

QATAR NATIONAL BANK

Annual Report
1986



QATAR NATIONAL BANK (S.A.Q.)

Established 1965

Twenty Second Annual Report of the Board of Directors
and Financial Statements
for the year ended December 31, 1986



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QATAR NATIONAL BANK



H.H. Sheikh Khalifa Bin Hamad Al Thani
The Emir of Qatar



QATAR NATIONAL BANK



H.H. Sheikh Hamad Bin Khalifa Al Thani
The Heir Apparent



Board of Directors

Chairman

His Excellency Sheikh Abdul Aziz Bin Khalifa Al Thani
Minister of Finance & Petroleum

Members

Mr. Ahmad M. Suwaidi
Mr. Abdullah Abdulghani
Mr. Yousuf Jasem Darweesh
Mr. Ahmad Mannai
Mr. Haider S. Haider
Mr. Abdulkadir Al-Qadi

General Manager

Mr. Abdulla Khalid Al-Attiya



QATAR NATIONAL BANK

Head Office & Branches

Head Office

P.O. Box 1002, Doha
Telegraphic Address Qatarbank
Telex 4636 Qbkgm Dh
4635 Qbkfex Dh
Telephone Number 413511 (16 Lines)

Qatar Branches

Doha Branches

Main Branch

P.O. Box 1000, Doha
Telegraphic Address: Qatarbank
Telex: 4212 Qatbnk Dh
4357 Qatbnk Dh
4064 Qatbnk Dh
Telephone Number: 413511 (16 Lines)

Mushaireb

P.O. Box 1818, Doha
Telegraphic Address: Qatarbank
Telex: 4845 Qatbnk Dh
Telephone Number: 423464, 424077
423643, 424122

Airport Road

P.O.Box 3252, Doha
Telegraphic Address: Qatarbank
Telephone Number: 328868, 328125
435274, 328869

Al Sadd

P.O.Box 9366, Doha
Telegraphic Address: Qatarbank
Telex: 5080 Qatbnk Dh
Telephone Number: 420450, 420424
420425, 441822

Doha Airport

Telephone Number: 425500

Gulf Hotel

Telephone Number: 328606

Qatar University

Telephone Number: 892633, 892619

Sheraton Hotel

Telephone Number: 831104

Other Locations

Umm Said

P.O. Box 10050, Umm Said
Telegraphic Address: Qatarbank, Umm Said
Telephone Number: 771529, 771791

Al Khor

P.O. Box 20030, Al Khor
Telegraphic Address: Qatarbank, Al Khor
Telephone Number: 720127, 721585

Al Shamal

P.O.Box 130222, Al Shamal
Telegraphic Address: Qatarbank, Al Shamal
Telephone Number: 731246

Foreign Branches

London-City

135-141 Cannon Street
London EC4N 5AH
Telegraphic Address: Qatarbank, London
Telex: 889201 Qatbnk G
Telephone Number: 283 3911

West End

36 Curzon Street
London W1Y 7AF
Telex: 298698 Qnbcur G
Telephone Number: 493 7411

Paris

17 Avenue Matignon
75008 Paris
Telegraphic Address: Qatarbank, Paris
Telex: 641344 Qatarbk
Telephone Number: 359 5812



QATAR NATIONAL BANK



H.E. Sheikh Abdul Aziz Bin Khalifa Al Thani
Chairman, Board of Directors



QATAR NATIONAL BANK

Chairman's Statement

I am pleased to present to you the Twenty Second Annual Report of your Bank for the year ended December 31, 1986. The Report includes the Balance Sheet, the Statement of Income and Retained Earnings, and the Statement of Changes in Financial Position.

Our area went through difficult times during 1986, since crude oil prices declined to levels which could not be economically justified. The price of a barrel of crude oil dropped in the first half of the year to below eight U.S. Dollars, more than 70% from its level at the end of 1985. Accordingly, the Organization of Oil Exporting Countries (OPEC) decided in a meeting it held in Geneva, Switzerland in December, 1986 to set the price of a barrel of crude oil at eighteen dollars. Later, prices recovered, and the price set by OPEC was maintained early in 1987.

The erratic behaviour of crude oil prices throughout 1986, had an adverse impact on the economies of the Oil Exporting Countries, including the State of Qatar. This was reflected in lower revenues for those countries and slower economic growth rates. Irrespective of the economic developments referred to here, your institution maintained its growth rate and recorded higher profits. Total Assets in 1986 reached QR 9,039.0 million compared with QR 8,149.8 million in 1985, an increase of 10.9%. Profits rose by 3.8% to QR 93.8 million in 1986 from QR 90.4 million in 1985. In light of this, it was decided to distribute to the shareholders, QR 67.2 million. QR 42.0 million would be paid out in the form of a 50% stock dividend, in addition to a 20% cash dividend amounting to QR 25.2 million. The latter is in line with our dividend payout ratio in previous years.

In the meanwhile, our valuable clients continued to provide us with the confidence and support necessary for our growth and expansion. Despite the unfavorable economic conditions the area has witnessed, Private Deposits in 1986 rose to QR 6,804.7 million from QR 5,977.8 million in 1985, registering an increase of 13.6%.

It is noteworthy to state here the persistent support your Bank gives to the Qatari economy. Total Credit Facilities provided by the Bank both in Qatar and abroad, increased to QR 5,003.8 million in 1986 from QR 3,678.9 million in 1985, a substantial increase of 36%. Most of this credit went to the Qatari economy, which received QR 4,621.7 million of those facilities in 1986. According to data published by the Qatar Monetary Agency, Credit Facilities supplied by your Bank to the Qatari economy in 1986 represented 57.5% of total bank credit available in the State.

I would like to express here our deep gratitude and appreciation to **The Emir, His Highness Sheikh Khalifa Bin Hamad Al Thani** and to **The Heir Apparent, His Highness Sheikh Hamad Bin Khalifa Al Thani** for the undiminishing support they have extended to your Bank, which enabled us to carry out our leading role in serving the Qatari economy.

May I also thank members of the Board of Directors for the sincere efforts they contributed to the success and development of your Bank. I also want to thank the Bank's management and its staff for carrying out their duties efficiently and diligently, which helped the continued growth and prosperity of your Bank.

Abdul Aziz Bin Khalifa Al Thani
Chairman, Board of Directors



QATAR NATIONAL BANK



Abdulla Khalid Al-Attiya
General Manager





Report of the Board of Directors

The Board of Directors is pleased to present to you the Twenty Second Annual Report of your Bank for the year ended December 31, 1986. The Report includes the Balance Sheet, the Statement of Income and Retained Earnings and the Statement of Changes in Financial Position.

Crude oil prices were characterized by a high degree of volatility throughout 1986. During the first half of 1986, the price of a barrel of crude oil fell to below eight U.S. dollars, a drop of more than 70% from its level at the end of 1985. Prices, however, recovered during the second half of the year to reach nearly eighteen U.S. dollars by year end. This upturn in prices was due to the decision of the Organization of Petroleum Exporting Countries (OPEC) in December, 1986 to fix prices at that level. This agreement reversed OPEC's previous accord of letting market forces determine the price of oil.

The steep decline in oil prices in 1986, sharply lowered revenues of the OPEC countries including the State of Qatar. This resulted in lower levels of imports and slower economic growth for those countries. Despite the difficulties facing The Qatari economy in 1986, the assets and the profitability of your Bank showed acceptable growth rates. Total Assets in the year rose by 10.9% to QR 9,039.0 million compared with QR 8,149.8 million at the end of 1985. The Bank's profits rose to QR 93.8 million from 90.4 million in 1985, an increase of 3.8%. In light of this performance, it was decided to issue bonus shares having a book value of QR 42.0 million. The issue would be allocated to present shareholders at the rate of one bonus share for every two shares held. In addition, it was decided to pay to the shareholders a dividend of 20% amounting to QR 25.2 million, the same rate applied in previous years.

The Bank's assets show that we have continued to support the Qatari economy with the credit required for its sustained growth. Total credit provided by the Bank during the year in Qatar and abroad rose to QR 5,003.8 million from QR 3,676.9 million in 1985. Credit extended to the Qatari economy rose to QR 4,621.7 million in 1986 compared with QR 3,353.9 million in 1985, an increase of 37.8%. This significant growth was dictated by the economic conditions our area is facing.

The Bank's liquid assets in the form of Cash, Deposits with Banks and Marketable Securities totalled QR 3,931.6 million at the end of 1986 compared with QR 4,349.7 million in 1985. It is worth noting here the considerable increase in the Bank's holdings of Marketable Securities which rose by 52.7% from QR 48.2 million in 1985 to QR 73.6 million in 1986. Total liquid assets in 1986 were 43.5% of Total Assets, a high ratio by international standards.

The sustained increase in customer deposits in 1986 reflects the high level of trust and confidence your Bank enjoys with our valued clients. Total Private Deposits rose to QR 6,804.7 million in 1986 from QR 5,977.8 million in 1985. This increase of 13.8% was achieved inspite of the difficult economic climate which this area witnessed during the year.

Shareholder's Equity has also grown markedly. It increased in 1986 by 10.0% to QR 752.4 million versus QR 683.8 million in 1985. Accordingly, they represented 8.4% and 8.3% of Total Assets in the years 1985 & 1986 respectively. This percentage is higher than the conventional ratios used by banks worldwide.

Contra Accounts amounted to QR 1,771.0 million in 1986 against QR 1,475.8 million in 1985. The 20% increase during the year may indicate that the economic situation in the country is stabilizing.

The Board of Directors would like to seize this opportunity to extend its sincere gratitude and appreciation to **The Emir, His Highness Sheikh Khalifa Bin Hamad Al Thani**, and to **The Heir Apparent, His Highness Sheikh Hamad Bin Khalifa Al Thani** for the unrelenting support they extend to your institution which lies behind the continued success and growth of this national entity.

We would also like to express our thanks to the Bank's management and its staff for carrying out their duties with efficiency and sincerity. We are grateful to our valued clients, who gave your institution their support at all times. We will not spare any effort to continue to provide them with our best services.

Board of Directors



QATAR NATIONAL BANK



Dealing Room,
Head Office, Doha



Banking Hall,
Main Branch, Doha



QATAR NATIONAL BANK

Statement of Income and Retained Earnings

for the year ended December 31, 1986

	1986	1985
	Qatar Riyals	Qatar Riyals
INCOME:		
Interest earned, commission received, profit on exchange and other income	837,865,125	782,175,337
EXPENSES:		
Interest paid, general and administrative expenses, provisions and other expenses	744,066,271	691,770,153
Net income for the year	93,798,854	90,405,184
Retained earnings at January 1	11,811,988	42,206,804
Net income available for appropriation	105,610,842	132,611,988
APPROPRIATIONS:		
Proposed bonus shares — Note 6		42,000,000
Proposed cash dividends — Note 5	25,200,000	16,800,000
Transfer to statutory reserve — Note 7	42,000,000	
Transfer to general reserve	28,000,000	62,000,000
Total proposed appropriations	95,200,000	120,800,000
RETAINED EARNINGS AT DECEMBER 31	10,410,842	11,811,988

The accompanying Notes are an integral part of this Statement.



QATAR NATIONAL BANK

Balance Sheet

as at December 31, 1986

ASSETS	1986	1985
	Qatar Riyals	Qatar Riyals
Cash, current accounts and deposits with banks — Note 8	3,857,953,427	4,301,407,946
Marketable securities (Net)	73,580,261	48,253,620
Inter-branch items in transit	—	154,161
Bills discounted	109,338,627	101,697,889
Customers' advances (Net) and other debit balances	4,589,790,329	3,139,115,527
Interest receivable and prepaid expenses	57,385,727	75,644,244
Long-term loans (over one year)	304,700,302	438,071,325
Long-term investments including affiliate — Note 11	21,655,171	20,157,329
Property and equipment, at cost net of accumulated depreciation — Note 4	24,576,377	25,317,878
TOTAL ASSETS	9,038,980,221	8,149,819,919
Customers' liabilities on letters of guarantee, letters of credit, acceptances and forward currency contracts - contra	1,771,004,369	1,475,750,592

Abdulla Khalid Al-Attiya
General Manager

The accompanying Notes are an integral part of this Statement.



QATAR NATIONAL BANK

Balance Sheet

as at December 31, 1986

LIABILITIES AND SHAREHOLDERS' EQUITY	1986	1985
	Qatar Riyals	Qatar Riyals
LIABILITIES:		
Current, savings, deposits and other accounts, including general provisions	6,804,730,122	5,977,822,726
Due to banks	1,189,306,939	1,247,743,731
Inter-branch items in transit	1,632,327	—
Proposed cash dividends — Note 5	25,200,000	16,800,000
Provisions and accrued expenses	265,699,991	223,641,474
Total liabilities	<u>8,286,569,379</u>	<u>7,466,007,931</u>
SHAREHOLDERS' EQUITY:		
Share capital : 1,260,000 ordinary shares at QR 100 nominal value	126,000,000	84,000,000
Bonus shares reserve — Note 6	—	42,000,000
Statutory reserve — Note 7	126,000,000	84,000,000
General reserve	490,000,000	462,000,000
Retained earnings	10,410,842	11,811,988
Shareholders' equity	<u>752,410,842</u>	<u>683,811,988</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>9,038,980,221</u>	<u>8,149,819,919</u>
Liabilities on letters of guarantee, letters of credit, acceptances and forward currency contracts — contra	<u>1,771,004,369</u>	<u>1,475,750,592</u>

Abdul Aziz Bin Khalifa Al Thani
Chairman, Board of Directors

The accompanying Notes are an integral part of this Statement.



QATAR NATIONAL BANK

Statement of Changes in Financial Position

for the year ended December 31, 1986

	1986	1985
	Qatar Riyals	Qatar Riyals
FUNDS PROVIDED BY:		
Net income for the year	93,798,854	90,405,184
Items not requiring outlay of funds:		
Depreciation	1,797,895	2,844,034
Total provided from operations	95,596,749	93,249,218
Other sources:		
Decrease in long-term loans (over one year)	133,371,023	—
Decrease in long-term investments including affiliate	—	2,203,187
Total funds provided	228,967,772	95,452,405
FUNDS USED FOR:		
Dividends paid	17,547,520	16,499,280
Net additions to property and equipment	1,056,394	2,220,784
Increase in long-term loans (over one year)	—	22,711,787
Increase in long-term investment including affiliate	1,497,842	—
Total funds used	20,101,756	41,431,851
INCREASE IN WORKING CAPITAL	208,866,016	54,020,554
ANALYSIS OF CHANGES IN WORKING CAPITAL:		
Cash, current accounts and deposits with banks	(443,454,519)	487,195,732
Marketable securities	25,326,641	(13,712,690)
Inter-branch items in transit	(1,786,488)	9,190,852
Bills discounted	7,640,738	4,700,818
Customers' advances and other debit balances	1,450,674,802	792,443,618
Interest receivable and prepaid expenses	(18,258,517)	(19,621,666)
Current, savings, deposits and other accounts, including general provisions	(827,654,916)	(965,126,032)
Due to banks	58,436,792	(200,587,107)
Provisions and accrued expenses	(42,058,517)	(40,482,971)
INCREASE IN WORKING CAPITAL	208,866,016	54,020,554

The accompanying Notes are an integral part of this Statement.



Notes to Financial Statements

for the year ended December 31, 1986

1. STATUS AND ACTIVITY:

Qatar National Bank - S.A.Q., is incorporated as a commercial bank, with its head office in Qatar, under Ameri Decree No. 7, issued in 1964. The Bank operates through its branches in Qatar, United Kingdom and France.

The accompanying financial statements include the assets, liabilities and results of operations of all the Bank branches in Qatar, United Kingdom and France. All material inter-branch balances, income and expenses, are eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES:

- (a) The financial statements are prepared on the accrual basis of accounting under the historical cost theory.
- (b) Investments in marketable securities are stated at the lower of aggregate cost or market.
- (c) Long-term investments in equity securities are stated at the lower of aggregate cost or market. Investment in an affiliate is accounted for by the equity method.
- (d) Foreign currency transactions are recorded in Qatar Riyals at the rates of exchange ruling at the date of each transaction. Assets and liabilities in foreign currencies outstanding at year end including open forward contracts are translated to Qatar Riyals at the exchange rates ruling at that date. Any exchange gains or losses are included in current income.
- (e) Property and equipment are stated at cost less accumulated depreciation computed on the straight-line method over their estimated useful lives.
- (f) Provision for advances is based on a review, carried out by the management, having regard to both specific and general factors. The advances are stated net of this provision. Provisions for other risks are also based on a review by management, and are included in liabilities.
- (g) Staff end of service indemnity and provident fund are accounted for in accordance with the bank regulations and are included in provisions and accrued expenses.
- (h) Transfer to general reserve is decided by the Board of Directors based on a proposal by management.

3. INCOME TAX EXEMPTION:

The Bank has been exempted from income tax in Qatar for the five years commencing March 23, 1981, in accordance with the Cabinet Decision No. 2 of 1982. The Bank has applied to obtain exemption for another period of five years as from March 23, 1986. The financial statements for the year 1986 have been prepared on the assumption that the exemption will be approved as is common with similar Qatari companies.

4. PROPERTY AND EQUIPMENT — UNRECORDED LAND:

The cost of property and equipment does not include the value of lands on which the Head Office and certain branches buildings are erected. Those lands were granted to the Bank by the Government of Qatar free of charge.

5. CASH DIVIDENDS:

The Board of Directors declared cash dividends at the rate of 20 per cent of outstanding share capital as of December 31, 1986.

6. BONUS SHARES RESERVES:

In its meeting in December 1985, the Board of Directors declared 420,000 bonus shares dividend with effect from January 1, 1986 being one share for every two owned as of December 31, 1985. The nominal value of those shares amounting to QR 42,000,000 was then transferred from retained earnings to bonus shares reserve account. During 1986, this reserve was transferred to share capital.



Notes to Financial Statements

for the year ended December 31, 1986

7. STATUTORY RESERVE:

The statutory reserve is required by the Qatar Monetary Agency by transferring annually not less than 20 per cent of net income until the reserve equals the capital. An amount of QR 42,000,000 was transferred to this reserve during 1986.

8. COMPLIANCE WITH CERTAIN REQUIREMENTS BY QATAR MONETARY AGENCY:

- (a) The Qatar Monetary Agency requires all banks in Qatar to maintain cash deposits with it, free of interest, at specified percentages of the customers' different types of deposits with the bank, as from March 15, 1986. The percentage rates are to be applied to the respective deposit balance with the bank as on 15th of each month. As of December 31, 1986 an amount of QR 142,489,000, included in cash, current accounts and deposits with banks, is deposited with Qatar Monetary Agency for this purpose.
- (b) With effect from August 18, 1986 the Qatar Monetary Agency required that capital and reserves should not be less than 6 per cent of a bank's total assets.

9. BILLS FOR COLLECTION:

Bills for collection amounted to QR 100,935,388 at December 31, 1986.

10. COMPARATIVE FINANCIAL STATEMENTS:

Certain items of financial statements for the year ended December 31, 1985 were reclassified to agree with the presentation followed in the year 1986.

11. LONG-TERM INVESTMENT INCLUDING AFFILIATE:

The affiliate is a company in Geneva in which the Bank owns one third of its share capital. It is mainly engaged in investment and portfolio management. The Bank's equity amounted to approximately QR 7,000,000 as of December 31, 1986.



QATAR NATIONAL BANK





The Auditor's Report

We have examined the Balance Sheet of QATAR NATIONAL BANK - S.A.Q., Doha - Qatar, as at December 31, 1986 and the related Statements of Income and Retained Earnings and Changes in Financial Position for the year then ended. Our examinations were 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. 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 financial statements referred to above present fairly the financial position of Qatar National Bank - S.A.Q., as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles as adapted by banking practices in Qatar, applied on a consistent basis. The financial statements provide the information required by the Law and the Bank's By-Laws. We are also of the opinion that proper books of account were kept by the Bank and that the stocktaking was performed 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 By-Laws were committed during the year, which materially affect the Bank's activities or its financial position.

Doha, Qatar
March 20, 1987

SABA & CO.
External Auditors



(Millions of Qatar Riyals)

1000

Profits and Shareholders' Equity

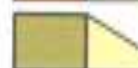
900

SHAREHOLDERS' EQUITY



800

PROFITS



700

600

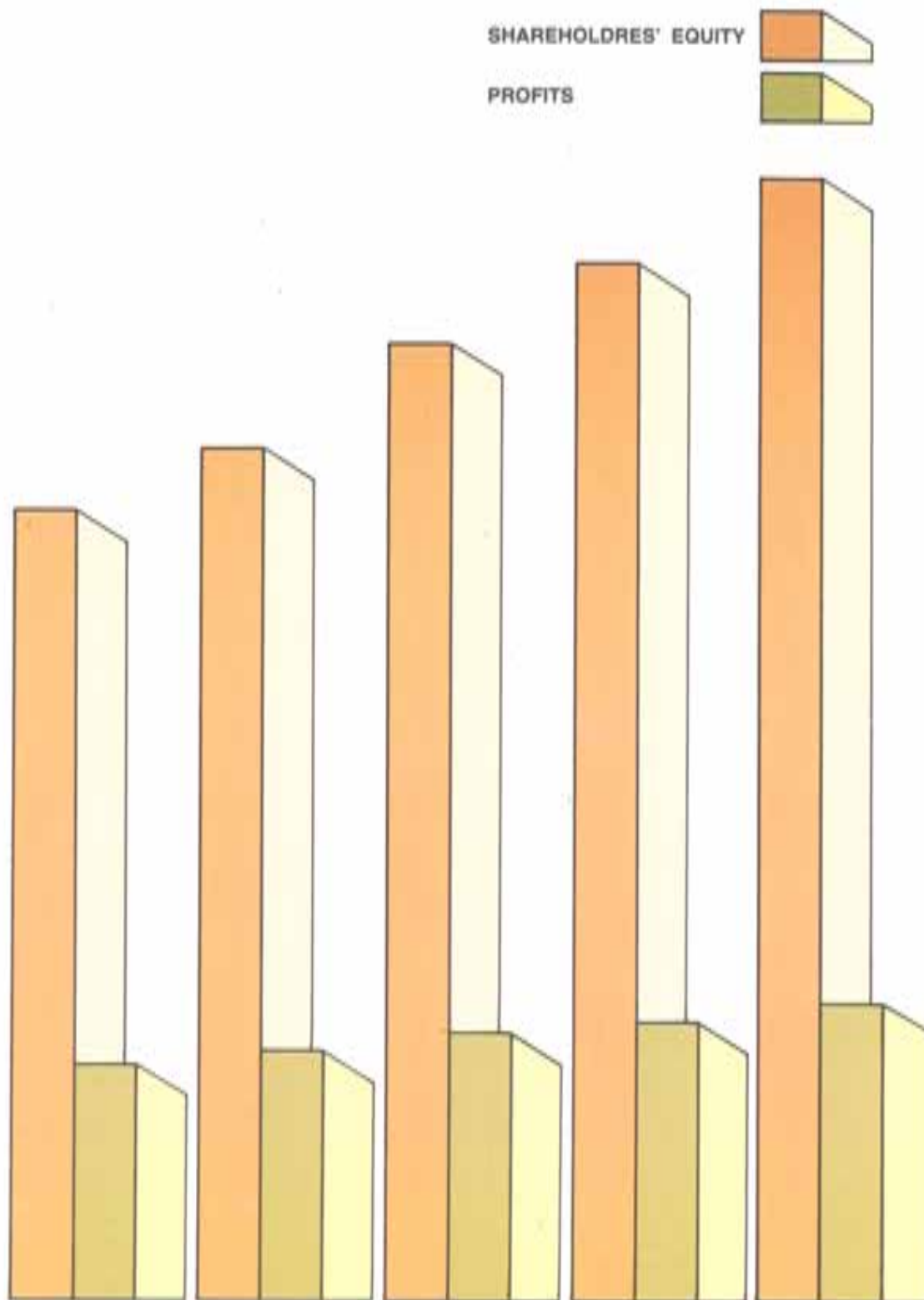
500

400

300

200

100



1982

1983

1984

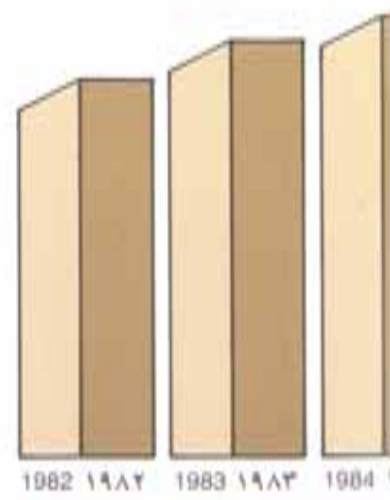
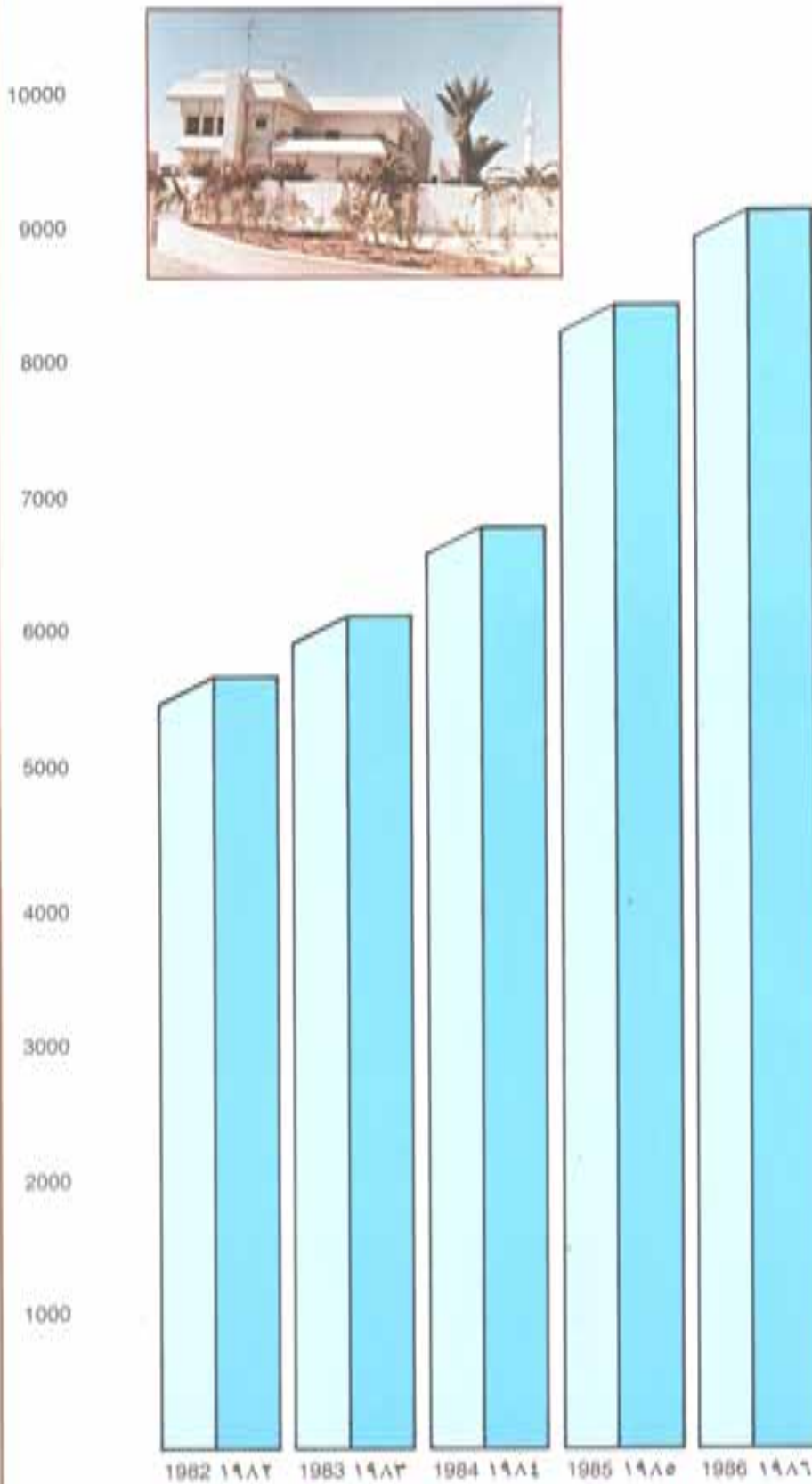
1985

1986



QATAR NATIONAL BANK

(Millions of Qatar Riyals)



Total Assets مجمل الموجودات

Total Advances