



# Annual Report 1990



بنك قطر الوطني  
QATAR NATIONAL BANK





بنك قطر الوطني  
QATAR NATIONAL BANK

ESTABLISHED 1965

Twenty Sixth Annual Report of the Board of Directors  
and Financial Statements  
for the year ended December 31, 1990

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## HEAD OFFICE & BRANCHES

### Head Office

P.O. BOX 1002, DOHA  
Telegraphic Address Qatarbank  
Fax 413753  
Telex 4064/4212/4357/ Qatbnk Dh  
Telephone Number 413511 (16 Lines)  
Dealing Room  
Telex 4635 Qbkfex Dh  
Fax 414943  
Telephone Numbers 413790, 430324, 430325

### Qatar Branches

#### DOHA BRANCHES

##### Main Branch

P. O. Box 1000, Doha  
Telegraphic Address:  
Qatarbank  
Telex: 4212 Qatbnk Dh  
Fax: 413753  
Tel. No. 413511/16 Lines  
DEALING ROOM:  
413790, 430324, 430325

##### Mushaireb

P. O. Box 1818, Doha  
Telegraphic Address:  
Qatarbank  
Fax: 415021  
Tel. No. 423643/5 Lines  
423703 Manager

##### Airport Road

P.O.Box 3252, Doha  
Telegraphic Address:  
Qatarbank  
Fax: 432339  
Tel. No. 328125/4 Lines  
435274 Manager

##### Al Sadd

P. O. Box 9366, Doha  
Telegraphic Address:  
Qatarbank  
Fax: 446296  
Tel. No. 420424/5 Lines  
441 822 Manager  
420448

##### Doha Airport Office

Tel. No: (Departure) 425500  
(Arrival) 438011

##### Gulf Hotel Office

Tel. No. 328606

##### Sheraton Hotel Office

Tel. No. 831104

##### Qatar University Office Male

Fax: 835082  
Tel. No. 892619, 892633

##### Qatar University Office Female

Tel. No. 892686

##### Hamad General Hospital Office

Fax: 415022  
Tel. No. 421517, 421917

##### Airforce Base Office

Fax: 426724  
Tel. No. 322016

##### Immigration Building Office

Tel. No. 874217, 874219

### OTHER LOCATIONS

##### Umm Said

P. O. Box 10060, Umm Said  
Fax: 771062  
Tel. No. 771529, 771791

##### Al Khor

P. O. Box 60030, Al Khor  
Fax: 721 625  
Tel. No. 720127, 721585

##### Al Shamal

P.O.Box 130222, Al Shamal  
Fax: 731 503  
Tel. No. 731246, 731630

##### Industrial Area Branch

P.O.Box 40611  
Fax: 810427  
Tel. No. 810343  
810344 Manager

##### Rayyan Branch

P. O. Box 90923  
Fax: 806909  
Tel. No. 807098/ 803429  
808774  
807806 Manager  
Ladies Section: 807090

### Foreign Branches

##### London-City Branch

135-141 Cannon Street  
London EC4N 5AH  
Telegraphic Address:  
Qatarbank, London  
Telex: 889201 Qatbnk G  
Fax: (071) 283-1635  
Tel. No. (071) 283-3911  
DEALING ROOM:  
Tel. No. (071) 283-3732

##### London-West End Branch

36 Curzon Street  
London W1Y 7AF  
Telex: 298698 Qnbcur G  
Tel. No. (071) 493-7411

##### Paris

17 Avenue Matignon  
75008 Paris  
Telegraphic Address:  
Qatarbank, Paris  
Telex: 641344 Qatarbk  
Fax: 4289-1858  
Tel. No. 4359-5812  
DEALING ROOM:  
Tel. No. 2436-4225

##### Cayman Islands

P. O. Box 1002, Doha  
Telegraphic Address: Qatarbank  
Telex: 4064/4212/4357/ Qatbnk Dh  
Fax: 413753  
Tel. No. 413511 (16 Lines)  
DEALING ROOM:  
Telex: 4635 Qbkfex Dh  
Fax: 414943  
Tel. No. 413790, 430324, 430325





**H. H. Sheikh Khalifa Bin Hamad Al Thani**  
THE EMIR OF QATAR





**H. H. Sheikh Hamad Bin Khalifa Al Thani**  
THE HEIR APPARENT



**H. E. Sheikh Abdul Aziz Bin Khalifa Al Thani**  
MINISTER OF FINANCE & PETROLEUM  
**Chairman, Board of Directors**



**BOARD OF DIRECTORS**  
**Members**



H.E. Saleh Abo Dawood  
Al-Muhanadi  
Deputy Chairman



Sheikh Hamad Bin Faisal  
Al-Thani



Dr. Jaber Al Marri



Mr. Yousef Kamal



Mr. Yousef Qassem  
Darwish



Mr. Ahmed Al-Mannai



Mr. Mohamed Marzouq  
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. Said Mohamed**  
Asst. General Manager  
Operations, Systems  
& Local Branches



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



**Mr. Nasser Mohd.  
Al-Naemi**  
Asst. General Manager  
Training & Development



**Abdullah G. Al-Hajri**  
Deputy Asst. General Manager  
Administration  
& Financial Affairs



## CHAIRMAN'S LETTER

It gives me great pleasure to present to you the Twenty Sixth Annual Report and the results of the Bank for the year 1990.

During the year, a number of important changes took place on the International and Local Markets. Internationally, economic decline continued to characterize U.S. and European markets. Banking industry decline was strongest in the U.S. and Australia.

Events in Eastern Europe had their effects on the World Economy as new obligations and commitments further burdened Western Europe and its Banking Sector, in addition to the opening of new Financial Markets.

Locally, Gulf and Qatari economies showed little change from the prior year trend. Further, the Gulf War had adverse economic effects on the International and Gulf economies.

Qatar National Bank, despite the prevailing economic situation, continued to grow, declaring net profits of QR. 217,5 million for 1990, an increase of 5% over the net profits of 1989 (QR. 207 million). As a result, the Return on the Bank's Assets was 1.83% and the Return on average Shareholders Equity reached 16.5%. Total Assets increased to QR. 11,856 million in 1990 from QR. 11,095 million in 1989, an increase of 6.9% compared to 2.7% in 1989.

Qatar National Bank achieved notable progress among international and Gulf Banks. Full computerization was implemented during 1990 covering all branches. Improvements in Automated Teller Machine services and numbers were made and more local branches were set up.

During 1990, the Bank directed its attention towards Professional Development, thereby setting up a Professional Development Center with the objective of training Qatari Bankers on modern banking techniques. The first training course was held during 1990 with participants from different departments in the bank.

Moreover, Qatar National Bank, in an effort to provide its customers with the most up-to-date service possible, is currently in the process of introducing Home Banking Services in addition to its existing services.

In closing, I would like to express our deep gratitude and sincere thanks to His Highness the Emir, Sheikh Khalifa Bin Hamad Al Thani and to His Highness the Heir Apparent and Minister of Defence, 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 and specifically I direct our thanks to H.E. Abdulla Khalid Al-Attiya, the Governor of the Qatar Monetary Agency, for his nine years of service and dedication as General Manager.

Finally, I thank the Bank's management and staff for carrying out their duties diligently and efficiently.

**Abdul Aziz Bin Khalifa Al-Thani**  
CHAIRMAN





## 1990 ECONOMIC HIGHLIGHTS

World economies continued to suffer in 1990 from the economic slump experienced in 1989. This was aggravated by the consequences of the Gulf crisis. Preliminary estimates indicate that the growth rate of total world output increased in 1990 by a mere 2.3% as against 3.6% in 1989 and 4.4% in 1988. This resulted in a general increase of unemployment levels in most industrialized countries and a slowdown in the progression of world trade volume which increased in 1990 by only 6.6% as against 7.2% in 1989 and 9.1% in 1988.

The August 2 invasion of Kuwait by the Iraqi army and the resulting world crisis that followed this painful event accelerated the deterioration of world economies. This affected the industrialized as well as the developing countries, directly and indirectly, and created a climate of uncertainty and doubt about the future, resulting in the postponement of investment or purchasing decisions. This was clearly mirrored by all economic indices and affected world stock markets as well as oil prices where the psychological factors and the political news became paramount factors overshadowing the fundamental elements which should determine the buying and selling decisions.



*The Emir's Diwan*

This phenomenon has been particularly clear in the disorderly increases in oil prices which followed the Iraqi invasion of Kuwait despite the fact that the other OPEC countries and the International Energy Agency increased their output to compensate for the stoppage of Kuwait and Iraqi oil flow. These price increases, which did not have any valid economic justification, seriously damaged the economies of several developing countries and increased the already existing strains on segments of industrialized countries economies .



However, although the Gulf crisis had a direct and visible effect in the deterioration of world economies, other factors played a significant role in this respect, such as the stalled GATT (General Agreement on Tariffs and Trade) negotiations, the crisis of the banking industry in the U. S. where, after the failure of the S & L Associations, doubts were raised about the financial health of a number of U. S. banks, the future of "Perestroika" in the USSR, and the cost of the return of the Eastern European countries to the free market economy. All these concerns added to the uncertainties and caused severe dislocation in parts of the world economy, sapping confidence and encouraging a "wait and see" attitude highly detrimental to economic progress.

The fight against inflation, on the other hand, was rather successful. The increase in the consumer price index in the industrialized countries fell from 4.4% in 1989 to 4.2% in 1990, while, in the developing countries, estimates indicate a decrease from 104.1% in 1989 to 71% in 1990. Despite this relative success in fighting inflation the developing countries as a group, and especially Latin American and African countries, continued to suffer from the burden of their foreign indebtedness and budget and balance of payment deficits added to the aggravation of their unemployment levels with its pernicious effects on their internal political stability.

Eastern European countries continued their uphill fight to return to a market-oriented economy and attained some results in their privatization efforts and improvement of productivity.

Interest rates of major currencies showed divergent tendencies. 3 months Sterling Pound interest rates remained practically unchanged at their levels of 1989 for most of 1990, beginning a decline in the last months of the year, though still remaining at much higher levels than those of other major currencies. The US Dollar 3 months interest rates rose in the first half of 1990 then reversed this tendency in the subsequent months. The Japanese Yen 3 months interest rates showed an almost continuous uptrend during 1990. The D.M. 3 months interest rates pursued their ascension, especially over the last quarter of the year.

Foreign exchange rates were also erratic though with a constant tendency towards the deterioration of the US Dollar value to the other currencies, especially the Sterling Pound and the Deutsche mark.

Stock exchange prices, especially during the second part of the year, were highly erratic, moving up or down on the basis of political news in relation to the Gulf crisis.





## The Qatari Economy in 1990

The economy of the State of Qatar is tied up to the world economy as evidenced by the large portion represented by the State's foreign transactions in the country's GNP. However, despite this close relationship, the Qatari economy was able to surmount without undue problems the world economic slump of the first six months of 1990 thanks to the sound and prudent policies of the Government under the wise guidance and leadership of His Highness the Emir Sheikh Khalifa bin Hamad Al Thani.



*The North Field Gas Development Project*

As in the past years, the action of the Government aimed at reaching a harmonious and comprehensive development of the various segments of the national economy. Preliminary estimates indicate that the total expenses provided for in the 1990/1991 budget will amount to QR 11,709 Million while the revenues are estimated to reach around QR 7,780 Million. This difference between the revenues and expenses reflects the determined policy of the Government to continue providing and developing the economic, financial and social basis for the future development of the country with emphasis given to education and health. Special encouragement is also given to the private sector aiming at having local entrepreneurs participate actively in developing the country's industrial sector.



As a result of the August 2 invasion of Kuwait by Iraqi forces, and similar to the case with other Gulf countries, the banking sector in Qatar faced significant withdrawals of deposits and increased demand for foreign currencies, especially U. S. Dollars. The banking sector was able to cope successfully with this situation with the cooperation and under the aegis of the Qatar Monetary Agency. Confidence in the banking sector increased as a result of having been able to face and overcome this crisis. The Qatari Riyal, which is more than 100% covered by foreign currencies was unscattered and remains strong.

1990 witnessed a number of achievements in the economic sector. Estimates of economic indicators show encouraging results in achieving a more diversified economy, less dependent on oil exports as well as an increase in the share of the non-oil sector of the country's G. N. P.

The North Field Gas project has been progressing satisfactorily and, upon completion of the first phase in 1991, is expected to produce 800 million cubic meters daily of light gas for both local consumption and export markets. Completion of this project should attract a number of foreign companies to Qatar to participate in related various industrial projects.

In addition, a number of large projects were initiated in 1990: the QR 200 million Qatari joint stock company for Processing Industries was created to invest in a number of chemical and down-stream petrochemical projects, the QR 1 billion Qatar Electricity and Water Company was set up to develop electric generation and water desalination, and the QR 40 million Tourism and Recreation Company was created to develop recreational facilities and tourism infrastructure in the West Bay. The private sector will be playing an important role near the Government institutions in funding and developing these projects.

Cooperation and consultation with the other member countries of the Gulf Cooperation Council continued to develop and to strengthen. The GCC countries summit meeting held in Doha from 22 to 25 December 1990 stressed the need for increased cooperation in order to speed economic integration, create a common market with unified trade policies and improve the relationship and collaboration between the member countries.



## A REVIEW OF THE BANK'S OPERATIONS

For Qatar National Bank, 1990 was a Year of Solid progress. We concentrated on placing the Bank's Operations on modern age technology and completely automated, linked the Branch Network System on-line and introduced the TELLERS as a mode of operation in the Branches. Expanding our activities in Qatar, and fortifying our presence in the international markets was our second objective.

We upgraded our Branch Retailing Operations, expanded our automated Teller Machines, introducing the First Drive-Up Automated Teller Machine in Qatar. We augmented our management information systems. We started work on revamping our Credit and Marketing Division in order to improve our Credit and Loan portfolios by improving quality and diversifying. We increased the range and profitability of our Treasury activities.

### Expanding Retailing Operations

During 1990 Qatar National Bank's Retail Branch Network continued to expand with the addition of three new locations in the Industrial Area, I.P.N.A. and Arrival Hall in Doha International Airport.

The Bank now has 18 locations to service the commercial and retail community in Qatar.

To complement our Branch network, we have expanded our Automatic Teller Machine installations to 15 locations throughout the State of Qatar, On-line linked and operating 24 hours, 365 days a year, with the first DRIVE-UP ATM in Qatar being installed at our Main Branch in Doha.



*Drive-Up ATM*

As part of our Bank's strategy to enhance its efficiency and confirm its leading position in the local market, a new Branch was opened in the busy Industrial Area, a Banking facility location started operations in the Department of Immigration, Naturalization and Passports, and another in the Arrival Hall of Doha International Airport. We have completed the renovation of our Al-Sadd, Musheireb and Airport Road branches, and have started renovation work at our Main Branch. This coupled with the complete upgrading of our BRANCH NETWORK SYSTEM, where our automation was completed, and all the Branches as well as Operating Units of the Bank are now running ON-LINE, linked to our Mainframe Computer housed at our EDP Department in Head Office.







*Main frame Computer Room*

By virtue of our electronic data processing developments and the new software installed - WATANI RETAIL BANKING SYSTEMS - we have revamped the operating guts to revive around the TELLER concept, where our customers can address one single station which is completely capable of performing all their banking

transactions, instead of the old system which was sending the customer chasing his or her transaction to a minimum of four stations.

The new software also provides the Bank, on top of all other facilities and improvements, with an ON-LINE SIGNATURE CAPTURE & RETRIEVAL facility, allowing the Teller to verify the specimen signature of customers at the point where the service is required.

During 1990 the Bank also expanded the issuance of its own VISA CARDS - both Premier and Classic.

In 1991, we plan to even further expand on our Branch network where Banking Locations will be established in the Headquarter's building of Q.G.P.C., a new Branch at Al-Gharrafa area will be operational during the first Quarter, while work will commence on new buildings for our Al-Shamal, Al-Khor, Al-Rayyan and Umm Said Branches. Renovation of our location at Hamad Hospital should be completed at the same time.

### **Marketing and Credit Department Activities**

The contraction in general business activities meant that account officers had to exert extra effort to attract new business in 1990. With the continued restraint in public spending, QNB had to extend special attention to those contractors who obtained housing and other public work contracts. Our competitive pricing played a role in securing business, but the efficient service given by our account officers



*Al Sadd Branch*





*Airport Road Branch Interior*

and supporting departments ensured that we won a good portion of the new business compared with our competitors.

Maintaining and upgrading our existing portfolio was also demanding. Our account officers worked very closely with the Credit Department staff in the continuing process of evaluation and policing our portfolio. Moreover, our

account officers performed extremely well both in securing new trade and contractor finance business and participating in maintaining and upgrading our existing portfolio.

In 1991, we expect to see even better results from our account officers who now have excellent experience in providing services to a demanding group of clients. Our emphasis will be directed to financing trade (inside and outside Qatar as our clients require), and providing competitive financing packages for contractors.

The Credit and Loan Administration Department continued to play an integral role in providing clients with a professional service.

With the strengthening of its Loan Quality Unit, the Department is now sufficiently equipped to assist customers wherever needed - with a pragmatic and positive approach to each client's needs.

The Department's central function to the Bank's domestic asset portfolio was strengthened by additional professional managerial skills in pre-fact credit functions and loan administration.

New computer facilities have enabled the Department to set up an effective monitoring system to detect potential problem loans as quickly as possible and take timely action to minimize the risk of deterioration. Adequate systems have been introduced to provide regular management information on the overall conditions of the loan portfolio.

## **Treasury**

1990 was a year of significant change for the Treasury activities of QNB. To support the strong expansion of the Bank's international business, a substantial increase in money market turnover and a diversification into new currencies and treasury instruments was required. This was made available by the addition of extra qualified dealing personnel.

Moreover, the opening of offshore banking facilities in the Cayman Islands did help the





Bank in offering more competitive interest rates, and add a new presence for the bank in the international arena.

During 1991 we intend to recruit additional senior dealers in order to expand our presence in the foreign exchange markets and will also increase our trading in selected off-balance sheet instruments.



*Dealing Room*

## **Manpower**

We kept manpower under close control in 1990. However, we recruited high calibre staff from international markets to meet expansion in certain areas such as marketing, credit administration and data processing. Within our manpower objectives and in pursuance of the national policy of Qatarization, we appointed a very selective group of university graduates to our training programme. In addition, the Bank will encourage commercial college graduates to join a training programme which is custom designed for them.

In line with the Qatarization policy, plans were laid to prepare competent Qataris for first-line, middle and top management positions. The continuing expansion of this programme will ensure the supply of expertise and skills required for the future. Within the next four years we intend to raise the proportion of Qatari employees to one-half of the Bank's total manpower (presently they are 23.7%).

## **Training**

Our Development Center will be setting the standard for all financial institutions in Qatar. The customized programmes should attract numerous applications from Qatari



*Al Sadd Branch Interior*

Graduates wishing to make a dedicated commitment to further education and to gain a satisfying and rewarding career in banking.

The Development Center will continue to enhance operating efficiency with, for example, its teller training courses, and by arranging for staff to participate in selected professional courses available world-wide.



**BALANCE SHEET**  
as at 31st December, 1990

	Note	1990 QR' 000	1989 QR' 000
<b><u>Assets</u></b>			
Cash and due from banks	3	4,938,223	4,633,798
Trading securities		37,267	44,076
Loans, advances and overdrafts	4	6,345,508	6,111,248
Accrued interest and other assets	5	289,923	220,571
Investment securities	6	195,121	44,386
Fixed assets	7	50,057	41,001
<b>Total Assets</b>		<b>11,856,099</b>	<b>11,095,080</b>
<b><u>Liabilities</u></b>			
Customer accounts and provisions for contingencies		8,536,771	7,526,907
Due to banks		1,552,308	2,011,748
Proposed dividend		56,700	25,200
Accrued interest and other liabilities	8	279,325	261,104
<b>Total Liabilities</b>		<b>10,425,104</b>	<b>9,824,959</b>
<b><u>Shareholders' Equity</u></b>			
Share capital	9	189,000	189,000
Statutory reserve	10	189,000	189,000
General reserve	11	1,046,574	885,700
Retained earnings		6,421	6,421
<b>Total Shareholders' Equity</b>		<b>1,430,995</b>	<b>1,270,121</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>11,856,099</b>	<b>11,095,080</b>

*The notes on pages 21 to 25 form part of these financial statements.*

These financial statements were approved by the Board of Directors on 23rd February, 1991.

**Saleh Abu Dawood Al Muhanadi**  
Deputy Chairman

**Hani Osman El-Dana**  
General Manager

*The report of the Auditors is set forth on page 26.*



**STATEMENT OF INCOME, EXPENSES AND APPROPRIATION**  
for the year ended 31st December, 1990

	Note	1990 QR'000	1989 QR'000
<b><u>Income</u></b>			
Interest earned		959,177	948,550
Interest expense		(640,833)	(656,929)
Net interest income		318,344	291,621
Other income	13	84,209	57,213
<b>Net interest and other income</b>		<b>402,553</b>	<b>348,834</b>
<b><u>Other Operating Expenses</u></b>			
General and administration expenses	14	(178,753)	(136,971)
Depreciation		(6,226)	(4,842)
Total other operating expenses		(184,979)	(141,813)
<b>Net income</b>		<b>217,574</b>	<b>207,021</b>
Retained earnings brought forward		6,421	6,300
<b>Available for appropriation</b>		<b>223,995</b>	<b>213,321</b>
<b><u>Appropriation</u></b>			
Transfer to statutory reserve		—	63,000
Proposed dividend		58,700	25,200
Transfer to share capital		—	63,000
Transfer to general reserve		160,874	55,700
Retained earnings		6,421	6,421
		<b>223,995</b>	<b>213,321</b>

*The notes on pages 21 to 25 form part of these financial statements.*



**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
for the year ended 31st December, 1990

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
<b>Source of funds</b>		
Net income	217,574	207,021
Items not involving the movement of funds:		
Depreciation	6,226	4,842
<b>Funds generated from operations</b>	<b>223,800</b>	<b>211,863</b>
<b>Application of funds</b>		
Dividends paid	25,200	31,500
Net increase in banking assets	198,600	180,363
	<b>223,800</b>	<b>211,863</b>
<b>Increase/(decrease) in net banking assets</b>		
Cash and due from banks	304,425	(973,419)
Trading and investment securities	143,926	(13,849)
Loans, advances and overdrafts	234,260	1,198,566
Fixed and other assets	84,634	79,553
	<b>767,245</b>	<b>290,851</b>
Customer accounts and provisions	(1,009,864)	269,133
Due to banks	459,440	(332,935)
Accrued interest and other liabilities	(18,221)	(46,686)
	<b>198,600</b>	<b>180,363</b>

*The notes on pages 21 to 25 form part of these financial statements.*





## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December, 1990

### 1. Legal status and principal activities

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

### 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.

#### 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. 214,947,000 (1989: QR. 155,414,577).

### **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**

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Accrued interest receivable	127,409	151,351
Bullion accounts with banks	20,808	20,069
Prepayments and other accounts	19,993	24,988
Properties acquired during the year *	121,713	24,163
	<b>289,923</b>	<b>220,571</b>

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



## 6. Investment securities

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Marketable securities	16,420	14,465
Equities and bonds	178,701	29,921
	<b>195,121</b>	<b>44,386</b>

Investment in equities includes an amount of QR. 14,921,248 (1989: QR. 9,366,499) 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

	<b>Land</b> <b>QR'000</b>	<b>Buildings</b> <b>QR'000</b>	<b>Furniture &amp; Equipment</b> <b>QR'000</b>	<b>Motor Vehicles</b> <b>QR'000</b>	<b>Total</b> <b>QR'000</b>
<b>Cost</b>	20,881	38,444	44,543	2,024	105,892
Accumulated depreciation		(35,224)	( 19,843)	(768)	(55,835)
Net Book Value 31 December, 1990	20,881	3,220	24,700	1,256	50,057
Net Book Value 31 December, 1989	20,881	2,076	17,038	1,006	41,001

## 8. Accrued interest and other liabilities

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Accrued interest payable	142,047	117,341
Customers' bullion accounts	20,884	19,730
Other liabilities and provisions	116,394	124,033
	<b>279,325</b>	<b>261,104</b>



## 9. Share capital

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Issued and paid up: 1,890,000 ordinary shares of QR. 100 each (including 1,750,000 shares issued as bonus shares).	189,000	189,000

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

## 10. Statutory reserve

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Balance at 1st January	189,000	126,000
Transferred during the year	-	63,000
	<b>189,900</b>	<b>189,000</b>

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

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Balance at 1st January	885,700	830,000
Transferred during the year	160,874	55,700
	<b>1,046,574</b>	<b>885,700</b>

## 12. Contra accounts, commitments and contingencies

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Letters of credit	1,001,502	660,778
Guarantees and acceptances	999,646	592,724
Other items	83,736	172,815
	<b>2,084,884</b>	<b>1,426,317</b>



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:

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Forward purchase of foreign currencies and bullion	1,497,259	1,260,172
Forward sales of foreign currencies and bullion	1,498,979	1,260,490
Notional principal amount of interest rate swap agreement	1,341,963	1,162,470

### 13. Other income

	<b>1990</b> <b>QR'000</b>	<b>1989</b> <b>QR'000</b>
Foreign exchange profit	26,952	28,928
Commission	26,299	21,899
Investment income	12,134	4,329
Other income	18,824	2,057
	<b>84,209</b>	<b>57,213</b>

### 14. General and administration expenses

General and administration expenses include QR. 400,000 (1989: QR. 410,000) as remuneration for the Board of Directors and QR. 76,000,000 (1989: QR. 48,000,000) 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.





## AUDITORS' REPORT

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

We have audited the Balance Sheet of Qatar National Bank - S.A.Q. at 31st December, 1990 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 18 to 25 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 21 and 22, present fairly the statement of condition of the Bank at 31st December, 1990 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.

23rd February, 1991  
Doha  
State of Qatar.

**M. J. Dajani**  
KPMG Peat Marwick  
Qatar Auditor Registry No. 52





## PROFITS & SHAREHOLDERS' EQUITY

