



ANNUAL REPORT 1989

بنك قطر الوطني
QATAR NATIONAL BANK



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QATAR NATIONAL BANK





بنك قطر الوطني
QATAR NATIONAL BANK

Established 1965

Twenty Fifth Annual Report of the Board of Directors
and Financial Statements
for the year ended December 31, 1989

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Head Office & Branches

Head Office

P.O. BOX 1002, DOHA
Telegraphic Address Qatarbank
Telex 4064/4212/4357/ Qatbnk Dh
Dealing Room 4635 Qbkfex Dh
Telephone Number 413511 (16 Lines)
Dealing Room 413790, 430324, 430325

Qatar Branches

Doha Branches

Main Branch

P.O. Box 1000, Doha
Telegraphic Address: Qatarbank
Telex: 4212 Qatbnk Dh
Fax: 413753
Telephone Number: 413511/16 Lines
Dealing Room: 413790, 430324, 430325

Mushaireb

P.O. Box 1818, Doha
Telegraphic Address: Qatarbank
Fax: 415021
Telephone Number: 423643/5 Lines
423703 Manager

Airport Road

P.O.Box 3252, Doha
Telegraphic Address: Qatarbank
Fax: 432339
Telephone Number: 328125/4 Lines
435274 Manager

Al Sadd

P.O.Box 9366, Doha
Telegraphic Address: Qatarbank
Fax: 446296
Telephone Number: 420424/4 Lines
441822 Manager
420448

Doha Airport Office

Telephone Number: (Departure) 425500
(Arrival) 438011

Gulf Hotel Office

Telephone Number: 328606

Sheraton Hotel Office

Telephone Number: 831104

Qatar University Office/Male

Telephone Number: 892619, 892633

Qatar University Office/Female

Telephone Number: 892586

Hamad General Hospital Office

Telephone Number: 421517, 421917

Airforce Base Office

Telephone Number: 426724

Other Locations

Umm Said

P.O. Box 10050, Umm Said
Telephone Number: 771529, 771791
Fax: 771062

Al Khor

P.O. Box 60030, Al Khor
Telephone Number: 720127, 721585
Fax: 721625

Al Shamal

P.O.Box 130222, Al Shamal
Telephone Number: 731246, 731630
Fax: 731503

Industrial Area Branch

P.O.Box 40611
Telephone Number: 810343/2 Lines
810344 Manager
Fax: 810427

Rayyan Branch

P.O.Box 90923
Telephone Number: 807090/4 Lines
807806 Manager

Ladies Section: 807090

Fax: 806909

Foreign Branches

London-City Branch

135-141 Cannon Street
London EC4N 5AH
Telegraphic Address: Qatarbank, London
Telex: 889201 Qatbnk G
Fax: 283-1635
Telephone Number: 283-3911
Dealing Room:
Telephone Number: 283-3732

London-West End Branch

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

Paris

17 Avenue Maignon
75008 Paris
Telegraphic Address: Qatarbank, Paris
Telex: 641344 Qatbnk
Fax: 4289-1858
Telephone Number: 4359-5812
Dealing Room:
Telephone Number: 2436-4225



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



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



H.E. Sheikh Abdul Aziz Bin Khalifa Al Thani
Minister of Finance and Petroleum
Chairman, Board of Directors

Board of Directors Members



H.E. Abdulla Khalid Al-Attiya
Managing Director



H.E. Saleh Abo Dawood
Al Muhanadi



Dr. Jaber Al Marri



Mr. Yousef Kamal



Mr. Yousef Qassem Darwish



Mr. Ahmed Al Mannai



Mr. Mohamed Marzoug
Al Shamlan



Mr. Abdul Aziz Salat



Mr. Haider Suleiman Haider

Management



Mr. Hani Osman El-Dana
General Manager



Mr. Saeed Bin Abdullah
Al-Misnad
Deputy General Manager



Mr. Nasser Mohd. Al-Naemi
Asst. General Manager
Administration &
Financial Affairs



Mr. Said Mohamed
Asst. General Manager
Operations & Systems



Mr. John E. Green
Asst. General Manager
Treasury & International

Chairman's Statement and Directors' Report

It gives me great pleasure to present to you the Twenty Fifth Annual Report and the results of the Bank for the year 1989.

During the year, a number of important changes took place in the international and local markets. Internationally, economic problems relating to external debt, balance of payment deficit and government budget deficit have remained during the decade. However on the brighter side, a number of countries adopted the policy of privatisation. The political changes in Eastern Europe also had an effect on the world economy, specifically the East Germany's events which led to the revaluation of Deutschmark.

The Qatari economy, like other oil producing countries was not immune to international trends. Nevertheless, the Government has been encouraging the private sector to play an important role in the economic development and ensured the necessary co-operation between the public and private sectors. The Government gave priority to the overall economic growth, especially in the industrial sector.

The Bank's profits rose by 2.9 percent to QR. 207 million in 1989 from QR 201.1 million in 1988. The return on average assets and return on average shareholders' equity were 1.9 percent and 16.3 percent respectively. Total assets in 1989 reached QR 11,095 million compared with QR 10,809 million in 1988, an increase of 2.6 percent.

Qatar National Bank continued to achieve satisfactory results among the GCC banks. The Bank's ROE and ROA were at the highest level among the international banks. Furthermore, the bank continued to enhance its position as the premier bank in Qatar through the development of new banking services, opening of branches, using computer systems and introducing ATMs to serve the Bank's customers.

I would like to express here our deep gratitude and sincere thanks to His Highness the Emir, **Sheikh Khalifa Bin Hamad Al Thani** and to His Highness the Heir Apparent, **Sheikh Hamad Bin Khalifa Al Thani** for their continued support.

I would also like to thank the members of the Board of Directors for their efforts, the Bank's management and Staff for carrying out their duties efficiently.

Abdul Aziz Bin Khalifa Al-Thani
Chairman
Board of Directors



Doha view from air



Qatar University Building

Economic Outlook

The growth rate of the majority of the industrialised countries slowed down during 1989. The year was a watershed in the expansionary business cycle which started in the early 1980's. The growth rate of total output declined to an estimated 3.6% in 1989 compared with 4.4% in the previous year. Similarly world trade is estimated to have grown by only 7.6% compared with 9.4% in 1988. The rate of inflation, which had been tightly controlled during the past few years, was on the rise during 1989. This precipitated an increase in the interest rate which is now affecting the profitability and cash flow of companies, especially the highly leveraged ones.

The US economy entered an uncertain period last year. The latest figures confirm that the economic growth in the fourth quarter of 1989 was painfully slow, below 1% at an annual rate. Corporate profits were down 10% in 1989 and likely to be shrinking further. Despite the economic slowdown, the interest rate continues to be high as inflation pressure stays strong at over 5%. The Federal Reserve seems to be following a strategy to force inflation down by running the economy as slowly as it can without toppling over into a full recession. The US continues to have a huge budget deficit, which amounted to an estimated US\$ 152 billion last year. Although the deficit has fallen for three consecutive years both in absolute terms and also in proportion to GDP, the deficit is economically riskier now than when it was at its greatest in 1986 as Eastern Europe is likely to soak up much of Western Europe's capital liquidity and domestic expansion in Japan is likely to result in lesser investment in the US. Hence it is possible that a continuing deficit of \$100 billion or more a year can not be financed except by pushing interest rates higher. Furthermore the difficulties relating to savings and loan associations also pose a major problem.

There was, however, an encouraging downward trend in the US trade deficit, which was US \$109 billion in 1989, compared with US \$118.5 billion in 1988. For the overall situation, we are cautiously optimistic that the US will manage to avoid a major recession, although the adjustment process is going to be painful for some sectors of the economy.

Last year witnessed a number of dramatic changes in Eastern Europe which are bound to affect the economic prosperity of the whole continent. For the rich Western Europeans, this will provide an opportunity at an unprecedented scale to invest in the neighbouring countries which have just embraced the principles of free economy and need vast amounts of funds to rejuvenate their economies.

Most of the developing countries still continue to have the same problems as in the past e.g. depressed commodity prices, heavy debt burden and lack of investment funds. A number of countries have, however, taken some positive measures including moving towards privatisation and increasing local manufacture of quality goods which will all benefit them in the future. The South East Asian economies have continued to perform well.

Stock Markets

Thanks to continued investors' confidence, the major stock markets ended the year higher than where they were at the beginning of the year. However, the volume of transactions in the stock market was down. In the New York Stock market, prices dropped sharply in October 1989 but rebounded after a few days. Unlike the stock market crash on 19th October 1987, the New York stock market crash in 1989 did not affect the other major stock markets of the world.

The outlook for the stock markets is considered as uncertain at this point in time due to the somewhat unpredictable economic outlook and inflationary trends.

The Qatari Economy

The Qatari economy, like other oil economies was affected by the downturn in oil prices which started in the mid-1980's. The oil prices have since stabilised which has helped the economy to grow at a moderate rate. With the encouragement of the Qatari Government, manufacturing is also becoming an important constituent in the local economy. Construction continues to be an important sector for growth.

The Government's budget of 1989/90 showed a decline in revenue of 7.9% compared with the previous year. The main reason for this decline was lower oil revenue. Consequently the public expenditure was reduced by 7.7%. The budget deficit amounted to Qatari Riyals 5.6 billion. The Government under the leadership of His Highness the Emir, **Sheikh Khalifa Bin Hamad Al Thani** and Heir Apparent, His Highness **Sheikh Hamad Bin Khalifa Al Thani** has been making significant efforts for the economic and social development in Qatar. As a result, the budget achieved a harmonious balance among all sectors (Industry, education etc).

During the year, a number of significant events took place which are likely to benefit the economy in the future. Some of these are:

- 1) Construction work of the North Field gas project which has been progressing on target. Qatar will start exporting gas in the near future.
- 2) Establishment of the Qatari Manufacturing Industries Company which will undertake investments in new industrial projects in Qatar and in the GCC countries.
- 3) Formation of the Qatari Company for Electricity and Water with a capital of 1 billion Riyal. The company will be owned by the public sector as well as the private sector.

For the short term, we expect the moderate growth rate of the economy to continue and for the long-run, we are confident that the increased output from North Field will provide an impetus for further economic development.

Balance Sheet

as at 31st December 1989

	Note	1989	1988
ASSETS		QR'000	QR'000
Cash and due from banks	3	4,633,798	5,607,217
Trading securities		44,076	40,197
Loans, advances and overdrafts	4	6,111,248	4,912,682
Accrued interest and other assets	5	220,571	158,614
Investment securities	6	44,386	62,114
Fixed assets	7	41,001	28,247
TOTAL ASSETS		11,095,080	10,809,071
LIABILITIES			
Customer accounts and provisions for contingencies		7,526,907	7,796,040
Due to banks		2,011,748	1,678,813
Proposed dividend		25,200	31,500
Accrued interest and other liabilities	8	261,104	214,418
TOTAL LIABILITIES		9,824,959	9,720,771
SHAREHOLDERS' EQUITY			
Share capital	9	189,000	126,000
Statutory reserve	10	189,000	126,000
General reserve	11	885,700	830,000
Retained earnings		6,421	6,300
Total Shareholders' Equity		1,270,121	1,088,300
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,095,080	10,809,071

The notes on pages 16 to 20 form part of these financial statements.

These financial statements were approved by the Board of Directors on 10th March 1990.

HANI OSMAN EL-DANA
General Manager

ABDUL AZIZ BIN KHALIFA AL THANI
Chairman,
Board of Directors

The report of Auditors is set forth on page 22

Statement of Income, Expenses and Appropriation

for the year ended 31st December 1989

	Note	1989	1988
INCOME		QR'000	QR'000
Interest earned		948,550	875,884
Interest expense		(656,929)	(627,464)
Net interest income		291,621	248,420
Other income	13	57,213	67,734
Net interest and other income		348,834	316,154
OTHER OPERATING EXPENSES			
General and administration expenses	14	(136,971)	(112,254)
Depreciation		(4,842)	(2,753)
		(141,813)	(115,007)
Net income		207,021	201,147
Retained earnings brought forward		6,300	6,653
Available for appropriation		213,321	207,800
APPROPRIATION			
Transfer to statutory reserve		63,000	—
Proposed dividend		25,200	31,500
Transfer to share capital		63,000	—
Transfer to general reserve		55,700	170,000
Retained earnings		6,421	6,300
		213,321	207,800

The notes on pages 16 to 20 form part of these financial statements.

Statement of Changes in Financial Position

for the year ended 31st December 1989

	1989	1988
SOURCE OF FUNDS	QR'000	QR'000
Net income	207,021	201,147
Items not involving the movement of funds:		
Depreciation	4,842	2,753
General provision for loan losses and contingencies	48,000	29,296
Funds generated from operations	259,863	233,196
APPLICATION OF FUNDS		
Dividends paid	31,500	25,200
Net increase in banking assets	228,363	207,996
	259,863	233,196
INCREASE/(DECREASE) IN NET BANKING ASSETS		
Cash and due from banks	(973,419)	379,742
Trading and investment securities	(13,849)	(33,572)
Loans, advances and overdrafts	1,198,566	(638,478)
Fixed and other assets	79,553	21,060
	290,851	(271,248)
Customer accounts and provisions	317,133	143,310
Due to banks	(332,935)	84,731
Accrued interest and other liabilities	(46,886)	251,203
	228,363	207,996

The notes on pages 16 to 20 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31st December 1989

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar National Bank - S.A.Q ("the Bank") was incorporated in Qatar as a shareholding company under Amiri Decree no. 7 issued in 1964 and is engaged in commercial banking activities. The Bank operates through its branches in Qatar, United Kingdom and France.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting and reporting policies of the bank conform with generally accepted accounting practice within the banking industry.

(a) Accounting convention

The financial statements are prepared under the historical cost accounting rules.

(b) Income and expenses

Income and expenses are generally recognised on an accrual basis.

(c) Provision for loan losses

The determination of the specific element of the provision for possible loan losses is based on a detailed appraisal of the loan portfolio and is considered adequate to provide for identified potential loan losses.

In addition, a non specific provision is also made to cover risks which, although not specifically identified, are inherent in the portfolio of advances. In the opinion of Management, this provision is considered adequate to also cover any potential loss that may arise as a result of unforeseen circumstances. This non-specific provision is included in "Customer accounts and provisions for contingencies".

(d) Foreign currencies

Assets and liabilities in foreign currencies are translated into Qatar Riyals at rates of exchange ruling at the balance sheet date and the resulting gains and losses are included in the determination of income for the year.

Forward exchange contracts outstanding at the year end date are valued at spot rates of exchange at the year end date and the resulting profit or losses are included in the determination of income for the year.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Depreciation

Fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

	Years
Land	not applicable
Buildings	25
Furniture and equipment	4 to 7
Motor vehicles	4

(f) Securities

Trading securities are valued at the market rate at the year end date; the arising gains and losses are included in "Other Income". Investment securities are stated at cost less any provision which, in the opinion of the Management, is necessary to recognise any impairment, other than temporary, to the value of these securities. Investment in the equity of an associate company is accounted for using the equity method.

(g) Termination 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 date. The bank's regulations provide for an amount greater than the minimum required by the Qatar Labour Law. The provision is included in "Accrued interest and other liabilities".

(h) Interest rate swaps

The Bank has entered into interest rate swaps as a tool to manage interest rate risk. The contracts represent an exchange of interest payments and the underlying principal balances of the assets or liabilities are not affected. Net settlement amounts are reported as adjustments to interest income/expense.

3. CASH AND DUE FROM BANKS

This item includes an interest free statutory reserve deposit with the Qatar Monetary Agency of QR. 155,414,577 (1988: QR. 132,415,000)

4. LOANS, ADVANCES AND OVERDRAFTS

Loans, advances and overdrafts are stated net of the specific provision referred to in note 2(c) above.

5. ACCRUED INTEREST AND OTHER ASSETS

	1989	1988
	QR'000	QR'000
Accrued interest receivable	151,351	108,308
Bullion accounts with banks	20,069	25,242
Prepayments and other accounts	24,988	17,143
Properties acquired during the year*	24,163	7,921
	220,571	158,614

* These represent acquisitions made during the year in settlement of debts and stated at Management's valuation on a fair market basis.

6. INVESTMENT SECURITIES

	1989	1988
	QR'000	QR'000
Marketable securities	14,465	19,023
Equities and bonds	29,921	43,091
	44,386	62,114

Investment in equities includes an amount of QR. 9,366,499 (1988: QR. 9,624,366) invested in Gulf and Occidental Investment Company S.A., a company incorporated in Geneva in which the Bank holds one third of the paid up shares and is represented on its Board of Directors. The principal activity of the Company is to manage investment portfolios for institutional and private clients.

7. FIXED ASSETS

	Land	Buildings	Furniture & Equipment	Motor Vehicles	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Cost	20,881	36,208	32,119	1,536	90,744
Accumulated depreciation	—	(34,132)	(15,081)	(530)	(49,743)
Net Book Value					
31 December 1989	<u>20,881</u>	<u>2,076</u>	<u>17,038</u>	<u>1,006</u>	<u>41,001</u>
Net Book Value					
31 December 1988	<u>20,881</u>	<u>1,458</u>	<u>5,350</u>	<u>558</u>	<u>28,247</u>

8. ACCRUED INTEREST AND OTHER LIABILITIES

	1989	1988
	QR'000	QR'000
Accrued interest payable	117,341	96,843
Customers' bullion accounts	19,730	25,242
Other liabilities and provisions	124,033	92,333
	261,104	214,418

9. SHARE CAPITAL

	1989	1988
	QR'000	QR'000
Issued and paid up: 1,890,000 ordinary shares of QR. 100 each (including 1,750,000 shares issued as bonus shares)	189,000	126,000

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

10. STATUTORY RESERVE

	1989	1988
	QR'000	QR'000
Balance at 1st January	126,000	126,000
Transferred during the year	63,000	—
	189,000	126,000

In accordance with the Qatar Monetary Agency requirements, a non distributable statutory reserve has been created in an amount equal to the share capital.

11. GENERAL RESERVE

	1989	1988
	QR'000	QR'000
Balance at 1st January	830,000	660,000
Transferred during the year	55,700	170,000
	885,700	830,000

12. CONTRA ACCOUNTS, COMMITMENTS AND CONTINGENCIES

	1989	1988
	<u>QR'000</u>	<u>QR'000</u>
Letters of credit	660,778	745,491
Guarantees and acceptances	592,724	766,070
Other items	172,815	21,972
	<u>1,426,317</u>	<u>1,533,533</u>

In addition to the above, the Bank had commitments in the normal course of business under forward contracts at the balance sheet date as follows:

	1989	1988
	<u>QR'000</u>	<u>QR'000</u>
Forward purchase of foreign currencies and bullion	1,260,172	664,102
Forward sales of foreign currencies and bullion	1,260,490	664,384
Notional principal amount of interest rate swap agreements	1,162,470	—

13. OTHER INCOME

	1989	1988
	<u>QR'000</u>	<u>QR'000</u>
Foreign exchange profit	28,928	30,472
Commission	21,899	23,189
Investment income	4,329	9,325
Other income	2,057	4,748
	<u>57,213</u>	<u>67,734</u>

14. GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include QR. 410,000 (1988: QR. 410,000) as remuneration for the Board of Directors and QR. 48 million (1988 QR 29 million) as additions to general provision for loan losses and contingencies.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in these financial statements. Such reclassification has not affected net assets, net equity or net profit.



The Emiri Palace



Doha Sheraton Hotel

The Auditors' Report

The Shareholders
Qatar National Bank S.A.Q
Doha - Qatar

We have audited the Balance Sheet of Qatar National Bank - S.A.Q at 31st December 1989 and the related Statement of Income, Expenses and Appropriation and the Statement of Changes in Financial Position, for the year then ended as set out on pages 13 to 20 in accordance with International Auditing Guidelines. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. We also confirm that the Bank has maintained proper books and records during the year.

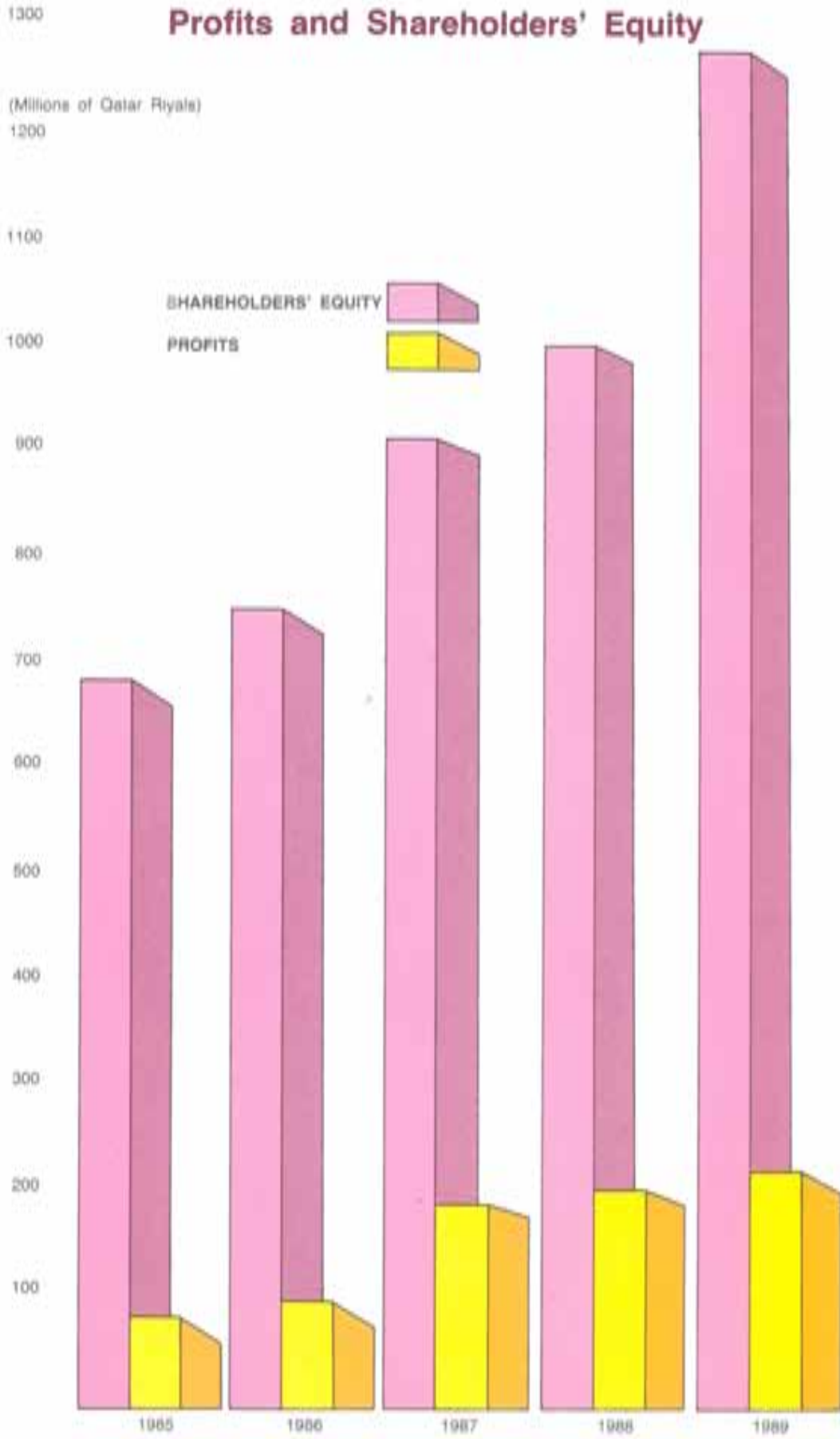
In our opinion, the aforementioned financial statements, which have been prepared on the basis of the accounting policies set out on pages 16 and 17, present fairly the statement of condition of the Bank at 31st December 1989 and the results of its operations and changes in financial position for the year then ended.

We confirm that the 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 or of the Qatar Commercial Companies Law during the financial year that would materially affect its activities or its financial position.

Doha - Qatar
10th March 1990

M.J. Dajani
Peat Marwick Mitchell & Co.
Qatar Auditors Registry No. 52

Profits and Shareholders' Equity



12000

(Millions of Qatar Riyals)

11000

10000

9000

8000

7000

6000

5000

4000

3000

2000

1000

1985 1986 1987 1988 1989

Total Assets مجمل الموجودات

1985 1986 1987 1988

Total Advanc