ANNUAL REPORT
1996

In the Name of God

Most Gracious, Most Merciful

His Highness

Sheikh Hamad Bin Khalifa Al-Thani

Emir of the State of Qatar

His Highness

Sheikh Hamad Bin Khalifa Al-Thani

Emir of the State of Qatar

His Highness

Sheikh Jassem Bin Hamad Al-Thani

Heir Apparent

His Highness

Sheikh Abdullah Bin Khalifa Al-Thani

Prime Minister and Minister of the Interior

His Excellency
Sheikh Mohamed Bin Khalifa Al-Thani
Minister of Finance, Economy and Commerce
Chairman, Board of Directors

Board of Directors

H.E. Saleh M. Abo Dawood Al Muhanadi
Vice-Chairman

H.E. Yousef Hussain Kamal

Sheikh Hamad Bin Faisal Al-Thani

Sheikh Nawaf Bin Nasser Bin Khaled Al-Thani

Haider Sulaiman Al Haider

Jassim Bin Mohammed Jaidah

Mohammed Marzouq Al Shamlan

Abdalla Abdul-Aziz Al Khater

Dr. Abdulla Bin Saleh Al Khulaifi

Committees of the Board

Executive Committee

H.E. Saleh M. Abo Dawood Al Muhanadi *Chairman*
Sheikh Hamad Bin Faisal Al-Thani
Haider Sulaiman Al Haider
Mohammed Marzouq Al Shamlan
Dr. Abdulla Bin Saleh Al Khulaifi

Audit Committee

Sheikh Nawaf Bin Nasser Bin Khaled Al-Thani *Chairman*
Jassim Bin Mohammed Jaidah

Management

John P. Finigan
General Manager - Chief Executive

Saeed Bin Abdulla Al Misnad
Deputy General Manager

Assistant General Managers

Nasser Mohamed Al Naemi
Ali Ahmed Al Kuwari
Peter H. Clarke
Mohamed Said Mohamed

Senior Manager Legal Department

Dr. Musaab El Hadi Babiker

Overseas Management

Roland Chalhoub - General Manager Paris
Martin Bowen - Manager London Branches

Senior Management

Sheikh Khalid Bin Ahmed Al-Thani
Mohamed Ahmed Al Sheeb
Saud Bin Salem Al Khalifa
Jamal Abdel Rahman Al Muslemani
Nazih Sudqi Azem
Mustafa Mohamed Osman
Ihsan Rachid
F. Guy Corbi
Marwan Marouf Mahmoud
Mohamed Jama Musa
Krishnaswamy Ranganathan
Ahmed Saad Ahmed Ibrahim

Five Year Summary

(Figures in QR. Millions)	1992	1993	1994	1995	1996
Operating Income	413	378	440	472	**526**
Operating Expenses	119	140	137	143	**149**
Net Income	305	269	275	289	**330**
Total Assets	14,826	15,268	15,824	17,224	**16,284**
Total Shareholders' Equity	1,883	2,095	2,245	2,444	**2,661**
Share Capital	283	354	354	354	**443**
Operating Expenses /Income (%)	29%	37%	31%	30%	**28%**
Year End Share Price (QR.)	520	515	520	632	**630**
Diluted	333	412	416	506	**630**
Number of Shareholders	445	451	596	718	**732**
Earnings per Share (QR.)	107.77	76.04	77.66	81.56	**74.44**
Diluted	68.97	60.83	62.13	65.25	**74.44**
Price/Earnings Ratio	4.8	6.8	6.7	7.7	**8.5**
Number of Employees	500	490	496	533	**552**
1. Domestic	439	432	442	478	**500**
(of which Qatari)	(84)	(81)	(88)	(114)	**(132)**
2. International	61	58	54	55	**52**

Exchange Rate

The Qatari Riyal has for many years maintained a stable parity against the United States Dollar at officially quoted Qatar Central Bank rates of QR. 3.6385/3.6405 = U.S.$ 1.

Chairman's Statement

On behalf of the Board of Directors of Qatar National Bank I am pleased to present the Annual Report and accompanying financial statements of the Bank for the calendar year 1996, the thirty-second year since the Bank's establishment.

1996 certainly proved a year of seminal importance for the State of Qatar with the commencement of exports, first of condensate and then of liquefied natural gas (LNG) from the newly commissioned facilities of Qatargas in Ras Laffan Industrial City in the north of the State. These initial exports marked the realisation of Qatar assuming its role amongst the world's foremost exporters of LNG and, together with the round of major export-orientated industrial development projects already underway, will strengthen the economy of the State and contribute to increased prosperity for all its citizens.

During 1996 the Bank continued its progressive but prudent momentum whilst expanding its range of services to meet the increasing needs of its valued client base, both in Qatar and overseas. The Bank achieved successful results in its combined targets of sustaining business growth across all major product lines so as to secure a growing share of our clients' banking and financial services business, whilst holding down the growth of expenses.

We are gratified that the financial results for the Bank's operations during 1996 have once again proved successful, with the achievement of a net profit for the year of QR. 329.7 million, an increase of 14.08% over that realised in 1995 after charging of provisions including an amount of QR. 27 million for general risks. These represent a return on shareholders' equity of 12.92% and a return on average assets of 1.97% and constitute the highest year's earnings ever realised by the Bank.

Our policies of enhanced asset and liability management have achieved a more efficient overall balance sheet structure with total assets having declined by QR. 940 million (5.5%) whilst customer deposits grew by QR. 691 million (9.24%) and loans and advances increased by QR. 705 million (6.88%).

The Bank's equity base, which continues to comprise exclusively Tier 1 capital, has grown to QR. 2.66 billion, and now constitutes over 16% of total assets. At the same time, the Bank's Risk Asset Ratio remains very substantially in excess of the 8% minimum level stipulated by the Basle Capital Adequacy Rules which emphasises both the quality of the Bank's risk assets portfolio and the prudence of provisioning levels.

The Board of Directors proposes to declare a cash dividend for the 1996 financial year of QR. 110.7 million, representing a return on share capital of 25% (QR. 25 per share) following the distribution of a cash dividend of like amount for the 1995 fiscal year. In addition the Board of Directors again proposes an issue of bonus shares on the basis of one ordinary share for every four shares held for the 1996 financial year, in exactly the same proportion as was distributed at the end of 1995. Whilst these nominal levels of distribution for the two financial years are identical, the distribution for the 1996 fiscal year represents an increase of 25% in absolute terms above the 1995 distribution levels. This continues the tradition whereby the Bank distributes to its shareholders one of the highest levels of dividends amongst all the banks incorporated within the Gulf Co-operation Council States.

The Bank is in good financial condition whilst the prospects for the Qatar economy continue to be extremely robust. The Bank looks forward with confidence to preserving its predominant role within the domestic and financial sector, where it controls 47% of the assets of the banking system. There remains considerable scope to increase the earnings profile of the Bank as more focussed management policies are progressively implemented throughout the organisation. Accordingly, there remain grounds for optimism as we move into 1997, however we always recognise that the environment in which we operate will constantly prove more challenging and competitive in the years ahead.

We express our sincere appreciation, gratitude and respect to His Highness the Emir, Sheikh Hamad Bin Khalifa Al-Thani, for his enduring support of the Bank's activities. We extend our loyal greetings and appreciation to His Highness the Heir Apparent, Sheikh Jassem Bin Hamad Al-Thani, and to His Highness the Prime Minister and Minister of the Interior, Sheikh Abdullah Bin Khalifa Al-Thani, for their constant encouragement and support.

We also express our thanks to the Ministry of Finance, Economy and Commerce and to all other Government departments and agencies as well as to the Qatar Central Bank, under the leadership of His Excellency the Governor, Abdulla Bin Khaled Al Attiyah, for their co-operation, encouragement and wise counsel.

We express our gratitude to our valued client base, drawn from all sections of the Qatari community and overseas, for the confidence which they repose in the Bank. It is they who provide us with the constantly stimulating challenge of providing superior quality of service and timeliness of delivery in order fully to meet all of their banking and financial requirements.

Finally, we express our appreciation to the Bank's management and staff (an increasing proportion of whom are Qatari citizens) for their loyalty, dedication and hard work which has led to these positive results.

Mohamed Bin Khalifa Al-Thani

Chairman of the Board of Directors

Economic Review

Global Economy

According to the latest OECD outlook, 1996 constituted a banner year for the global economy when, for the first time since 1985, all of its 29 member states enjoyed real economic growth. This growth is becoming more evenly spread with continental Europe and Japan starting to advance after protracted periods of somewhat desultory growth, whilst rates of growth in some of the Asian "tiger" economies declined when faced with the challenge of contracting export markets.

This growth in the world's major trading economies is also expected to have been supplemented by more than commensurate growth in the economies of most of the newly industrialising countries and many developing countries, as well as the transitional economies of Central and Eastern Europe.

The OECD has emphasised that cutting public borrowing and debt remains the main economic challenge facing virtually all its member countries, a phenomenon they share with most of the developing and emergent economies. It emphasised the proven economic precept that cutting fiscal deficits further to stop and reverse the increase in public debt (which has been allowed to build-up during the past two decades) would reduce long-term real interest rates and stimulate productive investment growth and employment opportunities.

Already by 1996, countries which had made progress in reducing borrowing and debt levels as well as cutting inflation to levels not witnessed since the early 1960s, have been rewarded with lower short-term and long-term interest rates which has been conducive to growth.

This was especially true in the case of a number of European countries where money market rates are now at historically low levels and long-term interest rate premia (relative to the benchmark Deutschmark interest rates) have been sharply reduced.

However, whilst further cuts in public borrowing and debt are still deemed necessary, it is apparent that in many nations the cuts already undertaken have caused a heavy toll on economic growth. In Europe, this is most discernible in the German and French economies which both are faced with the grim reality of large and rising unemployment, whilst the British and Italian economies enjoy periods of relative renaissance.

The latest forecasts for the major industrial countries, which account for around half of the world's total output, point towards growth rates of around 2.4% having been attained during 1996.

Prospects for 1997

The OECD outlook postulates a similar rate of growth of around 2.5% for the industrialised nations during 1997, whilst recognising that higher levels of growth will be generated by the emerging countries where economic reforms and sounder monetary and fiscal policies are expected to yield further beneficial results.

All-in-all, the world economy is expected to generate overall growth of around 4% during 1997, its most rapid rate of acceleration for more than a decade, whilst the IMF, looking a little further into the future, has forecast global growth for the four years to 2001 at 4.4%, a rate which is well in excess of the average rate of 3.2% attained over the past two decades.

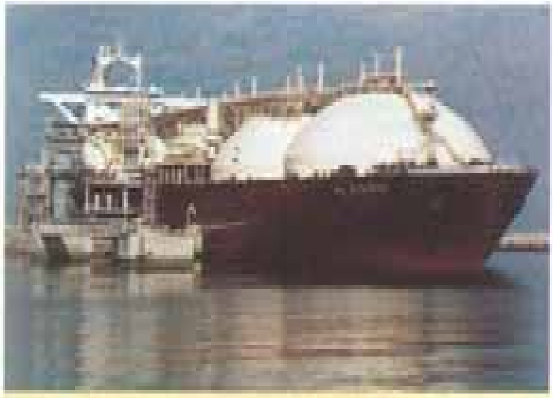
Accordingly, it is likely that over the course of the next few years we could witness the most broadly based period of economic growth enjoyed by both rich and poor nations since the earliest years of this century.

Against the background of these sanguine expectations, the growth in the Qatari economy engendered by the broadly based diversification of industrial production and export growth is likely to prove one of the most soundly based amongst all newly industrialising countries.

The Qatari Economy

Hydrocarbons

1996 proved a seminal year in the process of transformation underway in the economy of the State of Qatar, as the country entered the select group of nations which process and export natural gas. This era was inaugurated on 23rd December, when, in the presence of H.H. Sheikh Jassem Bin Hamad Al-Thani, the Heir Apparent, the LNG carrier, Al Zubarah, sailed from the port complex of the new Ras Laffan Industrial City located in the north-east of the State on its maiden commercial voyage.



The M.V. Al Zubarah carrying the first shipment of Liquefied Natural Gas (LNG) exported from Qatar

This marked the successful culmination of the Qatar Liquefied Gas Company (Qatargas) project entailing the sale of 6 million metric tonnes per annum (mtpa) of LNG on 25 year sale and purchase agreements (SPAs) to Chubu Electric Power Company and seven other Japanese companies. By the year-end Qatargas had successfully tested and commissioned its second LNG train, bringing capacity to 4 million mtpa. The third Qatargas LNG train is scheduled to go onstream in 1997.

Qatargas is scheduled to export 36 consignments of LNG during 1997. These exports of LNG are supplemented by the regular export of condensate produced by Qatargas through Ras Laffan Industrial City, which commenced with the first exports from the new port in October, 1996.

The pioneering Qatargas LNG export project is being rapidly followed by the development of Ras Laffan Liquefied Natural Gas Company (RasGas) which is being constructed alongside the Qatargas project at Ras Laffan Industrial City. During 1996, RasGas awarded the three major engineering, procurement and construction (EPC) contracts for onshore and offshore facilities for Phase 1 of the project to the JGC/Kellogg Joint Venture (onshore facilities); McDermott ETPM and Chiyoda (offshore facilities); and Saipem SpA (pipelines). Phase 1 is intended to support LNG exports of 5 million mtpa from two LNG trains at a total investment cost of around QR. 13.9 billion. The project is scheduled to come onstream during 1999 with output of 4.8 million mtpa already sold on a 25 year SPA to Korea Gas Corporation.

Ras Laffan Industrial City - 1996

Accordingly, within the span of a few short years Qatar has moved successfully to exploit the commercial wealth arising from its reserves of natural gas in the offshore North Field, which are estimated to exceed 500 trillion cubic feet and entail recoverable reserves of about 380 trillion cubic feet. These proven recoverable reserves account for over 5% of global natural gas reserves and 22.7% of the total reserves of natural gas in the Middle East, the second largest proportion after Iran, whose share is 41.8%.

Qatargas Offshore Facilities

The commencement of export revenues from LNG and the related condensate production constitute a valued adjunct to Qatar's traditional earnings from oil exports. During 1996 these were considerably boosted by the favourable energy price equation which saw the country's oil exports priced at an average of U.S.$ 19.77 per barrel.

Plans are firmly in place progressively to increase sustainable crude oil production output capacity to 700,000 barrels per day (bpd) by the year 2000 and the State-owned Qatar General Petroleum Corporation (QGPC) has announced plans to drill more than 200 new oil and gas wells in order to achieve this target. Meanwhile the Al Khaleej Offshore field operated by Elf Petroleum Qatar is also set to start production early in 1997 whilst Chevron and Magyar Olag es Gazipari (MOL - the Hungarian oil and gas company) have signed an agreement with QGPC for the exploration of the offshore Block 1 North West.

Industrial Expansion Projects

Whilst the exports of oil and gas dominate the economy these are further complemented by continued success of the diversified export-oriented industries mainly located in the industrial and port area of Mesaieed.

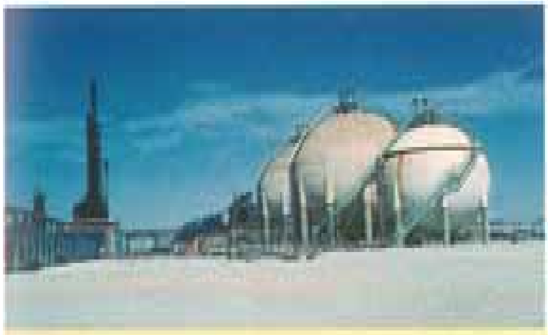
Qatar Steel Company (QASCO) achieved record production levels in 1996 producing 632,000 tonnes of sponge iron, 617,000 tonnes of steel billets and 601,000 tonnes of steel bars. A new rolling mill with capacity of 140,000 tonnes per annum (tpa) of molten steel is under construction and due to be completed in 1997, whilst plans have been announced for a new QR. 1.46 billion hot briquetted iron plant to be established under the auspices of QASCO in consortium with five local and overseas investors.

In June His Highness The Emir commissioned the QR. 1.5 billion Qatar Petrochemical Company (QAPCO) expansion project designed to increase ethylene production to 525,000 tpa and to produce 360,000 tpa of low density polyethylene (LDPE).

The Qatar Fertiliser Company (QAFCO) expansion project designed to double ammonia production to 3,000 tonnes per day (tpd) and urea production to 4,000 tpd is scheduled to come onstream in the first quarter of 1997 whilst the Qatar National Cement Company expansion project at Umm Bab, designed to produce 2,000 tonnes of cement per day, will also come on stream later in 1997.

Amongst major new initiatives in the downstream oil and gas sector is the Qatar Fuel Additives Company (QAFAC) QR. 2.37 billion project to produce 1,830 tpd of methyl tertiary butyl ether (MTBE) and 2,500 tpd of methanol. This project moved into the construction phase with the award of the QR. 1.55 billion EPC contract to Chiyoda. QAFAC is a joint venture owned 50% by QGPC, with China Petroleum Corporation, Lee Chang Yong Chemical Industry Corporation (both of Taiwan) and International Octane Limited of Canada holding the remaining equity.

MTBE is a chemical added to petrol to reduce lead content and increase combustion, whilst methanol has major applications in the production of chemical and pharmaceutical products.



QAPCO Petrochemical Plant at Mesaieed

The QAFAC project will reflect vertical integration by using natural gas from the North Field as feedstock to produce high-value petrochemicals for sale mainly in South East Asian and Far Eastern markets.

A separate downstream petrochemical project is under development by QGPC, QAPCO, Norsk Hydro and Elf Atochem as equity participants who have signed a joint venture agreement for a QR. 1.8 billion facility to produce 338,000 tpa of ethyl dichloride (EDC), 200,000 tpa of vinyl chloride monomer (VCM) and 260,000 tpa of caustic soda. This plant is envisaged to commence production during the year 2000.

Infrastructure Development

In addition to these mainly hydrocarbon-based or energy-intensive industrial projects, major expansion works are currently taking place in the services and utilities sector to enhance and upgrade the electricity and water sectors to increase the power generation and water desalination capacity of the Ras Abu Fontas power and desalination plants by 500 megawatts and 33 million gallons per day as well as to construct an inspiring new QR. 328.5 million terminal building at Doha International Airport. More modestly sized projects focus on expansion of the road network, and on sewage and housing. These will be complemented by a number of substantial private sector initiatives focussed on the hotel, leisure and shipping sectors whilst almost 6,000 new building permits were issued by the four major municipalities during 1996.

International Financings

During 1996 a number of substantial and highly successful project financings were completed to fund part of the capital requirements for these large capital intensive export-oriented projects. These entailed the signing of a total of QR. 4 billion of loans for the upstream and downstream development of the Qatargas project. Meanwhile RasGas successfully pioneered the opening of the international securities market to projects located in the Gulf Co-operation Council States with stunning success, as one element of the QR. 9.2 billion overall financing package.

An analysis of recent economic performance and real growth in Gross National Product published in the journal "Euromoney", in September, 1996, placed Qatar first amongst all Middle East countries, and thirty eighth overall of the 165 countries included in the survey. The successful round of project financings, particularly the Qatargas and RasGas transactions, also demonstrated the very keen commitment of the leading international export credit agencies to provide financial support to underpin Qatar's industrial development without any form of sovereign guarantees. Amongst the leading providers of such export credit financing are The Export-Import Bank of Japan, Eximbank of the United States, ECGD of the United Kingdom, SACE of Italy, Hermes of Germany and COFACE of France.

Gross Domestic Product (GDP)

Qatar recorded growth in GDP of 1.9% in 1995 following a 3% growth rate in 1994. Total GDP rose from QR. 26.8 billion in 1994 to QR. 27.4 billion in 1995.

Oil sector revenue in 1995 was QR. 8.9 billion compared to QR. 8.6 billion in 1994. Income from the non-oil sector in 1995 increased to QR. 18.5 billion from QR. 18.3 billion in 1994 due in particular to improved performance in the manufacturing sector which increased from QR. 2.9 billion in 1994 to QR. 3.1 billion in 1995, when it amounted to 11.4% of GDP.

Budget

The 1996/1997 budget forecasts expenditures of QR. 13.7 billion, an increase of 8% over the expenditure forecast for the prior fiscal year. The allocation for capital expenditure in 1996/1997 is QR. 2.2 billion, effectively unchanged from the 1995/1996 figure. The budget deficit for fiscal 1996/1997 is forecast to decline by 16% from the previous year's figure of QR. 3.5 billion and fall below QR. 3 billion, which entails a projected fiscal deficit of 10.6% of GDP (computed at 1995 level).

The site of Ras Laffan Industrial City in 1991, prior to development

It is noteworthy that any comparison of forecast and actual State budget expenditures reveals that Qatar's initial budgetary forecasts of the size of the fiscal deficit have tended to be significantly higher than the actual realised deficits, due to a favourable juxtaposition of higher revenue inflows and reduced expenditure outflows. Thus the forecast deficits for the last two complete fiscal years of 1994/5 and 1995/6 were, QR. 3.47 billion and QR. 3.53 billion while the actual deficits were QR. 2.5 billion and QR. 2.1 billion respectively, a cumulative reduction of 34% of the originally budgeted forecasts.

External Trade

Total exports increased by 1.21% in 1995 to reach QR. 11 billion against QR. 10.85 billion in 1994, whilst imports increased significantly by 59% to reach QR. 13.15 billion resulting in a trade deficit of QR. 2.35 billion, a reversal of the surplus of QR. 4.7 billion achieved in 1994. Whilst the hydrocarbon sector continues to dominate exports the growth in the export of chemicals and in manufactured goods bodes well for the progressive diversification of the State's economy in future years.

On the imports side, Qatar's major trading partners during 1995 were Germany which originated 11.9% of total Qatari imports, followed in order of significance by Italy (10.8%), Japan and the USA (both 10.5%), and the United Kingdom (9.4%). Qatar's principal export trade partners were Japan with 59% followed by Singapore (6.2%) and South Korea (5.5%).

The sharp reversal from the traditional substantial surplus on current account arises from the present round of importation of heavy machinery, transportation and equipment for the LNG, oil and other major infrastructural projects under development. This short period of trade deficits continued in 1996 when imports are estimated to have reached QR. 16.1 billion. With export revenues for the year estimated to have amounted to QR. 11.9 billion, the projected balance of trade deficit for 1996 is QR. 4.2 billion. Once the major round of capital intensive imports is concluded and enhanced export revenues from both existing and newly emergent projects come onstream, the balance of trade is expected to revert to substantial surplus in future years.

Balance of Payments

Qatar's balance of payment deficit amounted to QR. 1.85 billion in 1995, representing a decrease of QR. 116 million or 5.9% of the 1994 deficit of QR. 1.97 billion. This deficit is expected to decrease further during 1996 to QR. 1.25 billion. This envisaged improvement is mainly due to an increase in net capital transfers of QR. 4.88 billion in 1995 compared to the very modest negative capital transfers total of QR. 138 million during in 1994.

Future Prospects

Qatar continues to develop its economic infrastructure and is establishing an official Stock Exchange in Doha. This follows the promulgation of a wide range of legislative instruments regulating customs fees, income tax and foreign investments. Qatar has entered into a number of economic cooperation agreements with a range of countries designed to encourage and protect investments and avoid double taxation.

Ras Laffan Port 1996

With the commissioning of the Qatargas project, augmented by the projected growth in crude oil production and the two further LNG projects presently under development or consideration, as well as the broadly based expansion of the energy-intensive export-orientated industrial infrastructure, Qatar's financial prospects are already bright and will "improve significantly" according to the latest IMF Article IV Report on the national economy prepared in April 1996.

Operating Review

During 1996, as in previous years, Qatar National Bank continued to play its predominant role controlling 47% of the assets within the domestic banking system. The Bank enjoyed a rewarding year in which it further developed and strengthened the range and volume of its operations and services.

Head Office

The Bank's strategic objective is to respond conservatively but dynamically to the rapid changes emerging in the regional and international financial markets, and to capitalise upon emergent opportunities continuously to improve its services to its long-established and valued public-sector, institutional, corporate, private and retail banking client base, both in Qatar and overseas.

The Bank enjoys an equally balanced ownership structure comprising 50% Government and 50% private sector control. With foreign branches located in London and Paris to complement the domestic operations located throughout the State of Qatar, the Bank is exceptionally favourably placed to work in a totally integrated fashion to maximise the business synergies arising from Qatar's increasing role in international trade and investment flows.

The Bank aims to deliver the widest possible range of customer-driven banking and financial services in the most timely, cost-effective and convenient fashion by harnessing advanced information technology to the unsurpassed expertise of highly trained professional staff.

During 1996 the Bank continued to expand its traditional areas of comparative advantage and dominant oligopoly within the Qatari banking system by renewing and regenerating the Bank and its operating structure so as to remain ahead of the rapid pace of change which is transforming the Qatari economy.

Credit Agency Ratings

As a reflection of both this underlying transformation of the national economy and the renewed spate of growth in the economies of the Gulf Co-operation Council States, engendered by the increased export revenues from higher international energy prices, the region has witnessed a marked increase in activity by the major international credit rating agencies.

During the course of 1996 the Bank was subjected to the credit rating process by two of the leading international credit rating agencies, BankWatch and Moodys, for the first time. Following the completion of these initial due diligence appraisals, the Bank was accorded the combined ratings of Intra-Country Issuer IC-A and Short-Term (local currency) LC-1 by Bankwatch, both of which constitute the highest ratings granted in those categories. In due course the Bank was also accorded the investment grade ratings of Baa2 for Bank Deposits Long Term and the Prime 2 rating for Bank Deposits Short Term by Moodys under their strict investment criteria, both of these constituting the highest ratings which could be granted to a Qatari bank. The Bank also continued to enjoy the ratings of A, long-term and A-1, short-term from Capital Intelligence, the rating agency with the longest experience in the regional banking sector.

In presenting their analyses of the key elements underpinning the financial strength of the Bank, the credit rating agencies cited the following key determinants:

i) ownership;

ii) strong capital base;

iii) dominant market franchise;

iv) asset quality; and

v) consistent profitability and efficiency.

Promoting the Bank's services

Retail Banking

Operating through nineteen branches and offices, the Bank enjoys by far the widest coverage offered throughout the State. These are supplemented by a network of 20 Automated Teller Machines (ATMs) which also constitute the widest network of ATMs serving the Bank's unrivalled franchise of cardholders, which now exceeds 26,000.

The Bank recognises that cards are the key to access electronic banking services and is working

The largest ATM network in Qatar

assiduously to develop both the penetration of and delivery capacity within this essential constituent of the retail banking business.

This strategy embraces the migration of the whole ATM network on to the fourth generation technology base using the platform of the NCR 56/85 Series to deliver a much wider range of functions with accessibility 24 hours per day, 365 days per year, a process which was well underway by the turn of the year.

During the year a number of enhancements to the existing card products were introduced in the form of flexibility of PIN change, new format statements, accessibility of VISA and MasterCard cash advance facilities and the introduction of

The Account Officer concept -
Personal banking for all our customers


The new Al Rayyan Branch

VISAPHONE services. In addition, security was enhanced by issuing cards incorporating both photograph and card verification value for the added protection of all cardholders.

Within the branch network itself a specifically dedicated Account Officer was allocated to each account relationship to provide a single comprehensive point of reference for all customer contact and enhance the value of the services offered to all clients. This initiative was widely appreciated and will be constantly expanded and upgraded as the Bank's training commitments increase and the electronic banking delivery systems become more mature.

Retail credit policies were re-defined and codified so as to provide more rapid response and service to existing and prospective borrowing clients whilst preserving the integrity and efficiency of every element of the credit evaluation process.

In terms of physical infrastructure, the construction phase of the Bank's four replacement branches at Al Rayyan, Mesaieed, Al Khor and Al Shammal was completed by the year end. With the transfer of operations from the existing sites to the four new locations during the first quarter of 1997, the Bank looks forward to offering an enhanced quality of service to match the substantial capital commitment already disbursed in the construction phase of these projects.

Further studies were also undertaken to identify prospective new locations for both new branch and office operations as well as the continued development of the ATM network so as to remain fully in step with demographic and industrial advances and to preserve the Bank's status as the primary bank of choice for all the valued client base throughout the State of Qatar.

Information Technology

The Bank continues to make very substantial capital commitments each year in order to develop and expand its Information Technology capabilities and to retain its paramount role in terms of customer service, timeliness and cost-effectiveness of processing and delivery through leadership in technology.

During 1996 the Bank enhanced overall systems availability and reliability. It increased technical support and improved specialist project management techniques whilst reducing operating costs as a result of investment in new hardware and software technology. Greater


Computer room at the Head Office

control was also attained through measures such as the integration of the Paris branch operations into the Bank's Kapiti-based operating package. Although the majority of these developments during 1996 entailed upgrading the integrity and reliability of the processing systems, these would not immediately be discernible at delivery or point-of-sale (except for the more rapid processing of transactions and the reduction in waiting time).

These investments in superior Information Technology capabilities, coupled with the implementation of strategies designed to deliver added value products and services in 1997 and the years beyond, should increasingly serve to differentiate the quality of service offered by the Bank.

During 1996 we completed the pre-certification process for acceptance into the country-wide ATM and point-of-sale (POS) SWITCH system, known as NAPS, which will be introduced by the middle of 1997 under the auspices of Qatar Central Bank. NAPS will initially enable the Bank's customers to enjoy unrestricted access to all the ATM and POS facilities throughout the State, irrespective of individual bank affiliation. In due course it will lead to similar freedom of accessibility to all the ATM and POS terminals operating throughout the Gulf Co-operation Council States once NAPS is fully integrated within GCCNET, the regional SWITCH system.

In 1996 the Bank also became the first Qatari bank to launch its own dedicated information pages on the INTERNET (address: www.qatar.net.qa/qnb) The Bank continues to monitor the expansion of INTERNET capability with a view to harnessing its vast potential for the benefit of all our customers whilst remaining always fully alert to the security aspects entailed.

International

Against the background of the rapid expansion of the extractive industrial base of the Qatari economy the Bank's international operations continued their progressive development.

With an equity capital base of QR. 2.66 billion the Bank is unique amongst Qatari banks in being able to meet the underwriting and commitment obligations necessary to play a significant role in the substantial public sector, project finance, bonding and contractually-related banking facilities presently being assembled.

Official bank of the annual Qatar Open Tennis Tournament

Accordingly, during 1996 the Bank began to develop its expertise in international capital mobilisation and project financing by acting as joint lead-manager and special adviser to the Government of Qatar in its U.S. $ 250 million syndicated credit financing, lead-managed by J.P. Morgan.

The Bank also participated in the pioneering U.S. $ 1.2 billion bond issues for RasGas which proved such a resounding success and secured the accolade of project financing of the year award from "Project Finance International".

Through its principal London branch, the Bank acted as senior lead-manager for the Qatargas U.S. $ 570 million upstream project financing, thereby expanding our co-operation and expertise with the leading official export credit agencies which played a pivotal role in the transaction.

With overseas branches in both London and Paris, the Bank is steadily developing its capabilities in meeting the full range of banking and financial services required by the major international engineering and contracting companies playing such a critical role in the expansion of the hydrocarbons industries in Qatar.

The Bank arranged the syndication amongst a select syndicate, comprised exclusively of Qatari banks, of the counter-indemnities for the major bonding requirements to cover the PMC contracts for the construction of the RasGas LNG plant, cryogenic heat exchangers, storage tanks and refrigeration compressors. This syndication process was repeated later in the year when a U.S. $ 28.68 million medium-term financing to support the expansion of the Qatar Shipping Company's fleet was arranged and lead-managed by the Bank and placed exclusively amongst a group of Qatari banks.

The MV Jiwanat Qatar, an "Aframax" tanker in the Qatar Shipping Co. fleet financed by Qatari Banks

Credit, Control and Risk Assessment

Under the direction of the Board of Directors, the Bank has implemented comprehensive and rigidly enforced policies to define, quantify and monitor all aspects of risk with a particular focus on credit, liquidity, market, settlement and operating risks.

Quick, efficient service

Market risk reflects the Bank's exposure to fluctuations in market prices and is principally a function of gyrations in currency and interest rates. The Bank has clearly defined limits for exposure to movements in market interest and exchange rates, prices and volatility arising from trading, lending and deposit taking activities. The size of these limits and the actual levels of risk are regularly reviewed by senior management and the Board of Directors.

Settlement risk entails the possibility that a market counterparty might default on the timely fulfilment of its obligations to the Bank and is controlled by limiting the volume of transactions which can settle on any specific business day or within a specified period.

The Bank strives to mitigate all elements of risk by maintaining a comprehensive system of internal controls. These are overseen at the general level by the Board of Directors and at a more focussed level by the newly established Audit Committee. Reporting directly to the Board of Directors, the role of the Audit Committee is to monitor the Bank's internal and external audit functions and to review control weakness and system deficiencies. It is also responsible for ensuring the highest quality of financial information and concentrates on critical business issues to ensure that the Bank's external auditors and management focus on the areas of greatest risk to the business.

Management is responsible for the implementation of the internal control framework which entails both qualitative and quantitative elements. It embraces the identification and prioritisation of business objectives and the linkage of these objectives to the underlying business processes through which they are attained. The elements of risk inherent in reaching each objective are determined, then the control parameters required to mitigate those risks are identified and implemented. Consistent with those control objectives the Bank develops control procedures and standards which are implemented and codified in Policies and Procedures Manuals. Thereafter, the monitoring of the effectiveness of the procedures is a vital component of the overall framework of control.

Finally, the Bank enjoys the benefit of the comprehensive external audit function which has been further strengthened during 1996 by the appointment of a second firm of independent external auditors in compliance with the latest directives of Qatar Central Bank. The Board of Directors invited Messrs. Deloitte and Touche to join the existing external auditors, Messrs. KPMG Peat Marwick. This new appointment will be submitted to the General Assembly for ratification and extension.

Drive-thru ATM

Financial Control

The Bank has made a major commitment in personnel and systems development to enhance the financial control process to achieve the optimal deployment of the resources entrusted to our management.

1996 marked the first year of operation of the pan-Bank budgeting and management accounting process to identify the contribution of the individual business units and help direct the focus of business growth into those areas presenting the best overall balance of risk and reward profile. In 1997 and beyond, the process will be extended to embrace individual product line accounting to develop asset and capital allocation strategies in line with the Bank's broader market-focussed objectives, so as to achieve optimal measurement and management of the Bank's overall commitment of financial resources.

The implementation for the first time of the pan-Bank budgetary evaluation process to monitor achievements against forecast proved particularly illuminating, and provided a particular focus on more effective cost control which remains a constant priority. The process also helped to highlight opportunities for re-engineering operating processes directed at improving product delivery and service quality, whilst preserving risk control and providing opportunities for significant cost savings.

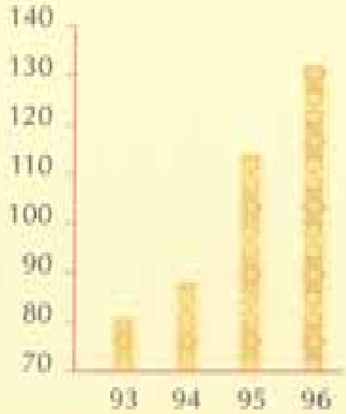
Human Resources and Training

During 1996 the Bank continued its tradition of developing a highly-skilled and dedicated professional team whose effort and commitment has contributed materially towards the increase in profitability.

By the end of 1996, the Bank's total staff complement in Qatar amounted to 500, an increase of 22 (4.6%) over the course of the year, as well as a further 52 personnel in the international branch network in London and Paris.

The Bank is totally dedicated to the National Programme as enunciated by His Highness the Emir to create every possible opportunity for all our Qatari citizens (both ladies as well as men whilst conforming with the traditions and conventions of Qatari society) who demonstrate the requisite professional expertise, commitment and dedication to the long-term interests of the Bank.

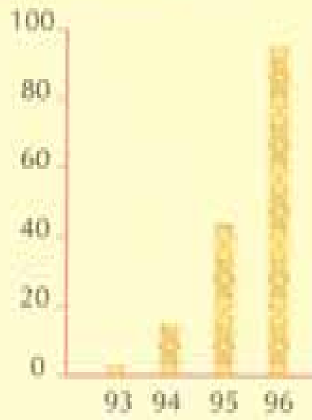
Number of Qatari Staff



The Bank has pioneered the framework of a medium-term Manpower Plan which places great emphasis upon the progressive expansion of the proportion of Qatari citizens within the work force. The Plan continues to be implemented successfully with the total complement of Qatari citizens having risen to 132 by the end of 1996, (an increase of 18 over the year) representing 26.4% of the eligible cadre. Of these 132 citizens, 29 are lady employees.

Within this overall programme a rapidly increasing proportion of the senior management positions are being filled by experienced, highly trained Qatari managers, with more than half of the network of branches and offices now managed by Qatari citizens.

Total Number of Training Programmes



This progress is a reflection of the very significant commitment to training which the Bank makes at all levels under the directives of the Board of Directors. During 1996, each member of staff attended an average 10.4 days of training reflecting a total of 95 programmes, embracing over 5,000 training days, attended by 532 trainees. These training programmes entailed courses in our in-house training department (375 attendees), further programmes at the Qatar

Banking Training Institute (97 attendees) and specialised training conducted overseas (60 attendees). The overseas training programmes are conducted both in academic environments and by short-term secondments of our most qualified bankers to correspondent banks located in the major international financial centres.

This substantial commitment of combined resources of capital and time demonstrates the extremely high priority which the Bank places upon the training of its professionals at all levels, whilst maintaining a particular focus on the continuous development of our young Qatari officers.

Social Responsibility

Throughout its history the Bank has traditionally contributed substantial resources to a wide range of charitable, philanthropic, social and other good causes, particularly in the educational and medical areas, as well as providing opportunities for the young and support for those less able members of society.

During 1996, this tradition of substantial donations was continued and more precisely codified following the establishment by the Board of Directors of a dedicated Social Responsibility Committee under the leadership of a Member of the Board. This Committee is responsible for the disbursement of a substantial allocation of funds in fulfilment of the Bank's social contributions for the benefit of all members of society within Qatar.

Signing Ceremony for the Qatar University Lecture Hall to be donated by the Bank

Among the specific commitments which the Bank has undertaken are the provision of a new 500 seat lecture-hall, to be known as the Ibn Khaldoun Lecture Hall (in honour of the famous Islamic social scientist) on the campus of Qatar University, as well as the construction of a new Intensive Care Unit at the renowned Hamad Hospital.

In addition to its Social Responsibility contributions, the Bank is also a significant supporter of conferences, exhibitions and sporting occasions, both large and small, as part of its overall commitment to Qatari society.

The Bank also contributes to the development of Qatari society by the maintenance of a specialist department as a service to the Ministry of Finance, Economy and Commerce by administering the Government funded Land Loans Programme. During 1996 the Department was able to hand-over 528 newly constructed residential properties to their owner-occupiers under the auspices of this Programme.

The Oil & Gas Exhibition - November 1996

Financial Review

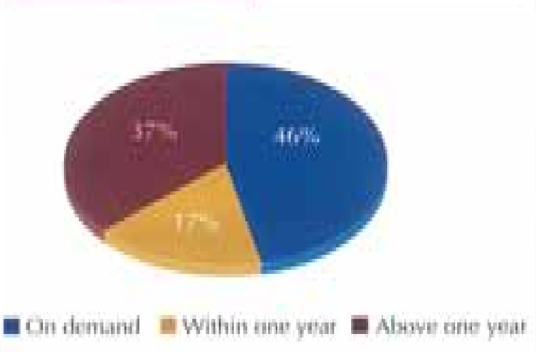
Reflecting the underlying progress in the domestic economy, the Bank recorded another year of successful development during 1996.

Sources and Uses of Funds

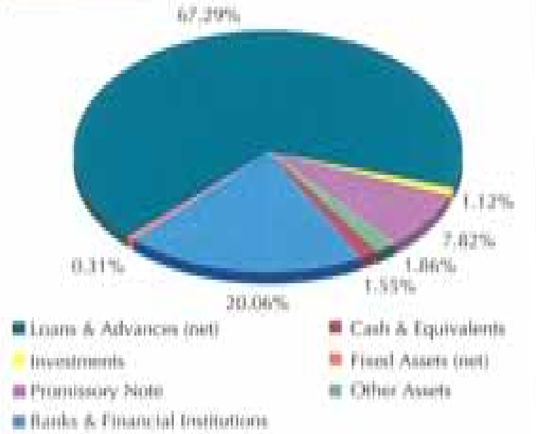
Amongst the many positive developments was the growth in volume of depository liabilities which increased by QR. 691 million to reach QR. 8.17 billion, an increase of 9.24% over the course of the financial year reflecting growth in both public and private sector deposits. This manifested a gradual easing of the somewhat tight liquidity conditions which had prevailed in the domestic banking market during the years whilst the Government has been making substantial capital commitments to the industrial and infrastructural projects presently under development. At the same time, it reflected the sharpened focus which the Bank has placed upon deposit accretion, particularly by improving our overall delivery capabilities to the corporate sector, as well as the stable interest rate environment which was maintained throughout the year within the domestic monetary system with no fluctuations in the Central Bank discount rate.

Commensurate with this growth in depository liabilities, demand for credit continued to increase, particularly from the private sector as companies repositioned themselves to capitalise upon the emergent growth in all major sectors of the economy. In order to meet this incipient demand in a prudent but progressive fashion, Loans and Advances increased by QR. 705 million to reach QR. 10.96 billion, an increase of 6.88% on a year-on-year basis. Notwithstanding the modest growth in the risk asset portfolio during the year, the ratio of Loans and Advances to shareholders' equity continued to reflect a multiple of only 4 times equity, which remains a low overall gearing ratio compared to the standards prevailing in the international banking community. The loan portfolio continues to comprise primarily short-term self-liquidating credit facilities with over 60% of the portfolio maturing within one year of the balance sheet date.

Loans & Advances



Total Assets



With increased focus upon more effective overall asset and liability management, total balance sheet footings were progressively contracted to a level of QR. 16.3 billion, a reduction of QR. 940 million over the year. This further enhanced the Bank's already strong capital ratio from 14.19% to 16.34%, with shareholders' funds aggregating QR. 2.66 billion by the year end. The total equity base consists exclusively of Tier 1 capital, and generates a consolidated Risk Asset Ratio (computed in accordance with capital adequacy guidelines) which continues to surpass the 50%

level. The Bank remains extremely well capitalised and is able to respond with alacrity and flexibility to emergent opportunities for the long-term benefit of shareholders and depositors.

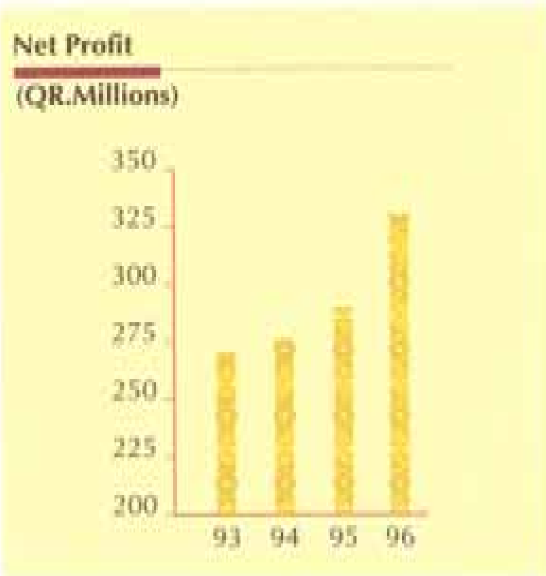
The creation of a more efficient overall balance sheet structure was achieved mainly through more vigilant management of the Bank's acceptances from and placements with counterparty banks and financial institutions in the international money markets.

Balances due to banks and other financial institutions declined by QR. 1.9 billion to reach QR. 4.6 billion, a reduction of 29% over the course of the year, whilst placements with banks declined by QR. 1.7 billion, a reduction of 34%, to reach the level of QR. 3.3 billion at the year end. This reduced volume of activity in the inter-bank market resulted in the welcome enhancement of the net interest rate margin in this critically sensitive area of the Bank's liquidity and interest rate management policies. The Bank continues to enjoy the closest of relationships with a broad universe of correspondent banks, in the regional and international financial markets, and always places great emphasis upon reciprocity of business as a key element of its overall asset, liability and liquidity management policies.

Operating Income

In terms of overall profitability the results of the Bank's operations during 1996 generated record earnings of QR. 329.7 million, an increase of QR. 40.7 million (14.1%) over the net profit of QR. 289 million declared at the end of 1995.

This favourable outcome for the financial year reflected increased interest earnings as well as containment of growth in the expense base.



In assessing the individual earnings components of the Bank, net interest income rose by QR. 62.3 million to reach QR. 453.4 million, a rise of 15.9% over the previous year. This reflected a combination of the stable interest rate environment and a more focussed policy of interest rate management and credit pricing sensitivity analysis covering the whole spectrum of the Bank's interest bearing assets and liabilities during the first complete year of interest rate liberalisation for credit facilities in the Qatari market. Overall these measures resulted in enhancement of the net interest spread by 15% over the course of the year.

Other income declined by 10.7% from the level of QR. 81.3 million achieved during 1995, to a total of QR. 72.6 million. This, however concealed two off-setting factors. First, the decline was entirely attributable to a fall in the contribution from foreign exchange earnings as management de-emphasised the relative importance of this element of the revenue mix in view of the inherent volatility and less than optimum risk/reward profile of this business activity.

Secondly, within the non-interest income element of the earnings base, there was notable growth in fees and commissions, which grew by QR. 11.4 million (49%) to reach QR. 34.8 million, whilst Investments generated incremental earnings of QR. 2.8 million (27%) above those of 1995. The growth in non-asset based earnings reflected the Bank's key strategic objective of progressive enhancement of the contribution from the non-interest element of the overall revenue stream, in compliance with soundly analysed and prudently controlled risk management policies.

Provisions

During 1995 the Bank had carried out a comprehensive review of the overall asset portfolio in order to identify those assets where a significant risk of loss was perceived to exist. This review resulted in the decision to charge to Specific Provisions for Loan Losses on an exceptional basis in that year's financial accounts an amount of QR. 55.2 million, net of loan recoveries, in order to ensure that the strictest possible criteria were applied at all times to the assessment of the Bank's risk asset portfolios.

The benefits of this comprehensive review of the overall asset portfolio were manifest during 1996, when the corresponding Specific Provisions for Loan Losses amounted to QR. 9.2 million net of recoveries, an improvement of QR. 46 million or 83% of the 1995 Specific Provisions for Loan Losses. The outcome of this transformation was that after the most comprehensive four-fold credit appraisal (conducted by the Bank's internal credit and risk management specialists, the internal audit function, the two external auditors, and Qatar Central Bank) no new specific credit provisions of any significant amounts were identified during the course of 1996.

This demonstrates the critical focus which is now directed towards the preservation of asset quality in all elements of the Bank's risk asset portfolios. However, in order to try to reflect fully the elements of unquantifiable risks generally present in any banking portfolio, particularly the risks of future indeterminable losses and other presently unforeseeable risks or contingencies beyond those for which specific provision has been made, the Bank has, for the first time, taken against the profit for the year a charge of QR. 27 million by way of General Provision for the Loan Portfolio.

The Bank continues to maintain an assiduous and effective Settlement and Recoveries Department which strives to recover all amounts due to the Bank, notwithstanding the prior creation of provisions against such impaired assets, and which pursues every possible opportunity for recovery until the prospects are deemed to have been fully exhausted.

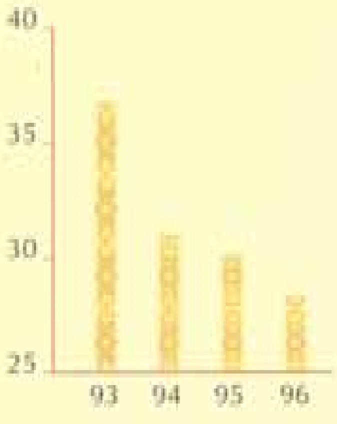
In addition to the foregoing provisions, during 1996 the Bank also provided an amount of QR. 1 million to reflect diminution in the quoted market value of a single domestic equity investment holding (1995 - QR. 3.8 million on the total investment portfolio) as well as a provision of QR. 9.5 million (1995 - QR. 1.6 million) to cover the diminution in value of properties acquired against settlement of debts, the latter reflecting the still quiescent status of the real estate market in Qatar.

Expense Control

Expense control is a major focus for the Bank and is maintained through a rigidly disciplined budgetary control process. General and Administrative Expenses rose by QR. 6.8 million (4.8%) over the year, primarily in the area of personnel expenditure where it is recognised that the Bank's continued growth in future profitability is critically dependent upon attracting, retaining and developing staff of the highest professional calibre. This resulted in increases in the Social Allowances paid to all Qatari employees as well as enhancement of the overall insurance protection afforded to employees in the event that illness or other serious misfortune might arise. The increase in total expenditure remained closely in line with projections, out-turning at just QR. 262,000 below the budget forecast.

Operating Expenses/Income

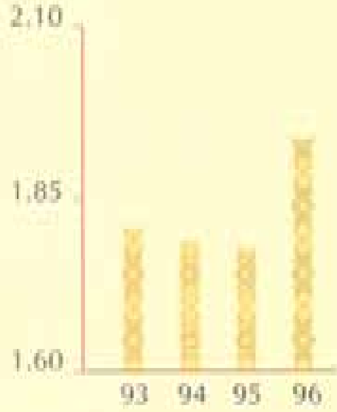
(%)



Within the overall context of expenditure control, the Bank's efficiency ratio (i.e. the percentage of expenses to total income) showed significant overall improvement by declining from 30.2% in 1995 to 28.3% during 1996.

Return on Average Assets

(%)



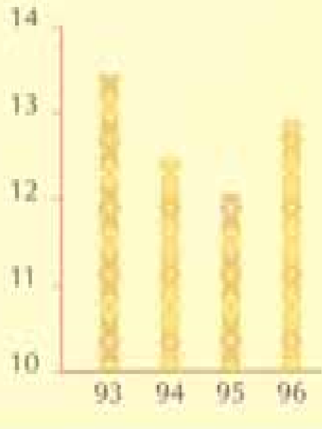
Performance Appraisal

In summation, the generation of a record net profit of QR. 329.7 million represented a return on average assets of 1.97%, an increase of 12.6% from the level of 1.75% attained in 1995, whilst the return on average shareholders' equity rose from 12.33% in 1995 to 12.92% in 1996.

Once again these rates of return continue to compare favourably with those posted by other domestic, regional and international banks.

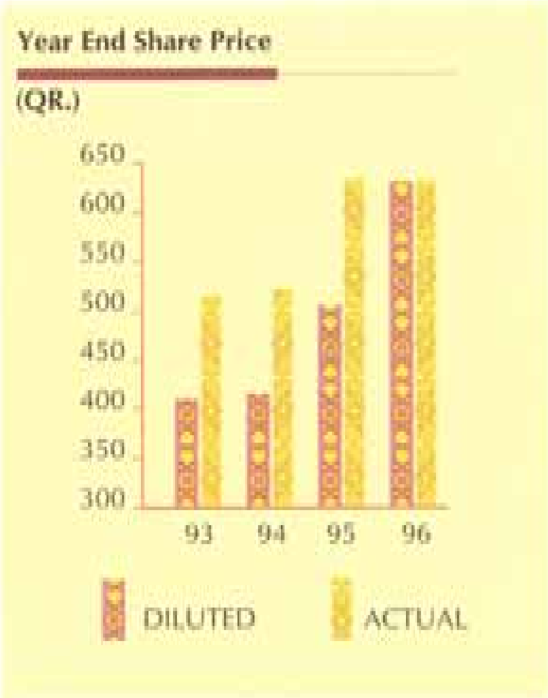
Return on Average Shareholders' Equity

(%)



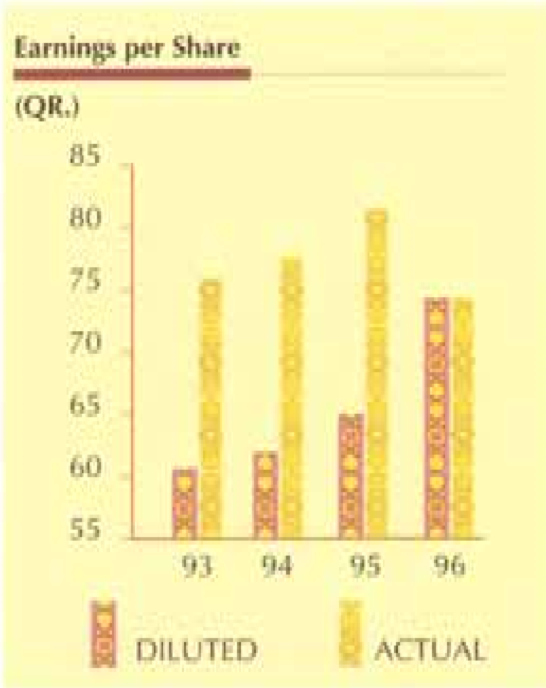
Value for Shareholders

Reflecting the underlying operating resilience exhibited during 1996, the Bank continued to enjoy a very strong level of confidence from the investor base where, once again, the Bank's equity shares were one of the three strongest performers amongst the shares of the 18 companies actively traded within Qatar.



Notwithstanding the creation of 885,937 new ordinary shares by way of a bonus issue (on the basis of one ordinary share for every four shares held) following the conclusion of the Extraordinary General Assembly in March 1996, the share price appreciated by 25% to attain a price level of QR. 630 by the year end. This capital appreciation can be favourably contrasted with the overall movement in the underlying share index which, notwithstanding that the shares of the Bank constitute 38% of the total market capitalisation, registered capital appreciation of 11.1% over the course of the calendar year.

When assessed in terms of the increasingly popular measure of Market Value Added the Bank's shareholders benefited by an improvement in the quoted market capitalisation of QR. 550 million during the course of 1996 and, on a fully diluted basis, real earnings per share increased from QR. 65.25 in 1995 to QR. 74.44 in 1996.



Auditors' Report to the Shareholders

We have audited the accompanying financial statements of Qatar National Bank S.A.Q. on pages 34 to 44 for the year ended 31st December 1996.

Respective responsibilities of the Management and Auditors

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31st December 1996, and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards and principles regulated by Qatar Central Bank and comply, where appropriate, with the Qatar Commercial Companies Law No. 11 of 1981 and the Articles of Association of the Bank.

Other matters

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Bank and that we have not become aware of any contravention by the Bank of its Articles of Association and of the Qatar Commercial Companies Law No. 11 of 1981 during the financial year that would materially affect its activities or its financial position.

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

M J Dajani
KPMG Peat Marwick
Qatar Auditors' Registry No 52

1st March, 1997
Doha
State of Qatar

Balance Sheet

as at 31st December 1996

	Note	1996 QR 000	1995 QR 000
ASSETS			
Cash and Deposits with Qatar Central Bank		194,202	188,854
Due from Banks	3	57,614	67,051
Placements with foreign and local Banks and other Financial Institutions	3	3,266,151	4,967,632
Loans and Advances - net	4	10,957,569	10,252,547
Promissory Note from the State of Qatar	5	1,274,175	1,274,175
Investments	6	181,849	156,827
Other Assets	7	302,429	259,981
Fixed Assets - net	8	50,232	57,421
Total Assets		**16,284,221**	**17,224,488**
LIABILITIES			
Customer Deposits	9		
Current Accounts		763,500	809,274
Savings Accounts		151,273	139,636
Time Deposits		6,284,769	5,384,470
Other Deposits		969,522	1,144,738
		8,169,064	7,478,118
Due to Banks and other Financial Institutions	10	4,628,870	6,517,223
Other Liabilities	11	714,496	696,268
Proposed Dividend	12	110,742	88,594
Total Liabilities		**13,623,172**	**14,780,203**
SHAREHOLDERS' EQUITY			
Share Capital	13	442,969	354,375
Statutory Reserve	14	442,969	354,375
General Reserve	14	1,500,000	1,500,000
Retained Earnings	14	275,111	235,535
Total Shareholders' Equity		**2,661,049**	**2,444,285**
Total Liabilities and Shareholders' Equity		**16,284,221**	**17,224,488**
CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS			
Letters of Credit and Acceptances		4,879,419	6,136,924
Guarantees		1,951,903	1,568,158
Forward Foreign Exchange Contracts		2,331,729	8,329,732
Other Financial Instruments and Commitments		4,124,651	3,169,252
		13,287,702	**19,204,066**

The notes on pages 17 to 44 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 1st March 1997 and were signed on their behalf by:

Mohammed Bin Khalifa Al-Thani	**Saleh M. Abo Dawood Al Muhanadi**	**John P. Finigan**
Chairman	Vice Chairman	General Manager - Chief Executive

The report of the Auditors is set forth on page 33

Statement of Income, Expenses and Appropriations

for the year ended 31st December 1996

	Note	1996 QR 000	1995 QR 000
Income			
Interest Income		1,384,629	1,390,973
Interest Expense		(931,235)	(999,877)
Net Interest Income		453,394	391,096
Other Income	15	72,600	81,301
		525,994	**472,397**
Expenses			
General and Administrative Expenses		(135,060)	(124,975)
Depreciation		(14,478)	(17,728)
Specific Provision for Loan Losses - net of Recovery		(9,230)	(55,222)
Provision for diminution in value of Investments		(1,000)	(3,800)
Provision for diminution in value of Properties acquired against Settlement of Debts		(9,500)	(1,631)
General Provision for Loan Portfolio		(27,000)	-
Profit before Unusual Item		**329,726**	**269,041**
Unusual Item	16	-	20,000
Net Profit for the year		**329,726**	**289,041**
Retained Earnings Brought Forward		58,347	36,348
Available for Appropriation		**388,073**	**325,389**
Proposed Appropriations			
Proposed Dividend		(110,742)	(88,594)
Directors' Fees		(2,220)	(1,260)
Proposed Issue of Bonus Shares		(110,742)	(88,594)
Transfer to Statutory Reserve		(110,742)	(88,594)
Retained Earnings carried forward	14	**53,627**	**58,347**

The notes on pages 37 to 44 form an integral part of these financial statements.

The report of the Auditors is set forth on page 33

Statement of Cash Flows
for the year ended 31st December 1996

	1996 QR 000	1995 QR 000
Net Cash Inflows from Operating Activities	**104,631**	**30,191**
Returns on Investments and Servicing of Finance		
Dividends received	13,232	10,119
Dividends paid	(89,168)	(123,666)
Net Cash Outflow from Returns and Servicing of Finance	**(75,936)**	**(113,547)**
Investing Activities		
Purchase of Trade Investments	(38,553)	(436)
Sale of Trade Investments	12,294	5,734
Purchase of Fixed Assets and Property	(7,984)	(12,892)
Sale of Fixed Assets and Property	447	3,159
Net Cash (Outflow) from Investing Activities	**(33,796)**	**(4,435)**
Net Cash (Outflow) before Financing	**(5,101)**	**(87,791)**
Financing Activities	-	-
Net Cash (Outflow) after Financing	**(5,101)**	**(87,791)**
(Decrease) in Cash and Cash equivalents	**(5,101)**	**(87,791)**
Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities		
Operating profit as per Statement of Income and Expenses	329,726	289,041
(Increase) / Decrease in Interest receivable	(17,677)	1,924
(Decrease) / Increase in Interest payable	20,913	(10,727)
Provision for Loan Losses	9,230	55,222
Depreciation charged	14,478	17,728
Provision for Trade Investments	1,000	3,800
Provision for Property Acquired against Settlement of Debts	9,500	1,631
Unusual Items	-	(20,000)
Dividends Received	(13,232)	(10,119)
Profit on Sale of Investments	(614)	-
General Provision for Loan Portfolio	27,000	-
Cash Inflow from Trading Activities	**380,324**	**328,500**
(Decrease) / Increase in Due to Banks	(1,888,353)	1,443,668
Increase / (Decrease) in Customers Deposits	690,946	(175,409)
(Increase) in Loans to Customers	(741,252)	(452,180)
Decrease / (Increase) in Short Term Funds	1,701,481	(1,190,174)
(Increase) / Decrease in Other Assets	(14,184)	78,488
(Decrease) in Other Liabilities	(4,331)	(2,702)
Cash Inflow from Operating Activities	**104,631**	**30,191**
Reconciliation of Increase in Cash and Cash Equivalents		
Balance at 31st December of prior year	255,905	344,560
Net cash outflows (before adjustment for the effect of changes in foreign exchange rates)	(5,101)	(87,791)
Exchange rate differences	1,012	(864)
Balance at 31st December of current year	**251,816**	**255,905**

The notes on pages 37 to 44 form an integral part of these financial statements.
The report of the Auditors is set forth on page 33

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar National Bank S.A.Q. ("the Bank") was incorporated in the State of Qatar as a Joint Stock company under Emiri Decree No. 7 issued in 1964.

The Bank is engaged in commercial banking activities and operates through branches established in Qatar, the United Kingdom and France.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements represent the combined financial statements of the Bank's branches after elimination of the material inter-branch transactions and balances. These financial statements are prepared under the historical cost convention, in accordance with accounting standards and principles regulated by the Qatar Central Bank.

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

a) Revenue Recognition

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

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

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

b) Provision for Loan Losses

Specific provisions are determined to reduce the carrying value of identified impaired advances to their expected ultimate net realisable value based on a detailed appraisal of the lending portfolio by the management and on the Qatar Central Bank regulations. The specific provision for loan losses reflected in the financial statements represents the amount approved by the Qatar Central Bank.

Also, a non specific general provision is made to cover for impaired advances which are known from experience to be present in any banking portfolio.

c) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling on the balance sheet date. Gains or losses arising as a result thereof together with exchange profits and losses which arise from normal banking activities during the year are dealt with in the determination of the net income.

d) Investments

Trading securities are valued at the lower of cost and market value.

Treasury Bills are valued at cost.

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

Investments in the equity of associated companies are accounted for following the equity method, less provisions as estimated by the management.

e) Fixed Assets and Depreciation

Fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

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

Freehold land is not depreciated.

f) Employees' Termination Benefits

The Bank makes a provision for all termination indemnities payable to employees in accordance with the Bank's regulations, calculated on the basis of the individuals' period of service at the balance sheet date. The Bank's regulations provide for an amount greater than the minimum required by the Qatar Labour Law.

The provision for employees' termination benefits is included under "Other Liabilities".

g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and deposits with Qatar Central Bank and amounts due from banks on demand.

h) Off Balance Sheet Financial Instruments

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

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

i) Directors' Fees

In accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 1981, Directors' fees have been shown as an appropriation of profit.

3. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS INCLUDING PLACEMENTS

	1996 QR 000	1995 QR 000
a) By maturity		
On Demand	57,614	67,051
Placements maturing within one year	3,266,151	4,967,632
	3,323,765	5,034,683
b) By geographical distribution		
Qatar	79	14,344
GCC countries	592,866	1,239,930
Europe	937,053	1,940,084
North America	315,199	768,158
Other countries	1,478,568	1,072,167
	3,323,765	5,034,683

4. LOANS AND ADVANCES

a) By maturity		
On demand	5,467,881	5,340,245
Within one year	2,002,641	1,487,881
Above one year	4,294,548	4,208,793
Total Loans and Advances	11,765,070	11,036,919
Provision for Loan Losses	(576,221)	(597,803)
General Provision for Loan Portfolio	(27,000)	-
Interest in Suspense	(204,280)	(186,569)
Net Loans and Advances	10,957,569	10,252,547

The aggregate amount of non performing loans and advances upon which interest has not been accrued amounted to QR. 896 million (1995: QR. 803 million)

b) By geographical distribution		
Within Qatar	11,567,979	10,109,359
GCC countries	5,467	4
Europe	180,271	901,583
North America	99	-
Other Countries	11,254	25,973
Provision for Loan Losses	(576,221)	(597,803)
General Provision for Loan Portfolio	(27,000)	-
Interest in Suspense	(204,280)	(186,569)
Net Loans and Advances	10,957,569	10,252,547

Notes forming an integral part of the Financial Statements

for the year ended 31st December 1996

	1996	1995
	QR 000	QR 000
c) By type		
Overdrafts	5,298,025	5,143,172
Loans	6,450,578	5,886,703
Bills Discounted	16,467	7,044
Provision for Loan Losses	(576,221)	(597,803)
General Provision for Loan Portfolio	(27,000)	-
Interest in Suspense	(204,280)	(186,569)
Net Loans and Advances	10,957,569	10,252,547
d) Movement in Specific Provisions for Loan Losses		
Balance at 1st January	597,803	535,843
Foreign Currency translation	(6,045)	5,360
Balance at 1st January as restated	591,758	541,203
Provisions made during the year	33,213	80,190
Recoveries during the year	(16,733)	(22,115)
Written off during the year	(32,017)	(1,475)
Balance at 31st December	576,221	597,803
e) Movements in General Provision against Loan Portfolio		
Balance at 1st January	-	-
Provisions made during the year	27,000	-
Balance at 31st December	27,000	-
f) Movement in Interest in Suspense		
Balance at 1st January	186,570	148,545
Interest Suspended during the year	27,029	44,114
Recoveries during the year	(5,233)	(2,853)
Written off during the year	(4,086)	(3,237)
Balance at 31st December	204,280	186,569

5. PROMISSORY NOTE FROM THE STATE OF QATAR

This represents a Promissory Note of the State of Qatar denominated in United States Dollars repayable on 6th June 1997 and bears interest at 6.1%.

6. INVESTMENTS

	1996	1995
	QR 000	QR 000
a) Investments comprise		
Long term Securities and Portfolio Investment	181,926	150,531
Less: Provision for diminution in value	(1,000)	-
Net	180,926	150,531
Investments in Associated Companies (Cost) *	15,956	19,390
Less: Provision for diminution in above	(15,033)	(17,463)
Net	923	1,927
b) Treasury and Other Bills		
Foreign Currency Treasury Bills	-	4,369
Total Investments	**181,849**	**156,827**

*Investment in Associated Companies represents the following:

Company	Shareholding	Country of Incorporation	Nature of Operations
Gulf and Occidental Investment Co. S.A.	33.3%	Switzerland	Investment Management
United Management Systems PLC.	38.6%	United Kingdom	Travel Services

7. OTHER ASSETS

	1996	1995
	QR 000	QR 000
Interest receivable	139,854	122,177
Net Properties acquired against Settlement of Debts **	64,180	73,593
Interest in Long term Leasehold Property	39,866	-
Prepayments and others	58,529	64,211
	302,429	**259,981**

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

8. FIXED ASSETS

	Freehold land & buildings	Equipment, furniture & fittings	Motor vehicles	Total 1996	Total 1995
	QR 000	QR 000	QR 000	QR 000	QR 000
Cost					
As at 1st January 1996	75,958	80,695	1,763	158,416	149,077
Additions	197	7,543	-	7,740	12,892
Disposals	(6)	(1,050)	(148)	(1,204)	(3,936)
Transfers/Adjustments 1996	-	427	26	453	383
As at 31st December 1996	76,149	87,615	1,641	165,405	158,416
Accumulated depreciation					
As at 1st January 1996	41,271	58,430	1,294	100,995	86,511
Charged during the year	3,295	11,040	143	14,478	17,728
Disposals	-	(887)	(28)	(915)	(3,591)
Transfers	39	578	(2)	615	347
As at 31st December 1996	44,605	69,161	1,407	115,173	100,995
Net book value					
At 31st December 1996	31,544	18,454	234	50,232	
At 31st December 1995	34,687	22,265	469		57,421

9. CUSTOMER DEPOSITS

	1996	1995
	QR 000	QR 000
a) By maturity		
On demand	931,265	809,829
Within one year	7,232,614	6,668,289
Above one year	5,185	-
	8,169,064	7,478,118
b) By geographical distribution		
Qatar	7,954,424	6,934,596
GCC countries	2,314	4
Europe	154,447	513,612
North America	28,084	5,991
Other countries	29,795	23,915
	8,169,064	7,478,118

10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	1996 QR 000	1995 QR 000
a) By maturity		
Demand and call deposits	66,575	67,712
Deposits maturing within one year	4,489,485	6,449,511
Deposits maturing above one year	72,810	-
	4,628,870	6,517,223
b) By geographical distribution		
Qatar	443,929	440,720
GCC countries	1,520,623	1,866,736
Europe	1,343,254	2,296,539
North America	98,791	373,842
Other countries	1,222,273	1,539,386
	4,628,870	6,517,223

11. OTHER LIABILITIES

	1996 QR 000	1995 QR 000
Provision for Employees' Termination Benefits	85,762	75,814
Accrued Interest Payable	123,686	102,773
Provision for General Banking Risks	432,746	432,746
Others	72,302	84,935
	714,496	696,268

12. PROPOSED DIVIDENDS AND BONUS SHARE

The Board of Directors propose a cash dividend of 25% (QR. 25 per share) and issue of one bonus share for each four shares held. In 1995 a cash dividend of 25% (QR. 25 per share) was declared in addition to one bonus share for each four shares.

13. SHARE CAPITAL

	After Appropriation QR 000	1996 QR 000	After Appropriation QR 000	1995 QR 000
Issued and Paid up 4,429,687 ordinary shares of QR. 100 each (1995: 3,543,750)	442,969	442,969	354,375	354,375
Proposed bonus issue 1,107,421 ordinary shares of QR. 100 each (1995: 885,937)	110,742	-	88,594	-
	553,711	442,969	442,969	354,375

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

14. RESERVES

	After Appropriation QR 000	1996 QR 000	After Appropriation QR 000	1995 QR 000
Statutory Reserve *	553,711	442,969	442,969	354,375
General Reserve	1,500,000	1,500,000	1,500,000	1,500,000
Retained Earnings	53,627	275,111	58,347	235,535

*In accordance with Qatar Central Bank regulations, at least 20% of net profit for the year is required to be transferred to the Statutory Reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 11 of 1981.

15. OTHER INCOME

	1996 QR 000	1995 QR 000
Fees and Commissions	34,790	23,374
Income from Investment Securities and other Investments	13,561	10,718
Net Gains from Dealing in Foreign Currencies	6,794	34,161
Other Operating Income	12,889	8,191
Real Estate income - net	4,566	4,857
	72,600	81,301

16. UNUSUAL ITEM

In 1995 the Bank transferred QR. 20,000,000 from Provision for General Banking Risks to the Statement of Income and Expenses.

17. RELATED PARTIES

The Bank has transactions in the ordinary course of business, with directors, officers of the Bank and entities of which they are principal owners. These transactions are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties. At the balance sheet dates, such significant balances included:

	1996 QR 000	1995 QR 000
Loans and advances	21,975	22,907
Deposits	38,573	38,936
Contingent Liabilities, Guarantees and other Commitments	14,007	1,675

In addition to the above, the Government of Qatar holds a 50% interest in the issued share capital of the Bank, with the remaining 50% held by members of the public.

Directory

Head Office

P.O. Box 1000, Doha, Qatar.
Tel: (+974) 407407 (27 Lines), Fax: (+974) 413753, Telegraphic Address: Qatarbank
Telex: 4064/4212/4357 Qatbnk Dh, SWIFT: QNBAQAQA
Internet: www.qatar.net.qa/qnb

	Telephone	Facsimile
Board of Directors' Office	414504	413394
General Manager - Chief Executive	430240	438349
Deputy General Manager	414529	415019
Marketing	407321	436577
Credit	407394	436577
Domestic Branches	413693	413889
Retail Credit	414384	431036
Private Banking	413978	431894
Operations	413126	439727
Information Systems	414092	438064
Treasury	432444	414943
International	413768	410418
Investments	415619	418052
Legal	350194	430792
Financial Control	352719	438983
Internal Audit	413876	418326
Human Resources	411098	414830
Economics and Planning	352704	442834
Public Relations	354642	351379

Domestic Branches

Main Branch
P.O. Box 1000, Doha
Tel: 407407, Fax: 415020

Al Sadd
P.O. Box 9366, Doha
Tel: 420424, Fax: 446296

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

Mesaieed
P.O. Box 50050, Mesaieed
Tel: 771529, Fax: 771062

Al Khor
P.O. Box 60030, Al Khor
Tel: 720127, Fax: 721625
Ladies Section
Tel: 720127, Fax: 721625

Airport Road
P.O. Box 3252, Doha
Tel: 328125, Fax: 432339
Ladies Section
Tel: 328125, Fax: 432339

Musheireb
P.O. Box 1818, Doha
Tel: 423643, Fax: 415021

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

Industrial Area
P.O. Box 40611, Doha
Tel: 600344, Fax: 600427

Al Sadd Ladies
P.O. Box 7068, Doha
Tel: 423654, Fax: 421206

Hamad Hospital
Tel: 421517/421917, Fax: 415022

Air Force Base
Tel: 622016, Fax: 622724

Qatar University/Men's Campus
Tel: 892619, Fax: 835082

Qatar University/Ladies Campus
Tel: 892586, Fax: 835137

Al Shamal
P.O. Box 70222, Al Shamal
Tel: 731246, Fax: 731503

Immigration Building Office
Tel: 874217/874219

Doha Airport Offices
Departure Terminal
Tel: 621100, Fax: 621929
Arrival Terminal
Tel: 621911

QGPC Office
Tel: 831218/491253, Fax: 831081

Sheraton Gulf Hotel Office
Tel: 328606, Fax: 329041

Sheraton Doha Hotel Office
Tel: 831878/9, Fax: 831469

Foreign Branches

London - City
135-141 Cannon Street
London EC4N 5AH
Tel: (+44) 171 2833911
Fax: (+44) 171 2831635
Treasury:
Tel: (+44) 171 2833732
Telegraphic Address:
Qatarbank, London
Telex: 886214 Qatbnk G
SWIFT: QNBAGB 2L

London - West End
36 Curzon Street
London W1Y 7AF
Tel: (+44) 171 4937411
Fax: (+44) 171 4090410
Telex: 298698 QNBCUR G

Paris
58 Avenue d'Iena
75116 Paris
Tel: (+33) 1 53230077
Fax: (+33) 1 53230070
Telex: 641344 Qatarbank F
SWIFT: QNBAFRPP