

*Quincy National Bank*



*Annual Report*  
*1917*



# **QATAR NATIONAL BANK (S.A.Q.)**

Established 1965

Twenty Third Annual Report of the Board of Directors  
and Financial Statements  
for the year ended December 31, 1987



# QATAR NATIONAL BANK

## Contents

Head Office and Branches	3
Chairman's Statement	7
Report of the Board of Directors	9
Statement of Income and Retained Earnings	11
Balance Sheet	12 - 13
Statement of Changes in Financial Position	14 - 15
Notes to Financial Statements	16-17-18-19
Statement of Changes in Shareholders' Equity	20
Profits and Shareholders' Equity	21
The Auditors' Report	22



# QATAR NATIONAL BANK

## Head Office & Branches

### Head Office

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

### Qatar Branches

#### Doha Branches

##### Main Branch

P.O. Box 1000, Doha  
Telegraphic Address: Qatarbank  
Telex: 4357 Qatbnk Dh  
Telephone Number: 413511 (16 Lines)

##### Mushaireb

P.O. Box 1818, Doha  
Telex: 4845 Qatbnk Dh  
Telephone Number: 423464, 423643  
424077, 424122

##### Airport Road

P.O.Box 3252, Doha  
Telephone Number: 328125, 328868  
328869, 435274

##### Al Sadd

P.O.Box 9366, Doha  
Telex: 5080 Qatbnk Dh  
Telephone Number: 420424, 420425  
420450, 441822

##### Doha Airport

Telephone Number: 425500

##### Gulf Hotel

Telephone Number: 328606

##### Qatar University/Male

Telephone Number: 892619, 892633

##### Qatar University/Female

Telephone Number: 892586

##### Sheraton Hotel

Telephone Number: 831104

### Other Locations

#### Umm Said

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

#### Al Khor

P.O. Box 20030, Al Khor  
Telephone Number: 720127, 721585

#### Al Shamal

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

### Foreign Branches

#### London-City

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

#### West End

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

#### Paris

17 Avenue Matignon  
75008 Paris  
Telegraphic Address: Qatarbank, Paris  
Telex: 641344 Qatbnk  
Fax: 4289-1658  
Telephone Number: 4359-5812  
**Dealing Room:**  
Telephone Number: 4359-5812



**QATAR NATIONAL BANK**



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





# QATAR NATIONAL BANK



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



# QATAR NATIONAL BANK



H.E. Sheikh Abdul Aziz Bin Khalifa Al Thani  
Chairman, Board of Directors





# QATAR NATIONAL BANK

## Chairman's Statement

It gives me great pleasure to present to you the annual report and the results of your Bank for the year ended December 31, 1987.

The past year was notable for lower oil prices relative to projections. Lower prices, an increase in the market share of non-OPEC producers and a marginal increase in worldwide demand caused a budget deficit for most OPEC countries, including the State of Qatar.

While most Banks saw only a moderate growth in profits in 1987, Qatar National Bank posted record profits for the year of QR.191.4 million, up 104% over the previous year's figure of QR.93.8 million. As the loss reserve was already adequate to cover all non-performing loans, the Bank did not need further provisions for loan losses in 1987, creating a slight decrease in total expenses compared with 1986. This decrease in expenses combined with stable revenue growth, caused the dramatic increase in the Bank's profits and returns. During 1987, the Bank's return on average assets (1.90%) and return on average shareholders' equity (22.91%) showed significant improvements over the previous year and were exceptionally high by international standards.

During the past year, Qatar National Bank continued to expand the range and quality of services to its customers and modernize its operations. The Bank remained faithful to its policy of supporting the growth of the Country's economy, with credits extended increasing 13% from QR.4.9 billion at the end of 1986 to QR.5.5 billion at the end of 1987. The Bank's share in the total credit extended by all Banks in the State also rose slightly from 62% in 1986 to 63% in 1987.

Total assets showed an increase of 23.3% from QR.9 billion in 1986 to QR.11.1 billion in 1987. Liabilities increased at a similar rate with our share of local deposits increasing from 46% in 1986 to 49% in 1987.

Considerable attention was also paid to the Bank's lending policies with progress being made in several loan workout situations and in recovery management. Credit quality has improved significantly and our reserves have reached an adequate level for any contingency. In addition to providing QR.25.2 million in dividends to shareholders, we set aside QR.170 million for general reserves, solely to increase the Bank's capital base for future growth. The Bank ended 1987 with 77% of all reserves and provisions in the banking sector of the local economy and total equity equal to 8.25% of total assets, again a measure that is high by international standards.

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

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

God willing, the Bank will continue its progress, growth and prosperity.

**Abdul Aziz Bin Khalifa Al Thani**  
Chairman,  
Board of Directors



# QATAR NATIONAL BANK

## Board of Directors

### Chairman

His Excellency Sheikh Abdul Aziz Bin Khalifa Al Thani  
*Minister of Finance & Petroleum*

---

### Members

Mr. Ahmad M. Suwaidi  
Mr. Abdullah Abdulghani  
Mr. Yousuf Jasem Darweesh  
Mr. Ahmad Mannai  
Mr. Haider S. Haider  
Mr. Abdulkadir Al-Qadi

---

### General Manager

Mr. Abdulla Khalid Al-Attiya

---



# QATAR NATIONAL BANK

## Report of the Board of Directors

The Board of Directors presents the annual report of the Bank for the year ended December 31, 1987. This report includes the Statement of Income and Retained Earnings, the Balance Sheet and the Changes in Financial Position & Changes in Shareholders' Equity.

The past year was dominated by three major financial events. First, depressed oil prices contributed to a decline in revenues for most oil producing countries. Second, the lower value of the U.S. Dollar adversely effected the Qatari economy with the price of many imported goods rising dramatically. Finally, world financial markets experienced a significant decline in the value of equity shares in October.

Despite these difficult economic and financial conditions, the Bank grew at a stable rate and continued to improve its capital base.

Growth was achieved primarily through an increase in the range and quality of services to local and overseas customers. A state-of-the-art banking information system is being implemented and steps have been taken to strengthen the Bank's dealing room and the management of its foreign branches. Significant progress has also been made in credit control and loan recovery.

The profit for 1987 was QR.191.4 million of which QR.25.2 million was set aside as a dividend to shareholders. QR.170 million from 1987 profits and the previous year's retained earnings were also transferred to general reserves. This record level of profits and increased reserves are in keeping with the Directors' desire to build an even stronger capital base for further growth. Effects of the recent stock market crash were substantially mitigated by the Bank's policy of investing most excess funds in the interbank deposit market rather than the more volatile equity markets.

The Board of Directors welcomes this opportunity to extend its sincere gratitude and appreciation to the Emir, His Highness Sheikh Khalifa Bin Hamad Al Thani, and to the Heir Apparent, His Highness Sheikh Hamad Bin Khalifa Al Thani for their support.

We also would like to express our thanks to all the Bank's personnel for their efforts on the Bank's behalf.

**Board of Directors**





# QATAR NATIONAL BANK



Aerial view of the city of Doha with Qatar National Bank  
Head Office building along the Corniche.



QOFC Gas Liquefaction at Umm Said





# QATAR NATIONAL BANK

## Statement of Income and Retained Earnings

for the year ended as at December 31st

	1987	1986
	<u>Qatar Riyals</u>	<u>Qatar Riyals</u>
<b>INCOME:</b>		
Interest earned, commission received, profit on exchange and other income	921,907,145	837,865,125
<b>EXPENSES:</b>		
Interest paid, general and administrative expenses, provisions and other expenses	730,465,389	744,066,271
Net income for the year — Note 12	191,441,756	93,798,854
Retained earnings at January 1	10,410,842	11,811,988
Net income available for appropriation	201,852,598	105,610,842
<b>APPROPRIATIONS:</b>		
Proposed cash dividends	25,200,000	25,200,000
Transfer to statutory reserve	—	42,000,000
Transfer to general reserve	170,000,000	28,000,000
Total proposed appropriations	195,200,000	95,200,000
<b>RETAINED EARNINGS AT DECEMBER 31</b>	<u>6,652,598</u>	<u>10,410,842</u>

*The accompanying notes are an integral part of these statements.*



# QATAR NATIONAL BANK

## Balance Sheet

for the year ended as at December 31st

ASSETS	1987	1986
	Qatar Riyals	Qatar Riyals
Cash and due from banks	5,256,007,805	3,857,953,427
Trading securities	54,155,824	63,110,694
Bills discounted	121,902,233	109,338,627
Loans and overdrafts, less allowance for loans and overdrafts losses	5,426,864,012	4,817,943,401
Accrued interest and other assets — Note 3	133,257,836	95,967,816
Customers' acceptance liability	43,914,540	32,952,902
Investment securities — Note 4	72,306,158	32,124,738
Property and equipment, net — Note 5	28,151,692	24,576,377
<b>TOTAL ASSETS</b>	<b>11,136,560,100</b>	<b>9,033,967,982</b>
Customers' liabilities on letters of guarantee, letters of credit, and forward currency contracts - contra	<b>3,860,845,898</b>	<b>1,738,051,467</b>

**ABDULLA KHALID AL-ATTIYA**  
General Manager

*The accompanying notes are an integral part of these statements.*



# QATAR NATIONAL BANK

## Balance Sheet

for the year ended as at December 31st

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1987</b>	<b>1986</b>
	<u>Qatar Riyals</u>	<u>Qatar Riyals</u>
<b>LIABILITIES:</b>		
Demand deposits, savings, time deposits including general provisions	7,939,349,958	6,666,281,546
Due to banks	1,763,546,686	1,189,306,939
Acceptances outstanding	43,914,540	32,952,902
Dividends payable — Note 6	26,640,683	26,236,003
Provisions and accrued interest — Note 7	346,915,305	265,699,991
Other liabilities — Note 8	97,540,330	101,079,759
<b>TOTAL LIABILITIES</b>	<u>10,217,907,502</u>	<u>8,281,557,140</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital: 1,260,000 ordinary shares at	126,000,000	126,000,000
Statutory reserve — Note 9	126,000,000	126,000,000
General reserve	660,000,000	490,000,000
Retained earnings	6,652,598	10,410,842
<b>Shareholders' equity</b>	<u>918,652,598</u>	<u>752,410,842</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>11,136,560,100</u>	<u>9,033,967,982</u>
Liabilities on letters of guarantee, letters of credit, and forward currency contracts — contra	<u>3,860,845,898</u>	<u>1,738,051,467</u>

**ABDUL AZIZ BIN KHALIFA AL THANI**  
Chairman,  
Board of Directors

*The accompanying notes are an integral part of these statements.*



# QATAR NATIONAL BANK

## Statements of Changes in Financial Position

for the year ended as at December 31st

	1987	1986
	Qatar Riyals	Qatar Riyals
<b>FINANCIAL RESOURCES PROVIDED:</b>		
<b>OPERATIONS</b>		
Net income	191,441,756	93,798,854
Depreciation	2,282,747	1,797,894
Provision for loan losses	49,400,514	12,048,597
Total resources provided by operations	<u>243,125,017</u>	<u>107,645,345</u>
<b>INCREASE IN</b>		
Demand deposits, savings, time deposits including general provisions	1,273,068,412	766,780,917
Due to banks	574,239,747	—
Acceptances outstanding	10,981,638	11,205,718
Provisions and accrued interest	81,215,314	42,439,930
Dividends payable	404,680	7,652,480
Other liabilities	—	34,891,361
<b>REDUCTION IN</b>		
Cash and due from banks	—	438,030,590
Trading securities	8,954,871	—
	<u>1,948,844,662</u>	<u>1,301,000,996</u>
	<u>2,191,969,679</u>	<u>1,408,646,341</u>

*The accompanying notes are an integral part of these statements.*





# QATAR NATIONAL BANK

## Statements of Changes in Financial Position

for the year ended as at December 31st

	1987	1986
	Qatar Riyals	Qatar Riyals
<b>FINANCIAL RESOURCES APPLIED:</b>		
<b>INCREASE IN</b>		
Cash and due from banks	1,398,054,378	—
Trading securities	—	22,743,857
Bills discounted	12,563,606	7,640,738
Loans and overdrafts	658,321,126	1,265,060,646
Accrued interest and other assets	37,290,020	21,621,570
Customers acceptances	10,961,638	11,205,718
Investment securities	40,181,420	4,080,627
Property and equipment	5,858,062	1,056,393
Cash dividends	25,200,000	16,800,000
<b>REDUCTION IN</b>		
Other liabilities	3,539,429	—
Due to banks	—	58,436,792
	<u>2,191,969,679</u>	<u>1,408,646,341</u>

*The accompanying notes are an integral part of these statements.*



# QATAR NATIONAL BANK

## Notes to Financial Statements

for the year ended as at December 31st

### 1. STATUS AND ACTIVITY

Qatar National Bank - S.A.Q., is incorporated as a commercial bank, with its head office in Qatar, under Ameri Decree No. 7, issued in 1964. The Bank operates through its branches in Qatar, United Kingdom and France.

The accompanying financial statements include the assets, liabilities and results of operations of all the Bank branches in Qatar, United Kingdom and France. All material inter-branch balances, income and expenses, are eliminated.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Interest income on loans and advances is calculated over the outstanding principal and interest balances on a daily basis.

Interest on bills discounted is collected in advance and is recognized as income over the period of the bills using the simple interest method.

(b) Investments are stated at the lower of aggregate cost or market. Investment in an affiliate is accounted for by the equity method. Trading securities are stated at market.

(c) Foreign currency transactions are recorded in Qatar Riyals at the rates of exchange ruling at the date of each transaction. Assets and liabilities in foreign currencies at year end are translated including open forward contracts to Qatar Riyals at the spot rates of exchange ruling at that date, translation gains or losses are included in current income.

(d) Property and equipment are stated at cost less accumulated depreciation computed on the straight-line method over their estimated useful lives.

(e) The allowance for loans and overdrafts, losses is based on a review, carried out by management, having regard to both specific and general factors. The advances are stated net of this provision. Provisions for other risks are also based on a review by management, and are included in liabilities, interest continues to be booked on credit facilities until a time when legal requirements necessitate that the accrual of interest be suspended. A corresponding provision is made for the full amount of such interest.

(f) Staff end of service indemnity and provident fund are accounted for in accordance with the bank regulations and are included in provisions and accrued expenses.

(g) Transfer to general reserve is decided by Board of Directors based on a proposal by the management.

(h) Certain items in the financial statements for the year ended December 31, 1986 were reclassified to agree with the presentation followed in the year 1987.

### 3. ACCRUED INTEREST AND OTHER ASSETS:

These assets comprise the following:

	December 31	
	1987	1986
	Qatar Riyals	Qatar Riyals
Accrued interest receivable	99,596,649	55,811,660
Bullion accounts with banks	26,604,775	33,255,219
Prepayments and other accounts	5,013,699	6,900,937
Inter-branch items in transit	2,042,713	—
	<u>133,257,836</u>	<u>95,967,816</u>



# QATAR NATIONAL BANK

## 4. INVESTMENT SECURITIES

Carrying amounts and approximate market values of investment securities are summarized as follows:

	December 31, 1987	
	Carrying amount	Approximate market value
	Qatar Riyals	Qatar Riyals
Financial institutions	18,985,393	27,537,468
Other securities	42,038,120	42,793,029
	<u>61,023,513</u>	<u>70,330,497</u>
Affiliate	11,282,645	
	<u>72,306,158</u>	
	December 31, 1986	
	Carrying amount	Approximate market value
	Qatar Riyals	Qatar Riyals
Financial institutions	14,549,473	22,935,062
Other securities	10,469,567	10,482,835
	<u>25,019,040</u>	<u>33,417,897</u>
Affiliate	7,105,698	
	<u>32,124,738</u>	

The affiliate is a company in Geneva in which the Bank owns one third of its share capital. It is mainly engaged in investment and portfolio management.

## 5. PROPERTY AND EQUIPMENT:

Major classifications of these assets are summarized as follows:

	December 31	
	1987	1986
	Qatar Riyals	Qatar Riyals
Land	20,880,710	20,880,710
Buildings	29,794,956	29,794,956
Leasehold improvements, furniture and equipment	21,447,830	16,123,765
Motor vehicles	556,808	352,668
	<u>72,680,304</u>	<u>67,152,099</u>
Accumulated depreciation	44,528,612	42,575,722
	<u>28,151,692</u>	<u>24,576,377</u>



# QATAR NATIONAL BANK

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

## 6. DIVIDENDS PAYABLE:

The Board of Directors declared cash dividends at the rate of 20 per cent of outstanding share capital as of December 31 for each of 1987 and 1986.

## 7. PROVISIONS AND ACCRUED INTEREST:

	December 31	
	1987	1986
	Qatar Riyals	Qatar Riyals
Accrued interest payable	57,339,545	37,648,728
Provisions included staff benefits	289,575,760	228,051,263
	<u>346,915,305</u>	<u>265,699,991</u>

## 8. OTHER LIABILITIES

	December 31	
	1987	1986
	Qatar Riyals	Qatar Riyals
Customers' metal accounts	26,604,775	33,255,219
Other accounts	5,176,685	7,340,897
Bills payable	57,029	15,417
Sundry creditors and others	65,701,841	58,835,899
Inter-branch items in transit	—	1,632,327
	<u>97,540,330</u>	<u>101,079,759</u>

## 9. STATUTORY RESERVE:

The statutory reserve is required by the Qatar Monetary Agency by transferring annually not less than 20 per cent of net income until the reserve equals the capital. An amount of QR 42,000,000 was transferred to this reserve during 1986.

## 10. BONUS SHARES RESERVES:

In the meeting in December 1985, the Board of Directors declared 420,000 bonus shares dividend with effect from January 1, 1986 being one share for every two owned as of December 31, 1985. The nominal value of those shares amounting to QR 42,000,000 was then transferred from retained earnings to bonus shares reserve account. During 1986, this reserve was transferred to share capital.

## 11. COMPLIANCE WITH CERTAIN REQUIREMENTS BY QATAR MONETARY AGENCY:

- (a) The Qatar Monetary Agency requires all banks in Qatar to maintain cash deposits with it, free of interest, at specified percentages of the customers' different types of deposits with the bank, as from March 15, 1986. The percentage rates are to be applied to the respective deposit balance with the bank as on 15th of each month.





# QATAR NATIONAL BANK

An amount of QR. 159,824,000 and QR 142,489,000, included in cash, current accounts and deposits with banks, as of December 31, 1987 and 1986 respectively, is deposited with Qatar Monetary Agency for this purpose.

- (b) With effect from August 18, 1986 the Qatar Monetary Agency required that capital and reserves should not be less than 6 per cent of the bank's total assets.
- (c) General reserve as of December 31, 1987, includes a reserve created by the Bank of 1 per cent of gross customers' loans and advances in order to comply with the Qatar Monetary Agency requirements.

## 12. NET INCOME:

The increase in the net income for the year 1987 compared with 1986 is due mainly to the decrease in amount of provisions taken for the year 1987 accounts compared with 1986. This decrease is due to the adequacy of provisions brought forward from 1986.

## 13. CUSTOMERS' PORTFOLIO UNDER BANK'S MANAGEMENT:

Customers' portfolio under bank's management amounted to QR. 52,088,365 and QR. 37,965,141 at December 31, 1987 and 1986 respectively.

## 14. BILLS FOR COLLECTION:

Bills for collection amounted to QR. 83,574,618 and QR. 100,935,388 at December 31, 1987 and 1986, respectively.

## 15. INCOME TAX EXEMPTION:

The Bank has been exempted from income tax in Qatar for the five years commencing March 23, 1981, in accordance with the Cabinet Decision No. 2 of 1982. The Bank has applied to obtain exemption for another period of five years as from March 23, 1986. The financial statements for the year 1986 have been prepared on the assumption that the exemption will be approved as is common with similar Qatari companies. In 1987 the Bank obtained a letter from Office of the Income Tax signed by the Director of Income Tax confirming that His Excellency the Minister of Finance and Petroleum has approved that the Bank is exempted from income tax in Qatar, for the five years commencing March 23, 1986.



## Statements of Changes in Shareholders' Equity

for the year ended as at December 31st

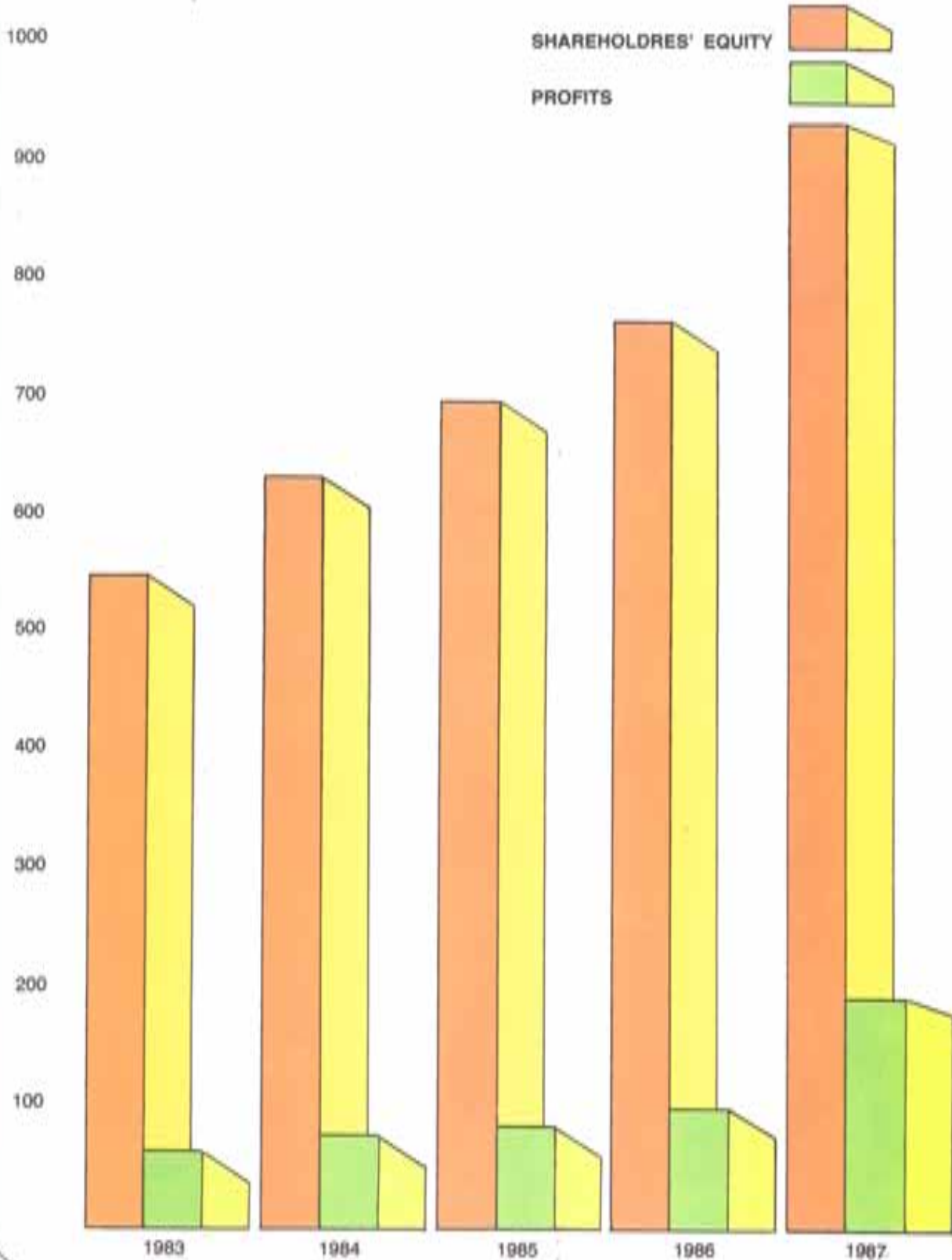
	Shares	Share capital	Statutory reserve	Bonus shares reserve	General reserve	Retained earnings	Total
	QR	QR	QR	QR	QR	QR	QR
Balance, December 31, 1985	840,000	84,000,000	84,000,000	42,000,000	—	—	—
Transfer to share capital	420,000	42,000,000	—	(42,000,000)	462,000,000	11,811,988	683,811,988
Net income	—	—	—	—	—	—	—
Cash dividends declared, QR. 20 per share	—	—	—	—	—	93,798,854	93,798,854
Transfer to statutory reserve	—	—	42,000,000	—	—	(25,200,000)	(25,200,000)
Transfer to general reserve	—	—	—	—	28,000,000	(42,000,000)	(42,000,000)
Balance, December 31, 1986	1,260,000	126,000,000	126,000,000	—	490,000,000	10,410,842	752,410,842
Net income	—	—	—	—	—	191,441,756	191,441,756
Cash dividends declared, QR. 200 per share	—	—	—	—	—	(25,200,000)	(25,200,000)
Transfer to general reserve	—	—	—	—	170,000,000	(170,000,000)	—
Balance, December 31, 1987	1,260,000	126,000,000	126,000,000	—	660,000,000	6,652,596	918,652,596

The accompanying notes are an integral part of these statements



## Profits and Shareholders' Equity

(Millions of Qatar Riyals)





# QATAR NATIONAL BANK

## The Auditor's Report

### The Shareholders

Qatar National Bank - S.A.Q.

Doha - Qatar.

We have examined the balance sheets of QATAR NATIONAL BANK - S.A.Q., Doha - Qatar, as at December 31, 1987 and 1986 and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination.

In our opinion, the financial statements referred to above present fairly the financial position of Qatar National Bank - S.A.Q., as at December 31, 1987 and 1986 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles as adapted by banking practices in Qatar, applied on a consistent basis. The financial statements provide the information required by the Law and the Bank's Bye-Laws. We are also of the opinion that proper books of account were kept by the Bank and that the stocktaking was performed in accordance with recognized principles. To the best of our knowledge and belief, and according to the information given to us, no contraventions of the Law or the Bank's Bye-Laws were committed during the two years, which materially affect the Bank's activities or its financial position.

Doha - Qatar

May 14, 1988

For SABA & CO.





# QATAR NATIONAL BANK



Hamad General Hospital



A Qatari Secondary School Library