

PRIDE OF THE NATION

audited accounts 2000



بنك قطر الوطني  
QATAR NATIONAL BANK



# Audited Accounts and Five Year Summary

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# Five Year Summary

<i>(Figures in QR. Millions)</i>	1996	1997	1998	1999	2000
Operating Income	526	589	672	700	745
Operating Expenses	150	166	179	197	216
Net Profit	330	379	423	452	491
Total Assets	16,284	18,298	19,487	22,356	24,621
Total Shareholders' Equity*	3,094	3,332	3,614	3,846	3,971
Share Capital	443	554	692	865	1,038
<i>*After Proposed Dividends</i>					
Operating Expenses/Income (%)	28.4	28.3	26.6	28.1	29.0
Year End Share Price (QR.)	63	72	79	65	45
Diluted	27	38	53	54	45
Earnings per Share (QR.)	3.2	3.7	4.1	4.4	4.7
Price/Earnings Ratio	8.5	10.5	12.9	12.5	9.5
Number of Employees	552	584	591	612	635
Domestic	500	532	538	562	589
(of which Qatari)	132	163	186	205	227
International	52	52	53	50	46

# Auditors' Report to the Shareholders

We have audited the accompanying balance sheet of Qatar National Bank S.A.Q. ("the Bank") as at 31st December 2000, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31st December 2000, and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with International Accounting Standards.

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Bank and that we are not aware of any contravention by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank regulations and of the Qatar Commercial Companies Law No. 11 of 1981 during the financial year that would materially affect its activities or its financial position.

Samer H. Jaghoub  
Deloitte and Touche  
Qatar Auditors' Registry No. 88

Abbas A. Muhsin Al-Radhi  
PricewaterhouseCoopers  
Qatar Auditors' Registry No. 91

14th January, 2001  
Doha  
State of Qatar

# Balance Sheet

as at 31st December 2000 and 1999

	Note	2000 QR 000	1999 QR 000
<b>ASSETS</b>			
Cash and Deposits with Qatar Central Bank		502,111	300,709
Due from Banks	3	194,323	204,165
Placements with Banks and Other Financial Institutions	3	6,239,974	5,433,473
Loans and Advances	4	13,630,526	14,495,993
Treasury Bonds	5	3,282,330	3,282,330
Investments	6	359,809	254,138
Other Assets	7	328,414	308,113
Fixed Assets	8	83,956	77,241
<b>Total Assets</b>		<b><u>24,621,443</u></b>	<b><u>22,356,162</u></b>
<b>LIABILITIES</b>			
Due to Banks and Other Financial Institutions	9	1,648,969	5,184,862
Customer Deposits	10	18,169,107	12,778,045
Other Liabilities	11	468,652	330,512
<b>Total Liabilities</b>		<b><u>20,286,728</u></b>	<b><u>18,293,419</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	13	1,038,207	865,173
Statutory Reserve	14	1,038,207	865,173
General Reserve		1,770,036	1,450,600
Retained Earnings		488,265	881,797
<b>Total Shareholders' Equity</b>		<b><u>4,334,715</u></b>	<b><u>4,062,743</u></b>
<b>Total Liabilities and Shareholders' Equity</b>		<b><u>24,621,443</u></b>	<b><u>22,356,162</u></b>
<b>CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS</b>			
Letters of Credit and Acceptances		822,592	1,320,291
Guarantees		2,511,528	2,183,816
Forward Foreign Exchange Contracts		612,213	2,493,624
Other Financial Instruments and Commitments		2,647,567	5,516,011
		<b><u>6,593,900</u></b>	<b><u>11,513,742</u></b>

These financial statements were approved by the Board of Directors on 14th January 2001 and were signed on their behalf by:

**Yousef Hussain Kamal**  
Chairman

**Sheikh Hamad Bin Faisal Al-Thani**  
Vice Chairman

**John P. Finigan**  
General Manager - Chief Executive

The report of the auditors is set forth on page 3.

The notes on pages 8 to 18 form an integral part of these financial statements.



# Statement of Income

for the year ended 31st December 2000 and 1999

	Note	2000 QR 000	1999 QR 000
<b>Income</b>			
Interest Income		1,958,365	1,583,030
Interest Expense		(1,336,271)	(976,878)
Net Interest Income		622,094	606,152
Other Income	15	122,762	93,558
		<u>744,856</u>	<u>699,710</u>
<b>Expenses</b>			
General and Administrative Expenses	16	(203,380)	(191,904)
Depreciation		(16,021)	(16,033)
Specific Provision for Loan Losses		(17,151)	(31,027)
General Provision for Loan Portfolio		(14,500)	(5,500)
Provision for Diminution in Value of Investments (Provision)/Recovery of Provision for Properties Acquired against Settlement of Debts		(162)	(4,518)
		(2,607)	1,373
<b>Net Profit for the Year</b>		<u>491,035</u>	<u>452,101</u>
Earnings per Share (QR)		4.7	4.4
Number of Shares (Adjusted for Bonus Issue)		103,820,772	103,820,772

The report of the auditors is set forth on page 5.

The notes on pages 8 to 18 form an integral part of these financial statements.

# Statement of Changes in Shareholders' Equity

for the year ended 31st December 2000 and 1999

	Note	Share Capital QR 000	Statutory Reserve QR 000	General Reserve QR 000	Retained Earnings QR 000	Total QR 000
<b>Balance as at 1st January 1999</b> (as previously reported)		692,139	692,139	1,500,000	729,414	3,613,692
Effect of adopting IAS 10 (revised)	12	-	-	-	158,428	158,428
<b>Balance as at 1st January 1999</b> (as restated)		<u>692,139</u>	<u>692,139</u>	<u>1,500,000</u>	<u>867,842</u>	<u>3,752,120</u>
Net Profit for the Year		-	-	-	452,101	452,101
Dividends	12	-	-	-	(158,428)	(158,428)
Bonus Shares issued during the Year		173,034	-	-	(173,034)	-
Transfer to Statutory Reserve		-	173,034	-	(173,034)	-
Transfer from General Reserve		-	-	(49,400)	49,400	-
Directors' Fees		-	-	-	(3,050)	(3,050)
<b>Balance as at 31st December 1999</b>		<u>865,173</u>	<u>865,173</u>	<u>1,450,600</u>	<u>881,797</u>	<u>4,062,743</u>
<b>Balance as at 1st January 2000</b>		865,173	865,173	1,450,600	881,797	4,062,743
Net Profit for the Year		-	-	-	491,035	491,035
Dividends	12	-	-	-	(216,293)	(216,293)
Bonus Shares issued during the Year		173,034	-	-	(173,034)	-
Transfer to Statutory Reserve		-	173,034	-	(173,034)	-
Transfer to General Reserve		-	-	319,436	(319,436)	-
Directors' Fees		-	-	-	(2,770)	(2,770)
<b>Balance as at 31st December 2000</b>		<u>1,038,207</u>	<u>1,038,207</u>	<u>1,770,036</u>	<u>488,265</u>	<u>4,354,715</u>

The report of the auditors is set forth on page 5.

The notes on pages 8 to 18 form an integral part of these financial statements.



# Statement of Cash Flows

for the year ended 31st December 2000 and 1999

	Note	2000 QR 000	1999 QR 000
<b>Net Cash Inflow from Operating Activities</b>		<b>514,973</b>	<b>212,935</b>
<b>Returns on Investments and Servicing of Finance</b>			
Dividends Received		17,009	10,270
Dividends Paid		(215,457)	(138,206)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>(198,448)</b>	<b>(127,936)</b>
<b>Investing Activities</b>			
Purchase of Investments		(106,020)	(43,428)
Sale of Investments		767	-
Purchase of Fixed Assets and Property		(20,995)	(26,317)
Sale of Fixed Assets and Property		325	1,082
<b>Net Cash Outflow from Investing Activities</b>		<b>(125,923)</b>	<b>(68,663)</b>
<b>Increase in Cash and Cash Equivalents</b>		<b>190,602</b>	<b>16,336</b>
<b>Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities</b>			
Net Profit for the Year		491,055	452,101
Interest Receivable		(2,515)	(60,528)
Interest Payable		90,614	18,124
Specific Provision for Loan Losses		17,151	31,027
General Provision for Loan Portfolio		14,500	5,500
Depreciation		16,021	16,033
Provision for Diminution in Value of Investments		(454)	5,223
Provision for Property Acquired against Settlement of Debts		2,607	(1,373)
Dividend Income		(17,009)	(10,270)
Profit on Sale of Investments		(85)	-
(Profit)/Loss on Sale of Fixed Assets and Acquired Property		(103)	234
<b>Net Cash Inflow from Trading Activities</b>		<b>611,762</b>	<b>456,071</b>
(Decrease)/Increase in Due to Banks		(3,535,893)	924,147
Increase in Customer Deposits		5,391,062	1,606,792
Decrease in Loans to Customers		833,816	1,607,788
Increase in Treasury Bonds		-	(3,282,330)
Increase in Placements with Banks		(2,806,501)	(1,057,336)
Increase in Other Assets		(23,193)	(48,067)
Increase in Other Liabilities		43,920	5,870
<b>Net Cash Inflow from Operating Activities</b>		<b>514,973</b>	<b>212,935</b>
<b>Reconciliation of Increase in Cash and Cash Equivalents</b>			
Balance at 1st January		504,874	487,593
Net Cash Inflow (before adjustment for the effect of changes in foreign exchange rates)		190,602	16,336
Changes in Foreign Exchange Rates		958	945
<b>Balance at 31st December</b>	24	<b>696,434</b>	<b>504,874</b>

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# Notes forming an integral part of the Financial Statements

for the year ended 31st December 2000 and 1999

## **1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Qatar National Bank S.A.Q. ("the Bank") was incorporated in the State of Qatar as a Joint Stock Company under Emiri Decree No. 7 issued in 1964.

The Bank is engaged in commercial banking activities and operates through branches established in Qatar, the United Kingdom and France.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements represent the combined financial statements of the Bank's branches after elimination of material inter-branch transactions and balances. These financial statements are prepared under the historical cost convention, in accordance with International Accounting Standards.

The following are the significant accounting policies which have been applied in the preparation of these financial statements:

### **a) Revenue Recognition**

Interest income and expense are recognised on an accrual basis. Interest on loans and advances is accrued to income until such time as reasonable doubt exists with regard to its collectability. Thereafter such interest is included in interest in suspense in accordance with the regulations of Qatar Central Bank and taken to income only upon receipt.

Management fees and commission income on syndicated loans are amortised over the period of the transaction.

Fees and commission income on other services are accounted for on the date of the transaction giving rise to that income.

Dividend income is recorded when received and is included in income from investments under Other Income.

### **b) Provision for Loan Losses**

Specific provisions are determined to reduce the carrying value of identified impaired loans and advances to their expected ultimate net realisable value based on a detailed appraisal of the lending portfolio by the management and following Qatar Central Bank regulations. A general provision is made to cover impaired loans and advances which are known from experience to be present in any banking portfolio in accordance with Qatar Central Bank regulations.

Loans and advances are written off only in circumstances where all reasonable restructuring and collection activities have been exhausted.

Loans and advances are shown net of provisions and interest in suspense.

### **c) Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling on the balance sheet date. Translation differences arising from the application of closing rates of exchange to the opening balances of net assets held overseas and to related foreign currency borrowings are taken directly to reserves. All other foreign exchange profits and losses which arise from normal banking activities during the year are dealt with in the determination of net profit.

**d) Investments**

Trading securities are valued at the lower of cost and market value determined on an individual investment basis.

Treasury bonds are valued at amortised cost. Premiums and discounts on acquisition are amortised on a straight-line basis from date of purchase to maturity.

Long term security portfolios and bonds are stated at cost, less any provision which, in the opinion of management, is necessary to recognise any impairment, other than temporary, in the value of these investments.

Investments in associated companies are accounted for following the equity method.

**e) Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation.

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

	Years
Buildings	20
Equipment, furniture and fittings	5 to 7
Motor vehicles	5

Freehold land is stated at cost.

**f) Employees' Termination Benefits**

The Bank makes a provision for all termination indemnities payable to employees in accordance with the Bank's regulations, calculated on the basis of the individual's period 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.

The provision for employees' termination benefits is included under Other Liabilities.

**g) Off-Balance Sheet Financial Instruments**

The Bank uses various off-balance sheet financial instruments to manage its interest rate and currency exposures, including interest rate swaps, forward rate agreements, financial futures and forward foreign exchange contracts. Gains and losses arising from hedging transactions are deferred and amortised over the lives of the related hedged assets and liabilities. Trading positions are revalued at market rates prevailing at the balance sheet date. Gains and losses arising therefrom are included in income.

The Bank's criteria for a derivative instrument to be classified as a hedge are that the transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being held and there is adequate evidence of the intent to hedge at the outset of the transaction.

In the ordinary course of business the Bank enters into other off-balance sheet financial instruments consisting of letters of credit, acceptances and guarantees.

**h) Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and deposits with Qatar Central Bank and amounts due from other banks on demand.



# Notes forming an integral part of the Financial Statements

for the year ended 31st December 2000 and 1999

3. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS INCLUDING PLACEMENTS	2000 QR 000	1999 QR 000
On Demand	194,323	204,165
Placements maturing within one year	5,931,445	3,374,391
Placements maturing over one year	308,529	59,082
<b>Total</b>	<b><u>6,434,297</u></b>	<b><u>3,637,638</u></b>
4. LOANS AND ADVANCES		
<b>a) By maturity</b>		
On demand	6,914,105	8,547,633
Within one year	3,961,071	3,367,429
Above one year	3,433,126	3,323,649
<b>Total Loans and Advances</b>	<b><u>14,308,302</u></b>	<b><u>15,238,711</u></b>
Specific Provision for Loan Losses	(477,975)	(535,923)
General Provision for Loan Portfolio	(47,000)	(32,500)
Interest in Suspense	(152,801)	(174,295)
<b>Net Loans and Advances</b>	<b><u>13,630,526</u></b>	<b><u>14,495,993</u></b>

The aggregate amount of non-performing loans and advances upon which interest has been suspended amounted to QR 377 million (1999: QR 421 million).

<b>b) By type</b>		
Overdrafts	6,700,389	8,328,661
Loans	7,596,208	6,890,683
Bills Discounted	11,705	19,367
<b>Total Loans and Advances</b>	<b><u>14,308,302</u></b>	<b><u>15,238,711</u></b>
Specific Provision for Loan Losses	(477,975)	(535,923)
General Provision for Loan Portfolio	(47,000)	(32,500)
Interest in Suspense	(152,801)	(174,295)
<b>Net Loans and Advances</b>	<b><u>13,630,526</u></b>	<b><u>14,495,993</u></b>

<b>c) By industry</b>				
	Overdrafts QR 000	Loans & Advances QR 000	Total 2000 QR 000	Total 1999 QR 000
Government	4,973,495	3,577,053	8,550,548	10,429,948
Government Agencies	64,775	293,077	357,852	210,304
Commercial	308,614	759,588	1,068,202	787,616
Industry	11,670	252,424	264,094	109,896
Transportation	1,496	162,456	163,952	93,887
Personal	1,020,366	2,040,130	3,060,496	2,757,825
Contracting	242,132	456,937	699,069	592,000
Others	77,841	66,248	144,089	257,235
<b>Total Loans and Advances</b>	<b><u>6,700,389</u></b>	<b><u>7,607,913</u></b>	<b><u>14,308,302</u></b>	<b><u>15,238,711</u></b>
Specific Provision for Loan Losses			(477,975)	(535,923)
General Provision for Loan Portfolio			(47,000)	(32,500)
Interest in Suspense			(152,801)	(174,295)
<b>Net Loans and Advances</b>			<b><u>13,630,526</u></b>	<b><u>14,495,993</u></b>

	2000 QR 000	1999 QR 000
<b>d) Movement in Specific Provision for Loan Losses</b>		
Balance at 1st January	535,923	537,250
Foreign currency translation	(526)	(2,249)
Balance at 1st January as restated	<u>535,397</u>	<u>535,001</u>
Provisions made during the year	82,543	71,767
Recoveries during the year	(65,703)	(43,624)
Written off during the year	(74,262)	(27,221)
<b>Balance at 31st December</b>	<b><u>477,975</u></b>	<b><u>535,923</u></b>
<b>e) Movement in General Provision for Loan Portfolio</b>		
Balance at 1st January	32,500	27,000
Provisions made during the year	14,500	5,500
<b>Balance at 31st December</b>	<b><u>47,000</u></b>	<b><u>32,500</u></b>
<b>f) Movement in Interest in Suspense</b>		
Balance at 1st January	174,295	191,949
Interest suspended during the year	28,588	35,692
Recoveries during the year	(9,658)	(2,342)
Written off during the year	(40,424)	(51,004)
<b>Balance at 31st December</b>	<b><u>152,801</u></b>	<b><u>174,295</u></b>

## 5. TREASURY BONDS

The treasury bonds were issued during 1999 by the Ministry of Finance, Economy and Commerce of the State of Qatar and have maturities in 2002 and 2004. These bonds carry interest rates of 7.75% and 8.0%.

## 6. INVESTMENTS

	2000 QR 000	1999 QR 000
Trading Investments	46,651	46,578
Long-term Investments:		
Quoted	264,265	173,914
Unquoted	54,541	39,011
Provision for diminution in value of quoted securities	(16,954)	(16,954)
Net	<u>348,503</u>	<u>242,549</u>
Investments in Associated Companies	11,468	11,703
Provision in diminution in value	(162)	(114)
Net	<u>11,306</u>	<u>11,589</u>
<b>Total Investments</b>	<b><u>359,809</u></b>	<b><u>254,138</u></b>

The market value of quoted securities stated at cost is QR 318.3 million (1999: QR 220.4 million).

# Notes forming an integral part of the Financial Statements

for the year ended 31st December 2000 and 1999

7. OTHER ASSETS	2000 QR 000	1999 QR 000
Interest receivable	211,900	209,385
Net Properties acquired against Settlement of Debts*	21,469	26,876
Prepayments and others	95,045	71,852
<b>Total</b>	<b><u>328,414</u></b>	<b><u>308,113</u></b>

\* These represent acquisitions of properties made in settlement of debts and held for resale. These properties are valued by independent valuers and are stated at their estimated realisable value.

## 8. FIXED ASSETS

	Land & Buildings QR 000	Equipment, Furniture & Fittings QR 000	Motor Vehicles QR 000	Total QR 000
<b>Cost</b>				
As at 1st January, 2000	105,345	108,520	1,883	215,748
Additions/Transfers	8,920	14,449	426	23,795
Disposals	-	(2,703)	(688)	(3,391)
Foreign currency translation	(710)	(896)	(16)	(1,622)
As at 31st December 2000	<u>113,555</u>	<u>119,370</u>	<u>1,605</u>	<u>234,530</u>
<b>Accumulated depreciation</b>				
As at 1st January, 2000	53,449	83,783	1,275	138,507
Charged during the year	4,289	11,507	225	16,021
Disposals	-	(2,494)	(675)	(3,169)
Foreign currency translation	(146)	(623)	(16)	(785)
As at 31st December 2000	<u>57,592</u>	<u>92,173</u>	<u>809</u>	<u>150,574</u>
<b>Net book amount:</b>				
At 31st December 2000	<u>55,963</u>	<u>27,197</u>	<u>796</u>	<u>83,956</u>
At 31st December 1999	<u>51,896</u>	<u>24,737</u>	<u>608</u>	<u>77,241</u>

## 9. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2000 QR 000	1999 QR 000
Demand and call deposits	84,317	124,514
Deposits maturing within one year	1,539,652	5,060,348
Deposits maturing above one year	25,000	-
<b>Total</b>	<b><u>1,648,969</u></b>	<b><u>5,184,862</u></b>

## 10. CUSTOMER DEPOSITS

### a) By type

Current Accounts	929,109	760,341
Saving Accounts	174,291	168,969
Time Deposits	14,374,429	10,696,944
Other Deposits	2,691,278	1,151,791
<b>Total</b>	<b><u>18,169,107</u></b>	<b><u>12,778,045</u></b>



	2000 QR 000	1999 QR 000
<b>b) By maturity</b>		
On demand	1,111,451	922,486
Within one year	15,033,833	10,742,808
Above one year	2,023,823	1,112,751
<b>Total</b>	<u>18,169,107</u>	<u>12,778,045</u>
<b>c) By Sector</b>		
Government	3,366,199	4,434,887
Government Agencies	6,399,119	1,866,984
Individuals and Corporate	8,403,789	6,476,174
<b>Total</b>	<u>18,169,107</u>	<u>12,778,045</u>
 <b>11. OTHER LIABILITIES</b>		
Interest Payable	251,252	160,638
Provision for Employees' Termination Benefits	106,432	105,011
Others	110,968	64,863
<b>Total</b>	<u>468,652</u>	<u>330,512</u>

**12. PROPOSED DIVIDEND**

The Board of Directors has proposed a cash dividend of 35% (QR 3.5 per share) for the year. In 1999 a cash dividend of 25% (QR 2.5 per share) was declared in addition to one bonus share for every five shares held.

During 2000, the Bank changed its accounting policy with respect to the treatment of dividends to comply with IAS 10 (revised) which became effective on 1st January, 2000. Dividends payable as proposed by the Board of Directors are now accounted for only when they have been approved at the General Assembly. Previously, proposed dividends were recorded as liabilities as at the year end to which they relate. The effect of this change is an increase in retained earnings and a corresponding decrease in liabilities of QR 363,372,702 in 2000 and QR 216,293,275 in 1999.

**13. SHARE CAPITAL**

Issued and paid up ordinary shares of QR 10 each	No. of Shares	Paid-up Value QR 000
As at 1st January, 2000	86,517,310	865,173
Bonus shares issued	17,303,462	173,034
<b>As at 31st December, 2000</b>	<u>103,820,772</u>	<u>1,038,207</u>

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

**14. RESERVES**

In accordance with Qatar Central Bank regulations, at least 20% of net profit for the year is required to be transferred to the Statutory Reserve until the reserve equals 100% of the paid-up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 11 of 1981.

# Notes forming an integral part of the Financial Statements

for the year ended 31st December 2000 and 1999

15. OTHER INCOME	2000 QR 000	1999 QR 000
Fees and Commissions	81,729	69,046
Income from Investments	23,625	13,558
Net Gains from Dealing in Foreign Currencies	15,072	10,261
Other Income	2,336	693
<b>Total</b>	<b>122,762</b>	<b>93,558</b>

## 16. EXPENSES

Included in general and administrative expenses are the following:

### a) Staff Expenses

Staff expenses for 2000 amounted to QR 137.2 million (1999: QR 128.1 million).

### b) Social Responsibility

Expenditure in respect of the Bank's Social Responsibility programme amounted to QR 3.7 million (1999: QR 11.2 million).

## 17. SEGMENT INFORMATION

The Bank is organised into one main business segment which comprises commercial banking activities. Geographically, the Bank operates in Qatar and Europe, through its branches in Paris and London. Qatar operations contribute 98% in terms of profit (1999: 99%) and hold 80% of the Bank's assets (1999: 88%).

## 18. INTEREST RATE SENSITIVITY

The following tables summarise the repricing profile of the Bank's assets, liabilities and off-balance sheet exposures.

	Within 3 Months QR 000	3 - 6 Months QR 000	6 - 12 Months QR 000	More than 1 Year QR 000	Non-Interest Sensitive QR 000	Total QR 000	Effective Interest Rate
<b>As at 31st December, 2000:</b>							
Cash and Deposits with							
Qatar Central Bank	-	-	-	-	502,111	502,111	
Placements with Banks	5,862,843	39,903	28,699	308,529	194,323	6,434,297	6.26%
Loans and Advances	12,795,911	557,050	12,699	8,736	256,130	13,630,526	8.68%
Treasury Bonds	-	-	-	3,282,330	-	3,282,330	7.80%
Investments	-	-	-	130,706	229,103	359,809	8.69%
Other Assets	-	-	-	-	412,370	412,370	
<b>Total Assets</b>	<b>18,658,754</b>	<b>596,953</b>	<b>41,398</b>	<b>3,730,301</b>	<b>1,594,037</b>	<b>24,621,443</b>	
Due to Banks	1,262,245	216,235	53,945	25,000	91,544	1,648,969	6.07%
Customer Deposits	14,206,396	540,761	498,747	2,023,823	899,380	18,169,107	6.92%
Other Liabilities	-	-	-	-	468,652	468,652	
Shareholders' Equity	-	-	-	-	4,334,715	4,334,715	
<b>Total Liabilities</b>	<b>15,468,641</b>	<b>756,996</b>	<b>552,692</b>	<b>2,048,823</b>	<b>5,794,291</b>	<b>24,621,443</b>	
Balance Sheet Items	3,190,113	(160,043)	(511,294)	1,681,478	(4,200,254)	-	
Off-Balance Sheet Items	(105,659)	121,433	3,884	(19,658)	-	-	
<b>Interest Rate Sensitivity Gap</b>	<b>3,084,454</b>	<b>(38,610)</b>	<b>(507,410)</b>	<b>1,661,820</b>	<b>(4,200,254)</b>	<b>-</b>	
<b>Cumulative Interest Rate</b>							
Sensitivity Gap	3,084,454	3,045,844	2,538,434	4,200,254	-	-	

## As at 31st December, 1999:

	Within 3 Months QR 000	3 - 6 Months QR 000	6 - 12 Months QR 000	More than 1 Year QR 000	Non-Interest Sensitive QR 000	Total QR 000	Effective Interest Rate
Cash and Deposits with Qatar Central Bank	-	-	-	-	300,709	300,709	
Placements with Banks	3,362,339	7,683	4,369	59,082	204,165	3,637,638	4.60%
Loans and Advances	13,631,660	480,531	-	15,721	368,081	14,495,993	7.98%
Treasury Bonds	-	-	-	3,282,330	-	3,282,330	7.61%
Investments	-	-	-	49,055	205,085	254,138	8.07%
Other Assets	-	-	-	-	385,354	385,354	
<b>Total Assets</b>	<b>16,993,999</b>	<b>488,214</b>	<b>4,369</b>	<b>3,406,188</b>	<b>1,463,392</b>	<b>22,356,162</b>	
Due to Banks	4,461,938	407,728	186,441	-	128,755	5,184,862	4.96%
Customer Deposits	10,194,826	235,318	479,053	1,112,751	756,097	12,778,045	6.46%
Other Liabilities	-	-	-	-	330,512	330,512	
Shareholders' Equity	-	-	-	-	4,062,743	4,062,743	
<b>Total Liabilities</b>	<b>14,656,764</b>	<b>643,046</b>	<b>665,494</b>	<b>1,112,751</b>	<b>5,278,107</b>	<b>22,356,162</b>	
<b>Balance Sheet Items</b>	<b>2,337,235</b>	<b>(154,832)</b>	<b>(661,125)</b>	<b>2,293,437</b>	<b>(3,814,715)</b>	<b>-</b>	
<b>Off-Balance Sheet Items</b>	<b>(857,072)</b>	<b>706,357</b>	<b>175,086</b>	<b>(24,371)</b>	<b>-</b>	<b>-</b>	
<b>Interest Rate Sensitivity Gap</b>	<b>1,480,163</b>	<b>551,525</b>	<b>(486,039)</b>	<b>2,269,066</b>	<b>(3,814,715)</b>	<b>-</b>	
<b>Cumulative Interest Rate Sensitivity Gap</b>	<b>1,480,163</b>	<b>2,031,688</b>	<b>1,545,649</b>	<b>3,814,715</b>	<b>-</b>	<b>-</b>	

Interest rate risk reflects the risk of a change in interest rates which might affect future earnings. Exposure to interest rate risk is managed by the Bank using, where appropriate, various off-balance sheet instruments, primarily interest rate swaps. Maturities of assets and liabilities have been determined on the basis of contractual pricing or maturity dates, whichever dates are earlier.

# Notes forming an integral part of the Financial Statements

for the year ended 31st December 2000 and 1999

## 19. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
	QR 000	QR 000	QR 000	QR 000	QR 000	QR 000
<b>As at 31st December, 2000:</b>						
Cash and Deposits						
with Qatar Central Bank	497,406	-	4,705	-	-	502,111
Placements with Banks	9,244	2,817,233	2,304,050	334,725	969,045	6,434,297
Loans and Advances	13,125,151	199,584	255,690	167	49,934	13,630,526
Treasury Bonds	3,282,330	-	-	-	-	3,282,330
Investments	348,544	4,647	1,306	5,312	-	359,809
	<u>17,262,675</u>	<u>3,021,464</u>	<u>2,565,751</u>	<u>340,204</u>	<u>1,018,979</u>	<u>24,209,073</u>
Other Assets						412,370
<b>Total Assets</b>						<u>24,621,443</u>
Due to Banks	243,260	289,193	220,664	82	895,770	1,648,969
Customer Deposits	17,833,515	3,669	109,013	3,350	219,560	18,169,107
	<u>18,076,775</u>	<u>292,862</u>	<u>329,677</u>	<u>3,432</u>	<u>1,115,330</u>	<u>19,818,076</u>
Other Liabilities						468,652
Shareholders' Equity						4,334,715
<b>Total Liabilities</b>						<u>24,621,443</u>
<b>Off-Balance Sheet Items</b>	<u>3,717,469</u>	<u>227,399</u>	<u>1,858,070</u>	<u>209,643</u>	<u>581,319</u>	<u>6,593,900</u>
<b>As at 31st December, 1999:</b>						
Cash and Deposits						
with Qatar Central Bank	295,190	-	5,519	-	-	300,709
Placements with Banks	88,067	421,435	2,347,677	618,581	161,878	3,637,638
Loans and Advances	14,169,933	170,106	144,567	165	11,222	14,495,993
Treasury Bonds	3,282,330	-	-	-	-	3,282,330
Investments	242,566	4,647	1,589	5,336	-	254,138
	<u>18,078,086</u>	<u>596,188</u>	<u>2,499,352</u>	<u>624,082</u>	<u>173,100</u>	<u>21,970,808</u>
Other Assets						385,354
<b>Total Assets</b>						<u>22,356,162</u>
Due to Banks	352,351	1,758,299	1,778,263	71,388	1,224,561	5,184,862
Customer Deposits	12,090,485	374,200	95,066	2,855	215,439	12,778,045
	<u>12,442,836</u>	<u>2,132,499</u>	<u>1,873,329</u>	<u>74,243</u>	<u>1,440,000</u>	<u>17,962,907</u>
Other Liabilities						330,512
Shareholders' Equity						4,062,743
<b>Total Liabilities</b>						<u>22,356,162</u>
<b>Off-Balance Sheet Items</b>	<u>5,191,628</u>	<u>1,140,081</u>	<u>2,648,979</u>	<u>1,695,815</u>	<u>837,239</u>	<u>11,513,742</u>



**20. CREDIT RISK**

The Bank attempts to manage its credit risk exposure through diversification of its investments, capital markets and lending activities to avoid undue concentrations of risks with individuals or groups or customers in specific locations or businesses. It also obtains security when appropriate.

The Bank controls the credit risk arising from derivatives and foreign exchange contracts through its credit approval process and the use of risk control limits and monitoring procedures. The Bank uses the same credit risk procedures when entering into derivative and foreign exchange transactions as it does for traditional lending products.

A summary of off-balance sheet derivative financial instruments is as follows:

	2000 QR 000	1999 QR 000
Notional Principal:		
Foreign Exchange Contracts	612,213	2,493,624
Credit Risk:		
Foreign Exchange Contracts	3,310	16,973

The Bank also enters into interest rate contracts with AA and above rated international financial institutions, hence these contracts carry no significant credit risk.

**21. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

	QR QR 000	US\$ QR 000	Other Currencies QR 000	Total QR 000
<b>As at 31st December, 2000:</b>				
Assets	11,033,368	12,801,497	786,578	24,621,443
Liabilities	12,803,653	11,034,420	783,370	24,621,443
<b>Net Balance Sheet Position</b>	<u>(1,770,285)</u>	<u>1,767,077</u>	<u>3,208</u>	<u>—</u>
<b>As at 31st December, 1999:</b>				
Assets	10,336,798	10,337,950	1,681,414	22,356,162
Liabilities	10,007,167	10,635,544	1,713,451	22,356,162
<b>Net Balance Sheet Position</b>	<u>329,631</u>	<u>(297,594)</u>	<u>(32,037)</u>	<u>—</u>

The Qatari Riyal has for many years maintained a stable parity against the United States Dollar at officially quoted Qatar Central Bank rates of QR 3.6385/3.6405 = US\$ 1.

# Notes forming an integral part of the Financial Statements

for the year ended 31st December 2000 and 1999

## 22. RELATED PARTIES

The Bank has transactions in the ordinary course of business with directors, officers of the Bank and entities of which they are principal owners. At the balance sheet date, such significant balances included:

	2000 QR 000	1999 QR 000
Loans and Advances	143,990	70,755
Deposits	61,200	328,328
Contingent Liabilities, Guarantees and Other Commitments	40,616	7,991

The Bank also has significant commercial transactions with the Government which are disclosed in notes 4 and 10. All the transactions with the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

## 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Bank's financial instruments approximates the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

In the opinion of management, the book values of financial assets and liabilities, excluding investments, are not significantly different from their fair values due to their short-term nature or, in the case of customer deposits and loans, due to frequent repricing.

The fair value of investments is based on their market price. The current market value of the Bank's investments exceeds their book value.

## 24. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2000 QR 000	1999 QR 000
Cash and Deposits with Qatar Central Bank	502,111	300,709
Due from Banks	194,323	204,165
<b>Total</b>	<u>696,434</u>	<u>504,874</u>

Balances with Qatar Central Bank include mandatory reserve deposits of QR 423.8 million (1999: QR 128.5 million). These deposits are not available to fund the Bank's day to day operations.

## 25. COMPARATIVE FIGURES

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