

**QATAR NATIONAL BANK**  
*1992 Annual Report*



*In the Name of God Most Merciful  
Most Gracious*



**بنك قطر الوطني**  
**QATAR NATIONAL BANK**

Twenty Eighth Annual Report of the Board of Directors  
and Financial Statements  
for the year ended December 31, 1992

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# HEAD OFFICE & BRANCHES

P.O. Box: 1002, DOHA - Telegraphic Address: Qatarbank

## Head Office

Telex: 4064/4212/4357 Qatbnk Dh - Fax: 413753 - Tel.: 413511 (27 Lines)

## Dealing Room

Telex: 4635 Qbkfax Dh - Fax: 414943 - Tel.: 413693 - 413780 - 430324 - 430325 - 413889 - 413693

### DOMESTIC BRANCHES

#### Main Branch

P.O. Box: 1002, Doha  
Telegraphic Address: Qatarbank  
Telex: 4212 Qatlnk Dh  
Fax: 413753  
Tel. No.: 413511 (27 Lines)

#### Mushaireb

P.O. Box: 1818, Doha  
Telegraphic Address: Qatarbank  
Fax: 415021  
Tel. No.: 423643 (5 Lines)  
Manager: 425705

#### Airport Road

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

#### Al Sadd

P.O. Box: 9366, Doha  
Telegraphic Address: Qatarbank  
Fax: 446296  
Tel. No.: 420424 (4 Lines)  
Manager: 441822/420448

#### Qatar University/Male

Fax: 835062  
Tel. No.: 892619 / 892633

#### Qatar University/Female

Tel. No.: 892386

#### Hamad General Hospital

Fax: 415022  
Tel. No.: 421517/421917

#### Airforce Base

Fax: 426724  
Tel. No.: 322016

#### Umm Said

P.O. Box: 10050, Umm Said  
Fax: 771062  
Tel. No.: 771829/771791

#### Al Khor

P.O. Box: 60030, Al Khor  
Fax: 721825  
Tel. No.: 720127/721885

#### Al Shamal

P.O. Box: 130222, Al Shamal  
Fax: 731503  
Tel. No.: 731246/731630

#### Industrial Area

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

#### Al Rayyan

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

#### Al Gharaffa

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

#### Doha Offices

**Immigration Building**  
Tel. No.: 874217/874219

#### Doha Airport

Tel. No.: (Departure) 428500  
(Arrival) 438011

#### Sheraton Gulf Hotel

Tel. No.: 328606

#### Sheraton Doha Hotel

Tel. No.: 831154

### FOREIGN BRANCHES

#### London-City

135-141 Cannon Street  
London EC4N 5AH  
Telegraphic Address: Qatarbank,  
London  
Telex: 889021 Qatlnk G  
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 Qubcur G  
Tel. No.: (071) 493-7411

#### Paris

17 Avenue Matignon  
75008 Paris  
Telegraphic Address: Qatarbank,  
Paris  
Telex: 641344 Qatarlk G  
Fax: 4289-1859  
Tel. No.: 4359-5812

#### Dealing Room:

Tel. No.: 2436-4229

#### Cayman Islands

P.O. Box: 1002, Doha  
Telegraphic Address: Qatarbank,  
Telex: 4064/4212/4357 Qatlnk Dh  
Fax: 413753  
Tel. No.: 413511 (16 Lines)

#### Dealing Room:

Telex: 4635 Qbkfax Dh  
Fax: 414943  
Tel. No.: 413790/430324/430325





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 and  
Commander-in-Chief of the Armed Forces

## CHAIRMAN'S STATEMENT

*Dear Shareholders,*

On Behalf of the Board of Directors, I am pleased to present to you the 28th Annual Report of Accounts for fiscal year 1992. The bank's asset base and profitability continued to grow, solidifying its balance sheet and shareholders equity. The bank has made marked improvements in its customer related services and operational systems to further strengthen its position as the nation's premier bank within the economy of the State of Qatar.

1992 witnessed a slight easing of the recession that plagued the major industrial countries. Average economic OECD growth was somewhat modest at about 1.5%. Notwithstanding, the Government of the State of Qatar initiated various steps to support the growth of the local economy. Efforts were concentrated in promoting the industrial sector, specifically the Gas industry (The North Field Gas Project).

Moreover, the Government continued to encourage the private sector so that it would play a more prominent role in the country's economic development.

The Fiscal Year completed on December 31, 1992 marked a further period of record achievements for Qatar National Bank.

The Bank generated net profits for the year of QR 305 million, after reserves and provisions, up 13.1% over FY 1991 of QR 270 Million. This has been achieved primarily through the implementation of focused marketing strategies and consistent working relationships with our existing clientele and also exerting effort on developing a broader customer base.

Total Assets for the Bank grew to QR 14.8 billion, up 10% over 1991's figure of QR 13.5 billion.

Shareholder's Equity grew by QR 239 million or by 15% in FY 1992 to QR 1.8 billion from QR 1.6 billion in 1991.

The Board of Directors of the Bank recommend to pay a 35% cash dividend and a 1 per 2 share bonus to the shareholders.

Our mission and corporate strategy is being implemented with perseverance and dedication.

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.

Mohamed Bin Khalifa Al-Thani  
Chairman Of The Board Of Directors



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



## BOARD OF DIRECTORS



H.E. Saleh Abo Dawood  
Al Muhanadi  
Deputy Chairman



H.E. Sheikh Hamad Bin Faisal  
Al-Thani



Haider Suleiman Haider



Yousef Kamal



Abdul Aziz Salat



Abdalla Abdul-Aziz  
Al Khater



Mohamed Marzouq  
Al Shamlan



Nasser Qassem Darwish



Adel Ali Bin Ali

## GENERAL MANAGEMENT



Mr. HANI OSMAN EL DANA  
General Manager



Mr. Saeed Bin Abdullah Al-Misnad  
Deputy General Manager

ACHIEVEMENTS DURING 1992

In order to enhance the Bank's technical performance and improve its competitiveness, the bank, during 1992, continued to develop the latest technological and operational systems to improve its customer services. This has had a positive impact on the bank, and fiscal year 1992 witnessed the bank achieve the following benchmarks:

- Increase in the volume and amount of issuing Letters of Credit and Letters of Guarantees.
- The generating of approximately QR 59 million in net profit from foreign exchange dealings and international banking transactions.
- The collection of some QR 30 million from bad and doubtful receivables through our efforts in both the settlement department and legal affairs department.



Sami Abu Alam

Mohamed Calamawy

Osama T. Al-Ghoussein

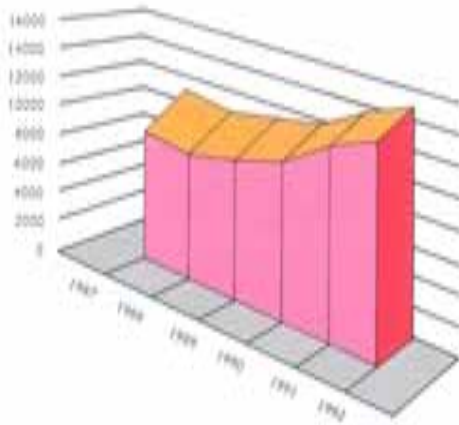
Izzat A. Nusseibeh

Ihsan Rachid



Millions of Qasar Riyals

### TOTAL ASSETS



- The establishment of a backup computer center site and the installation of the IBM ES 9000 mainframe.
- The implementation of a LAN PC system for various profit centers of the bank.
- Focused on developing and training personnel in various fields for better banking services. The bank organized 5 local training programs for 180 trainees, and sent some 34 staff on 20 other training courses abroad.
- Follow-up efforts to open Al-Rumailah Branch, the womens branch and a branch in Egypt.



Sherif Samy

M. Sameh Sedki

Nasser Mohd. Al-Naemi

Mohamed Saif Al-Nuaimi

Philip Tumminia

F. Guy Corbi

## ECONOMIC OVERVIEW

### THE WORLD ECONOMY

World economic growth is expected to remain subdued this year. Real GDP growth in the OECD region is estimated at around 1.5% in 1992 following 0.8% in 1991. In 1993, OECD growth is forecast to reach 2%, reflecting mainly the rebound in the US and Canada and a turn-around in the U.K. economy from negative to positive growth (table 1). In view of the stronger balance sheets of US firms, and the fiscal stimulus introduced by the new administration, as well as the marked decline in US interest rates and bond yields, real GDP in the US is forecast to increase to 3% in 1993 from 2.1% in 1992. Japan is expected to grow by 2.3% this year compared to 1.8% in 1992, while growth in the main EC countries will continue to be weak in 1993. The gradual decline in European interest rates will have more of an impact on EC growth in the second half of the year. The European Community is expected to achieve real GDP growth of 0.9% in 1993 compared to 1.1% in 1992.

TABLE 1  
OECD GROWTH AND INFLATION

	Real GDP, % change			Inflation, 1991, %		
	1991	1992	1993	1991	1992	1993
United States	-1.2	2.1	3.0	4.0	2.9	2.7
Japan	4.4	1.8	2.3	1.9	2.0	1.9
Germany	3.1	1.3	0.7	4.8	4.2	3.6
France	1.2	1.9	1.6	2.8	3.2	2.6
Italy	1.4	1.2	0.8	7.3	4.8	5.5
Britain	-2.2	-1.0	1.3	6.7	5.4	5.0
Canada	-1.7	1.3	3.2	2.7	1.0	2.2
Total OECD	0.8	1.3	2.0	4.3	3.3	3.3

Source: Organisation for Economic Co-operation and Development, Paris December 1992.

Inflation as measured by the Consumer Price Index (CPI) continued to be subdued in the OECD region last year, with little upward pressure on prices expected in 1993. On an average basis, inflation in the OECD will likely come in at about 3.2% in 1993, slightly below 1992's level of 3.5%. The highest inflation may be in Italy, with the CPI at 5.5%, while inflation

in the US is projected to drop from 2.9% in 1992 to 2.7% in 1993 and in Germany from 4.2% to 3.6% respectively.

Short term dollar interest rates are believed to have reached a bottom for the current cycle in 1992 and are forecast to remain relatively stable before edging slightly higher in the second half of this year. The Federal Reserve probably has no desire for early tightening, as the economy has not yet expanded rapidly and inflation continues to be subdued. Nevertheless,



once markets detect that there are no more interest rate cuts from the monetary authority and foresee stronger growth ahead, interest rates will start rising. Three-months Euro-dollar rates dropped from an average of 5.9% in 1991 to an average of 3.8% in 1992 and are forecast to end 1993 slightly higher than the 3.5% level attained by the end of last year.

On the other hand, European interest rates are foreseen heading down with the Bundesbank following a policy of gradually cutting interest rates in response to weakening domestic economic activity. While Italy is expected to rejoin the ERM, the UK is expected to remain out for the time being. This will make it easier for the British authorities to continue easing their monetary policy. Meanwhile, the Japanese economy is still struggling to find a base, and further monetary and fiscal help will undoubtedly be needed this year.



The US dollar has bottomed vis-a-vis the European currencies at a time when a new trading range versus the yen of 110-130 appears to be in place. The dollar is now supported by stronger economic growth prospects in the US, while Germany drifts further into a recession. The yield advantage in favour of the Deutsche mark has been on the decline and as Germany continues to ease further its monetary policy, the Deutsche mark and the other European currencies would lose a major element of support and could weaken further vis-a-vis the US dollar.

### THE OIL MARKET

OPEC's crude oil production rose on the average by 1.057 million barrels per day (mb/d) in 1992 (4.53%) to 24.402 mb/d compared with 23.305 mb/d in 1991 (table 2). Some 82% of the 1992 increment was accounted for by Kuwait whose output rose by 863,000 b/d to an average of 1.056 mb/d in 1992. Saudi Arabia was able to boost its output by 2.65% to an average of 8.331 mb/d from 8.116 mb/d average in 1991. Qatar's output was also slightly higher last year, up 1.53% from an average of 391,000 in 1991 to an average of 397,000

TABLE 2  
OPEC CRUDE OIL PRODUCTION  
(Thousand barrel per day)

	1992 (avg)	1991 (avg)	% Change 1992/91
Algeria	772	803	-3.86
Ecuador	318	309	+2.91
Gabon	298	295	+1.02
Indonesia	1,382	1,472	-6.11
Iran	3,438	3,432	+0.17
Iraq	448	273	+64.10
Kuwait	1,056	193	+447.15
Libya	1,492	1,493	—
Nigeria	1,901	1,893	+0.42
Qatar	397	391	+1.53
S. Arabia	8,331	8,116	+2.65
UAE	2,292	2,389	-4.06
Venezuela	2,277	2,286	-0.39
<b>Total</b>	<b>24,402</b>	<b>23,305</b>	<b>+4.53</b>

<sup>1</sup> Includes 925 shares of neutral zone output.  
Source: Middle East Economic Survey (MEES) January 18, 1992.

in 1992. The average spot price for the OPEC basket of seven crudes for the year 1992 was US\$ 18.41 per barrel compared to US\$ 18.66 per barrel in 1991 and US\$ 22.26 per barrel in 1990 (table 3). The average prices for Brent Crude and West Texas Intermediate in 1992 were US\$ 19.30 a barrel and US\$ 20.55 a barrel, compared to US\$ 20.10 a barrel and US\$ 21.60 a barrel respectively, in 1991.



TABLE 3  
AVERAGE CRUDE OIL PRICES  
(US\$ per barrel)

	OPEC BASKET	BRENT CRUDE	WTI <sup>a</sup> CRUDE
1992	18.41	19.30	20.55
1991	18.66	20.10	21.60
1990	22.26	23.61	24.46
1989	17.31	18.22	19.62
1988	14.24	14.94	15.94

<sup>a</sup> West Texas Intermediate.

Sources: OPEC as reported by the Middle East Economic Survey (MEES) January 11, 1993.

Several uncertainties will continue to exert an influence on the world oil market this year. On the supply side, the capacity expansion plans of a number of OPEC countries, the expected rise in Kuwait's oil output, the likelihood of further declines in oil production from the former USSR states and the possibility of a resumption of Iraqi oil exports. A number of OPEC countries are continuing with their planned oil production capacity increases. In particular, Iran has stated that it is still on course to meet its target of 5 mb/d of sustainable capacity by the end of 1993 and Saudi Arabia is moving towards its planned 10 mb/d while Kuwait's oil output is expected to rise by 0.5 mb/d during the year to an average of 2 mb/d.

According to the International Energy Agency, the output of former USSR is projected to decline by 1 mb/d in 1993 to 8 mb/d. This, together with the projected rise in world oil demand of 0.5 mb/d, will bring forth an average increase in demand for OPEC oil in 1993 of 0.6 mb/d (table 4). This increase will make it possible for several OPEC members to maintain last year's levels of production with possible increases later in the year. The implication of all this is that the average price of oil in 1993 is likely to remain close to the 1992 level. Even at its expected peak in the fourth quarter of 1993, the call on OPEC at 26.5 mb/d would hardly stretch OPEC's anticipated capacity of about 28.3 mb/d (excluding Iraq).



TABLE 4  
WORLD DEMAND AND SUPPLY FOR CRUDE OIL  
( mb/d )

	1992			1993 <sup>a</sup>				
	1 Q	2 Q	Year	1 Q	2 Q	3 Q	4 Q	Year
World Oil Demand	65.7	68.2	67.0	68.0	65.9	66.4	69.6	67.5
OECD	38.1	39.5	38.5	39.6	37.6	38.4	40.4	39.0
Non-OECD	27.6	28.7	28.5	28.4	28.3	28.0	29.2	28.5
Non-OPEC Supply +								
OPEC NGL	42.4	42.5	42.6	43.3	42.3	41.4	43.1	42.5
Implied Call on OPEC Crude	23.3	25.7	24.4	24.7	23.6	25.0	26.5	25.0

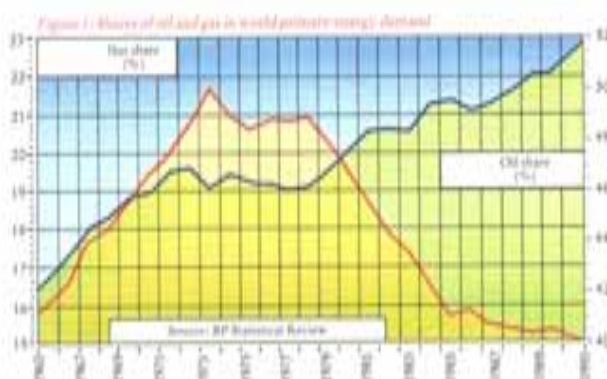
<sup>a</sup> Forecasts.

Sources: International Energy Agency, February 28, 1993.



## THE NATURAL GAS MARKET

While Oil continues to dominate the world energy scene, accounting for around 40% of primary energy demand, its position of supremacy has steadily been eroded with natural gas being the main beneficiary (figure 1). Today, natural gas accounts for



almost a quarter of the energy consumed world-wide and this share is set to continue to grow in the 1990's. According to the International Energy Agency, world demand for natural gas is likely to increase by 68% during the period 1992-2000 from its level in 1991 of around 1,982.1 billion cubic meters (1,800 mtoe). The demand for natural gas in each of the major gas consuming regions has changed since the mid-1960's and the development of gas consumption has followed quite different paths in each market.

While natural gas has many advantages as a fuel (clean, convenient, versatile and possibly even more abundant than oil), it has not yet been fully exploited. This failure stems partly from the geographical remoteness of much of the world's gas combined with the relative difficulty of transporting it over long distances. In the electricity generation market there has been a distinct change of sentiment in many OECD countries away from the previous concern that gas was too 'noble' a fuel to

be used in power generation towards a growing appreciation of its environmental and economic advantages in that role. In the future and under the right conditions gas could well be used as a transportation fuel in its own right, quite apart from its likely use in the production of fuel additives to meet clean air legislation in many consuming countries.

Indeed, the growing concern over global warming and the potential threat to the earth's environment from increasing emissions of carbon dioxide due to the



burning of fossil fuels is threatening to erode further the dominance of coal and oil. As a result, natural gas is likely to be the only fuel to gain. Favourable prices of gas relative to oil, as was the case in the '70s and early '80s, the inherent characteristics of versatility, the convenience and cleanliness, and the industrialized world rising preoccupation with environmental concerns are likely to continue to generate additional demand for natural gas.





## THE REGIONAL GCC ECONOMY

The resilience of the economies of the Gulf Cooperation Council was demonstrated again in 1992. The financial burden generated from the Gulf crisis has been mostly cleared and the stability of oil revenues at 1991 levels made it possible for governments of the region to implement larger budgetary expenditures. This, together with the low level of interest rates on the various Gulf currencies in line with dollar interest rates, and the surging business confidence, helped support the tempo of economic growth in the region. The banking sector experienced healthy recovery and industrial production realized significant gains. Various public sector projects were implemented while the private sectors increased their participation in the GCC economies.

The economies of the Gulf are still on the rising segment of the current business cycle. The turnaround in activities started in 1990 with both the surge in oil prices and production levels following Iraq's invasion of Kuwait. The region's oil revenues jumped from US\$ 45 billion in 1989 to approximately US\$ 65 billion in 1990 fueling growth in overall GDP. It was generally oil and government related activities that spearheaded growth in 1990 with private

sector activities picking up in the following two years.

The region's oil revenues prevailed at around US\$ 70 billion in 1991 and 1992 allowing governments to implement expansionary fiscal policies. The lower cost of borrowing and surging business confidence boosted the region's private sector activities. In Saudi Arabia, the region's largest economy, nominal GDP growth rates are estimated at 6.6% and 5.0% for 1991 and 1992 respectively, while the corresponding growth rate in the UAE is estimated at 0.2% and 2.2% respectively. Kuwait made outstanding progress in reconstruction including the rehabilitation of its oil industry at a time when its non-oil sectors continued to adjust to lower levels of economic activity. Bahrain and Oman maintained the uptrend in economic activities that started following the end of the Gulf crisis with estimated growth rates of 3.5% and 9% respectively, following strong growth rates of 12% and 8.4% respectively in 1991. Domestic demand in the various Gulf states has been on the rise in 1992, while businesses implemented investment plans in services and industry. This had backward and forward linkages with other sectors including construction, finance, trade and communication services, all of which recorded good growth rates.





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## THE DOMESTIC ECONOMY

Qatar has taken significant steps to assure its future as a major gas exporter. In December 1992, a landmark deal was signed between QGPC (Qatar General Petroleum Corporation) and Mobil for the establishment of a new joint venture liquefied natural gas (LNG) project in Qatar, the Ras Laffan Liquefied Natural Gas Company Limited. The new venture (70% QGPC and 30% Mobil) envisages a capacity of up to 10 million tons/year (mt/y) of LNG with a production start-up targeted for 1997/98. This, together with the Qatargas project on which work is already underway, raises Qatar's programmed LNG supply capacity by the end of the decade to 16 mt/y. This volume is earmarked for markets in the Asia-Pacific region where demand for LNG is expected to grow by 50%, or an additional 18-20 mt/y by the year 2000. The new LNG deal also clearly establishes Mobil, which already has a 10% stake in Qatargas, as the leading foreign partner in Qatar's drive to become a big player in the international gas business.

Meanwhile, work is underway on Qatar's first LNG project, the Qatar

Liquefied Gas Company (Qatargas), with a capacity of up to 6 mt/y. Chubu Electric Company of Japan has already signed a 25-year sales and purchase agreement for the delivery of 4 mt/y of LNG beginning in 1997. Both Korea and Taiwan indicated interest in purchasing Qatari LNG in the range of 2-3 mt/y each; This is likely to be supplied by the Ras Laffan venture. Qatar already embarked earlier last year on gas production from Phase 1 North Field Development Project with a production of 800 million cu.ft./day of natural gas, 450,000 t/y of LPG and 35,000 b/d of condensates. All the gas output of this project is earmarked for the domestic market for use in power and desalination plants as well as new gas-based industries, with the liquids being exported. The dry gas available until the new industries are built, is re injected in the Dukhan field.

QGPC has also concluded two more LNG agreements. A joint venture was signed on September 3, 1992 between QGPC (65%), Snam (30%) and Bunker Hunt (5%) establishing the Qatar Europe LNG Company Ltd. (Eurogas) with a capacity to produce 6.1 million barrels per

TABLE 5  
GROSS DOMESTIC PRODUCT BY ECONOMIC SECTOR AT CURRENT PRICES  
(QR million)

Economic Sector	1990			1991		
	Value	% distribution	% Change	Value	% distribution	% Change
1 - Oil Sector	10,187	38.0	43.4	8,250	34.0	-19.0
2 - Non-Oil Sector	16,605	62.0	0.6	16,039	66.0	-3.4
- Agriculture & Fishing	210	0.8	-1.9	215	0.9	2.4
- Manufacturing Industries	3,451	12.9	3.5	3,120	12.8	-9.6
- Electricity & Water	411	1.5	17.8	415	1.7	1.0
- Building & Construction	1,130	4.2	16.3	950	3.9	-15.9
- Trade, Restaurants & Hotels	1,480	5.5	-8.5	1,528	6.3	3.2
- Transport & Communications	683	2.6	2.1	697	2.9	2.1
- Finance, Insurance and Real Estate Services	2,553	9.5	4.0	2,610	10.7	2.2
- Other Services	6,687	25.0	-3.1	6,504	26.8	-2.7
GDP Total	26,792	100	13.4	24,289	100	-9.3





## THE REGIONAL GCC ECONOMY

The resilience of the economies of the Gulf Cooperation Council was demonstrated again in 1992. The financial burden generated from the Gulf crisis has been mostly cleared and the stability of oil revenues at 1991 levels made it possible for governments of the region to implement larger budgetary expenditures. This, together with the low level of interest rates on the various Gulf currencies in line with dollar interest rates, and the surging business confidence, helped support the tempo of economic growth in the region. The banking sector experienced healthy recovery and industrial production realized significant gains. Various public sector projects were implemented while the private sectors increased their participation in the GCC economies.

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The region's oil revenues prevailed at around US\$ 70 billion in 1991 and 1992 allowing governments to implement expansionary fiscal policies. The lower cost of borrowing and surging business confidence boosted the region's private sector activities. In Saudi Arabia, the region's largest economy, nominal GDP growth rates are estimated at 6.6% and 5.0% for 1991 and 1992 respectively, while the corresponding growth rate in the UAE is estimated at 0.2% and 2.2% respectively. Kuwait made outstanding progress in reconstruction including the rehabilitation of its oil industry at a time when its non-oil sectors continued to adjust to lower levels of economic activity. Bahrain and Oman maintained the uptrend in economic activities that started following the end of the Gulf crisis with estimated growth rates of 3.5% and 9% respectively, following strong growth rates of 12% and 8.4% respectively in 1991. Domestic demand in the various Gulf states has been on the rise in 1992, while businesses implemented investment plans in services and industry. This had backward and forward linkages with other sectors including construction, finance, trade and communication services, all of which recorded good growth rates.

## THE DOMESTIC ECONOMY

Qatar has taken significant steps to assure its future as a major gas exporter. In December 1992, a landmark deal was signed between QGPC (Qatar General Petroleum Corporation) and Mobil for the establishment of a new joint venture liquefied natural gas (LNG) project in Qatar, the Ras Laffan Liquefied Natural Gas Company Limited. The new venture (70% QGPC and 30% Mobil) envisages a capacity of up to 10 million tons/year (mt/y) of LNG with a production start-up targeted for 1997/98. This, together with the Qatargas project on which work is already underway, raises Qatar's programmed LNG supply capacity by the end of the decade to 16 mt/y. This volume is earmarked for markets in the Asia-Pacific region where demand for LNG is expected to grow by 50%, or an additional 18-20 mt/y by the year 2000. The new LNG deal also clearly establishes Mobil, which already has a 10% stake in Qatargas, as the leading foreign partner in Qatar's drive to become a big player in the international gas business.

Meanwhile, work is underway on Qatar's first LNG project, the Qatar

Liquefied Gas Company (Qatargas), with a capacity of up to 6 mt/y. Chubu Electric Company of Japan has already signed a 25-year sales and purchase agreement for the delivery of 4 mt/y of LNG beginning in 1997. Both Korea and Taiwan indicated interest in purchasing Qatari LNG in the range of 2-3 mt/y each; This is likely to be supplied by the Ras Laffan venture. Qatar already embarked earlier last year on gas production from Phase 1 North Field Development Project with a production of 800 million cu.ft./day of natural gas, 450,000 t/y of LPG and 35,000 b/d of condensates. All the gas output of this project is earmarked for the domestic market for use in power and desalination plants as well as new gas-based industries, with the liquids being exported. The dry gas available until the new industries are built, is re injected in the Dukhan field.

QGPC has also concluded two more LNG agreements. A joint venture was signed on September 3, 1992 between QGPC (65%), Snam (30%) and Bunker Hunt (5%) establishing the Qatar Europe LNG Company Ltd. (Eurogas) with a capacity to produce 6.1 million barrels per

TABLE 5  
GROSS DOMESTIC PRODUCT BY ECONOMIC SECTOR AT CURRENT PRICES  
(QR million)

Economic Sectors	1990			1991		
	Value	% distribution	% Change	Value	% distribution	% Change
1 - Oil Sector	10,187	38.0	43.4	8,250	34.0	-19.0
2 - Non-Oil Sector	16,605	62.0	0.6	16,039	66.0	-3.4
- Agriculture & Fishing	210	0.8	-1.9	215	0.9	2.4
- Manufacturing Industries	3,451	12.9	3.5	3,120	12.8	-9.6
- Electricity & Water	411	1.5	17.8	415	1.7	1.0
- Building & Construction	1,130	4.2	16.3	950	3.9	-15.9
- Trade, Restaurants & Hotels	1,480	5.5	-8.5	1,528	6.3	3.2
- Transport & Communications	683	2.6	2.1	697	2.9	2.1
- Finance, Insurance and Real Estate Services	2,553	9.5	4.0	2,610	10.7	2.2
- Other Services	6,687	25.0	-3.1	6,504	26.8	-2.7
GDP Total	26,792	100	13.4	24,289	100	-9.3



day b/y of LNG, all designated for Europe and deliveries are projected to begin in the second half of 1997. QGPC has also initiated an LNG agreement with Elf Aquitaine but not much progress has yet been made on this deal. The net effect of all these projects will, of course, be the transformation of Qatar into an essentially gas-based economy. It should also ensure the development of a much larger service economy to meet the requirements of the various downstream ventures.

During the interim of these negotiations, QGPC has proceeded with developing a major port facility at Ras Laffan that can handle an annual export of around 20-24 million tons of LNG. The Ras Laffan Industrial Area will be one of the largest ports in the world, serving LNG, condensates and products.

Intensive development work is also underway to maintain oil output at about 400,000 b/d. Improved recovery techniques and renewed exploration have raised hopes that a sharp decline in production can be postponed for at least the next 25 years. In recent years, average oil production of 400,000 barrels a day has contributed 25%-



35% of gross domestic product. In 1991, oil made up 34% of GDP and more than 80% of exports. At QGPC there is no doubt that the principal task is to maintain current levels of output and earnings until the advent of the gas age.

## THE OUTLOOK

Economic outlook remains positive this year, given the expansionary budget for 1992/93 and with The Qatari Riyal interest rates at relatively low levels. Qatar has abolished its fixed interest rate structure in favour of a floating one and rates have been trending lower over the past two years giving a boost to domestic borrowing.

TABLE 6  
QATAR'S BUDGETS  
( QR million )

	1989/90 (Actual)	1990/91 (Actual)	1991/92 (Budget)	1992/93 (Budget)	% Change 1992-93 / 1991-92
Total Revenues	5,834	7,786	8,438	9,607	13.8 %
Total Expenditures	11,482	11,709	11,706	12,399	6.0 %
Current	9,969	9,920	9,911	10,114	2.0 %
Capital	1,513	1,789	1,795	2,285	27.2 %
Deficit	-5,648	-3,923	-3,266	-2,792	-14.6 %

TO THE SHAREHOLDERS

We have audited the financial statements of Qatar National Bank S.A.Q. set out on pages 22 to 25 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 1992 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 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 law 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 1993

## BALANCE SHEET

Year ended 31 December 1992

	Note	1992 QR'000	1991 QR'000
<b>ASSETS</b>			
Cash and short term funds	3	448,371	317,144
Deposits with banks and other financial institutions		4,303,500	3,943,298
Loans and advances to customers		9,388,959	8,743,580
Investments	4	383,105	169,538
Property and equipment	5	57,237	52,137
Other assets	6	245,228	327,447
<b>TOTAL ASSETS</b>		<u>14,826,400</u>	<u>13,553,144</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Due to banks and other financial institutions	7	3,530,429	1,686,572
Customers' deposits and provision for general banking risks		9,071,327	9,863,596
Other liabilities		274,796	301,949
Proposed dividends	8	66,150	56,700
<b>Total liabilities</b>		<u>12,942,702</u>	<u>11,908,817</u>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	9	283,500	189,000
Statutory reserve	10	283,500	189,000
General reserve	10	1,310,277	1,259,906
Retained earnings		6,421	6,421
<b>Total shareholders' funds</b>		<u>1,883,698</u>	<u>1,644,327</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>14,826,400</u>	<u>13,553,144</u>
Letters of credit, acceptances, guarantees and other obligations on behalf of customers	11	4,382,570	2,272,315

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

H.E. Saleh Abo Dawood  
Al Muhanadi  
Deputy Chairman

Hani Osman El Dana  
General Manager

*The attached notes 1 to 15 form part of these financial statements.*

## STATEMENTS OF INCOME &amp; RETAINED EARNINGS

Year Ended 31 December 1992

	Note	1992 QR'000	1991 QR'000
<b>STATEMENT OF INCOME</b>			
Interest income		1,018,645	1,119,781
Interest expense		684,992	783,803
Net interest income		333,653	335,978
Other income	12	123,930	88,156
<b>OPERATING INCOME</b>			
General and administration expenses	13	142,460	147,185
Depreciation		9,602	6,917
		152,062	154,102
<b>PROFIT FOR THE YEAR</b>			
		305,521	270,032

**STATEMENT OF RETAINED EARNINGS**

Balance at beginning of the year		6,421	6,421
Profit for the year		305,521	270,032
		311,942	276,453
Transfer to statutory reserve	10	94,500	—
Transfer to general reserve	10	50,371	213,332
Proposed dividends	8	66,150	56,700
Proposed issue of bonus shares	9	94,500	—
		305,521	270,032
<b>Balance at end of the year</b>			
		6,421	6,421

*The attached notes 1 to 13 form part of these financial statements.*



## STATEMENT OF SOURCES &amp; APPLICATIONS OF FUNDS

Year Ended 31 December 1992

	1992 QR'000	1991 QR'000
<b>SOURCES OF FUNDS</b>		
From operations:		
Profit for the year	305,521	270,032
Charge not involving the movement of funds:		
Depreciation	9,602	6,917
Total generated from operations	315,123	276,949
Other sources:		
Net book amounts of property and equipment disposals	1,021	157
Decrease in investments	—	62,849
Total sources of funds	316,144	339,955
<b>FUNDS APPLIED</b>		
Purchase of property and equipment	15,723	9,154
Increase in investments	213,567	—
Dividends	66,150	56,700
Total applications of funds	295,440	65,854
<b>INCREASE IN NET BANKING ASSETS</b>		
20,704	20,704	274,101
<b>Arising from movements in:</b>		
Loans and advances to customers	645,379	2,398,072
Customers deposits and provision for general banking risks	792,269	(1,313,794)
Due to banks and other financial institutions	(1,843,857)	(134,264)
	(406,209)	950,014
Other assets and liabilities	(64,516)	1,868
Cash and short term funds	131,227	(88,943)
Deposits with banks and other financial institutions	360,202	(588,838)
	20,704	274,101

*The attached notes 1 to 15 form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 1992

## 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, France and the Cayman Islands.

## 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 Qatari 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 Qatari Riyals at forward rates ruling at the year end and any resulting gains or losses are taken to income.

## (c) Investments

(i) 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 recognized 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 recognized when due.

## (f) Provision for loan losses

Specific 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 Monetary Agency/regulations.

## (g) Provision for general banking risks

In accordance with accepted banking practice in Qatar, a provision is held to cover general banking risks and other unforeseeable risks and contingencies. This provision is shown

in the balance sheet under the heading "customers' deposits 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

	1992 QR'000	1991 QR'000
Cash in hand and on current account with other banks	155,680	108,922
Cash and deposits with the Qatar Monetary Agency	292,691	208,222
	<u>448,371</u>	<u>317,144</u>

## 4. INVESTMENTS

	1992 QR'000	1991 QR'000
Trading investments	3,640	4,640
Investments in affiliated companies	9,468	14,063
Long term investments	158,437	150,833
Treasury bills	211,560	—
	<u>383,105</u>	<u>169,536</u>

## 5. PROPERTY AND EQUIPMENT

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

Freehold buildings	1 25 years
Furniture and equipment	1 4 to 7 years
Vehicles	1 4 years

	Freehold land and buildings QR'000	Furniture and equipment and vehicles QR'000	Total QR'000
Cost:			
At 31 December 1991	62,437	51,489	113,926
Additions during the year	5,152	10,621	15,773
Cost of disposals	(1,490)	(1,839)	(3,329)
At 31 December 1992	<u>66,099</u>	<u>60,271</u>	<u>126,370</u>
Depreciation:			
At 31 December 1991	36,010	25,779	61,789
Charge for the year	1,323	8,279	9,602
Relating to disposals	(1,357)	(991)	(2,298)
At 31 December 1992	<u>36,026</u>	<u>33,067</u>	<u>69,093</u>
Net book amounts:			
At 31 December 1992	<u>30,073</u>	<u>27,204</u>	<u>57,277</u>
At 31 December 1991	<u>26,427</u>	<u>25,710</u>	<u>52,137</u>

## 6. OTHER ASSETS

	1992 QR'000	1991 QR'000
Properties acquired against advances (pending sale)	102,735	121,713
Prepayments	4,035	3,192
Others	138,458	202,542
	<u>245,228</u>	<u>327,447</u>

## 7. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	1992 QR'000	1991 QR'000
Current account and demand deposits	200,716	253,773
Deposits maturing within one year	3,329,713	1,432,799
	<u>3,530,429</u>	<u>1,686,572</u>

## 8. PROPOSED DIVIDENDS

The directors have proposed a cash dividend of 35% (QR 35 per share) (1991: 30% QR 30 per share).

## 9. SHARE CAPITAL

	1992 QR'000	1991 QR'000
Authorised, issued and fully paid 1,890,000 ordinary shares of QR 100 each	189,000	189,000
Proposed bonus issue	94,500	—
	<u>283,500</u>	<u>189,000</u>

The Board of Directors has proposed a bonus issue of 1 ordinary share for every 2 shares held. The government of Qatar holds 50% of the ordinary shares of the bank.

## 10. 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 1990	189,000	189,000	1,046,574	6,421	1,430,995
Profit for the year net of proposed dividend	—	—	—	213,332	213,332
Transfer to general reserve	—	—	213,332	(213,332)	—
At 31 December 1991	189,000	189,000	1,259,906	6,421	1,644,327
Profit for the year net of proposed dividend	—	—	—	239,371	239,371
Transfer to statutory reserve	—	94,500	—	(94,500)	—
Transfer to general reserve	—	—	80,371	(80,371)	—
Issue of bonus shares	94,500	—	—	(94,500)	—
At 31 December 1992	<u>283,500</u>	<u>283,500</u>	<u>1,340,277</u>	<u>6,421</u>	<u>1,893,698</u>

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

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

	1992 QR'000	1991 QR'000
Letters of credit	3,371,100	1,670,839
Guarantees and acceptances	811,470	601,477
	<u>4,182,570</u>	<u>2,272,316</u>

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

	1992 QR'000	1991 QR'000
Forward foreign exchange and bullion commitments	16,702,939	2,764,412
Notional principal amount of interest rate swaps and forward rate agreements	1,933,915	2,068,558

## 12. OTHER INCOME

	1992 QR'000	1991 QR'000
Fees and commissions	26,718	33,172
Investment income	23,977	8,545
Net gains from dealing in foreign currencies	59,251	34,695
Other operating income	13,984	11,744
	<u>123,930</u>	<u>88,156</u>

## 13. GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include QR 525,000 (1991: QR 210,000) (1991: QR 210,000) as executive committee fees.

## 14. PROVISIONS FOR LOAN LOSSES AND GENERAL BANKING RISKS

After adjusting the specific provision for loan losses and transferring amounts from the provision for general banking risks, the net charge for the year in the income statement was a credit amount of QR 14 million.

## 15. COMPARATIVE FIGURES

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