

QATAR NATIONAL BANK S. A. Q.

DOHA - QATAR



**REPORT OF THE DIRECTORS
AND BALANCE SHEET**

31st December, 1978



H. H. Sheikh Khalifa bin Hamad al-Thani, Emir of the State of Qatar.



H. H. Sheikh Hamad bin Khalifa al - Thani, Heir Apparent, Minister of Defence.



QATAR NATIONAL BANK, S.A.O.

DOHA - QATAR

GENERAL MANAGEMENT

DOHA - QATAR

BOARD OF DIRECTORS

His Excellency Sheikh Abdul Aziz Bin Khalifa Al-Thani <i>Minister of Finance & Petroleum</i>	Chairman
Mr. Ahmad M. Suwaidi	Member
Mr. Abdullah Abdulghani	"
Mr. Yousuf Jasem Darweesh	"
Mr. Ahmad Mannai	"
Mr. Haider S. Haider	"
Mr. Abdulkadir Qadi	"

Mr. Hamdi Alami

General Manager



QATAR NATIONAL BANK, S.A.O.

DOHA - QATAR

GENERAL MANAGEMENT DOHA - QATAR

GENERAL MANAGEMENT

TELEGRAPHIC ADDRESS

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P. O. Box 1002, DOHA

QATARBANK

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321055

QATAR BRANCHES

MAIN BRANCH

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4357 QATBNK DH

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QATARBANK

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AIRPORT ROAD BRANCH

TELEGRAPHIC ADDRESS

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P. O. Box 3252, DOHA

QATARBANK

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UMM-SAID BRANCH

TELEGRAPHIC ADDRESS

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QATARBANK, UMM-SAID

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AL KHOR BRANCH

TELEGRAPHIC ADDRESS

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AIRPORT BRANCH

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GULF HOTEL BRANCH

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LONDON BRANCHES

CITY BRANCH

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WEST END BRANCH

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ANNUAL REPORT OF THE BOARD OF DIRECTORS

For the Year ended 31st December 1978

CHAIRMAN'S STATEMENT :

Dear Shareholders,

The Directors of the Qatar National Bank are pleased to present to you the 14th Annual Report which includes the balance sheet and the profit and loss account for the year ended December 31st 1978.

It is a pleasure to report that the year under review has witnessed yet another period of spectacular growth in regard to both assets and profitability and the expansion in our operational activity.

Total assets of QR. 3,385,615,527 (excluding contra items of liability totalling QR. 1,637,582,438) reflect an increase of 66% on the previous year's figure of QR. 2,042,769,102. The bank's net profit increased by 15% to QR. 52,293,053 (against QR. 45,485,485 in 1977) after charging all expenses and making provisions for contingencies but before transfer to statutory and special reserves of QR. 43,958,610.

A dividend of 20% (equivalent to QR. 8,400,000) has been approved for payment on the increased capital of QR. 42 million (QR. 5,600,000 on a capital of QR. 28,000,000 in 1977).

Total capital and published reserves, including the balance of profit and loss account carried forward, increased from QR. 187,589,601 at December 31st 1977 to QR. 231,482,654 at the end of 1978.



The Bank expanded its operational activities domestically as well as internationally, providing full international banking facilities, having made considerable progress in extending the range of such facilities which is reflected in the balance sheet and profit and loss figures. On the international loan side, apart from participating in a syndicated guarantee facility and in several Euro-currency credits the bank lead-managed two loans and co-managed one.

Our two branches in London as well as our newly established branch in Paris have been given full authorized status and have firmly established themselves in the international and commercial banking scene.

The bank continued to provide training for the staff to improve their practical and technical banking abilities and intends to continue this intensively in the form of "in house" training and overseas banking courses.

We are honoured on this occasion to express on your behalf our sincere appreciation and gratitude to His Highness the Emir and His Highness the Crown Prince and the Government for their policies emphasising public welfare and the economic growth and stability of this country.

Finally, our thanks are also due on your behalf to the bank's management and staff for their efforts in achieving the pre-eminent position our pioneer national institution enjoys both in Qatar and abroad.

ABDUL AZIZ BIN KHALIFA AL-THANI
Chairman, Board of Directors



QATAR MUSEUM



QATAR NATIONAL BANK, S.A.O.

DOHA - QATAR

THE ECONOMY OF QATAR

Comprehensive development in Qatar began in 1965 when it became possible to exploit commercially offshore oil and thereby increase oil revenues to satisfy the financial needs of the economic, industrial and infrastructural programmes of the State.

Public Finance :

As in past years, public finance in 1978 aimed at furthering the social and economic development of the country and at constituting new economic sectors which would help to diversify income sources and thus reduce the share of the oil sector in funding national income.

The oil sector revenue continues to dominate the state revenues, and exceeds 90% of the total. Other revenues, however, are raised from QR. 810 m in 1977 to QR. 916 m in 1978, thereby reflecting the results of the state's efforts to develop other income sources. These revenues are expected to increase to QR. 934 m in 1979. Capital expenditure in 1978 at QR. 5,165 m was QR. 483 m higher than in 1977 and constituted 62.3% of total expenditure of QR. 8,284.4 m. The major portion of capital expenditure in 1978 (83.1%) was designed to further the development of the industrial sector and other productive sectors, as can be seen from the following figures :

	1977	1978
	Qatari Riyal	Qatari Riyal
Revenue :	8,698,057,000	9,059,635,000
Oil Revenues	7,888,000,000	8,143,420,000
Other Revenues	810,057,000	916,215,000
Expenditure :	7,319,367,200	8,284,415,700
Current Expenditure	2,637,367,200	3,119,415,700
Capital Expenditure	4,682,000,000	5,165,000,000



Distribution of capital expenditure in 1978 :

(1)	Industrial and Agricultural Sector	1,714,000,000
(2)	Housing and Public Buildings	920,000,000
(3)	Electricity	823,000,000
(4)	Water and Drainage	394,000,000
(5)	Transport and Communications	271,000,000
(6)	Education	331,000,000
(7)	Cities Planning and Urbanisation	456,000,000
(8)	Health	133,000,000
(9)	Others	123,000,000

The government's current expenditure policy was designed to manage expenditure at a rate which should assist in reducing inflation and, at the same time, should not discourage domestic business activities.

Major steps in overcoming inflation in favour of the low-income groups have been achieved by extending government subsidies for basic goods and also by continuing to limit expansion of credit to the private sector. The latter measure assisted in reducing speculation in real estate and housing which during previous Years contributed to high rates of inflation.

In 1978 the government was aware of the fact that an increase in government spending at rates exceeding the absorptive capacity of the national economy would lead to economic bottle-necks and thus to inflation. The government has therefore moderated its expenditure programme to levels which the national economy can absorb.

Industrialisation :

Among the most important projects which have been given attention or have been completed during 1978 are the following :

THE QATAR FERTILISER COMPANY

This company was established in 1969 with a capital of QR. 57 million which has since been increased to QR. 92.5 million. In 1977 the output was 293.2 thousand tons of Ammonia and Urea but improvements in the production process were undertaken in 1978 to enable the unit to work to full capacity, which is 900 tons of Ammonia and 1,000 tons of Urea per day.



A second fertiliser plant, which is at an advanced stage of construction, is expected to begin production this year, and double the daily production of Ammonia and Urea.

THE NATURAL GAS LIQUIDS PLANT (NGL 1)

The work on rebuilding the fractionation and storage facilities which were destroyed by fire in early 1977 is proceeding on schedule and is expected to be completed in 1980 with an increased output capacity of 800,000 tons per year.

The Natural Gas Liquids Project No. II (NGL 2) was started as a means of utilising the associated gas produced together with crude oil from the offshore oil fields of Bul Hanine, Maydan Mahzam and Idd Al-Shargi.

QATAR PETROCHEMICAL COMPANY (QAPCO)

This company was established in 1974 with a capital of QR. 360 million. In 1977 QAPCO entered into contracts for the construction of the petrochemical complex at Umm Said, which will consist of the following facilities :

Ethylene Plant :

This plant is designed to produce ethylene of 99.95% minimum purity at a rate of 280,000 tons per year and propylene of a technical grade at a rate of 5,000 tons per year. Sulphur will be produced as a by-product at an expected rate of 50,000 to 60,000 tons per year. The plant will also include ancillary facilities for storage, effluent treatment, flare and liquid ethylene ship loading.

Low Density Polyethylene Plant :

This plant is designed to produce Low Density Polyethylene at a rate of 140,000 tons per year. The plant will include facilities for homogenisation, storage, bagging and warehousing.

QATAR STEEL COMPANY LIMITED

This company, which was established in 1974, was inaugurated in April 1978. The annual production capacity is estimated at 400,000 tons



of steel bars annually, of which 75,000 tons are for domestic needs, the remainder being exported.

QATAR NATIONAL CEMENT COMPANY

The present production capacity of 226,000 tons is currently being increased to 300,000 tons per year.

TRANSPORT AND COMMUNICATIONS

Improvements at Doha International Airport continue to offer up-to-date facilities for all types of aircraft. In 1978 there were 15,880 aircraft movements at Doha against 15,366 in 1977. Cargo handled at Doha International Airport also increased with Imports and Exports up by 6% and 20% respectively.

Road construction is a continuing process throughout the peninsula.

Agriculture :

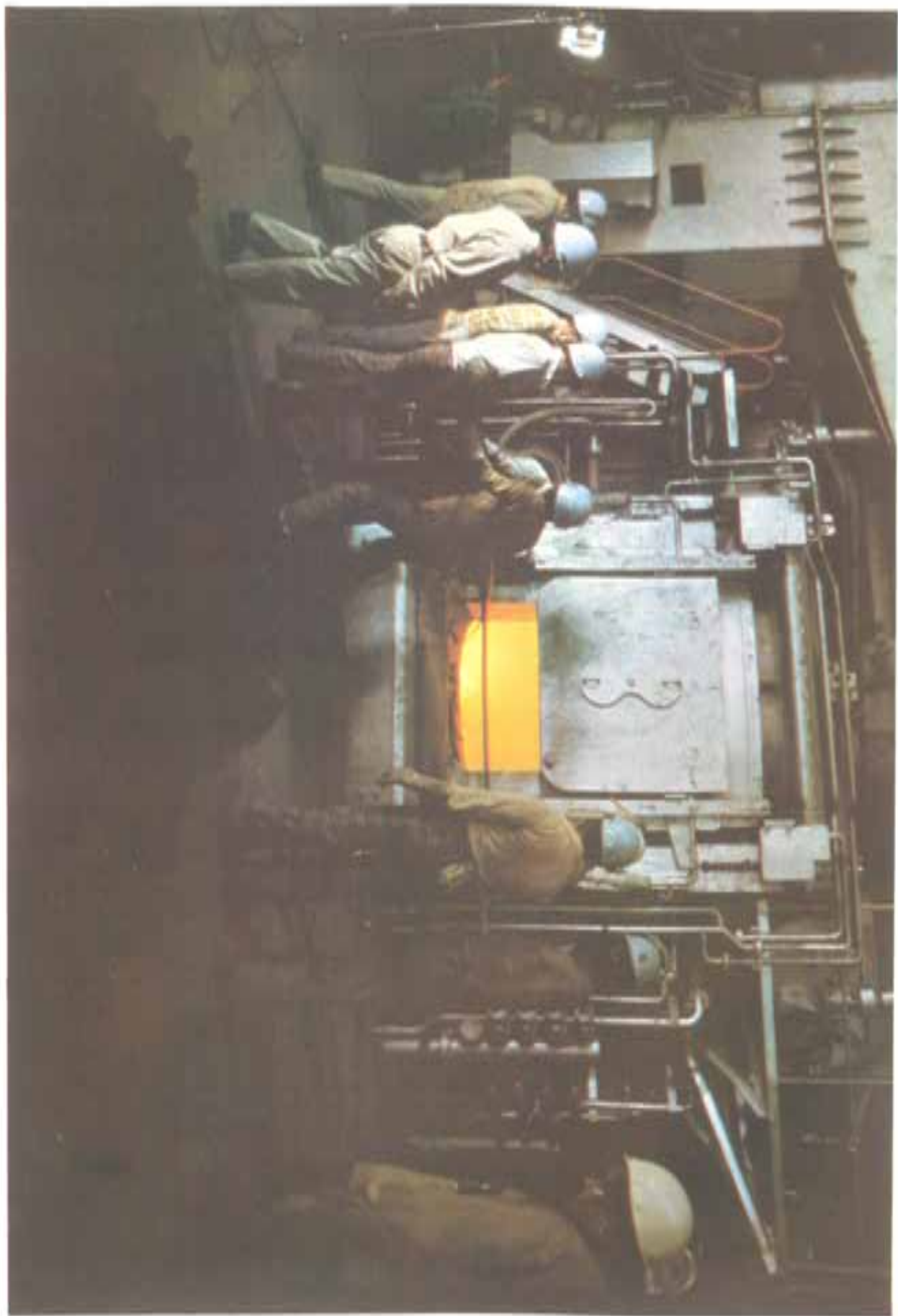
The Development of the Agricultural Sector continues and with the increased supply of desalinated water it has been possible to increase the areas under cultivation.

Housing :

The Bank is managing two Housing Schemes on behalf of the Government of the State of Qatar. The first is provided on a low simple rate of interest for the benefit of the private sector, and Government funding through the Bank for this amounted to QR. 521,500,000 at the end of 1978. The second scheme is provided free of interest for the benefit of Senior Government Staff Officers, and Government funding in this respect was QR. 50 million at the same date.

Foreign Trade :

Foreign Trade, which experienced a sharp rise after the oil price increases in 1973-74, has been brought to moderate levels in 1978. Although imports in 1978 (at QR. 4,589.7m) declined by about 5.4% compared with imports in 1977 of QR. 4,850.1m, they are still 185.1% higher than imports in 1975 when they stood at QR. 1,609.8m and 39.1% higher than in 1976.



QATAR STEEL CO. UMM SAID



Imports by Countries of Origin :

Country	1975		1976		1977		1978	
	QR. Mill.	%	QR. Mill.	%	QR. Mill.	%	QR. Mill.	%
Japan	242.2	15.04	933.7	28.29	1,293.9	26.67	905.5	19.7
U. K.	342.3	21.26	547.6	16.59	915.3	18.87	727.3	15.8
U. S. A.	201.6	12.50	257.8	7.81	463.8	9.56	480.9	10.4
W. Germany	150.7	9.36	252.1	7.63	244.1	5.03	851.3	18.5
France	56.5	3.51	143.9	4.36	277.5	5.72	333.8	7.3
U. A. E.	43.1	2.68	132.3	4.00	204.8	4.22	59.5	1.3
Holland	52.6	3.27	96.1	2.91	167.2	3.44	188.4	4.1
Switzerland	42.0	2.61	97.4	2.95	156.3	3.22	48.2	1.1
Italy	47.7	2.97	127.6	3.87	135.5	2.77	213.3	4.7
Others	431.0	26.80	711.8	21.59	991.7	20.50	781.5	17.1
TOTAL	1,609.7	100	3,300.3	100	4,850.1	100	4,589.7	100

Imports by countries of origin show that Japan has replaced the United Kingdom as the main exporter to Qatar and has been occupying first place since 1976. The share of the five main exporting countries to Qatar - Japan, U.K., U.S.A., West Germany and France - of total imports is about two-thirds.

Oil still accounts for about 98% of total exports, but the share of other exports is expected to increase in future years in line with plans for this purpose.

The trade balance decline of 44.7% in 1977 against 1976 has been compensated by a 44.8% increase in 1978 due to reduction in imports and rise in exports, but the trade balance level of QR. 4,392.5m in 1978 is still 20.1% lower than 1975 (QR. 5,498.0 m). A further improvement is expected in 1979.

Trade Balance :

Item	1975	1976	1977	1978
	QR. Million			
Import	1,609.8	3,300.3	4,850.1	4,589.7
Export	7,107.8	8,754.1	7,937.8	8,982.2
of which - Oil	6,906.0	8,466.7	7,793.5	8,887.7
Others	201.8	287.4	144.3	94.5
TRADE BALANCE	5,498.0	5,453.8	3,087.7	4,392.5



The Banking System :

The banking system of Qatar consists of thirteen commercial banks. All of these commercial banks fall under the supervision of the Qatar Monetary Agency.

Total assets of the commercial banks at 31st December 1978 amounted to QR. 5,712.0 m, showing an increase of 20.6% over 1977 (QR. 4,737.3m). Deposits from the private sector with the commercial banks have also grown considerably as shown by the table below :

Deposits of the Private sector with the Commercial Banks :

Item	1976	1977	1978
	QR. Million		
(1) Sight Deposits	1,199.9	1,582.1	1,733.2
(2) Time & Saving Deposits	942.5	1,200.3	1,548.7
TOTAL	2,142.4	2,782.4	3,281.9

Advances by commercial banks to the private sector were QR. 2,889.2m in 1978 or 17.3% over 1977 (QR. 2,463.7m) and 85.3% over 1976 (QR. 1,559.1m).



BALANCE SHEET
AS AT 31st DECEMBER 1978
&
STATEMENT OF PROFIT & LOSS
FOR THE YEAR ENDING 31st DECEMBER 1978
TOGETHER WITH
THE AUDITORS' REPORT



THE AUDITOR'S REPORT

The Shareholders,

Qatar National Bank, S.A.Q.,

Doha - Qatar.

We have examined the Balance Sheet of QATAR NATIONAL BANK, S.A.Q., Doha - Qatar, as at December 31, 1978 and the related statements of Profit and Loss and Appropriation for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, and we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination.

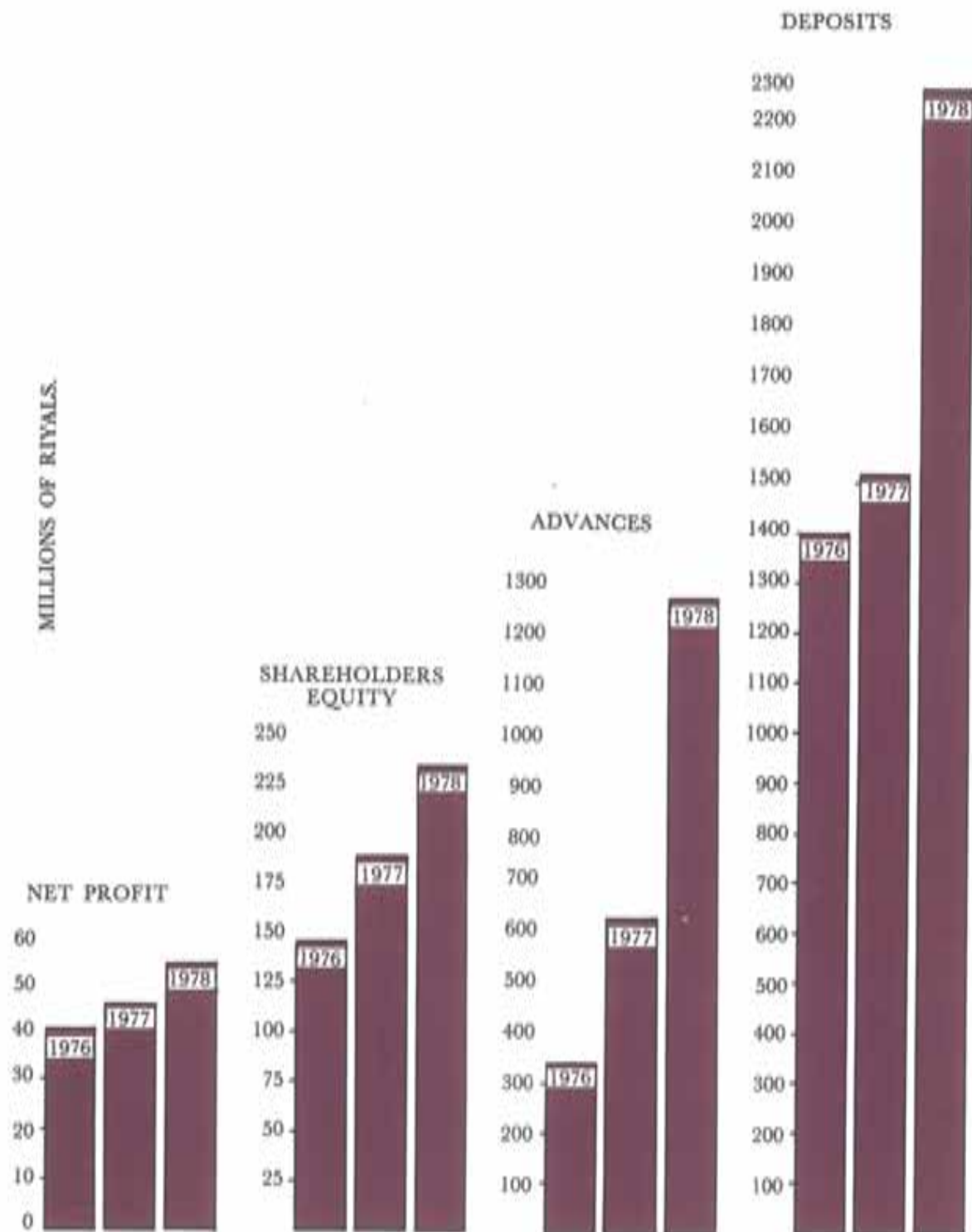
In our opinion, the accompanying financial statements present fairly the financial position of Qatar National Bank, S.A.Q., Doha - Qatar, as at December 31, 1978 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles as adapted by banking practices in Qatar, applied on a basis consistent with that of the preceding year, and give all the information required by the Law and the Bank's Bye-Laws. We are also of the opinion that proper books of account were kept by the bank and that the stocktaking was carried out in accordance with recognized principles. To the best of our knowledge and belief, and according to the information given to us, no contraventions of the Law or the Bank's Bye-Laws were committed during the financial year in such a way so as to affect materially the bank's activities or its financial position.

Doha - Qatar,
5th April 1979

SABA & Co.



ANNUAL RESULTS CHART FOR 1976 TO 1978





QATAR NATIONAL

DOHA

BALANCE SHEET AS AT

ASSETS	1977	1978
	Q. Riyal	Q. Riyal
Cash & Short Term Funds at Banks	1,276,652,341	1,876,216,685
Marketable Securities (at lower cost and market Value)	81,344,368	164,022,641
Equity Investments in Associate Banks	13,618,129	19,274,579
Advances & Bills Discounted	603,981,712	1,114,374,622
Long Term Loans	21,966,000	155,907,181
Interest Receivable & Prepaid Expenses	11,745,080	22,580,902
Fixed Assets (at cost) net of Depreciation	33,461,472	33,238,917
Total of Assets	2,042,769,102	3,385,615,527

Liabilities on Guarantees and Credits against customers' Liability

HAMDI ALAMI

General Manager

BANK, S. A. Q.

QATAR

1st DECEMBER, 1978

LIABILITIES AND SHARE- HOLDERS' EQUITY	1977 Q. Riyal	1978 Q. Riyal
Current, Savings, Time and Fixed Deposits and other Accounts (Including contingency accounts)	1,518,907,250	2,290,798,262
Due to Banks	319,728,445	840,062,808
Dividends Payable	5,600,000	8,400,000
Provisions and Accrued Expenses	10,943,806	14,871,803
Total Current Liabilities	1,855,179,501	3,154,132,873
Shareholder's Equity :		
Authorized and Paid-Up Capital 420,000 Ordinary Nominal shares of QR. 100 each)	28,000,000	42,000,000
Reserves	159,589,601	189,482,654
Total of Liabilities and Shareholders' Equity	2,042,769,102	3,385,615,527

1977 Q. Riyal	1978 Q. Riyal
<u>1,168,603,396</u>	<u>1,637,582,438</u>

ABDUL AZIZ BIN KHALIFA AL-THANI
Chairman, Board of Directors



QATAR NATIONAL BANK. S.A.O.

DOHA - QATAR

Consolidated Statement of Profit and Loss for the Year Ended 31st December, 1978

	1978 Q. Riyal	1977 Q. Riyal
Income : Interest earned and other income	264,973,888	167,897,390
Expenditure : Interest paid, salaries, rent and other expenses	212,680,835	122,411,905
Profit for the Year	<u>52,293,053</u>	<u>45,485,485</u>

Appropriation Statement for the year ended 31st Dec. 1978

	1978 Q. Riyal	1977 Q. Riyal
Balance 1st January 1977	89,601	81,425
Add : Net Profit for the year	52,293,053	45,485,485
Total Profit	<u>52,382,654</u>	<u>45,566,910</u>
Less : Transfer to special reserve	33,500,000	25,300,000
Transfer to statutory reserve	10,458,610	577,309
Transfer to bonus shares reserve		14,000,000
Proposed dividend	8,400,000	5,600,000
Balance carried forward	<u>24,044</u>	<u>89,601</u>

NOTES TO FINANCIAL STATEMENTS

1 - **Income Tax Exemption** : The exemption from income tax for the bank was renewed for five consecutive years effective March 23, 1976 in accordance with the cabinet decision No. 4 of 1976 dated May 23, 1976.

2 - **Contingencies and Commitments** : The following contingencies and commitments were outstanding as at December 31, 1978 :

	Q. Riyal
(i) Bills held for collection	33,763,201
(ii) Forward exchange contracts	39,133,378
(iii) Unused balance of syndicated loan	41,489,592

