

ANNUAL
REPORT



HEAD OFFICE & BRANCHES

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Musheireb

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Manager: 429191
Fax: 415021

Airport Road

P.O. Box: 3252, Doha
Tel: 328125 (5 Lines)
Manager: 435274
Fax: 432339

Al Sadd

P.O. Box: 9366, Doha
Tel: 420424 (5 Lines)
Manager: 420448
Fax: 446296

Al Sadd (Ladies)

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

Qatar University/Male

Tel: 892619/892633
Fax: 835082

Qatar University/Female

Tel: 892586
Fax: 835137

Hamad General Hospital

Tel: 421517/421917
Fax: 415022

Air Force Base

Tel: 322016
Manager: 651103
Fax: 426724

Mesaieed

P.O. Box: 50050, Mesaieed
Tel: 771529
Manager: 771791
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P.O. Box: 60030, Al Khor
Tel: 720127
Manager: 721585
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Al Shamal

P.O. Box: 70222, Al Shamal
Tel: 731246
Manager: 731630
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Manager: 600343
Fax: 600427

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Immigration Building Office

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Departure Terminal
Tel: 425500
Arrival Terminal
Tel: 438011

Q.G.P.C. Office

Tel: 831218/491253
Fax: 831081

Sheraton Gulf Hotel Office

Tel: 328606
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Sheraton Doha Hotel Office

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

*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 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**

MANAGEMENT



John P. Finigan
General Manager - Chief Executive



Saeed Bin Abdullah Al Misnad
Deputy General Manager

HEAD OFFICE DIRECTORY

	TELEPHONE	FAX
BOARD OF DIRECTORS' OFFICE	437946	413394
GENERAL MANAGER - CHIEF EXECUTIVE	430240	438349
DEPUTY GENERAL MANAGER	414529	415019
DOMESTIC BRANCHES	413790	413889
MARKETING	432728	431036
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through Strength
in a Period of Change**

FIVE YEAR SUMMARY

	1991	1992	1993	1994	1995
(Figures in QR Millions)					
• Net Income	270	305	269	275	289
• Total Assets	13,553	14,826	15,268	15,824	17,224
• Total Shareholders' Funds	1,644	1,883	2,095	2,245	2,444
• Paid in Capital	189	283	354	354	354
• Operating Income	424.1	412.7	378.4	439.6	472.3
• Operating Expenses	154.1	119.2	139.8	136.8	142.7
• Operating Income/ Operating Expenses Ratio	2.75	3.46	2.70	3.21	3.31
• Market Value per share (QR) (31st December)	525	520	515	520	632
• Price/Earnings Ratio	3.67	4.8	6.8	6.7	7.7
• Number of Employees	473	500	490	496	533
1. Domestic	409	439	432	442	478
(of which Qatari)	(89)	(84)	(81)	(88)	(114)
2. International	64	61	58	54	55

CHAIRMAN'S MESSAGE



**Continuity
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in a Period of Change**

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 1995, the thirty-first year of the Bank's existence, marking three decades of continued achievement.

1995 certainly proved an important year for the State of Qatar with the accession as Emir of His Highness Sheikh Hamad bin Khalifa Al-Thani. In recent years His Highness Sheikh Hamad has been the architect of the exceptionally dynamic growth of Qatar's industrial and economic infrastructure, culminating in the long-awaited development of the gas reserves of the North Dome, which will create exponential expansion of the State's Gross Domestic Product, the measure of the overall economic activity taking place within the country.

The constant encouragement, guidance, and keen interest evinced by His Highness Sheikh Hamad has contributed to the evolution of the Bank as the leading bank in the State of Qatar.

During 1995 the Bank continued its prudent but progressive development, augmenting its core business serving the banking needs of its broad-ranging domestic client base with growing involvement in the trade and investment flows which constitute a natural corollary of the Bank's dominant position in the domestic financial markets.

As in previous years, the financial results of the Bank's operations during 1995 have proved encouraging. Total assets of the Bank grew by 8.85% over the year to reach QR. 17.22 billion, while total shareholders' equity rose by a like percentage rate to exceed QR. 2.44 billion. The Bank's equity base continues to comprise exclusively Tier 1 Capital and results in a Risk Asset Ratio of 50%, significantly in excess of the 8% minimum level stipulated by the Basle Capital Adequacy Rules.

Net profit for the year amounted to QR. 289 million, an increase of 5% over that attained during 1994. This represents a return on average shareholders' equity of 12.33% and a return on average assets of 1.75%. The Board of Directors proposes to declare a cash dividend for the 1995 fiscal year of QR. 88.594 million representing a return on share capital of 25% (QR. 25 per share) following the payment of a dividend in cash equivalent to 35% (QR. 35 per share) for the 1994 financial year. In addition, the Board of Directors proposes a bonus share issue equal to QR. 88.594 million, on the basis of one ordinary share for every four shares held. (In 1994, there was no such bonus share issue).

The prospects for the economy of the State of Qatar continue to look very bright, as do those of the Bank, and we continue to remain very positive as to our future profitability from the business sectors in which we operate.

During the year, the Bank appointed new and experienced professional management in order to lead the Bank's ongoing development and strategic re-organisation. We continue to invest in high quality professional staff, an increasing number of whom are now Qatari citizens. Their dedication and pursuit of the highest possible professional standards have brought success to the Bank and, on behalf of the Board of Directors, I thank them for their efforts.

We remain ever alert and responsive to new business opportunities while retaining our key focus upon our traditional areas of comparative advantage. We continue to look forward with enthusiasm to the challenges ahead.

We express our sincere appreciation and gratitude to His Highness the Emir, Sheikh Hamad bin Khalifa Al-Thani, and to His Highness the Deputy Prime Minister and Minister of the Interior, Sheikh Abdulla bin Khalifa Al-Thani for their encouragement and patronage. 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 Khalid Al Attiyah, for their co-operation and encouragement.

Finally, we express our gratitude to our valued customer base, drawn from all sectors of the Qatari community and elsewhere, for the confidence which they place in the Bank. It is they who provide us with the constant motivation to improve and enhance our service and operations for the long-term benefit of all our shareholders, depositors, customers and staff.

Mohamed bin Khalifa Al-Thani

Chairman of the Board of Directors

ECONOMIC REVIEW

1995 proved a decisive year in the political and economic transformation that is now evident in the State of Qatar. With the accession to power of His Highness The Emir, Sheikh Hamad Bin Khalifa Al-Thani, the country has felt the quickening pace of economic, political and social transformation to ensure that Qatar becomes a more significant force as it moves into the 21st century. This is to be achieved through the fulfilment of a cohesive industrial development strategy, the cornerstone of which is the exploitation of the country's huge reserves of natural gas in the North Field. These constitute the world's third largest source of gas, comprising 7.4% of global reserves.

In 1994 Gross Domestic Product rose modestly by 0.2%, after having declined by 6.4% in 1993 in the aftermath of the sharp rise of 11.1% achieved in 1992. The economy appears to have stabilised in 1995, and presents opportunities for modest real growth in 1996 before appreciating rapidly as the first exports of gas commence from the Qatargas project at the beginning of 1997.

The country has recognised squarely the fiscal responsibilities attendant upon a period of modest growth, when the development of the key infrastructural export industrial projects remains the cornerstone of economic policy development.



Accordingly, the overall emphasis of the 1995-1996 budget is upon continued rationalisation of expenditure with the allocation of additional financial resources towards the major infrastructural projects in extractive industries, power and desalination and the expansion of the facilities in Doha Port, by optimising the utilisation of the private sector resources within the domestic economy.

Budgeted revenues for fiscal 1995-1996 show an increase of 10.1% to reach QR 9.2 billion. Total expenditures are forecast to rise by a commensurately greater amount to reach QR 12.7 billion, an increase of 7.6% over the forecast level of QR 11.8 billion during fiscal 1994-1995. Within the overall expenditure forecast, QR 2.2 billion, amounting to 17.4%, is projected to constitute capital expenditure, itself an increase of 23% over the actual level of capital expenditure in fiscal 1994-1995.

The interplay of these factors results in a forecast budget deficit of QR 3.53 billion, a forecast increase of QR 57 million beyond the projected deficit of QR 3.47 billion for fiscal 1994-1995. At the forecast level of QR 3.53 billion, the deficit would constitute 28% of total expenditures for fiscal 1995-1996, or approximately 13% of GDP.

The Government is taking all possible steps to rein in expenditure so as to minimise the envisaged and future budget deficits. As a result of the measures so far adopted by the Government, the deficit has declined to QR 1.96 billion in fiscal 1994/1995, according to the actual preliminary figures. In due course these measures will result in the eradication of budget deficits as the major round of extractive and industrial development projects now underway come on-stream.

Most notable of these are the major energy and industrial expansion projects:

1. Qatargas

Qatargas consists of a joint venture between Qatar General Petroleum Corporation (QGPC), holding 65% of the equity, and four major international energy companies: Mobil (10%), CFP Total (10%), Mitsui (7.5%), and Marubeni (7.5%). The plant comprises two LNG trains with an initial capacity of 6 million tonnes per year of LNG which has been pre-sold on 25 year Sales and Purchase Agreements with leading Japanese electricity generators. The Qatargas plant already dominates the skyline of Ras Laffan

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and is well on schedule for commissioning during the final quarter of 1996. First exports are to be shipped at the beginning of 1997.

2. Rasgas

The Rasgas project is a joint venture between QGPC, holding 70% of the equity, and Mobil, holding the remaining 30%, and is envisaged to have a cryogenic capacity of 10 million tonnes per year.

In October 1995, the project took a significant step towards economic viability with the signing of a 2.4 million tonnes per year Sales and Purchase Agreement with Korea Gas Corporation over a 25 year period beginning from July 1999.

3. Enron

Enron Corporation of the United States is the joint venture party in a third gas-related project intended to produce and liquefy 5 million tonnes of LNG per year, to be sold abroad.

4. QGPC

QGPC is undertaking expansion projects to increase production capacity in the oil sector to over 500,000 barrels per day by the end of the century.

5. Industrial Expansion Projects

In pursuit of development of its enormous gas potential, the State of Qatar has not neglected other basic industries. For the most part these embrace either energy intensive or hydrocarbons diversification projects which capitalize upon Qatar's exceptionally favourable factor endowment and relative competitive advantage. They are without exception export oriented industries which already are playing an important role in boosting the export revenues of the State. These leading industries include, among others, the Qatar Petrochemicals Company (QAPCO), Qatar Steel Company (QASCO), Qatar Fertilizer Company (QAFCO), Qatar National Cement Company (QNCC), and National Oil Distribution Company (NODCO) which operates the refinery and distributes refined products and unleaded gasoline.

Notable among the expansion projects within the already successfully established industries is the construction of a further QR 406 million cement plant for QNCC at Umm Bab to produce 2,000 tonnes of cement per day by 1997. The expansion of the petrochemicals sector under the auspices of QAPCO is scheduled to come on-stream in the middle of 1996, enhancing the productive capacity of ethylene from 320,000 to 520,000 tonnes per year and doubling the production of LDPE (low density polyethylene) to reach 360,000 tonnes per year. In the fertiliser sector, QAFCO has commissioned a major expansion project to double ammonia production to reach 1,500 tonnes per day and to produce 2,000 tonnes per day of urea by 1997, enhancing the country's position as one of the region's leading fertiliser exporters.

In the steel sector, QASCO is building upon its pioneering success by embarking upon a QR 1 billion expansion and modernisation plan to produce an additional 700,000 tonnes per year beyond the existing production of 600,000 tonnes per year. This expansion reflects QASCO's unique success in having become the first integrated steel complex in the Gulf States to utilise natural gas in the conversion of iron ore into sponge iron.

These established industries are in the process of being joined by newly established entities such as the Qatar Fuel Additives Company (QAFAC), to produce methanol and MTBE (an additive for improving the characteristics and quality of gasoline and for producing lead-free gasoline). QAFAC is currently engaged in a QR 2.3 billion development program designed to produce 825,000 tonnes per year of methanol and 610,000 tonnes of MTBE. Another important new industrial development is the Qatar Clean Energy Company (QACENCO), a joint venture owned by QGPC and



Penspen International of the United Kingdom as well as Petronas of Malaysia, also established to produce 825,000 tonnes per year of methanol.

Civil engineering works have not been neglected and the skyline is active with new construction projects to meet the demand for high quality office and residential developments. A new Doha Airport terminal is also being planned at an approved cost of QR 350 million.

This pace of change has not been restricted to the industrial and civic sectors only. 1995 witnessed a more vigorous supervisory policy adopted by the Qatar Central Bank, which increased its paid up capital from QR 150 million to QR 500 million. Regulations were passed to formalise the local money exchange sector with stricter reporting guidelines and clear definitions as to their main functions. In order to bolster a more efficient free market economy, curbs on maximum lending rates for domestic borrowers were lifted in August, a discount rate mechanism introduced, and Qatari banks were freed to price credit facilities according to perceived risks. At the same time, the limitations on deposit rates were also gradually reduced with the ultimate aim of removing all constraints on commercial bank interest rate structures.



As Qatar strives towards a more liberal and internationally integrated free market economy, reflecting its membership of GATT, progress was made to expand the basis of the present unofficial stock market with the passing of the Doha Stock Market Law. The long term aim is to provide a more efficient and transparent mechanism for attracting domestic and international capital as well as to manage future public and private sector flotations and privatisation issues.

To add depth to the industrial sector, a newly established Qatar Industrial Development Bank was established at the end of 1995, with an authorised capital of QR 200 million. The shareholders are comprised of the State of Qatar and leading local banks (including Qatar National Bank, with a shareholding of 20% of the equity) and other institutional investors. The aim of the new Qatar Industrial Development Bank is to provide medium to long-term concessionary financing for small and medium scale industrial and import substitution projects.

The State of Qatar follows a determined policy of encouraging and supporting the industrial sector. The aim of the Government's policy has been to create a strong industrial base and to diversify manufacturing activities through effective co-operation between the public and private sectors. With the establishment of the Supreme Council for Planning, the responsibility for development planning and the execution of development projects has been given added prominence, with linkages established with each Ministry through the creation of planning cells in each Ministry to create rationalisation of administration and effective support.



OPERATING REVIEW



In this era of change Qatar National Bank retains its dominant position at the centre of the nation's banking and financial system and continues to expand its operations from a position of unrivalled strength.

The Bank's strategic objective is to respond conservatively but aggressively to the dynamic changes emerging within the regional and international financial markets, and to capitalise upon the evolving opportunities to upgrade both the range and scope of our services to our long-established public sector, institutional, corporate, private and retail banking customer base.

With overseas operations in London and Paris to complement the domestic banking outlets, operating through nineteen locations throughout the State of Qatar, the Bank works in a totally integrated fashion to maximise the business synergies arising from the State of Qatar's increasing role in world trade.

Following the appointment of a new General Manager - Chief Executive during the course of 1995, a major re-appraisal of the Bank's underlying business and operations was commissioned in order to capitalise upon the



unparalleled intrinsic strengths of the Bank's business while positioning the Bank fully to compete in the era of major change for the economy of the State of Qatar as the 21st Century approaches.

With a predominance over many elements of the overall banking sector in the State of Qatar and its unique

equal public and private sector ownership structure, the Bank is fortunate to be the natural partner of choice of our domestic and international client base for conducting a wide range of banking operations .

The Bank now seeks to capitalise upon that comparative advantage by generating a more focussed emphasis upon the delivery of a wider range of customer driven banking and financial services in the most timely,

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cost-effective, and convenient fashion, by harnessing our state-of-the-art information systems technology with the unsurpassed expertise of our professional staff.

Domestic Branches

The Bank operates nineteen domestic branches and offices, by far the widest banking coverage across the State of Qatar. In addition the bank offers access to a wide range of its services through its network of 20 Automated Teller Machines (ATM's) which also comprise by far the largest network of ATM's in Qatar, servicing more than 25,000 card-holders.



The opening of the Al Sadd Ladies branch marks a milestone in the development of the Bank's first stand-alone dedicated Ladies banking unit, and creates an additional opportunity to broaden the range and scope of the services which the Bank can offer to this most valued customer segment.

In addition, the tender process was completed, contracts signed and construction commenced for an additional four replacement branches at Mesaieed, Al Rayyan, Al Khor and Al Shamal, thereby demonstrating the Bank's constant commitment to upgrading the quality of service delivery to the domestic customer base. Each of these new branches is scheduled to be opened during the latter part of 1996.

During 1995, the Bank also pioneered the offering of 24 hour opening at its branch located at Doha International Airport and spearheaded the extension of banking hours by opening for business in the afternoon at a number of key branches in order better to serve our customers.

Information Systems and Technology

Equal commitment continues to be made to the Bank's information systems and technology where, in 1995, considerable advances were achieved to sustain our goal of being a market leader in terms of customer service and delivery.

Paramount amongst these developments was the enhancement of the Bank's proprietary AL WATANI card to provide global access to our customers' current, savings or call accounts as well as the ability to access cash from over 227,000 ATM's worldwide, displaying either the VISA, ELECTRON or PLUS logos. The bank's customers can purchase goods and services at almost 11 million merchant point of sale outlets displaying the VISA or ELECTRON logos, as well as enhancing client card security by imprinting photographs on the reverse of each card.



In the trade finance sector, the Bank introduced the 'AG-DOCS Foreign Trade System' for the integrated processing and settlement of all letters of credit, letters of guarantee and inward and outward bills for collection and discounting. This entails direct interface to the SWIFT communications system for more secure and rapid transmission of messages to beneficiaries, accreditors and



correspondent banks, as well as direct documentary communications with our large customer base of trade finance clients.

Less visible from the customer standpoint, but of equal importance in enhancing the control functions were the steps taken to introduce and commission the 'Placid Automatic Reconciliation System' which automatically reconciles all nostro account movements, providing exception item reports for immediate remedial action, as well as the enhancement of the 'ACT Treasury System' to improve our overall controls and reporting over the rapidly moving volume of Treasury activities.

The Bank remains totally committed to upgrading and enhancing its information systems technology

to deliver the best possible quality of service to its customers as well as to expand in any way possible our already comprehensive system of internal controls to monitor transactions, positions and documentation.

International

As the economy of the State of Qatar continues to expand, the Bank's international operations are growing commensurately. With full service international branches located in Paris and London (in both the City and the West End) which are fully integrated into the Bank's domestic banking network, the Bank is uniquely able to assist both our major banking correspondents (now exceeding 650 valued names) and the major importers and exporters (including the leading international energy companies and contractors now playing an increasing role in the Qatari economy), with the full range of banking services. With a capital base in excess of QR 2.4 billion (US\$ 670 million), the bank is unique among Qatari banks in being able to meet the bonding and other contractually related banking services needed by this growing sector of the business community.

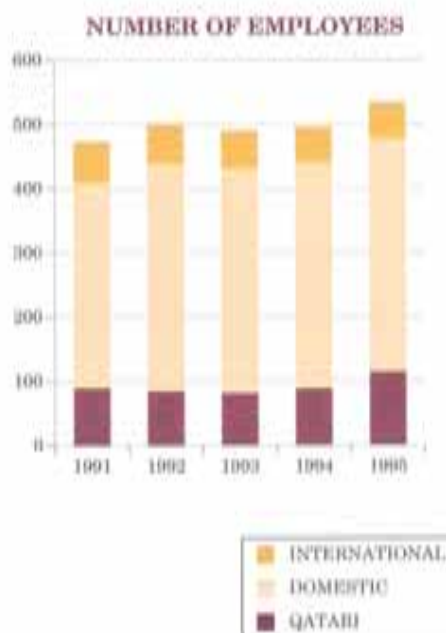


During the year, the Paris branch successfully relocated to new premises in Avenue d'Iena, and the Curzon Street branch in the West End of London pioneered the concept of opening on Saturday mornings to provide banking services to Qatari visitors during the summer season; an initiative which has been widely appreciated by our customers.

Control, Credit and Risk Assessment

Parallel with those more visible developments were the less transparent but no less important advances achieved in extending our internal control systems and procedures, enhancing our budgeting and management accounting capabilities and the conducting of a vigorous audit of the Bank's total asset portfolio in order to identify any potential areas of weakness.

Under the direction of the Board of Directors, the Bank has implemented rigid and comprehensive policies and procedures to define, quantify and monitor all aspects of



risks incurred in the Bank's operations with a particular concentration on credit, market and settlement risk, so as to protect the Bank's overall liquidity position. The Bank has clearly defined financial and operating limits for interest rate, foreign currency and other related exposures.

These policies and procedures are monitored independently to ensure that maximum credit, sectoral and country limits as well as position and delivery limits are adhered to in accordance with the policies laid down by the Board of Directors. The size of limits and the actual levels of risk are regularly reviewed by senior management and the Board of Directors.

With the increasing complexity of the international financial markets, additional emphasis is placed upon the development of 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 capital allocation in respect of its credit and market risk exposure.

Human Resources

Among the Bank's greatest strengths is the quality, commitment and dynamism of our personnel and in 1995, as

in prior years, the Bank devoted great effort to enhancing those skills.

At the end of 1995 the Bank's total staff complement in Qatar amounted to 478 augmented by a further 55 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 all possible career opportunities for our Qatari citizens, both ladies as well as men, who demonstrate the requisite professional expertise, commitment, and dedication to the interests of the Bank.

This policy has achieved progressive growth in the numbers of Qatari citizens joining the service of the Bank with their complement increasing from 33 out of a total of 332 professional staff in 1988 to reach 114 in 1995. Within this total of 114 Qatari employees, 22% are ladies, a proportion which continues to increase having risen from a total of only 4 in 1988 to 25 by 1995.

The Bank continues to donate a very significant element of its budgeted personnel expenditure to the training (both domestically and internationally) of all of our professional staff with a wide range of programmes designed to enhance both financial and management skills. This dedication will enable us to sustain our position at the centre of the Qatari banking and financial system for the mutual benefit of our shareholders, customers and staff.

The Bank also generously contributes substantial resources to a wide range of charitable, philanthropic, social and other good causes, particularly those focussing upon the medical and educational sectors as well as upon youth and sports, as part of the Bank's social responsibilities and commitment. During 1995 these donations amounted to QR 1.35 million and the Bank will continue to support similar activities during 1996 and future years.



FINANCIAL REVIEW

Against the background of steady consolidation in the domestic economy, the Bank enjoyed another year of successful operations during 1995.

Total assets rose by QR. 1,400 million to reach QR. 17,224 million, an increase of 8.85% over the year. Underpinning this growth, shareholders' equity rose by QR. 199 million, an identical percentage rate, to reach QR. 2,444 million. Shareholders' equity therefore constitutes 14.19% of the bank's total assets.

With a total capital base of QR. 2,444 million, the Bank enjoys a Risk Asset Ratio of 50%. This represents a strong position when compared to other regional and international banks, significantly in excess of the minimum level of 8% set by the major international banking supervisory authorities. Such a strong capital base remains a critical resource, providing flexibility and resilience for the Bank.

Loans and Advances showed a modest increase of QR. 397 million, a rise of 4% over their corresponding level at the end of 1994, rising from QR. 9,856 million to QR. 10,253 million. At the year end, Loans and Advances constituted 4.19 times shareholders' equity, representing a modest overall

gearing ratio by the standards prevailing in the international banking community.

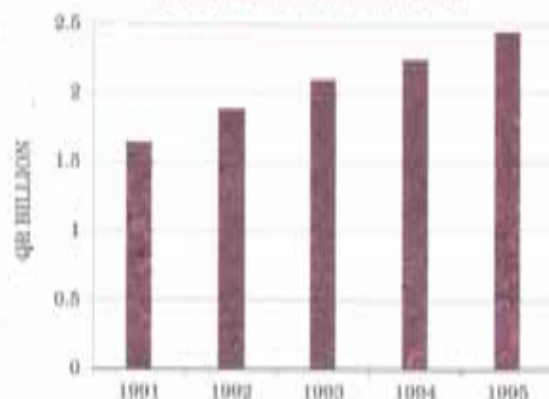
The loan portfolio continues to emphasise short-term self-liquidating financing with almost two thirds of the portfolio due to mature within one year of the balance sheet date.

Placements with banks increased by 32% (QR. 1,191 million) from QR. 3,777 million to QR. 4,968 million. The Bank greatly values the close relationship it enjoys with its major interbank counterparties in the regional and international financial markets, and places great emphasis upon reciprocity as a key element of its overall asset, liability and liquidity management policies.

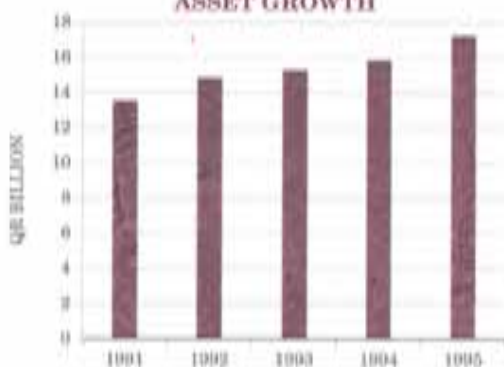
On the liability side of the balance sheet, the Bank witnessed a small

overall decline in total deposits, which fell by QR. 175 million to reach QR. 7,478 million, representing 51% of the Bank's total liabilities. This modest decline is attributable to the growing demand for capital in the domestic economy to fund the huge range of industrial

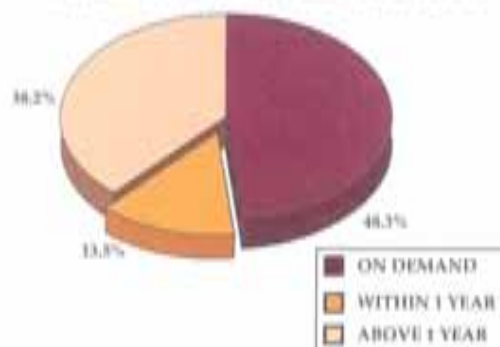
SHAREHOLDERS' FUNDS



ASSET GROWTH



LOANS & ADVANCES BY MATURITY



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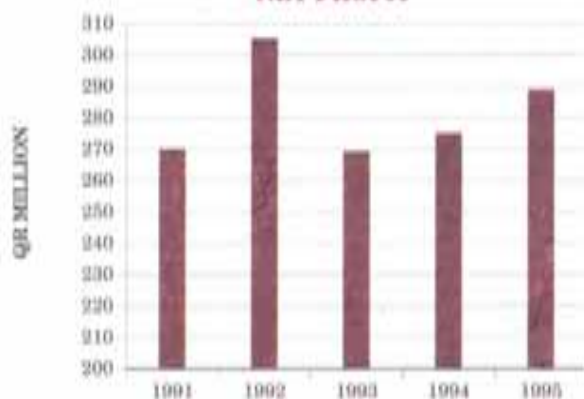
development projects now underway within the country, particularly in the newly emergent gas exploitation sector focussed around Ras Laffan, as well as the extension of existing productive facilities and the development of the new down-stream industries mainly centered upon the Mesaieed industrial area.

Balances due to banks and other financial institutions rose effectively commensurately by 28% to reach QR 6,517 million. These money market operations, taken from an extremely widely diversified group of regional and international banks, constitute the Bank's global funding base. This manifests clearly the confidence which the Bank enjoys within the international banking community, and recognises the Bank's status as a unique financial intermediary with ownership equally balanced between the Government and the private sector.

Net Profit for the year increased by QR. 13.8 million, an increase of 5%, to reach QR. 289 million after transfer from Provision for General Banking Risk of QR. 20 million (1994 QR. 17.9 million) in recognition of prior years' accounting adjustments relating to the provisioning exercise referred to below.

Operating Profits before unusual item moved in a similar fashion rising by QR. 11.7 million from QR. 257.3 million in 1994 to reach QR. 269 million in 1995, an increase of 4.6%.

NET PROFIT



Within the overall earnings of the Bank, net interest income advanced by QR. 57.8 million to reach QR. 391 million, an increase of 17% over the 1994 level. This advance was attributable to enhanced asset and liability management policies entailing higher margins reflective of the Bank's quantitative and qualitative advantages in its domestic financial system at a time of liberalisation of interest rate policy.

Other income reached a level of QR. 81.3 million, a notional decline from the figure of QR. 106.3 million attained during 1994; however, the 1994 earnings included a substantial element of capital gain

amounting to QR. 32 million from the sale of a strategic investment asset, an equity shareholding in Banque Internationale Arabe de Tunisie S.A.

During 1995, the Bank commissioned a thoroughly comprehensive review of its 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 Provisions for Loan Losses on an exceptional basis an amount of QR. 55.2 million, net of loan recoveries, in order to ensure that the strictest possible criteria are applied to the assessment of the Bank's risk asset portfolios.

Notwithstanding the foregoing exceptional level of Provision for Loan Losses, the Bank maintains a vigorous and professional Settlement and Recoveries unit which works assiduously to recover all amounts due to the Bank, pursuing every possible opportunity for recovery until the prospects for further recovery are deemed no longer to exist.

The generation of the net profit of QR. 289 million represented a return on average equity of 12.33% contrasted with 12.68% as reported in 1994, whilst the rate of return on average assets showed a minimal level of decline from 1.76% in 1994 to 1.75% in 1995. These rates of return continue to compare very favourably with the returns attained by our regional and international competitor banks, despite the substantial enhancement of provisions created during the year.

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the accompanying financial statements of Qatar National Bank S.A.Q. on pages 18 to 28 for the year ended 31 December 1995

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 of 31 December 1995, and of the result 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 or the Articles of Association of the Bank.

Other matters

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.

*3rd March, 1996,
Doha
State of Qatar*

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

**BALANCE SHEET
AS AT 31ST DECEMBER 1995**

	Note	1995 QR'000	1994 QR'000
ASSETS			
Cash and Deposits with Qatar Central Bank		188,854	253,891
Due from Banks	3	67,051	90,669
Placements with foreign and local Banks and other Financial Institutions	3	4,967,632	3,777,458
Loans and Advances - net	4	10,252,547	9,855,589
Promissory Note from the State of Qatar	5	1,274,175	1,274,175
Investments	6	156,827	165,097
Other Assets	7	259,981	344,838
Fixed Assets - net	8	57,421	62,566
Total Assets		17,224,488	15,824,283
LIABILITIES			
Customer Deposits	9		
Current Accounts		809,274	1,219,432
Saving Accounts		139,636	138,375
Time Deposits		5,384,470	5,048,649
Other Deposits		1,144,738	1,247,071
		<u>7,478,118</u>	<u>7,653,527</u>
Due to Banks and other Financial Institutions	10	6,517,223	5,073,555
Other Liabilities	11	696,268	728,072
Proposed Dividend	12	88,594	124,031
Total Liabilities		14,780,203	13,579,185
SHAREHOLDERS' EQUITY			
Share Capital	13	354,375	354,375
Statutory Reserve	14	354,375	354,375
General Reserve	14	1,500,000	1,500,000
Retained Earnings	14	235,535	36,348
Total Shareholders' Equity		2,444,285	2,245,098
Total Liabilities and Shareholders' Equity		17,224,488	15,824,283
CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS			
Letter of Credit and Acceptances		6,136,924	2,362,976
Guarantees		1,568,158	1,237,008
Forward Foreign Exchange Contracts		8,329,732	17,958,364
Others		3,169,252	2,384,007
		<u>19,204,066</u>	<u>23,942,355</u>

The notes on pages 21 to 28 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3rd March 1996 and were signed on their behalf by:

Mohamed Bin Khalifa Al-Thani
Chairman

Salah M. Abo Dawood Al Muhanadi
Vice Chairman

John P. Finigan
General Manager - Chief Executive

The report of the Auditors is set forth on page 17

**STATEMENT OF INCOME, EXPENSES AND
APPROPRIATIONS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

	Note	1995 QR'000	1994 QR'000
INCOME			
Interest Income		1,390,973	1,055,809
Interest Expense		(999,877)	(722,520)
Net Interest Income		<u>391,096</u>	<u>333,289</u>
Other Income	15	<u>81,301</u>	<u>106,314</u>
		<u>472,397</u>	<u>439,603</u>
EXPENSES			
General and Administrative Expenses		(142,703)	(136,887)
Provision for Loan Losses - net of recovery		(55,222)	(20,985)
Provision for diminution in value of Investments		(3,800)	(837)
Provision for diminution in value of properties acquired against settlement of debts		<u>(1,631)</u>	<u>(23,569)</u>
Profit before Unusual Item		269,041	257,325
Unusual Item	16	<u>20,000</u>	<u>17,872</u>
Net Profit for the year		289,041	275,197
Retained Earnings brought forward		<u>36,348</u>	<u>76,164</u>
Available for Appropriation		325,389	351,361
Proposed Appropriations			
Proposed Dividend		(88,594)	(124,031)
Directors' Fees		(1,260)	(1,260)
Proposed Issue of Bonus Shares		(88,594)	-
Transfer to Statutory Reserve		(88,594)	-
Transfer to General Reserve		-	<u>(189,722)</u>
Retained Earnings carried forward		<u><u>58,347</u></u>	<u><u>36,348</u></u>

The notes on pages 21 to 28 form an integral part of these financial statements.

The report of the Auditors is set forth on page 17

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

	1995 QR'000	1994 QR'000
Net cash inflows from Operating Activities	290,940	295,896
INVESTING ACTIVITIES:		
Purchase of trade investment	(436)	-
Sale of trade investments	5,734	9,690
Purchase of fixed assets	(12,892)	(10,731)
Sale of fixed assets and property	3,159	2,471
Net cash outflow from investing activity	(4,435)	1,430
Net cash inflow from financing activities	286,505	297,326
Reconciliation of operating profit to Net cash inflow from financing activities		
(Increase) / Decrease in interest receivable, prepayments and other assets	80,412	(92,494)
Transfers from other assets to fixed assets	-	(4,250)
Increase / (decrease) in interest payable, accruals and other liabilities	(155,835)	(31,920)
Provision for loans loss	55,222	20,985
Net cash inflow from Trading Activities	266,304	189,647
Net Increase in deposits - customers and banks	1,268,259	133,755
Net (Increase) in customers loans	(452,180)	(867,202)
Net (Increase) / Decrease in Short Term Funds	(1,166,556)	472,657
Unusual item	20,000	17,872
Net cash outflows from Operating Activities	(64,173)	(53,271)
Reconciliation of increase in cash and cash equivalents		
Balance as at 1 January	253,891	309,454
Net cash inflow (before adjustment of the effect of foreign exchange rates)	(64,173)	(53,271)
Effect of foreign exchange rate changes	(864)	(2,292)
Balance as at 31 December	<u>188,854</u>	<u>253,891</u>

The notes on pages 21 to 28 form an integral part of these financial statements.

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES:

Qatar National Bank S.A.Q. ("the Bank") was incorporated in the State of Qatar as a share 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 following are the significant accounting policies which have been applied consistently in the preparation of these financial statements.

a) Accounting Convention

These financial statements are prepared under the historical cost convention, in accordance with accounting standards and principles regulated by the Qatar Central Bank.

b) 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 fee and commission income on syndicated loans is amortised over the period of the transaction.

c) 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 guidelines. The specific provision for loan losses reflected in the financial statements represents the amount approved by the Qatar Central Bank.

Also, a non specific provision is made to provide cover for impaired advances which are known from experience to be present in any banking portfolio but have not yet been determined, and is included under other liabilities

d) 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 income for the year.

Gains and losses arising from the difference between the spot and forward rates on forward exchange contracts which are entered into as part of hedge transactions are credited to or charged against income over the period of the transaction.

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

e) 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.

Investment in the equity of an associated company is accounted for using the equity method, less additional provision as estimated by the management.

f) 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.

g) Employees' Terminal Benefits:

The Bank makes a provision for all leaving indemnities payable to employees in accordance with the Bank's regulations and calculated on the basis of the individual's period of service at the year-end. The Bank's regulations provide for an amount greater than the minimum required by the Qatari Labour Law.

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

h) Interest Rate Swaps

The Bank enters into interest rate swaps as a tool to manage interest rate risk. The contracts represent an exchange of interest payments and the underlying principal balance of the assets or liabilities are not affected. These interest rate swaps are included as contra accounts.

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.

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

3. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS INCLUDING PLACEMENTS	QR'000 1995	QR'000 1994
<i>a) By maturity:</i>		
On Demand	67,051	90,669
Placements maturing within one year	4,967,632	3,777,458
Placements maturing above one year	-	-
	<u>5,034,683</u>	<u>3,868,127</u>
<i>b) By geographical distribution:</i>		
Qatar	14,344	31,668
GCC countries	1,239,930	663,704
Europe	1,940,084	933,551
North America	768,158	567,360
Other countries	1,072,167	1,671,844
	<u>5,034,683</u>	<u>3,868,127</u>
 4 LOANS AND ADVANCES		
<i>a) By maturity:</i>		
On demand	5,340,245	4,682,988
Within one year	1,487,881	1,920,157
Above one year	4,208,793	3,936,832
Total Loans and Advances	<u>11,036,919</u>	<u>10,539,977</u>
Provision for loan losses	(597,803)	(535,843)
Interest in suspense	(186,569)	(148,545)
Net Loans and Advances	<u>10,252,547</u>	<u>9,855,589</u>
<i>b) By geographical distribution:</i>		
Within Qatar	10,109,359	10,032,882
GCC countries	4	173
Europe	901,583	481,045
North America	-	-
Other Countries	25,973	25,877
Provision for loan losses	(597,803)	(535,843)
Interest in suspense	(186,569)	(148,545)
Net Loans and Advances	<u>10,252,547</u>	<u>9,855,589</u>

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

	QR'000	QR'000
	1995	1994
<i>c) By type:</i>		
Overdrafts	5,143,172	4,521,538
Loans	5,886,703	5,996,267
Bills discounted	7,044	22,172
Less : Provision for Loan Losses	(597,803)	(535,843)
Interest in suspense	(186,569)	(148,545)
Net Loans and Advances (*)	<u>10,252,547</u>	<u>9,855,589</u>

* Included is an amount of QR. 15,120,000 (1994 QR. 8,750,000) partly representing the Bank's participation in syndicate loans repayable between 1996 and 1999. The un-utilised portion of the commitment amounting to QR. 88,270,000 (1994, QR. 94,640,000) has been shown under contra accounts.

d) Movement in Provisions for loan losses:

Balance at 1 January	535,843	515,435
Provisions made during the year	80,190	69,344
Recoveries during the year	(22,115)	(47,500)
Written off during the year and Adjustments	3,885	(1,436)
Balance at 31 December	<u>597,803</u>	<u>535,843</u>

e) Movement in Interest in Suspense

Balance at 1 January	148,545	139,971
Interest suspended during the year	44,114	53,521
Recoveries during the year	(2,853)	(859)
Written off during the year	(3,237)	(44,088)
Balance at 31 December	<u>186,569</u>	<u>148,545</u>

5. PROMISSORY NOTE FROM THE STATE OF QATAR

This represents a Promissory Note of the State of Qatar repayable on 5th June 1996.

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

6. INVESTMENTS	QR'000	QR'000
	1995	1994
<i>a) Investment Comprising of</i>		
Long term securities and portfolio	152,378	154,106
Investments in Associated Companies (Cost) *	17,543	15,541
Less: Provision for diminution in above	(17,463)	(12,561)
Net Investment in Associated Companies	<u>80</u>	<u>2,980</u>
Investment in Trading Securities	-	3,642
<i>b) Treasury and Other Bills</i>		
Foreign currency treasury bills	<u>4,369</u>	<u>4,369</u>
Total Investments	<u>156,827</u>	<u>165,097</u>

* This represents investment in the equity (33.33%) of Gulf Occidental Company S.A., a company incorporated in Geneva. The principal activity of the company is to manage investment portfolios for institutional and private clients.

7. OTHER ASSETS	QR'000	QR'000
	1995	1994
Interest receivable	122,177	124,101
Net Properties acquired against settlement of debts*	73,593	78,039
Prepayments and other	64,211	142,698
	<u>259,981</u>	<u>344,838</u>

* 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 realisable value.

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

8. FIXED ASSETS

	Freehold land & buildings QR'000	Equipment furniture fittings QR'000	Motor Vehicles QR'000	Total QR'000
Cost				
As at 1 January 1995	74,209	73,221	1,647	149,077
Additions	1,749	10,866	277	12,892
Disposals	-	(3,778)	(158)	(3,936)
Transfers / Adjustments	-	386	(3)	383
As at 31st December 1995	<u>75,958</u>	<u>80,695</u>	<u>1,763</u>	<u>158,416</u>
Accumulated depreciation				
As at 1st January 1995	37,774	47,484	1,253	86,511
Charged during the year	3,497	14,076	155	17,728
Disposals	-	(3,478)	(113)	(3,591)
Transfers	-	348	(1)	347
As at 31st December 1995	<u>41,271</u>	<u>58,430</u>	<u>1,294</u>	<u>100,995</u>
Net book value				
As at 31st December 1995	<u>34,687</u>	<u>22,265</u>	<u>469</u>	<u>57,421</u>
As at 31st December 1994	<u>36,435</u>	<u>25,737</u>	<u>394</u>	<u>62,566</u>

9. CUSTOMER DEPOSITS

	QR'000 1995	QR'000 1994
a) By maturity		
On demand	809,829	1,337,457
Within one year	6,668,289	6,256,089
Above one year	-	59,981
	<u>7,478,118</u>	<u>7,653,527</u>
b) By geographical distribution		
Qatar	6,934,596	7,077,278
GCC countries	4	404
Europe	513,612	545,178
North America	5,991	7,399
Other countries	23,915	23,268
	<u>7,478,118</u>	<u>7,653,527</u>

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	QR'000 1995	QR'000 1994
<i>a) By maturity:</i>		
Demand and call deposits and placements	67,712	39,511
Placements maturing within one year	6,449,511	5,034,044
Placements maturing above one year	-	-
	<u>6,517,223</u>	<u>5,073,555</u>
<i>b) By geographical distribution:</i>		
Qatar	440,720	343,841
GCC countries	1,866,736	1,502,355
Europe	2,296,539	1,462,860
North America	373,842	284,249
Other countries	1,539,386	1,480,250
	<u>6,517,223</u>	<u>5,073,555</u>
11. OTHER LIABILITIES	QR'000 1995	QR'000 1994
Provision for employees benefits	75,813	68,924
Accrued Interest Payable	102,773	113,500
Provision for General Banking Risk	432,746	452,746
Others	84,936	92,902
	<u>696,268</u>	<u>728,072</u>

12. PROPOSED DIVIDENDS AND BONUS SHARES

The Board of Directors propose a cash dividend of 25% amounting to QR. 25 per share (1994: 35% - amounting to QR.35 per share). In addition the Board of Directors propose a bonus share issue equal to QR. 88,593,700 on the basis of one ordinary share for every four shares held.

(In 1994 there was no such bonus share issue).

The impact of these proposed appropriations is reflected in the following notes 13 and 14.

13. SHARE CAPITAL	QR'000 After Appropriation	QR'000 1995	QR'000 1994
Issued and Paid up 3,543,750 ordinary shares of QR. 100 each	354,375	354,375	354,375
Proposed bonus issue 885,937 ordinary shares of QR. 100 each	88,594	-	-
Balance	<u>442,969</u>	<u>354,375</u>	<u>354,375</u>

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

**NOTES FORMING AN INTEGRAL PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1995**

14. RESERVES

	QR'000 After Appropriations	QR'000 1995	QR'000 1994
Statutory Reserve*	442,969	354,375	354,375
General Reserve	1,500,000	1,500,000	1,500,000
Retained Earnings	58,387	235,535	36,348

*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

	QR'000 1995	QR'000 1994
Fees and commission	23,374	18,905
Income from investment securities and other investments	10,718	14,380
Capital Gain on investments	-	32,144
Net gains from dealing in foreign currencies	34,161	31,268
Other operating income	8,191	5,323
Real Estate income - net	4,857	4,294
	<u>81,301</u>	<u>106,314</u>

16. UNUSUAL ITEM

During the year the Bank transferred QR.20,000,000 (1994: QR.17,871,781) from general provision for General Banking risks and contingencies to the profit and loss account.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation in the current year's financial statements which are prepared in accordance with accounting standards and principles regulated by the Qatar Central Bank.

