Financial Institutions		9,097,701	8,292,423	12,780,711
Loans and Advances and Financing Activities to Customers	3	52,662,630	36,512,272	46,226,610
Financial Investments	4	10,323,243	8,453,079	8,877,702
Investment in Associates		32,810	52,087	32,810
Property and Equipment		599,713	560,872	589,093
Other Assets		965,411	895,790	674,889
<b>Total Assets</b>		<b>75,651,692</b>	<b>58,186,422</b>	<b>71,663,033</b>
<b>LIABILITIES and EQUITY</b>				
<b>LIABILITIES</b>				
Due to Banks and Other Financial Institutions		11,730,471	2,699,952	6,254,842
Customer Deposits		48,216,095	41,480,552	51,930,594
Other Liabilities		1,781,290	1,276,692	1,177,176
		<b>61,727,856</b>	<b>45,457,196</b>	<b>59,362,612</b>
Unrestricted Investment Accounts		4,786,353	4,658,597	3,859,469
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b>				
Issued Capital		1,622,200	1,297,760	1,297,760
Statutory Reserve		1,622,200	1,297,760	1,297,760
Other Reserves		1,754,629	1,768,790	1,760,004
Risk Reserve		421,000	238,000	421,000
Fair Value Reserve		1,380,738	1,597,560	1,099,895
Proposed Dividend	5	-	-	778,656
Proposed Bonus Shares		-	-	324,440
Proposed Transfer to Statutory Reserve		-	-	324,440
Retained Earnings		2,335,673	1,870,759	1,136,997
<b>Total Equity Attributable to Equity Holders of Parent</b>		<b>9,136,440</b>	<b>8,070,629</b>	<b>8,440,952</b>
Minority Interest		1,043	-	-
<b>Total Equity</b>		<b>9,137,483</b>	<b>8,070,629</b>	<b>8,440,952</b>
<b>Total Liabilities and Equity</b>		<b>75,651,692</b>	<b>58,186,422</b>	<b>71,663,033</b>

**Yousef Hussain Kamal**  
Chairman

**Hamad Bin Faisal Al-Thani**  
Vice Chairman

**Ali Shareef Al-Emadi**  
Group Chief Executive Officer

The attached explanatory notes 1 to 8 form an integral part of these financial statements.

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Statement of Income**  
**For the Six Months Ended 30 June 2007**

	Three months to 30 June 2007 (Reviewed) QR000	Three months to 30 June 2006 (Reviewed) QR000	Six months to 30 June 2007 (Reviewed) QR000	Six months to 30 June 2006 (Reviewed) QR000
Interest Income	1,022,333	823,112	2,039,971	1,536,049
Interest Expense	(576,661)	(456,009)	(1,141,942)	(765,601)
<b>Net Interest Income</b>	<b>445,672</b>	<b>367,103</b>	<b>898,029</b>	<b>770,448</b>
Fees and Commission Income	178,025	120,064	382,088	256,665
Fees and Commission Expense	(14,330)	(8,884)	(24,251)	(15,587)
<b>Net Fees and Commission Income</b>	<b>163,695</b>	<b>111,180</b>	<b>357,837</b>	<b>241,078</b>
Dividend Income	16,865	334	117,012	72,608
Net Gains from Dealing in Foreign Currencies	41,943	26,781	105,052	58,418
Net Gains from Financial Investments	61,451	71,519	85,263	105,696
Share in Profit of Associates	-	433	-	433
Income from Islamic Financing and Investing Activities	114,198	87,837	218,609	118,742
Other Operating Income	(1,144)	1,799	1,586	15,891
<b>Total Operating Income</b>	<b>842,680</b>	<b>666,986</b>	<b>1,783,388</b>	<b>1,383,314</b>
General and Administrative Expenses	(210,889)	(187,459)	(389,175)	(343,106)
Depreciation	(13,801)	(12,233)	(25,093)	(24,070)
Recoveries of Provision for Impairment of Loans and Advances	(1,693)	91,168	41,739	157,584
Net Investment Revaluation (losses) / Gains	4,215	(1,421)	(65,658)	5,951
Other (Provisions) / Recoveries	(219)	(660)	(195)	14,158
Unrestricted Investment Account Holders' Share of Profit	(64,210)	(60,215)	(130,165)	(84,422)
<b>Net Profit before Taxes</b>	<b>556,083</b>	<b>496,166</b>	<b>1,214,841</b>	<b>1,109,409</b>
Taxes	(4,322)	(2,592)	(10,326)	(4,250)
<b>Net Profit for the Period</b>	<b>551,761</b>	<b>493,574</b>	<b>1,204,515</b>	<b>1,105,159</b>
<b>Attributable to:</b>				
The Bank's Shareholders	552,612	493,574	1,205,366	1,105,159
Minority Interest	(851)	-	(851)	-
	<b>551,761</b>	<b>493,574</b>	<b>1,204,515</b>	<b>1,105,159</b>
Basic and Fully Diluted Earnings Per Share (QR)	3.4	3.0	7.4	6.8
Weighted Average Number of Shares	162,219,956	162,219,956	162,219,956	162,219,956

The attached explanatory notes 1 to 8 form an integral part of these financial statements.

**Qatar National Bank S.A.Q.**

**Condensed Consolidated Statement of Changes in Equity**

**For the Six Months Ended 30 June 2007**

	Share Capital QR000	Statutory Reserve QR000	Other Reserves* QR000	Risk Reserve QR000	Fair Value Reserve QR000	Proposed Dividend QR000	Proposed Bonus Shares QR000	Proposed Transfer to Statutory Reserve QR000	Retained Earnings QR000	Equity Attributable to Equity Holders of Parent QR000	Minority Interest QR000	Total QR000
Balance at 1 January 2006	1,038,208	1,038,208	1,775,457	169,422	2,549,232	778,656	259,552	259,552	840,628	8,708,915	-	8,708,915
Directors' Fees Paid	-	-	-	-	-	-	-	-	(6,450)	(6,450)	-	(6,450)
Net Movement in Risk Reserve	-	-	-	68,578	-	-	-	-	(68,578)	-	-	-
Net Movement in Currency Translation Adjustments	-	-	(6,667)	-	-	-	-	-	-	(6,667)	-	(6,667)
Net Movement in Fair Value Reserve	-	-	-	-	(951,672)	-	-	-	-	(951,672)	-	(951,672)
<b>Total Changes in Reserves</b>												
Recognised Directly in Equity	-	-	(6,667)	68,578	(951,672)	-	-	-	(75,028)	(964,789)	-	(964,789)
Net Profit for the six Months	-	-	-	-	-	-	-	-	1,105,159	1,105,159	-	1,105,159
Total Income and Expenses for the Period	-	-	(6,667)	68,578	(951,672)	-	-	-	1,030,131	140,370	-	140,370
Dividend Paid for the Year 2005	-	-	-	-	-	(778,656)	-	-	-	(778,656)	-	(778,656)
Bonus Shares for the year 2005	259,552	-	-	-	-	-	(259,552)	-	-	-	-	-
Transfer to Statutory Reserve for the year 2005	-	259,552	-	-	-	-	-	(259,552)	-	0	-	-
<b>Balance at 30 June 2006</b>	<b>1,297,760</b>	<b>1,297,760</b>	<b>1,768,790</b>	<b>238,000</b>	<b>1,597,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,870,759</b>	<b>8,070,629</b>	<b>-</b>	<b>8,070,629</b>
Balance at 1st January 2007	1,297,760	1,297,760	1,760,004	421,000	1,099,895	778,656	324,440	324,440	1,136,997	8,440,952	-	8,440,952
Directors' Fees Paid	-	-	-	-	-	-	-	-	(6,690)	(6,690)	-	(6,690)
Net Movement in Currency Translation Adjustments	-	-	(5,375)	-	-	-	-	-	-	(5,375)	-	(5,375)
Net Movement in Fair Value Reserve	-	-	-	-	280,843	-	-	-	-	280,843	-	280,843
<b>Total Changes in Reserves</b>												
Recognised Directly in Equity	-	-	(5,375)	-	280,843	-	-	-	(6,690)	268,778	-	268,778
Net Profit for the six Months	-	-	-	-	-	-	-	-	1,205,366	1,205,366	(851)	1,204,515
Total Income and Expenses for the Period	-	-	(5,375)	-	280,843	-	-	-	1,198,676	1,474,144	(851)	1,473,293
Dividend Paid for the Year 2006	-	-	-	-	-	(778,656)	-	-	-	(778,656)	-	(778,656)
Bonus Shares for the year 2006	324,440	-	-	-	-	-	(324,440)	-	-	-	-	-
Transfer to Statutory Reserve for the year 2006	-	324,440	-	-	-	-	-	(324,440)	-	-	0	-
Net Movement in Minority Interest	-	-	-	-	-	-	-	-	-	-	1894	1,894
<b>Balance at 30 June 2007</b>	<b>1,622,200</b>	<b>1,622,200</b>	<b>1,754,629</b>	<b>421,000</b>	<b>1,380,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,335,673</b>	<b>9,136,440</b>	<b>1,043</b>	<b>9,137,483</b>

\* Other reserves as at 30 June 2007 include a debit balance of QR15.4 million (June 2006: a debit balance of QR1.2 million) in respect of currency translation adjustments.

The attached explanatory notes 1 to 8 form an integral part of these financial statements.

**Qatar National Bank S.A.Q.**  
**Condensed Consolidated Statement of Cash Flows**  
**For the Six Months Ended 30 June 2007**

	Note	Six months to 30 June 2007 (Reviewed) QR000	Six months to 30 June 2006 (Reviewed) QR000	Year to 31 December 2006 (Audited) QR000
<b>Net Cash (Outflow) / Inflow from Operating Activities</b>		<b>(2,615,264)</b>	<b>3,594,601</b>	<b>7,098,582</b>
<b>Cash Flow from Investing Activities</b>				
Purchase of Investments		(3,651,107)	(2,980,664)	(5,573,810)
Sale / Redemption of Financial Investments		2,477,155	1,316,495	3,243,860
Purchase of Property and Equipment		(30,255)	(93,914)	(123,643)
Sale of Property and Equipment		583	31,795	32,689
<b>Net Cash Outflow from Investing Activities</b>		<b>(1,203,624)</b>	<b>(1,726,288)</b>	<b>(2,420,904)</b>
<b>Cash Flow from Financing Activities</b>				
Dividend Paid		(765,562)	(768,995)	(771,976)
<b>Net Cash Outflow from Financing Activities</b>		<b>(765,562)</b>	<b>(768,995)</b>	<b>(771,976)</b>
Net Cash (Outflow) / Inflow		(4,584,450)	1,099,318	3,905,702
Changes in Foreign Exchange Rates		(21,996)	(71,864)	(144,719)
Balance at 1st January		12,360,577	8,599,594	8,599,594
<b>Balance at 30 June / 31 December</b>	<b>8</b>	<b>7,754,131</b>	<b>9,627,048</b>	<b>12,360,577</b>

The attached explanatory notes 1 to 8 form an integral part of these financial statements.

## Qatar National Bank S.A.Q.

### Notes to the Interim Condensed Consolidated Financial Statements For the Six Months Ended 30 June 2007

#### 1. ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting. These interim condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the six months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of new standards and interpretations, noted below. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

##### - IFRIC 9 Reassessment of Embedded Derivatives

The Group adopted IFRIC Interpretation 9 as of 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

##### - IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

#### 2. SEGMENT INFORMATION

The Group is organised into six 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	Intra-group Transactions	Total
Total Assets	67,571,233	5,886,346	5,054,865	(2,860,752)	75,651,692
Total Liabilities	58,403,822	5,709,066	4,649,217	(2,247,896)	66,514,209
Total Operating Income	1,444,205	224,876	113,031	1,276	1,783,388
Net Profit / (Loss)	1,134,065	77,280	(8,106)	2,127	1,205,366

Geographically, the Group operates in Qatar and through its branches and subsidiary in Europe. Qatar operations contribute 98% in terms of profit (31 December 2006: 99%) and hold 80% of the Group's assets (31 December 2006: 80%).

#### 3. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS

	30 June 2007 QR000	30 June 2006 QR000	31 December 2006 QR000
Total Conventional Banking Loans and Advances	49,920,232	35,507,908	44,701,642
Total Islamic Financing Activities	3,140,546	1,463,296	2,000,004
Specific Provision for Impairment of Loans	(245,594)	(290,412)	(298,991)
Interest in Suspense	(152,554)	(168,520)	(176,045)
<b>Net Loans and Advances and Financing Activities</b>	<b>52,662,630</b>	<b>36,512,272</b>	<b>46,226,610</b>

The aggregate amount of non performing loans and advances amounted to QR400.6 million, 0.8% of total loans and advances (31 December 2006: QR553 million, 1.2% of total loans and advances).

#### 4. FINANCIAL INVESTMENTS

	30 June 2007 QR000	30 June 2006 QR000	31st December 2006 QR000
Available for Sale Investments	6,045,500	4,292,546	4,630,140
Held to Maturity Investments	4,277,743	4,160,533	4,247,562
<b>Total</b>	<b>10,323,243</b>	<b>8,453,079</b>	<b>8,877,702</b>

**Qatar National Bank S.A.Q.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**For the Six Months Ended 30 June 2007**

**5. DIVIDEND**

The cash dividend in respect of the year ended 31 December 2006 of QR6.0 per share, amounting to a total of QR778.7 million and a bonus share of 25% of the share capital, was approved on 11th February 2007. The cash dividend in respect of the year ended 31 December 2005 was QR7.5 per share, amounting to a total of QR778.7 million and a bonus share of 25% of the share capital.

**6. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

	<b>30 June 2007 QR000</b>	<b>30 June 2006 QR000</b>	<b>31st December 2006 QR000</b>
Contingent Liabilities	28,112,884	20,434,168	21,471,364
Other Commitments	25,722,036	16,209,796	25,253,266

**7. 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:

	<b>30 June 2007 QR000</b>	<b>30 June 2006 QR000</b>	<b>31st December 2006 QR000</b>
<b>Balance Sheet Items</b>			
Loans and advances	1,825,875	605,160	920,933
Deposits	745,181	546,762	707,134
Contingent Liabilities and Other Commitments	270,025	262,472	279,772
<b>Statement of Income Items</b>			
Interest and Commission Income	28,702	13,743	41,249
Interest and Commission Expense	15,466	12,255	25,045
<b>Compensation of key management personnel is as follows:</b>			
Salaries and Other Benefits	5,056	6,194	14,586
End of Service Indemnity	316	114	369

The Bank also has significant commercial transactions with the Government of Qatar amounting to QR10,685 million included in loans and advances (31 December 2006: QR9,119 million) and QR5,391 million included in deposits (31 December 2006: QR7,299 million). All the transactions with the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

**8. CASH AND CASH EQUIVALENTS**

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

	<b>30 June 2007 QR000</b>	<b>30 June 2006 QR000</b>	<b>31st December 2006 QR000</b>
Cash and Deposits with Central Banks	699,462	2,220,176	1,207,053
Due from Banks Maturing in 3 months	7,054,669	7,406,872	11,153,524
<b>Total</b>	<b>7,754,131</b>	<b>9,627,048</b>	<b>12,360,577</b>

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