



1977
Annual Report
and
Accounts

QATAR NATIONAL BANK

(S. A. Q.)



HIS HIGHNESS
SHEIKH KHALIFA BIN HAMAD AL-THANI
EMIR OF THE STATE OF QATAR



Board of Directors

Chairman His Excellency Sheikh Abdul Aziz Bin Khalifa Al-Thani

Member Ahmad M. Sowaidi

Member Abdullah Abdulghani

Member Yousuf Jasem Darweesh

Member Ahmad Mannai

Member Haidar S. Lari

Executive Director Abdulkadir Qadi



Branches

MAIN BRANCH

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Telex

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QATARBANK, UMM-SAID
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AL KHOR BRANCH

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QATARBANK, AL KHOR

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GULF HOTEL BRANCH Telephone number

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LONDON BRANCHES

CITY BRANCH

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Financial Highlights

	1977 Q Riyal	1976 Q Riyal	Percent change
INCOME	45,485,485	40,486,441	+12
LOANS	625,947,712	339,598,000	+84
STATUTORY & FINANCIAL RESERVES	159,589,601	119,704,116	+33
TOTAL ASSETS	2,042,769,102	1,874,463,832	+ 9
SHAREHOLDERS' EQUITY	187,589,601	147,704,116	+27

1977 Financial Results

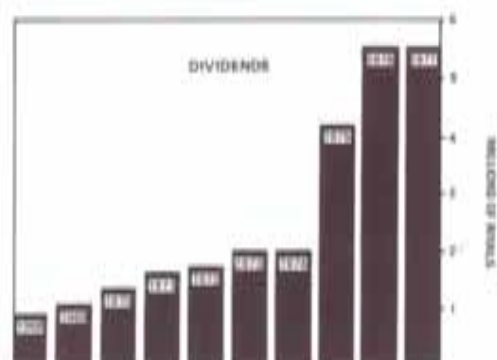
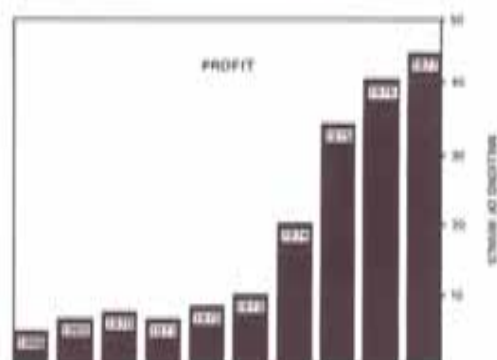
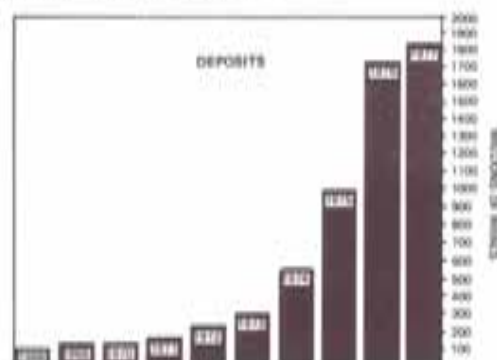
Dear Shareholders,

I have pleasure in presenting the Directors' report together with the audited accounts of the Bank for the year ended 31st December, 1977.

The Bank's net profit increased by 12% to Q Riyals 45,485,485 (Q Riyals 40,486,441 in 1976) after making provision for contingencies but before transfers to Statutory, Special and Bonus Share Reserves of Q Riyals 39,877,309 (Q Riyals 34,897,000 in 1976). A dividend of 20% (Q Riyals 5,600,000) has been approved for payment in addition to the bonus shares which will be distributed to the shareholders (one for two shares).

The profit showed a satisfactory increase over 1976, despite the fact that yields on local funds were generally lower than those earned in the preceding year due to easier market conditions especially in the first half of 1977. Loans increased by 84% thus reflecting higher investment in the domestic market and an increase in participation in the loans raised abroad.

Our Main Branch in London is now operating with full authorised status and is able to offer any service required by clients from any part of the world. The Eurocredit business is being developed and co-management positions have been taken in recent syndicated loans. In conjunction with the main branch our other Branch located in the West End of London, at 36 Curzon Street, provides all domestic and international services. Its situation is particularly convenient for Qatari and other Arab Nationals visiting London or residing in that area. Two further Branches are planned for Paris and Cairo (Off-shore) in 1978. It is our intention that the overseas business of the Bank should continue to expand in order to enhance and firmly establish our reputation as a Bank of international standing.



The Main Branch in Doha has moved to new premises on Government House Road and the additional floor space will enable them to recruit more staff in order to expand their business and improve their banking services. Some of our senior officers in Doha will be proceeding to London for further training during 1978 and this additional knowledge will assist in our efforts to improve efficiency and service to our customers.

Finally, on behalf of the Board of Directors and yourselves, I would like to extend our gratitude and appreciation to the Management and staff for their steadfast loyalty, co-operation and hard work which has once again brought about another successful year in the Bank's progress.

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

Balance Sheet

		1977 Q Riyal (000)	1976 Q Riyal (000)
ASSETS	Cash, Short term funds and at Bankers	1,276,652	1,466,957
	Advances and Bills Discounted (after deducting provisions for Bad and Doubtful Debts)	603,982	339,598
	Accrued Interest Receivable and Prepaid Expenses	11,745	10,141
	Investments	94,963	36,027
	Long Term Loans	21,966	—
	Fixed Assets (at cost) net of Depreciation	33,461	21,741
		<u>2,042,769</u>	<u>1,874,464</u>
LIABILITIES	Current Deposit and other Accounts (including Reserves for Contingencies)	1,518,907	1,404,583
	Amounts due to Banks	319,728	311,781
	Dividends Payable	5,600	5,600
	Provisions and Accrued Expenses	10,944	4,796
CAPITAL RESOURCES	Share Capital	28,000	28,000
	Reserves	159,590	119,704
		<u>2,042,769</u>	<u>1,874,464</u>
	Liabilities on Guarantees and Credits for which there is a corresponding Customer Liability	1,123,066	1,960,181

Consolidated Statement of profit and loss

For the Year Ended 31st December 1977

		1977 Q Riyal	1976 Q Riyal
INCOME	Interest earned and other income	167,897,390	116,408,974
EXPENDITURE	Interest paid, salaries, rent and other expenses	122,411,905	75,922,533
	Profit for the Year	<u>45,485,485</u>	<u>40,486,441</u>

Appropriation Statement

For the Year ended 31st December 1977

		1977 Q Riyal	1976 Q Riyal
	Balance 1st January 1977	81,425	92,272
	Add: Net Profit for the year	45,485,485	40,486,441
		<u>45,566,910</u>	<u>40,578,713</u>
LESS	Transfer to special reserve	25,300,000	26,800,000
	Transfer to statutory reserve	577,309	8,097,288
	Transfer to bonus shares reserve	14,000,000	—
	Proposed dividend	5,600,000	5,600,000
	Balance carried forward	<u>89,601</u>	<u>81,425</u>

ABDULKADIR QADI
Executive Director

ABDUL AZIZ BIN KHALIFA AL-THANI
Chairman Board of Directors

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, 1977:

	QR
(i) Bills held for collection	44,600,538
(ii) Forward exchange contracts	45,537,764
(iii) Unused balance of syndicated loan	29,328,000

3. LAND AND BUILDINGS

The bank's main office and branch buildings are built on land which was granted to the bank by the Qatar Government.

The Auditor's Report

To The Shareholders
Qatar National Bank - SAQ
Doha, Qatar

We have examined the Balance Sheet of QATAR NATIONAL BANK - S.A.Q., Doha - Qatar, as at December 31, 1977 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 Balance Sheet and Statements of Profit and Loss and Appropriation present fairly the financial position of Qatar National Bank - S.A.Q., Doha - Qatar, as at December 31, 1977 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles 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, that the stocktaking was carried out in accordance with recognised principles and that the information given in the Board of Directors' Report in so far as they are related to the accounts are in agreement with the books. 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 as to affect materially the bank's activities or its financial position.

Doha, Qatar
13th April 1978

SABA & Co,

The Economy of Qatar

About 90% of the revenues of the State of Qatar are derived from the oil sector as may be seen from the figures given below.

GOVERNMENT REVENUES (in equivalent QR Million)

	1970	1971	1972	1973	1974	1975	1976	1977	Budget 1978
Oil revenues	515	838	1,104	1,616	5,538	6,623	8,360	7,300	8,143
Other	64	107	126	119	1,780	512	567	733	917
Total revenues	579	945	1,230	1,735	7,318	7,135	8,927	8,033	9,060
Total revenues in million US\$	122	215	280	439	1,851	1,791	2,259	2,032	2,335

At the heart of the economic policy of the State of Qatar are the dual objectives of achieving industrial and commercial diversification aimed at deriving maximum benefits from the oil and gas related revenues. The assumption by the State of complete control and ownership over the crude oil operations is one aspect of this policy because oil revenues – the country's major source of wealth – are largely used to finance development of infrastructure, education and health facilities and productive investments. Oil stimulates industrial development with the establishment of oil-based industries and it also provides an important source of energy. Natural gas is used as a source of energy for factories, power stations and domestic use, as a reducing agent in the iron and steel industry, in petrochemical industries as the feedstock for the production of nitrogen fertilisers, ethylene and polyethylene, etc., for local consumption and export, and exported as NGL or its components.

The Government's diversification policy has for several years been based on a series of comprehensive feasibility studies from which several broad lines of possible activity emerged such as: exploitation of the Gulf's fishery potential; production of cement from local raw materials; encouragement of Qatar investment in domestic projects in partnership with the Government and foreign organisations; introduction of domestic refining; and cultivation of Qatari commercial and industrial interests. It will be noted that export undertones are common to most of these activities.

Transport and Communications

Qatar is participating with Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain and Iraq in a joint Gulf shipping organisation that is expected to have 100 vessels in service by 1980 and 150 by 1985.

The State is also a partner with eight other Arab nations in the Arab Maritime Petroleum Transport Company. The Qatar National Navigation and Transport Company has added two Indian-built shallow draught 675 dwt vessels to its fleet for transshipment work. Doha's four-berth man-made port opened in 1970 has since been expanded to accommodate alongside docking for three more ships.

A total of 593 vessels, including 210 from Europe, unloaded 1,297,563 freight tons of general cargoes at Doha and Umm Said in 1976. Consignments of manufactured goods (203,082 freight tons), building materials (56,950 freight tons), steel pipe (98,934 freight tons), cement (206,552 freight tons) and plant and machinery (136,071 freight tons) comprised the major part of these cargoes. The State's national air carrier Gulf Air – owned equally with Bahrain, Abu Dhabi and Oman – has taken delivery of its fourth extended-range Tristar and has ordered several Boeing 737s as short-haul replacements for BAC 1-11s. The airline's international network links Doha with London, Amsterdam, Paris, Athens, Larnaca (Cyprus), Beirut, Cairo, Amman, Baghdad, Karachi and Bombay. There are high frequency services to the Gulf States, Iran and Saudi Arabia by BAC 1-11s, VC10s and Fokkers.

The Civil Aviation Department was set up in 1973. Major improvements are being carried out at the existing Doha International Airport. There were 1,257 commercial movements per month through Doha International Airport in 1976.

The Economy of Qatar

Road construction is a continuing process throughout the peninsula. The conversion of existing links with Umm Said and Dukhan into dual carriageways and planning for a new highway between Doha and Umm Bab are nearly complete. Heavy traffic is now using the highway running south west from Doha for 66 miles (105 km.) to the Saudi Arabian border, near Salwa, to provide vehicular access to the Mediterranean, through Jordan, and to Europe via Kuwait, Iraq and Turkey. The peninsula's network of first class motor roads now exceeds 219 miles (350 km.) and will soon be linked with the United Arab Emirates.

The total length of inter-centre metalled roads in the State of Qatar was placed at about 600 miles (960 km.) in 1973/1974 by the United Nations Economic Commission for West Asia and is now considerably higher. An important development in the course of 1977 was the construction of certain roads within Umm Said town and industrial area.

Telecommunications An earth station has been built 22 miles (35 km.) west of Doha at a cost of approximately QR 20 million to beam, by means of a 270-ton dish antenna, on to the internationally owned Indian Ocean satellite. The station provides the State with a "multi-hop" satellite facility covering the world. It carries 30 international telephone circuits, capable of handling 5,000 calls simultaneously, and two colour television channels.

An automatic telex exchange was opened in 1976 (380,000 telex messages were transmitted from Doha in 1975) and a contract worth QR 21 million has been awarded for expansion of Doha's central exchange to 16,200 lines and construction of 11 rural exchanges. The telephone system will then have a capacity of 30,000 lines and cover the whole of the peninsula.

Electricity The generation of electricity by the public sector systems increased from 1.9 MW in 1954 to 277 MW in 1970. In 1977, electricity generated rose to 980 MW.

A gas-fuelled power/distillation complex is under construction at a cost of some QR 1,360 million at Ras Abu Fontas, 10 miles (16 km.) south of Doha, to ensure the long-term security and quality of domestic electricity and water supply services: designed generation and distillation capacities for the first two stages are 300 MW and 24 million gallons daily. Completion is scheduled for mid-1979, but the work has been programmed to enable incoming equipment to contribute supplies progressively from the end of 1976 onwards.

Existing generation and distillation plants are also being expanded and peninsula-wide capacities of 504 MW and 39 million gallons per day of desalinated water are expected to be achieved by the end of 1978.

Pipeline network Gas and oil are now supplied to some of the industrial plants through a network of pipelines originating from the onshore production of associated gas. Pipeline supplies (from Dukhan) presently reach the power station and water desalination plant at Ras Abu Aboud, near Doha, the fertiliser plant at Umm Said and the cement plant at Umm Bab. Other pipelines supply gas from the separation plant at Fahahil to the new power and water plant at Ras Abu Fontas. One 30-inch pipeline is under construction to supply the petrochemical project and another 30-inch pipeline to supply the steel plant is now partly operational. The NGL II Project will be serviced by a complex of pipelines connecting the various offshore oil fields, and eventually to carry gas and condensate by two separate pipelines 53 miles (85 km.) to the mainland at Wakrah (and from there to Umm Said). This complex is expected to be fully operational during the course of the current year.

Industrialization As part of its policy for the diversification of the economy, the State of Qatar has launched a programme of building up heavy industries. This decision was based upon the availability of associated gas which otherwise would have to be flared. The relative cheapness of energy has allowed the State to consider the use of gas

The Economy of Qatar

both as raw material and as fuel. The first steps in this direction were taken as early as 1965 when it was decided to set up a cement plant and in 1969 when the decision to establish a fertiliser plant was taken. The two areas presently being concentrated upon by the Government for industrialization are located at Umm Said and southwest of Doha. Umm Said is the site for heavy industry. The industrial area is on the waterfront and the town proper is located behind the industrial area. The second area southwest of Doha is allocated for light industry.

For all investment projects in the field of heavy industry the Government has drawn upon international competence and expertise and in many cases this has been backed up by minority equity participations from the international companies, supplemented, where appropriate, by the required management and marketing arrangements with those companies or their affiliates.

The steel mill plant is situated on the waterfront in the Umm Said Industrial Area some 25 miles south of Doha. An area of approximately 166 acres (67 hectares) has been allocated for the plant site. A further 93 acres (approximately 37 hectares) has been reserved on an adjacent site for possible future expansion.

The steel mill comprises the following production units:-

- (a) a direct reduction plant (using the Midrex process) with an annual capacity of 400,000 tons of sponge iron;
- (b) two electric arc furnaces with a capacity of 207,900 tons each per annum, giving a total capacity of 415,800 tons;
- (c) two continuous casting machines each having a total annual capacity of 526,800 tons;
- (d) a rolling mill with a rated capacity of 380,000 tons per annum (capacity based on projected pattern of output);
- (e) ancillary plant comprising electricity sub-station, oxygen/nitrogen generator, machine shop, quality control centre, utilities and material handling systems.

The construction of the plant has been completed on schedule, and it is presently being commissioned, except for the direct reduction plant which is in the final stages of construction. Kobe Steel Limited has a turnkey contract covering the design, engineering, equipment supply and commissioning of the plant. The contract for building and civil engineering work was carried out by Taisei Corporation, a Japanese company.

The direct reduction plant will use, as its major feed, iron oxide pellets of high grade. The Midrex process produces sponge iron, which is subsequently mixed with steel scrap and fed to the electric arc furnaces to produce steel. Iron ore pellets will be unloaded and stored in a yard which will have a capacity of some four months' production requirements. The single Midrex direct reduction furnace will require approximately 600,000 tons per annum of iron oxide pellets to produce its rated capacity of 400,000 tons of sponge iron.

At the next stage of the production cycle, a mixture of sponge iron and scrap will be fed to the two ultra high power arc furnaces. There is considerable flexibility as to the proportion of scrap which can be fed to the arc furnaces, the total annual capacity of the two furnaces being 415,800 tons.

The molten steel is then passed through continuous casting machines which turn the steel into billets.

Finally, the billets are re-rolled into reinforcing bars for use in the construction industry. The rated annual capacity of the QASCO rolling mill is 380,000 tons, although output will vary depending upon composition of the sizes of the reinforcing bars to be produced.

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Qatar National Cement Company was established in 1965 with a capital of QR 38 million as a partnership between the Government and the Qatari private sector to build a factory to make Portland cement and sulphate-resistant cement. Production started in 1969 with a capacity of 100,000 tons per year. Subsequent expansions including the current expansion will raise capacity to approximately 300,000 tons per year.

Qatar Fertiliser Company was incorporated in 1969 as a Qatari limited liability company with an initial authorised share capital of QR 56,714,000 with the object of building and operating a nitrogenous (Ammonia/Urea) fertiliser plant, using as feedstock associated gas from the Dukhan onshore field. The State of Qatar is the majority shareholder (63% initially, and 70% presently), and foreign partners (Norsk Hydro - 25%; Davy Power Gas - 3%; and Hambros Bank - 2%) provide the balance of the equity. The existing plants have a design capacity of 900 tons per day of Ammonia and 1,000 tons per day of Urea. A second fertiliser plant beside the existing one is at an advanced stage of construction, and will double the daily production capacity to 1,800 tons of Ammonia and 2,000 tons of Urea.

A Natural Gas Liquids plant (NGL I), belonging to QPPA, was formally inaugurated in early 1975. The plant was based on onshore associated gas and its products were mostly exported. A fire in the first part of 1977 destroyed most of the fractionation and storage facilities. The plant was covered by insurance at replacement value and implementation of its reconstruction programme will commence in the second half of 1978.

The Natural Gas Liquids Project No. II ("NGL II") originated as a joint venture of the State of Qatar and the Shell Group as a means of utilizing the associated gas produced together with crude oil from the offshore oil fields of Bul Hanine, Maydan Mahzam and Idd al-Shargi. With the exception of a small amount which is used as fuel for the oil production platforms on these fields, the associated gas is presently being flared.

The NGL II project was taken over completely by QGPC as from 1st December, 1976 but the Shell Group is assisting in its development and completion.

The associated gas recovered at the oil/gas separators at the well head will be subjected to preliminary processing (compression, cooling and dehydration) on the production platform. The resultant gas and liquid streams will then be transmitted through separate pipelines to the onshore processing plant near Umm Said, approximately 75 miles (120 km.) away.

In a two-stage process at Umm Said, a methane-rich gas stream will first be stripped out of the gas-liquid mixture. The NGL will then be further split in a fractionation unit to produce ethane-rich gas, propane, butane and natural gasoline. Ethane-rich dry gas will be sold to the petrochemical complex as feedstock for the production of ethylene. Propane and butane will be sold largely to export markets. Natural gasoline will be exported and residual gas will be sold as fuel for other industries in Qatar including QASCO.

Qatar Petrochemical Company was formed on 2nd September 1974, by Decree No. 109 of 1974, 84% of its share capital, the paid up amount of which is now QR 360 million, is presently held by QGPC on behalf of the State of Qatar and 16% is owned by CdF Chimie, a French Company.

The petrochemical complex is now under construction and will comprise an ethylene plant, a low density polyethylene (LDPE) plant, power and steam generation units, and off-site facilities.

The plants are designed to produce 280,000 tons per year of ethylene (at a minimum purity of 99.95%) and about 5,000 tons per year of propylene, at a technical grade, by ethane pyrolysis from an ethane-rich gas. Ethane-rich gas will be obtained from the NGL plants treating associated gas from the onshore and offshore oil fields.

The Economy of Qatar

Some 50% of the ethylene so produced will be used in the production of LDPE. The complex will include ancillary facilities for flaring, storage, effluent treatment and liquid ethylene ship loading. Sulphur will be recovered by a sulphur recovery unit which includes a prilling system.

Among other major developments, the following might be noted. A flour mill and grain storage facility was set up in 1972 at Umm Said. A fish (shrimp) freezing complex, with its own fleet of trawlers, to cater to export markets, started operation in 1968. Several hundred plants and workshops, mostly on a small or medium scale of operation and generally owned by the Qatari private sector, have also been set up. These include, among others, bakeries, soft drink plants, factories to manufacture tiles, concrete blocks and other building materials, stone crushers, iron smithies and foundry, printing presses and an extensive array of repair workshops.

Studies are currently in hand for a range of plants in the light and medium industries sector.

Agriculture Qatar has joined with 10 other Arab states in the establishment of an Arab Institute for Investment in Agricultural Development with a capital equivalent to \$150 million. The long-term aim is self-sufficiency in the light of forecasts that the value of Arab food imports will double over the next 10 years.

Meanwhile the peninsula's two-season agriculture is making progress, despite self-evident geographical handicaps, with the backing of experimental farms and hydro-agricultural surveys. Over 276 farms provide vegetable products at annual rates in excess of 21,000 tons, allowing for limited export of seasonal surpluses. Grain production has risen to around 1,000 tons a year.

Poultry and dairy farming projects are now operational and are intended to account for 80% of local consumption. A sheep farm has been established with a proposed stock of 5,000 head.

Banking System The Qatar Monetary Agency performs several of the functions of a Central Bank, including the issuing of currency.

The commercial banking system in Qatar consists of twelve commercial banks, of which two are entirely domestically owned, Qatar National Bank (founded in 1964 with a 50% State shareholding) and Qatar Commercial Bank (entirely private, founded in 1975).

Qatar National Bank handles Government business, including most of the business of State-owned companies. Essentially a commercial bank, Qatar National Bank has taken part in financing some of the major industrial projects within the State and has now become active in international financing, having established two branches in London and two further branches in Paris and Cairo (offshore) are planned to be opened in 1978.

Banking regulations are covered by Decree No. 4 of 1970 with its subsequent amendments and by various decisions of the Minister of Finance and Petroleum.

The growth of the commercial banking system has been remarkable during recent years. According to the Qatar Monetary Agency, total assets of commercial banks operating in Qatar have risen from QR 434 million (\$91 million) in December 1970 to QR 3,369 million (\$852 million) in December 1976. Advances by commercial banks to the private sector have increased during the same period from QR 215 million (\$45 million) to QR 1,559 million (\$394 million). In September 1977, advances totalled QR 2,310 million (\$584 million).

