

QATAR NATIONAL BANK

ANNUAL REPORT
1985

1985-1986

QATAR NATIONAL BANK, S.A.Q.

Established 1965

Twenty First Annual Report of The Board of Directors
and Financial Statements for the year
ended 31st December 1985



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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 Qadi

General Manager

Mr. Hamdi Alami

Deputy General Manager

Abdulla Khalid Al-Atliya



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 (10 Lines)

Qatar Branches

Doha

Main Branch
P.O. Box 1000, Doha
Telegraphic Address Qatarbank
Telex 4212 Qatbnk Dh
4357 Qatbnk Dh
4064 Qatbnk Dh
Telephone Number 413511 (10 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 861833

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 01-283 3911

West End

36 Curzon Street
London W1Y 7AF
Telex 298698 Qnbcu G
Telephone Number 01-493 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 First Annual Report of your bank for the year ended December 31, 1985. The Report shows that despite the major economic challenges this area is encountering, your bank achieved further growth and success.

The year 1985 was part of the chain of challenges confronting the Third World, of which this area constitutes an integral part. During the year, the Western Industrial Countries kept up their plans to reduce the prices of raw materials, including that of crude oil, which are produced by the Developing Countries. By depleting their oil inventories and reducing their purchases in the open markets, particularly those coming from the Organization of Petroleum Exporting Countries (OPEC), the oil consuming Industrial Countries applied throughout 1985 downward pressures on crude oil prices. OPEC however counteracted those pressures by adjusting the group's production and export levels to those consistent with demand. Accordingly, 1985 crude oil prices were basically maintained throughout the year.

The preceding developments resulted in a further reduction during 1985 in OPEC'S share of the international oil market. Consequently, OPEC member states earnings from the export of crude oil were lower in 1985 than their 1984 level. Therefore, the economy of the State of Qatar extended its contraction through 1985.

Irrespective of the developments referred to above, your institution was able to meet the preceding challenges by maintaining its growth rate and by recording higher profits. The support and confidence we received from our clients enabled us to increase our Private Deposits by 19.3% to QR 5,977.8 million at the end of 1985 compared with QR 5,012.4 million in 1984. Total Assets also increased strongly by 18.5% to QR 8,149.8 million in 1985 compared with QR 6,878.8 million in 1984.

In the meanwhile, your bank's profits went up to QR 90.4 million in 1985 versus QR 88.2 million in 1984. They have registered a modest growth rate of 2.5% in 1985 in contrast with 8.8% in the previous year. In line with our previous dividend payout policy, a dividend to the shareholders of 20% of capital amounting to QR 16.8 million was declared. We have also set aside a Bonus Share Reserve amounting to QR 42 million, which will be distributed to our shareholders in 1986.

It is noteworthy to state here the persistent support your bank gives to the Qatari economy. Our Balance Sheet figures show that total credit facilities increased to QR 3,678.9 million in 1985 compared with QR 2,859.0 in 1984, rising considerably by 28.7%. This has resulted from the economic conditions facing this area. We should point out that your bank's share in the total credit facilities supplied to the Qatari economy amounted in 1985 to 54.9%.

I would like to express here our deep gratitude 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 have extended to your bank, which enabled it to carry its leading role in serving the Qatari economy.

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

Abdul Aziz Bin Khalifa Al Thani
Chairman, Board of Directors



QATAR NATIONAL BANK





Report of the Board of Directors

The Board of Directors is pleased to present to you the Twenty First Annual Report of your bank for the year ended December 31, 1985. The Report includes the Balance Sheet, the Statement of Income and Retained Earnings and the Statement of Changes in Financial Position.

Market pressures to reduce crude oil prices persisted during 1985. They resulted from lower consumption in the Western Industrial Countries as well as international production levels in excess of demand. Prices remained however relatively stable throughout 1985 as a result of cutbacks in production and exports by the Organization of Petroleum Exporting Countries (OPEC). Accordingly, OPEC's share of the international oil markets has contracted during 1985. As a result, the earnings of OPEC member states including those of the State of Qatar from oil exports were curtailed during the year. Public spending was therefore cutback and the Qatari economy suffered further contraction.

The preceding developments notwithstanding, your institution maintained during 1985 a strong growth rate in its assets and increased its profitability. Total assets in the year rose by 18.5% to QR 8,149.8 million compared with QR 6,878.8 million at the end of 1984. The Bank's profits rose to QR 90.4 million from QR 88.2 million in 1984, registering an increase of 2.5%. In line with the Bank's policy on dividend payout in previous years, it was decided to pay to the shareholders 20% dividend amounting to QR 16.8 million. We have also set aside a Bonus Shares Reserve amounting to QR 42.0 million, which will be paid out to shareholders at the rate of one share for each two shares outstanding.

The Bank's assets show that we have continued to supply the Qatari economy with the credit required for its sustained growth. Short Term Credit facilities have grown to QR 3,240.8 million in 1985 compared with QR 2,443.7 million in 1984. A major portion of this increase has resulted from the extension of temporary credit to clients of prime credit rating.

Long Term Credit grew to QR 438.1 million in 1985 from QR 415.4 million in 1984 at a rate of 5.5%. According to data published by the Qatar Monetary Agency, your bank provided in 1985 QR 3,678.9 million in credit to the Qatari economy. This was 54.9% of total credit supplied to the economy during the year. These figures clearly indicate that we have undertaken and will continue to take a leading role in the development of the Qatari economy.

The Bank's Cash and Deposits with Banks rose in 1985 by 12.8% to QR 4,301.4 million versus QR 3,814.2 million in 1984. On the other hand, Marketable Securities declined in 1985 to QR 40.4 million compared with QR 54.1 million in 1984. Total liquid assets constituted 53.3% and 58.3% of total assets in 1985 and 1984 respectively.

The Bank's liabilities show that, despite the difficult economic conditions this area is encountering, our clients' confidence and support to your institution have grown considerably. Whereas total Private Deposits were QR 5,012.4 million in 1984, they rose to QR 5,977.8 million in 1985, recording a growth rate of 19.3%.

Our shareholders' equity has also grown markedly. It increased in 1985 by 12.1% to QR 683.8 million from QR 610.2 million in 1984. Accordingly, they represented 8.4% and 8.9% of total assets in the years 1985 and 1984 respectively.

Contra Accounts totalled QR 1,475.8 million in 1985 against QR 1,900.2 million in 1984. They decreased by 22.3% due to the prevailing economic contraction.

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 like also 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 efforts to continue to provide them with our best services.

Board of Directors



QATAR NATIONAL BANK



Banking Hall,
Main Branch, Doha



Dealing Room,
Head Office, Doha



QATAR NATIONAL BANK

Statement of Income and Retained Earnings

for the year ended December 31, 1985

	1985	1984
INCOME:		
Interest earned, commission received, profit on exchange and other income	QR 782,175,336	QR 767,388,145
EXPENSES:		
Interest paid, general and administrative expenses, provisions and other expenses	691,770,153	679,152,067
Net income for the year	QR 90,405,183	QR 88,236,078
Retained earnings at January 1	42,206,804	770,726
Net income available for appropriation	QR 132,611,987	QR 89,006,804
Proposed bonus shares	QR 42,000,000	QR —
Proposed cash dividends	16,800,000	16,800,000
Transfer to general reserve	62,000,000	30,000,000
Total proposed appropriations	QR 120,800,000	QR 46,800,000
RETAINED EARNINGS AT DECEMBER 31	QR 11,811,987	QR 42,206,804

The accompanying Notes are an integral part of this Statement.



QATAR NATIONAL BANK

Balance Sheet

as at December 31, 1985

ASSETS	1985	1984
Cash, current accounts and deposits with banks	QR 4,301,407,946	QR 3,814,212,214
Marketable securities (Net), (Note 2b)	40,366,837	54,079,527
Inter-branch items in transit	154,161	—
Bills discounted	101,697,889	96,997,071
Advances (Net) and other debit balances (Note 2f)	3,139,115,527	2,346,671,909
Interest receivable and prepaid expenses	75,644,244	95,285,910
Long-term loans (over one year)	438,071,325	415,359,538
Investments in related companies and others (Note 2c)	28,044,112	30,247,299
Property and equipment, at cost net of accumulated depreciation (Notes 2e & 5)	25,317,878	25,941,128
TOTAL ASSETS	QR 8,149,819,919	QR 6,878,774,596
Customers' liabilities on letters of guarantee, Letters of credit, acceptances and forward currency contracts - contra	QR 1,475,750,592	QR 1,900,244,502

Hamdi Alami
General Manager

The accompanying Notes are an integral part of this Statement.



QATAR NATIONAL BANK

Balance Sheet

as at December 31, 1985

LIABILITIES AND SHAREHOLDERS' EQUITY	1985	1984
LIABILITIES		
Current, savings, deposits and other accounts, including general provisions (Note 2f)	QR 5,977,822,726	QR 5,012,395,974
Due to banks	1,247,743,731	1,047,176,624
Inter-branch items in transit	—	9,036,691
Proposed cash dividends	16,800,000	16,800,000
Provisions and accrued expenses	223,641,474	183,158,503
Total Liabilities	QR 7,466,007,931	QR 6,268,567,792
SHAREHOLDERS' EQUITY:		
Capital (840,000 common shares of QR 100 par value)	QR 84,000,000	QR 84,000,000
Bonus shares reserve	42,000,000	—
Statutory reserve	84,000,000	84,000,000
General reserve	462,000,000	400,000,000
Retained earnings	11,811,988	42,206,804
Shareholders' equity	QR 683,811,988	QR 610,206,804
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	QR 8,149,819,919	QR 6,878,774,596
Liabilities on letters of guarantee, Letters of credit, acceptances and forward currency contracts, contra	QR 1,475,750,592	QR 1,900,244,502

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, 1985

	1985	1984
FUNDS PROVIDED BY:		
Net income for the year	QR 90,405,183	QR 88,236,078
Items not requiring outlay of funds:		
Depreciation and amortization	2,844,035	4,434,147
Total funds provided by operations	<u>QR 93,249,218</u>	<u>QR 92,670,225</u>
Other sources:		
Decrease in long term loans (over one year)	—	153,593,257
Decrease in investments in related companies and others	2,203,187	5,102,007
Total funds provided	<u>QR 95,452,405</u>	<u>QR 251,365,489</u>
FUNDS USED FOR:		
Net additions to property and equipment	QR 2,220,784	QR 12,252,720
Dividends paid	16,499,280	16,250,250
Increase in long term loans	22,711,787	—
Total funds used	<u>QR 41,431,851</u>	<u>QR 28,502,970</u>
NET INCREASE IN WORKING CAPITAL	<u>QR 54,020,554</u>	<u>QR 222,862,519</u>
ANALYSIS OF CHANGES IN WORKING CAPITAL:		
Cash, current accounts and deposits with banks	QR 487,195,732	QR 1,432,809,767
Marketable securities	(13,712,690)	(55,772,934)
Inter-branch items in transit	9,190,852	191,885
Bills discounted	4,700,818	(2,389,899)
Advances and other debit balances	792,443,618	(499,876,571)
Interest receivable and prepaid expenses	(19,621,666)	47,693,841
Current, savings, deposits and other accounts	(965,126,032)	(919,795,366)
Due to banks	(200,567,107)	315,590,485
Provisions and accrued expenses	(40,482,971)	(95,588,689)
NET INCREASE IN WORKING CAPITAL	<u>QR 54,020,554</u>	<u>QR 222,862,519</u>

The accompanying Notes are an integral part of this Statement.



QATAR NATIONAL BANK

Notes to Financial Statements

for the year ended December 31, 1985

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.

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) Investments in related companies are stated at equity, other investments are stated at cost.
- (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 are translated to Qatar Riyals at the exchange rates ruling at that date and 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. General provisions for other risks are also based on a review by management, and are included in liabilities.

3. THE FINANCIAL STATEMENTS:

- (a) The accompanying combined financial statements include the assets, liabilities and results of operations of all the Bank branches in Qatar, United Kingdom and France.
- (b) All material inter-branch profits, transactions and balances, are eliminated.

4. 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.

5. PROPERTY AND EQUIPMENT — UNRECORDED LAND:

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

6. BILLS FOR COLLECTION:

Bills for collection amounted to QR 95,162,290 and QR 43,756,630 at December 31, 1985 and 1984, respectively.



QATAR NATIONAL BANK

The Auditor's Report

We have examined the balance sheets of QATAR NATIONAL BANK - S.A.Q., Doha - Qatar, as at December 31, 1985 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.

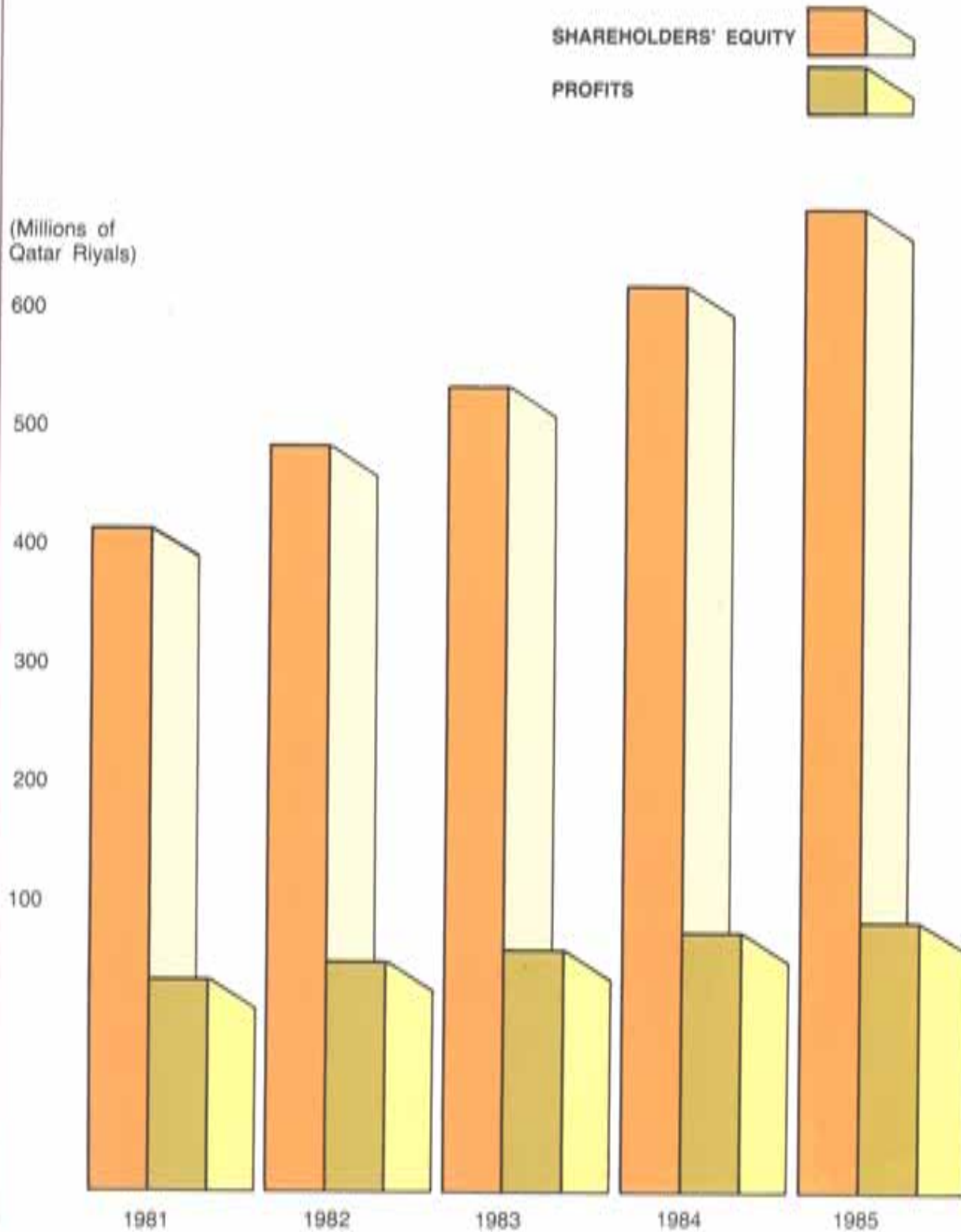
In our opinion, the financial statements referred to above present fairly the financial position of Qatar National Bank - S.A.Q., as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting 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 Bye-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 Bye-Laws were committed during the financial year, which materially affect the Bank's activities or its financial position.

Doha, Qatar
3, March 1986

SABA & CO.
External Auditors



Profits and Shareholders' Equity





QATAR NATIONAL BANK

(Millions of Qatar Riyals)

9000

8000

7000

6000

5000

4000

3000

2000

1000



1981 ١٩٨١ 1982 ١٩٨٢ 1983 ١٩٨٣ 1984 ١٩٨٤ 1985 ١٩٨٥

Total Assets مجمل الموجودات

1981 ١٩٨١ 1982 ١٩٨٢ 1983 ١٩٨٣

Total Advances