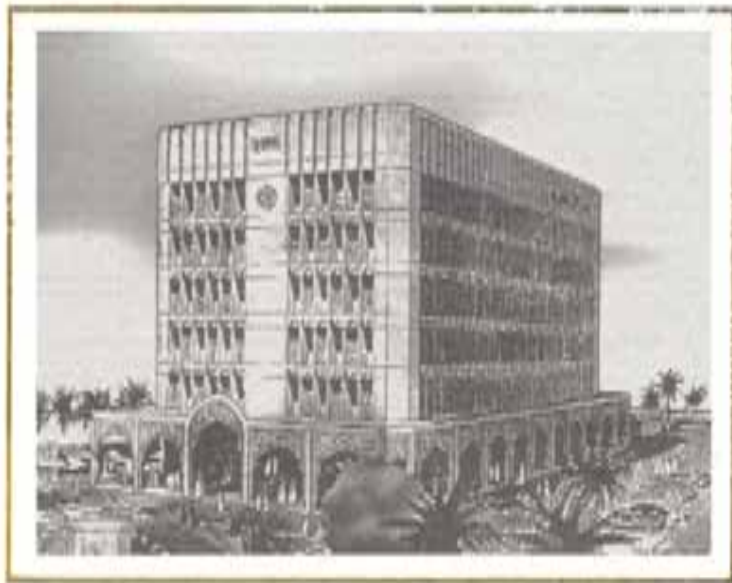


QATAR NATIONAL BANK



1993 ANNUAL REPORT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

*The Twenty Ninth Annual Report
of the Board of Directors
and Financial Statements for the
year ended December 31, 1993*



QATAR NATIONAL BANK

Established 1964

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HEAD OFFICE AND BRANCHES

Head Office

P. O. Box : 1002, Doha
Telegraphic Address : Qatarbank
Telex : 4064/4212/4357 Qatbnk Dh
SWIFT : QNBQAQA
Fax : 413753 - Tel : 407407 (27 Lines)

DOMESTIC BRANCHES

Main Branch

P. O. Box : 1000, Doha
Telegraphic Address : Qatarbank
Telex : 4212 Qatbnk Dh
Fax : 415020
Tel. No. : 407407 (27 Lines)

Musheireb

P. O. Box : 1818, Doha
Telegraphic Address : Qatarbank
Fax : 415021
Tel. No. : 423643 (5 Lines)
Manager : 429191

Airport Road

P. O. Box : 3252, Doha
Telegraphic Address : Qatarbank
Fax : 432339
Tel. No. : 328125 (5 Lines)
Manager : 435274

Al Sadd

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

Qatar University / Male

Fax : 835082
Tel. No. : 892619/892633

Qatar University / Female

Fax : 835137
Tel. No. : 892586

Hamad General Hospital

Fax : 415022
Tel. No. : 421517/421917

Air Force Base

Fax : 426724
Tel. No. : 322016
Manager : 651103

Umm Said

P. O. Box : 50050, Umm Said
Fax : 771062
Tel. No. : 771529
Manager : 771791

Al Khor

P.O. Box : 60030, Al Khor
Fax : 721625
Tel. No. : 720127
Manager : 721585

Al Shamal

P.O. Box : 70222, Al Shamal
Fax : 731503
Tel. No. : 731246
Manager : 731630

Industrial Area

P. O. Box : 40611
Fax : 600427
Tel. No. : 600344
Manager : 600343

Al Rayyan

P. O. Box : 90923
Fax : 806909
Tel. No. : 807090 (3 Lines)
Manager : 807806
Ladies Section
Tel. No. : 807090

Al Gharaffa

P. O. Box : 24777
Fax : 862151
Tel. No. : 862900
Manager : 862343
Ladies Section
Tel. No. : 862900
Ext. : 230/231

Immigration Building Office

Tel. No. : 874217/874219

Doha Airport

Tel. Nos. :
Departure Terminal: 425500
Arrival Terminal : 438011

Sheraton Gulf Hotel Office

Tel. No. : 328606

Sheraton Doha Hotel Office

Fax : 831104
Tel. No. : 831878/9

Q.G.P.C. Office

Fax : 831081
Tel. No. : 831218/491253

FOREIGN BRANCHES

London - City

135 - 141 Cannon Street
London EC4N 5AH
Telegraphic Address :
Qatarbank, London
Telex : 886214 Qatbnk G
SWIFT : QNBAGBQL
Fax : (071) 283-1635
Tel. No. : (071) 283-3911
Dealing Room :
Tel. No. : (071) 283-3732

London - West End

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 G
SWIFT : QNBFRPP
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. :
432444/430324/430325



H. H. SHEIKH KHALIFA BIN HAMAD AL-THANI
Emir of the State of Qatar



H. H. SHEIKH HAMAD BIN KHALIFA AL-THANI
Heir Apparent, Minister of Defence



H. E. SHEIKH MOHAMED BIN KHALIFA AL-THANI
Minister of Finance, Economy and Commerce
Chairman, Board of Directors

CHAIRMAN'S STATEMENT



Dear Shareholders,

It gives me great pleasure to present to you the 29th Annual Report and the results of the Bank for the year 1993. The Bank's asset quality and profitability continued to strengthen, consolidating its continuous growth and building on its experience to improve its service to further support the national economy.

Fiscal year 1993 continued to witness the recession that dominated most of the world, in particular the major industrial economies. The impact of this global recession was reflected in a decrease of overall economic growth and an increase in the unemployment rate. Preliminary International Monetary Fund statistics indicate that the average rate of economic growth for major industrial countries in 1993 was 1.1%, down from 1.5% in 1992.

Furthermore, 1993 witnessed many changes in global economic cooperation. Qatar joined GATT (General Agreement on Tariffs and Trade), which was signed in order to liberalize international trade; NAFTA (North American Free Trade Agreement), was founded; The European Markets made notable achievements and South East Asian countries experienced an increase in economic growth, and in particular China, which has achieved a high level of economic growth.

Despite the fluctuation in oil prices, the Qatari economy achieved its economic goals as set by the Government, and diversified its sources of income by encouraging the private sector to play a greater role in the country's economic development.

The Bank continued to grow during 1993, declaring a net operating income before extraordinary items and prior year adjustments of QR. 241 million, up by 24.6% over 1992. Net profit after extraordinary items and prior year adjustments declined to QR. 269.5 million from QR.305.5 million in 1992, a decrease of 11%. This is a result of transferring a smaller amount from general provisions to profit in 1993 compared to that transferred in 1992. Total assets increased to QR.15.3 billion in 1993 from QR.14.8 billion in 1992, an increase of 3%. Return on average assets was 1.79%. Moreover, liquid assets amounted to QR. 5.9 billion (38.8% of total assets) and loans and advances were 57.8% of total assets.

Capital adequacy rate of the Bank was 46.7% as at 31st December 1993, whereas the minimum rate set by the Basil Committee and Qatar Central Bank is 8%. This reflects the strength of the Bank's financial position and the adequacy of its reserves and provisions.

As a result, the Board of Directors recommend to pay a 20% cash dividend and a 1 per 4 share bonus to the Shareholders (amounting to QR. 127.6 million). This means an increase of Owners Equity by QR. 211.5 million (11.3% increase). Return on average Owner's Equity was 13.54%.

On behalf of the Shareholders, the Board of Directors, the Management and Staff of Qatar National Bank, I would like to take this opportunity to extend my sincerest appreciation and gratitude for the continued patronage of His Highness The Emir Sheikh Khalifa Bin Hamad Bin Khalifa Al-Thani and to His Highness The Heir Apparent and Minister of Defence Sheikh Hamad Bin Khalifa Al-Thani.

Furthermore, I would like to thank our valued customers of Qatar National Bank for their continued confidence and to our Management Team and Staff for their continued excellence and professionalism.

Mohamed Bin Khalifa Al-Thani

CHAIRMAN OF THE BOARD OF DIRECTORS.



BOARD OF DIRECTORS



**H.E. Saleh Abo Dawood
Al Muhanadi**
Vice-Chairman



H.E. Yousef Kamal



Haider Suleiman Haider



**Abdalla Abdul-Aziz
Al Khater**
Managing Director



**Sheikh Hamad Bin Faisal
Al-Thani**



Abdul Aziz Salat



**Mohamed Marzouq
Al Shamlan**



Nasser Gassem Darwish



Adel Ali Bin Ali

HEAD OFFICE DIRECTORY

	TELEPHONE	FAX
BOARD OF DIRECTORS' OFFICE	430240	413394
MARKETING & CREDIT	432728/414963	436577/431036
OPERATIONS & SYSTEMS	413126	352614
MANAGING DIRECTOR'S OFFICE	414504	413394
TREASURY	413693	414943
INVESTMENT AND INTERNATIONAL DIVISION	413768	410418
LEGAL	350194	350192
INTERNAL AUDIT	413876	352612
FINANCIAL CONTROL	430482	430576
PERSONNEL ADMINISTRATION AND HUMAN RESOURCES	414565	414830





MANAGEMENT



**ABDALLA ABDUL-AZIZ
AL KHATER**
Managing Director



**SAEED BIN ABDULLAH
AL-MISNAD**
Deputy General Manager

ECONOMIC OVERVIEW



The world economy in 1993 experienced an economic recession in many countries, especially the developed countries. The recession was reflected in the decline in the real GDP where the International Monetary Fund's (IMF) figures estimate that the average real GDP of Developed countries declined from 1.5% in 1992 to 1.1% in 1993.

The main reason behind the lower estimate of real GDP in the developed countries in 1993 was due to the estimate of negative growth of 0.2% in the European Community and 0.1% in Japan, while

estimates for developed countries showed an increase in the total GDP in 1993 from 5.8% in 1992 to 6.1% in 1993. This was due to an increase in the average growth from 7.8% to 8.7% in Asia and from 0.4% to 1.6% in Africa.

The economic recession in the Industrial countries led to an increase in the

unemployment rate to 8.3% in 1993 from 7.8% in 1992. In Japan and the United Kingdom, unemployment rates in 1993 were estimated at 2.5% and 12.5% respectively. The 1993 unemployment rate estimate shows that it increased in all major industrial countries except the USA where the unemployment rate was 6.7% compared to 7.1% in 1992.

The increase in the unemployment rate in Industrial countries in 1993 is considered the most important economic problem these countries had faced and which had a direct and negative effect on the world capital and money markets.

The international money market was affected significantly by the political and economic development in 1993. The economic changes had the premier role in the direction that the international money market have taken; the general trend in the Forex market was the decline in the U.S. Dollar and Japanese Yen vis-à-vis the major currencies especially in the last few months of the year. One of the major development was the severe fluctuation in the European exchange rates which pushed the European authorities to increase the exchange rate margin range between 2.25% and 15% to save the European exchange rate mechanism.

As a result of the recession the world economy has experienced in 1993, especially in developed countries, most of these countries cut the interest rates. As an example, Japan had cut short term interest rate from 3.6% in 1992 to 2% in 1993, and long term interest rate



from 4.5% to 3%, Britain had cut the short term interest rate from 7% in 1992 to 5.5% in 1993 and long term interest rate from 8.4% to 6.2%.

1993 witnessed very important economic development in the international economic cooperation at both economic groups and blocks levels. At the international level, the members agreement on the Uruguay Agreement was the major achievement of the year. At the economic block level, NAFTA was founded to include the United States, Canada and Mexico. There is no doubt that NAFTA will help to increase economic trade between members in the future.

1993 witnessed the creation of the European market, beside the agreement on the Maastricht Treaty, and the agreement to establish the European Monetary Fund which to be considered as a step towards the foundation of European Central Bank at a later stage.

Crude oil prices had declined in 1993 especially toward the year end.

1994 OUTLOOK

The year 1993 witnessed a continuation of the recession that affected most parts of the world especially industrial countries. Economists forecast that 1994 will experience an expansion in the economic growth mainly in industrial countries which experienced an economic growth contraction in the last few years.

The expected expansion in economic growth in 1994 means an increase in the average real GDP of most countries and a decrease in the unemployment rate. The major tool in achieving this is the decrease in interest rate in the European countries in order to encourage investments and in turn economic growth.

THE STATE OF QATAR ECONOMY IN 1993

In spite of the unfavourable world economic and the severe fluctuation of crude oil prices especially toward the year end and their influence on the economy, the domestic economy continued to achieve its economic goals guided by the Government guidelines in diversification of sources of income and encouragement of private sector to play an efficient role in the country's economic development.

The Government of the State of Qatar continued the encouragement of the private sector to play an efficient role in the country's economic activities and on the other hand to turn the savings to investments which considered as a pillar in the economic



development. Also, the government confirmed its sound financial policy of accelerating the economic and social programs.

These programs aim to increase the general standard of living for all Qatari Nationals. This was reflected in the general outlines of 92/93 government budget where priority was on social services programs such as new schools, housing, senior staff housing, expansion of the water and electricity network and maintenance and development of roads, also, the government continued its emphasis on industrial development to expand production base, diversify sources of income and to privatize some of the services the government is offering.

The 1992/1993 government budget revenue amounted to QR. 9,604 million while public expenditure estimated at QR. 12,399 million, a deficit of QR. 2,795 million. The deficit in the 1992/1993 is a result of the decline in the revenue because of the decline in crude oil prices and the emphasis of government on social and financial programs implementation in order to increase the general standards of living of Qatari Nationals.

The Banking Industry level had witnessed a major achievement by the transformation of the Qatar Monetary Agency to Qatar Central Bank. A full cooperation took place between the Qatar Central Bank and commercial banks in order to enhance and stabilize the banking activities.



THE YEAR IN REVIEW...

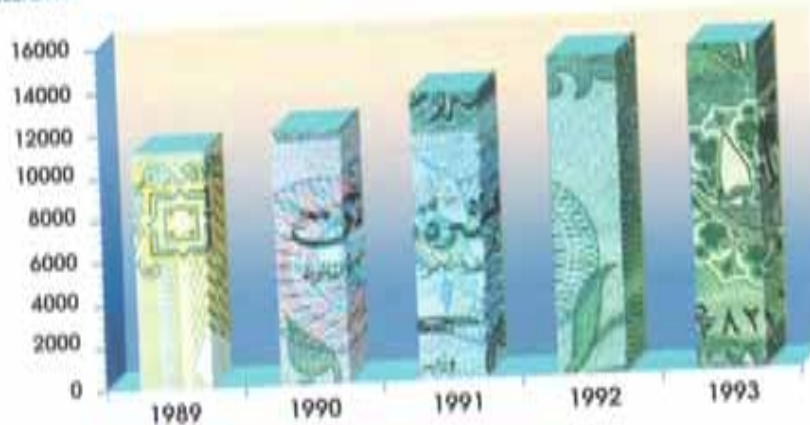
Meeting the Challenges

- Qatar National Bank is committed to providing Customer Service excellence, and as such, has continued to invest in all spheres to ensure customer satisfaction and retain its premier financial position in Qatar. 1993 saw many initiatives undertaken in the pursuit of this goal.

On the domestic branching front, Qatar National Bank's policy of servicing a wider section of Qatari society continues to underpin the branch expansion and upgrading programme. As such, studies for the renovation and upgrading of systems were prepared for several domestic branches including Al Khor, Al Shammal, Umm Said, Al Rumailah and Al Rayyan. The Industrial Area Branch is targeted for a new location and a bigger branch, reflecting the importance of the Industrial Zone in Qatar's continuing economic development and diversification. To cater to Qatari society's wishes and social mores and customs, the Bank has not forgotten to develop separate Ladies Branches. As part of this effort, a separate building was identified and rented to house the future Ladies Branch at Al-Sadd.

TOTAL ASSETS

QR MILLIONS



ATMs were installed at the Bank's offices at Qatar's prestigious hotels – the Sheraton Doha Hotel and Resort and the Sheraton Gulf Hotel.

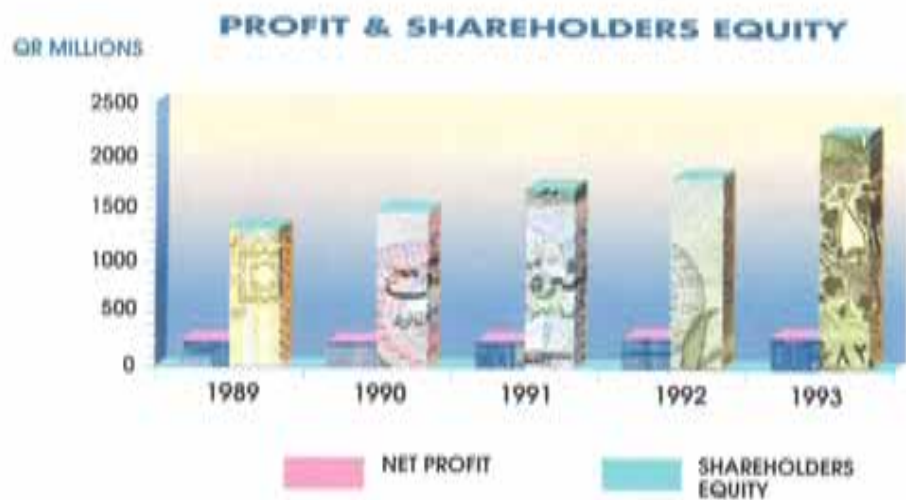
Plans are under study for further strengthening of QNB's domestic branch network through selective openings and providing a full range of services.

Our International branches in London and Paris continue to play an important role in providing Qatari customers with the



international services they expect away from home, and QNB is committed to upgrading the delivery system of these overseas branches. Automation of processing and high quality client services are key to this programme.

- QNB has spared no efforts to be one of the leading users of up-to-date systems and 1993 saw the introduction of the sophisticated ACT Financial Control and Monitoring package for Treasury and Capital Market products. QNB is proud of the fact that it was the first Bank in both Qatar and the region to introduce the system, which has already demonstrated its usefulness by reducing expenses and providing a professional Treasury Service. Our Dealers can now offer and deliver a wider range of foreign exchange and capital market products and the growth of volumes in this capacity has been gratifying.



- 1993 saw the introduction of the SWIFT System and the Bank has witnessed an increase in the volume of remittances handled along with a reduced percentage of transmission errors. As more Banks globally join the SWIFT System, QNB will be able to deliver worldwide transfers in an extremely efficient manner.

No financial institution can rest on its laurels or remain static, and QNB is committed to introducing new products and services in a more competitive environment. As such, the Bank was the first in Qatar, to offer a unique Physical Gold Sale service to its clients in co-operation with a leading Swiss Bank and has conducted studies on delivering a stock purchase option plan which has been submitted to the Qatar Central Bank for approval. As the GCC economies mature, there is a growing need for more sophisticated capital market products and the region has witnessed the opening and expanding of existing stock markets. Plans are under way for the opening of such a stock market in Qatar and QNB aims to play a leading role in the creation of new capital market instruments. 1993 saw the preparation for launching of a specialist Vehicle Finance Section catering to the Qatari Retail market and the Bank is studying other retail finance schemes.



- The Bank's Visa Credit Card holders benefited from improved enhancements to existing services such as membership of IAPA (International Airlines and Passenger Association), insurance cover and other exclusive membership services. During 1993, the Bank signed a preliminary Agency Agreement with MasterCard with launch for these cards set for 1994, thus providing a wider range of Credit Card services.



- The year in review also saw a more focused and reorganised Credit and Marketing initiative along specific business segments serving the country's largest bank customer base. This area was also successful in negotiating and arranging highly visible international syndicated financing packages, including the initiation of the US\$ 200 Million QAPCO (Qatar Petrochemical Company) Ethylene and Polyethylene expansion programme.
- Existing business volumes continued to grow and it was gratifying to note that Letters of Credit, Collections, and Letters of Guarantee business nearly reached QR. 4 Billion for 1993, generating a revenue of QR. 10.7 Million from 6,608 transactions. The Bank aims to be at the forefront of trade finance activity and is placed in good stead as the world recession gradually turns around. Improvements in the domestic economy and a more concerted and vigorous collection programme has brought in the sum of QR.51.9 Million from doubtful loans, and the Bank will spare no effort at further collections. Sale of client assets has also been pursued in lieu of doubtful loans and this option will also be selectively pursued.
- In the final analysis, a Financial Institution is only as good as its Management and Staff. Today QNB is blessed with having a dedicated and long service staff - the most important resource of the Bank. In order to enhance productivity and provide scope for career development, especially for our Qatari employees, as part of the National Programme, the Bank has undertaken a comprehensive staff training and development programme. QNB is the only Bank in Qatar to boast of a dedicated Bank Training Centre and some 113 staff attended varied courses in 1993, ranging from Credit, Operations, Financial Control to Office and Time Management. At the same time, a select group of 30 staff were sent abroad for further training. QNB is committed to providing all the necessary resources to ensure that staff are able to adapt to a fast changing financial and technological environment, to better serve our loyal customer base.

AUDITORS' REPORT

31 DECEMBER 1993

THE SHAREHOLDERS
Qatar National Bank - S.A.Q.

We have audited the financial statements of Qatar National Bank S.A.Q. set out on pages 22 to 28 in accordance with International Auditing Guidelines. We have obtained all the information and explanations we required for the purpose of our examination.

In our opinion the financial statements present a true and fair view of the state of affairs of the bank at 31 December 1993 and of the results of its operations and the source and application of its funds for the year then ended in accordance with accepted banking practice in Qatar as described in note 2(g). Furthermore, in our opinion the financial statements comply with Qatar Commercial Companies' Law No. 11 of the year 1981, the Qatar Central Bank Law No. 15 of 1993 and the bank's articles of association. Also, in our opinion proper financial records have been kept and the contents of the Directors' report which relate to the financial statements are in agreement with the bank's financial records.

We are not aware of any violations of the above mentioned laws or the articles of association having occurred during the year which might have had a material adverse effect on the business of the bank or on its financial position.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59
Doha, 31 January 1994

BALANCE SHEET

31 DECEMBER 1993

	Note	1993 QR'000	1992 QR'000
ASSETS			
Cash and short term funds	3	420,813	448,371
Deposits with banks and other financial institutions		4,229,426	4,303,500
Treasury bill	4	1,274,175	-
Loans and advances to customers	5	8,829,372	9,388,959
Investments	6	176,584	383,105
Property and equipment	7	59,757	57,237
Other assets	8	278,384	245,228
TOTAL ASSETS		15,268,511	14,826,400
LIABILITIES AND SHAREHOLDERS' FUNDS			
Due to banks and other financial institutions	9	4,692,364	3,530,429
Customers' deposits	10	7,900,963	8,549,992
Other liabilities and provision for general banking risks		523,292	796,131
Proposed dividends	11	56,700	66,150
Total liabilities		13,173,319	12,942,702
SHAREHOLDERS' FUNDS			
Share capital	12	354,375	283,500
Statutory reserve	13	354,375	283,500
General reserve	13	1,310,277	1,310,277
Retained earnings		76,165	6,421
Total shareholders' funds		2,095,192	1,883,698
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		15,268,511	14,826,400
Letters of credit, acceptances, guarantees and other obligations on behalf of customers	14	3,959,916	4,382,570

H.E. Sheikh Mohamed Bin Khalifa Al-Thani
Chairman

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

Abdalla Abdul-Aziz Al Khater
Managing Director

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended 31 December 1993

	Note	1993 QR'000	1992 QR'000
STATEMENT OF INCOME			
Interest income		897,475	973,806
Interest expense		592,233	684,992
		<hr/>	<hr/>
Net interest income		305,242	288,814
Other income	15	73,206	123,930
		<hr/>	<hr/>
OPERATING INCOME		378,448	412,744
		<hr/>	<hr/>
General and administration expenses		110,708	109,670
Depreciation		12,583	9,602
Provision for loan losses		4,893	69,620
Provision for diminution in value of investments		3,761	-
Provision for diminution in value of properties acquired against advances		5,500	30,500
Prior year items	16	16,549	1,728
		<hr/>	<hr/>
		153,994	221,120
		<hr/>	<hr/>
PROFIT BEFORE UNUSUAL ITEM		224,454	191,624
		<hr/>	<hr/>
Unusual item	17	45,000	113,897
		<hr/>	<hr/>
PROFIT FOR THE YEAR		269,454	305,521
		<hr/>	<hr/>
STATEMENT OF RETAINED EARNINGS			
Balance at beginning of the year		6,421	6,421
Profit for the year		269,454	305,521
		<hr/>	<hr/>
		275,875	311,942
		<hr/>	<hr/>
Transfer to statutory reserve	13	70,875	94,500
Proposed dividends	11	56,700	66,150
Proposed issue of bonus shares		70,875	94,500
Directors' fees	18	1,260	-
Transfer to general reserve	13	-	50,371
		<hr/>	<hr/>
		199,710	305,521
		<hr/>	<hr/>
Balance at end of the year		76,165	6,421
		<hr/>	<hr/>

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 31 December 1993

	1993	1992
	QR'000	QR'000
SOURCES OF FUNDS		
From operations:		
Profit for the year after Director's fees	268,194	305,521
Items not involving the movement of funds :		
Depreciation	12,583	9,602
Provision for loan losses	4,893	69,621
Provision for diminution in value for investments	3,761	-
Provision for diminution in value of properties acquired against advances	5,500	30,500
Provision for general banking risks no longer required	<u>(45,000)</u>	<u>(113,897)</u>
Total generated from operations	249,931	301,347
Other sources:		
Net book amounts of property and equipment disposals	1,036	1,021
Disposal of investments	<u>202,760</u>	<u>-</u>
Total sources of funds	<u>453,727</u>	<u>302,368</u>
FUNDS APPLIED		
Purchase of property and equipment	16,139	15,723
Purchase of investments	-	213,567
Dividends	<u>56,700</u>	<u>66,150</u>
Total applications of funds	<u>72,839</u>	<u>295,440</u>
INCREASE IN NET BANKING ASSETS	<u>380,888</u>	<u>6,928</u>
Arising from movements in:		
Loans and advances to customers	(554,694)	715,000
Treasury bill	1,274,175	-
Customers' deposits	649,029	792,269
Due to banks and other financial institutions	<u>(1,161,935)</u>	<u>(1,843,857)</u>
	206,575	(336,588)
Other assets, liabilities and provision for general banking risks	275,945	(147,913)
Cash and short term funds	(27,558)	131,227
Deposits with banks and other financial institutions	<u>(74,074)</u>	<u>360,202</u>
	<u>380,888</u>	<u>6,928</u>

The attached notes 1 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 1993

1. ACTIVITIES

Qatar National Bank S.A.Q. is incorporated in Qatar as a public shareholding company and is engaged in commercial banking, primarily in Qatar, with branches in the United Kingdom and France.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Foreign currencies

- (i) Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions and any resulting gains or losses are taken to income.
- (ii) Assets and liabilities in foreign currencies at the balance sheet date are translated at the year end rates of exchange and any resulting gains or losses are taken to income.
- (iii) Foreign currency gains or losses, resulting from forward exchange contracts entered into in connection with loans and deposits, and which are translated into Qatar Riyals at rates of exchange ruling at the dates on which the contracts are entered into, are taken to income pro-rata over the terms of the contracts.
- (iv) Commitments relating to other forward exchange contracts are translated into Qatar Riyals at forward rates ruling at the year end and any resulting gains or losses are taken to income.

c) Investments

- (i) Trading investments
Trading investments are stated at the lower of cost and market value.
- (ii) Long term investments, investments in affiliated companies and treasury bills
Long term investments, investments in affiliated companies and treasury bills are stated at cost with provision only being made for any permanent decline in value.

d) Depreciation

Freehold land is not depreciated. The cost of other property and equipment is depreciated by equal annual instalments over the estimated useful lives of the assets.

e) Revenue recognition

Interest receivable and payable is recognised on a time proportion basis, taking account of the principal outstanding and the rate applicable. Overdue interest is deferred and is taken to income when the amount is considered recoverable. Commission and other fees receivable or payable are recognised when due.

f) Provision for loan losses

Specific and general provisions for loan losses are made on the basis of a continuous appraisal of the lending portfolio, having regard to the bank's previous experience, current economic conditions and Qatar Central Bank regulations. The general provision covers bad and doubtful debts which are likely to be present in any portfolio of bank advances but which have not yet been specifically identified. Provisions are applied to write off all advances when all security has been realised and further recoveries are considered to be unlikely.

g) Provision for general banking risks

The bank holds a provision to cover unforeseeable risks and contingencies. This provision is shown in the balance sheet under the heading "other liabilities and provision for general banking risks".

h) Employees' terminal benefits

Provision is made for amounts payable to employees in accordance with the bank's regulations and calculated on the basis of employees' accumulated periods of service at the balance sheet date. The bank's regulations provide for an amount greater than the minimum required by the Qatar Labour Law.

i) Interest rate swaps and forward rate agreements

The bank enters into interest rate swaps and forward rate agreements to meet the needs of its customers and to reduce its exposure to interest rate risk. The swaps and forward rate agreements represent contracts to exchange interest computed on notional amounts. The interest received or paid is recognised over the life of the contracts and is included in interest income or expense.

3. CASH AND SHORT TERM FUNDS

	1993 QR'000	1992 QR'000
Cash in hand and on current account with other banks	181,878	155,680
Cash and deposits with the Qatar Central Bank	238,935	292,691
	<u>420,813</u>	<u>448,371</u>

4. TREASURY BILL

This amount represents a treasury bill repayable by the Government of the State of Qatar on 3 June 1994 and bears interest at commercial rates.

5. LOANS AND ADVANCES

Loans and advances are stated net of deferred interest and specific provisions for loan losses of QR 655 million and general provision for loan losses of QR 180 million.

6. INVESTMENTS

	1993 QR'000	1992 QR'000
Trading investments	3,625	3,640
Investments in affiliated companies	13,858	14,021
Long term investments	163,047	158,437
Bonds	4,368	211,560
	<u>184,898</u>	<u>387,658</u>
Provision for diminution in value of investments	<u>(8,314)</u>	<u>(4,553)</u>
	<u>176,584</u>	<u>383,105</u>

7. PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Freehold buildings	: 25 years
Furniture and equipment	: 4 to 7 years
Vehicles	: 4 years

	Freehold land and buildings QR'000	Furniture, Equipment and vehicles QR'000	Total QR'000
Cost :			
At 31 December 1992	66,059	60,271	126,330
Additions during the year	7,853	8,286	16,139
Cost of disposals	(139)	(2,029)	(2,168)
Cost of transfer to other assets	(500)	-	(500)
	<u>73,273</u>	<u>66,528</u>	<u>139,801</u>
Depreciation:			
At 31 December 1992	36,026	33,067	69,093
Charge for the year	2,857	9,726	12,583
Relating to disposals	(213)	(1,419)	(1,632)
	<u>38,670</u>	<u>41,374</u>	<u>80,044</u>
Net book amounts:			
At 31 December 1993	<u>34,603</u>	<u>25,154</u>	<u>59,757</u>
At 31 December 1992	<u>30,033</u>	<u>27,204</u>	<u>57,237</u>

8. OTHER ASSETS

	1993 QR'000	1992 QR'000
Properties acquired against advances (pending sale)	104,079	102,735
Prepayments	6,450	4,035
Others	167,855	138,458
	<u>278,384</u>	<u>245,228</u>

9. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	1993 QR'000	1992 QR'000
Current accounts and demand deposits	53,266	200,716
Deposits maturing within one year	4,639,098	3,329,713
	<u>4,692,364</u>	<u>3,530,429</u>

10. CUSTOMERS' DEPOSITS

	1993 QR'000	1992 QR'000
Demand deposits in Qatar Riyals	1,598,267	2,016,525
Savings and time deposits in Qatar Riyals	2,479,064	2,141,170
Deposits in foreign currencies	3,823,632	4,392,297
	<u>7,900,963</u>	<u>8,549,992</u>

11. PROPOSED DIVIDENDS

The directors proposed a cash dividend of 20% (QR 20 per share) (1992 : 35% - QR 35 per share).

12. SHARE CAPITAL

	1993 QR'000	1992 QR'00
Authorised, issued and fully paid 2,835,000 ordinary shares of QR 100 each	283,500	189,000
Proposed bonus issue	70,875	94,500
	<u>354,375</u>	<u>283,500</u>

The Government of Qatar holds 50% of the ordinary shares of the bank.
The Board of Directors have proposed a bonus issue equal to QR 70,875,000 on the basis of 1 ordinary share for every 4 shares held (1992 : QR 94,500,00 on the basis of 1 ordinary share for every 2 shares held).

13. CHANGES IN SHAREHOLDERS' FUNDS

	Share capital QR'000	Statutory reserve QR'000	General reserve QR'000	Retained earnings QR'000	Total QR'000
At 31 December 1991	189,000	189,000	1,259,906	6,421	1,644,327
Profit for the year net of proposed dividends and directors' fees	-	-	-	239,371	239,371
Transfer to statutory reserve	-	94,500	-	(94,500)	-
Issue of bonus shares	94,500	-	-	(94,500)	-
Transfer of general reserve	-	-	50,371	(50,371)	-
At 31 December 1992	<u>283,500</u>	<u>283,500</u>	<u>1,310,277</u>	<u>6,421</u>	<u>1,883,698</u>
Profit for the year net of proposed dividends and directors' fees	-	-	211,494	211,494	-
Transfer to statutory reserve	-	70,875	-	(70,875)	-
Issue of bonus shares	70,875	-	-	(70,875)	-
At 31 December 1993	<u>354,375</u>	<u>354,375</u>	<u>1,310,277</u>	<u>76,165</u>	<u>2,095,192</u>

The statutory reserve is not available for distribution except in the manner stipulated in the Qatar Commercial Companies' Law No. 11 of 1981.

14. COMMITMENTS AND CONTINGENT LIABILITIES

	1993 QR'000	1992 QR'000
Letters of credit	2,663,130	3,571,100
Guarantees and acceptances	1,296,786	811,470
	<u>3,959,916</u>	<u>4,382,570</u>

The bank also had commitments in the normal course of business for the following forward contracts and other financial instruments.

	1993 QR'000	1992 QR'000
Forward foreign exchange and bullion commitments	8,208,569	16,702,939
Notional principal amount of interest rate swaps and forward rate agreements	2,092,185	1,933,915

15. OTHER INCOME

	1993 QR'000	1992 QR'000
Fees and commissions	18,374	26,718
Investment income	11,113	23,977
Net gains from dealing in foreign currencies	34,696	59,251
Other operating income	9,023	13,984
	<u>73,206</u>	<u>123,930</u>

16. PRIOR YEAR ITEMS

These items include amounts outstanding with correspondent banks of QR 12.5 million which were released to income in prior years and which have been reinstated during the current year.

17. UNUSUAL ITEM

During the year the bank transferred QR 45,000,000 (1992 : QR 113,897,000) from the provisions for general banking risks to income.

18. DIRECTORS' FEES

In 1992 directors' fees amounting to QR 525,000 and executive committee fees of QR 210,000 paid to the members of the Board of Directors were included in general and administration expenses.

19. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.