



1994



1964

QATAR NATIONAL BANK
30TH ANNIVERSARY ISSUE
1964 - 1994

A PROUD PAST AND A CONFIDENT FUTURE



*In the Name of God Most Merciful
Most Gracious*

The 30th Annual Report

of the Board of Directors and Financial Statements for
the year ended December 31, 1994

A Special Report to Mark The 30th Anniversary for

QATAR NATIONAL BANK



QATAR NATIONAL BANK

1964 - 1994

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HEAD OFFICE & BRANCHES

APPROUD PAST AND A CONFIDENT FUTURE

Head Office

P.O. Box: 1002, Doha

Telegraphic Address: Qatarbank - Telex: 4064 / 4212 / 4357 Qatbnk Dh

SWIFT : QNBAQAQA - Fax: 413753 - Tel.: 407407 (27 Lines)

DOMESTIC BRANCHES

Main Branch

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

Musheireb

P.O. Box: 1018, Doha
Telegraphic Address: Qatarbank
Fax: 415021
Tel. No.: 423643 (5 Lines)
Manager : 429191

Airport Road

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

Al Saida

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

Qatar University / Male

Fax: 835082
Tel. No. 892619 / 892633

Qatar University / Female

Fax: 835137
Tel. No.: 892586

Hamad General Hospital

Fax: 415022
Tel. No.: 421517 / 421917

Air Force Base

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

Umm Said

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

Al Khor

P.O. Box: 60030, AL KHOR
Fax: 721625
Tel. No: 720127
Manager: 721585

Al Shamal

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

Industrial Area

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

Al Rayyan

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

Al Gharaffa

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

Immigration Building Office

Tel. No.: 874217 / 874219

Doha Airport

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

Sheraton Gulf Hotel Office

Tel. No.: 328606

Sheraton Doha Hotel Office

Fax: 831104
Tel. No.: 831878 / 9

Q. G. P. C. Office

Fax: 831081
Tel.: No.: 831216 / 491253

FOREIGN BRANCHES

London - City

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

London - West End

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

Paris

17 Avenue Matignon
75008 Paris
Telegraphic Address: Qatarbank,
Paris
Telex: 641344 Qatbnk G
SWIFT: QNBAFRPP
Fax: 4289 - 1858
Tel. No.: 4359 - 5812
Dealing Room:
Tel. No.: 2436 - 4225

Cayman Islands

P.O. Box: 1002, Doha
Telegraphic Address: Qatarbank
Telex: 4064 / 4212 / 4357
Qatbnk Dh
Fax: 413753
Tel. No.: 432444/430324/430325

HEAD OFFICE DIRECTORY

A PROUD PAST AND A CONFIDENT FUTURE

	TELEPHONE	FAX
BOARD OF DIRECTORS' OFFICE	430240	413394
MARKETING & CREDIT	432728/414963	436577/431036
OPERATIONS & SYSTEMS	413126	352614
MANAGING DIRECTOR'S OFFICE	414504/418618	413394
TREASURY	413693/413790	414943
INTERNATIONAL DIVISION	413768	410418
INVESTMENTS	415619/831467	418052/831469
LEGAL	350194	350192
INTERNAL AUDIT	413876	352612
FINANCIAL CONTROL	430482/414131	430576
PERSONNEL ADMINISTRATION AND HUMAN RESOURCES	414565	414830



H. H. SHEIKH KHALIFA BIN HAMAD AL-THANI

Emir of the State of Qatar



H. H. SHEIKH HAMAD BIN KHALIFA AL-THANI

Heir Apparent, Minister of Defence



H. E. SHEIKH MOHAMED BIN KHALIFA AL-THANI

Minister of Finance, Economy and Commerce

Chairman, Board of Directors

BOARD OF DIRECTORS

AMPHIBIOUS AND CONTINENTAL LIMITED



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



H. E. Yousef Kamal



*Sheikh Hamad Bin Faisal
Al - Thani*



*Abdalla Abdul-Aziz
Al Khater
Managing Director*



Haider Suleiman Holder



Abdul Aziz Salat



*Mohamed Marzouq
Al Shamlan*



Nasser Qassem Darwish



Adel Ali Bin Ali



*Abdalla Abdul-Aziz
Al Khater*
Managing Director



*Saeed Bin Abdullah
Al-Misnad*
Deputy General Manager

CHAIRMAN'S MESSAGE

A PROUD PAST AND A CONFIDENT FUTURE

On behalf of the Board of Directors, Management and Staff of Qatar National Bank, it gives me great pleasure to present the 1994 financial results. 1994 happens to be the 30th Anniversary of the founding of the Bank in 1964 with the principal aim of helping in the development of the National Economy. Starting from a humble base and small beginning, today Qatar National Bank enjoys domestic and international confidence and has sustained an enviable track record in terms of profitability, capitalisation and return on shareholders equity.

The Bank's expansion and development was made possible by the constant encouragement, guidance and keen interest shown by His Highness The Emir Sh. Khalifa Bin Hamad Al Thani and the Heir Apparent and Defence Minister Sh. Hamad Bin Khalifa Al Thani. Today the Bank has evolved into a major regional player from those early days and has continued to shoulder its national responsibilities to participate in the development of Qatar. As this special 30th Anniversary Report will show, the Bank has not stood still in the face of technological, banking and functional changes, and the Bank boasts of the state of the art technology, international branch presence, new product development and last but by no means least, a loyal and dedicated staff many of whom have been with the Bank since its early years. This commitment to serve the country and its clients has enabled Qatar National Bank to retain its premier financial position in Qatar. Looking ahead, specialised departments have been set up to implement the Bank's strategic decision to upgrade all customer services.

The Bank has indeed come a long way from those early days when in 1965 it posted a net profit of QR. 1.8 million and shareholders equity was 17.6 million. The loan portfolio stood at 8 million compared with QR. 9,855 million in 1994. The original 35 staff members have increased to 498, with an ever growing number of qualified and capable Qataris assuming senior management positions as they guide the destiny of the Bank into the next decade.

The 1994 financial results continue the success story with total assets up by 2.5% over 1993 figures to stand at QR. 15,824 million while shareholders equity rose to a healthy QR. 2,245 million, an increase of 7% over the preceding years figures. Loans and advances grew by 9.4% to stand at QR. 9,855 million and the Bank continued its vigilant credit monitoring and extension policy.

Qatar National Bank continues its high profitability record, and 1994 saw a net profit of QR. 275.2 million, up by 14.7% over 1993 figures before unusual items. The Bank continues to focus on non-interest income sources by diversifying its product base and 1995 will see the introduction of several new initiatives in the fields of Retail, Corporate and Investment Banking. The proposed dividend for 1994 is QR. 124 million representing a 35% return on share capital, compared to a 20% return for 1993 and one bonus share for each four shares owned. Return on average equity was 12.68% in 1994 compared with 13.54% in 1993 while the return on assets was 1.76% compared with 1.78% in 1993.

It has been indeed a "glorious past". A challenging future now awaits Qatar National Bank as the country embarks on some of the world's most ambitious gas-related development projects.

In conclusion to this special Anniversary tribute, and on behalf of the shareholders, the Board of Directors, the Management and Staff of Qatar National Bank, I would like to extend my sincerest gratitude and appreciation for the encouragement and patronage of His Highness the Emir Sh. Khalifa Bin Hamad Al Thani and the Heir Apparent and Defence Minister Sh. Hamad Bin Khalifa Al Thani. Special thanks are due to the Ministry of Finance, Economy and Commerce as well as the Qatar Central Bank who have ably guided the financial sector of this country. Furthermore, I would like to thank the dedication and commitment of the Bank Management and Staff for their tireless efforts at bringing the Bank to where it is today. Finally, special thanks to our valued customers for placing their confidence in us.

Mohamed Bin Khalifa Al Thani

Chairman Board of Directors

QATAR NATIONAL BANK
LONG SERVING STAFF - OVER 10 YEARS
OF SERVICE AS OF 31 DECEMBER 1994

A PROUD PAST AND A CONFIDENT FUTURE

12 Years:

Mohammad Sayed Sulaiman

Hussam Adeen Al Shawabka
Jose Tharkan

11 Years:

Maryyama Thomas
Sanjita Barchandan
John Abliff

13 Years:

Susoma Zakaria
Chela Ismael
Suresh Sathy
Peter Percy M.

Abdul Hameed Khan
Azeeza Ali Hassan
Ormana Verghese
Vadcal Peter Willson
Hamed Al Renteissi

Raja Moh'd Rokhar
Laila Joseph
Rodal Segueira
Ali Moh'd Marae
Nidal Al Hudhud

Kavier Ferrao
Hamam Al Gharawi
Majdi Arafat
Fareed Abdul Aillif
Ahmed Al Safadi

Maher Al Dalw
Bassam Idris
Yassei Al Hija
Salah Mutwali
Awad Moh'd Omer

15 Years:

Nabeeh Ramadan
Anima Mathew
Moh'd Issa Al Hamlawi
Saeed Siryid
Jamal Orabi
Khadem F. Farooq

Hamad Allah Mufdi
Nabil Abu Dheeb
Moh'd Shaashaa
Moh'd Nahid Al Agha
Julie Marriotti

Muneeb Manaa
Abdul Raziq Al Juabari
Nadir Marae
Falah Diab
Mustapha Abdul Fatah

14 Years:

Ahmed Ghabalsh
Jamal Al Deen Haseeba
Sharaf Al Deen Abu Jibna
Moh'd Nawaz Gondal

16 Years:

Tawfeeq Moh'd Ibrahim
Hussam Al Azem
Bassam Al Thalathinee
Ahmed Faris Dheeb
Yousuf M. Aarda

Abdul Karim Khudair
Samir Hindi
Ali Saadul Deen
Munir Saadee Al Faris
Joseph Paulose

Khalil Saeed Ibrahim
Ahmed Al Nahawi
Moh'd Bashar Al Alami
Rappal Anthony
Jafar Ibrahim Al Saadi

Momen Badran
Yousuf Siyam
Saeed Al Bardini
Mercy Jacko
Michael Weatherhogg
Ibrahim Zaidan

20 Years:

Abdulla Al Taweeel
Jodaf Al Natstja
Nawal Awad Ayesb
Ziyad Al Baltaji
Ahmed Khedr Al Taweeel
Munir Abdul Latif
Sara Al Saqa

19 Years:

Abdulla Abu Al Hawa
Zeyad Qadoerg
Muneera Badwan
Ahmed Thabit Al Badwiy

18 Years:

Zuhair Salah Gassem
Moh'd Adnan Kilisli
Mariamma Mathew
Moh'd Jameel Al Sebaal
Taher Arafat
Abdul Wahab Parkar
Ahmed Moh'd Al Asqar
Mustafa Rushdi
Moh'd Hisham Halawa
Muawiyah Al Badawi
Ahmed Aliawat
Ahmed Hassan

17 Years:

Ebrooq Musaq
Moh'd Nazir Al Hariri
Mahir Al Nunu
Moh'd Abu Aitta
Moh'd Ramadan Shima
Fakhrul Deen Hamza
Abdul Razaq
Moh'd Hafeez Shohan
Adel Saber Hassaneen
Stanley Black
Khumis Al Qassas
Moh'd Ghassan Al Saad

26 Years:

Raji Barakat
Diab Ayoub
Moh'd Al Sali
Nafez Abu Naheya
Moh'd Al Jabsha

25 Years:

Fouad Meqdad
Akram Hamada
Khalil Ismaeel Khalil
Waleed Saeed Hindawi
Moh'd Hashem Al Saqa

24 Years:

Hikmat Sarhan
Saeed Moh'd Hassen

22 Years:

Hamad Hamad Al Sayar
Abdul Raouf Muqbil

21 Years:

Moh'd Al Daghma
Moh'd Fathi Nabhan
Salama Al Sharqawi
Zeyad Al Salfi
Abdul Muhsein Badwan
Moh'd Mahmoud Al Arar

27 Years:

Abdul Raouf Muhaisen
Jaafar Tawfeeq Murtaga
Riyadh Gharbiya
Moh'd Kamal Abu Al Saad

23 Years:

Tahseen Abu Amour
Ali Moh'd Nasser

28 Years:

Nabhan Dawood
Nayef Abu Akar
Nazzeq Al Azem
Yahya Fawzi Zarooq

30 years:
Ibrahim Maadi

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A PROUD BANK AND A CONFIDENT FUTURE

THIRTY YEARS might not seem a long time in the life of many International Financial Institutions, but for the State of Qatar, it encapsulates all that has happened to transform the country beyond recognition to those who lived and worked in it. Qatar National Bank today stands at the threshold of a new and dynamic era that faces the State as it embarks on the biggest ever gas-related expansion programme seen in the world and which has placed Qatar on the energy map. In meeting the challenges of the future, Qatar National Bank proudly recollects its past. Thirty glorious years of achievements, expansion, development and hope, mirroring the social and economic growth of the country to which it has dedicated itself to serving under the wise stewardship of His Highness the Amir Sheikh Khalifa Bin Hamad Al Thani and the Heir Apparent and Defence Minister His Highness Sheikh Hamad Bin Khalifa Al Thani. This 30th Anniversary Special Report is a tribute to all those who served the Bank in whatever capacity over those long years - from the humblest employee to the Board of Directors, and is a way of saying "Thank you" to all - including our loyal customers without whose trust we would not have grown.

Starting from a small base of one branch in 1965 in a Government owned building (sharing the Post Office) and 35 staff, today Qatar National Bank has twenty two branches, including two international branches in London and Paris, an Offshore Banking Unit



(OBU) in the Caymans and nearly 500 staff.

No indigenous domestic Banking structure existed then and everything had to be built up from scratch, helped only by enthusiasm, dedication and hard work of the first pioneers. The Indian Rupee was in circulation, along with the Dubai Rupee and British Pound but as the economy expanded and population centres grew, Qatar National Bank began its steady growth in branch network, serving the outlying regions of Doha and the country. The early pioneers won the respect of local merchants and ordinary customers as they built client confidence in using modern Banking services and today Qatar National Bank is proud of long established client relationships spanning almost the whole Thirty Years.

As the branch network expanded, and other Qatari Banks founded, so did Qatar National Bank adapt itself to competition and customer service requirements. Today's QNB branches - whether domestic or international are linked

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A PROGRESSIVE AND A CONFIDENT FUTURE

on line to each other through some of the most modern systems and the individual Branch Manager is encouraged to become a full Service Centre rather than a referral point to the Main Branch. At the heart of this effort has been the drive for automation and system implementation.

It was until 1988 that all data was processed manually, and during that year QNB decided to introduce the latest state of the art technology. Studies were started and by early 1989 the KAPITI Banking System was installed. Branch by branch was linked to the main system so that by 1990 all branches were on line. From those early beginnings of 6 staff members in the Systems Department, today QNB has a fully fledged Information Services Division headed by qualified Qataris with specialist teams in the fields of programming, system development, user services support groups, twenty four hour operations to assist with internal requirements and client services, and a technical support team. An in-house Data and Systems management team follows up on rapid technological changes.

Today the domestic and international branch network are

utilising the **BEAM** retail system. In 1992, **ACT** Financial System was introduced to automate Treasury activities and to allow for new Treasury products and services. The first generation **KAPITI** has been upgraded and **ACT** Financial Information System linked to it. Qatar National Bank was the first domestic bank to join **SWIFT** in 1988 as a participating member in order to allow London Branch to join. The status was later changed to a full member in 1993 when the country became a **SWIFT** member. The international branches were computerised at an earlier stage, with London installing the **KAPITI** system in 1984.

In 1988 the first Automated Teller Machines (**ATMS**) were installed in an off-line environment offering basic services such as cash withdrawal, balance enquiries and check book requests. Currently twenty **ATMS** are installed covering domestic branch network and prime off-premise locations serving more than 25,000 card holders, with existing plans underway to grow the number of **ATMS** and offering more advanced services such as making the **ATMS** full service centres.



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PROGRESS AND A CONFIDENT FUTURE

These rapid technological and information system developments enabled Qatar National Bank to offer new specialised financial services in the Treasury field which has grown in terms of size and complexity of products offered.

that ensures that appropriate prudent trading techniques are followed in a fast evolving Treasury environment.

While Treasury management and its sophisticated products might



Qatar National Bank now has one of the most modern dealing rooms in the Gulf, with appropriately qualified Treasury staff having use of modern dealing screens, Reuters, Teletext, interbank dedicated communication lines and desk-top confirmations. Numerous international relationships have been established by the diligence of the International Department and today QNB has nearly 640 Banks as correspondents covering all major currencies and countries. Treasury operations have become more sophisticated and has kept pace with client demand, and today QNB Treasury offers such services as Bonds, Securities Trading, Swaps, Options and Margin Trading. QNB Treasury staff manage the Bank's liquidity position as well as client funds, but the issue of internal controls and checks have not been ignored. Treasury Operations comprises of specialist and highly sophisticated support for the group

be a newcomer to Qatar National Bank, in the field of Corporate Banking QNB has been the leader in Qatar as it served virtually all activities associated with the development of the economy. As the diagram below illustrates, QNB has participated in major Qatari loans to

QNB LOAN PARTICIPATION
1976 - 1994



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A PROUD PAST AND A CONFIDENT FUTURE

prime entities, thus shouldering its responsibility as the country's premier financial institution.

Internationally, Qatar National Bank has been involved in some prominent syndications arranged out of London Branch. These included **Beazer Group, Silver Carriers SA, Daewoo Corporation, Air Finance Amsterdam** as well as being Agent Bank for several loans for the State of Qatar which attracted favourable international response. Both the London and Paris branches of QNB offer a full range of banking services including foreign exchange, letters of credit, personal and private banking facilities.

 The National Economy has come a long way since the Bank's first year of establishment when the First Annual Report stated that the "overseas dredging company completed the main channel to Doha Port, and Qatar National Company for Cement was established; that oil production was 100,000 barrels per day". By 1975, the Tenth Anniversary, the State Budget had risen to QR. 8.2 Billion

and expenditure was at QR. 5.78 Billion and the country saw the start of the first Iron and Steel and Petrochemical projects including Umm Said's first Natural Liquid Gas plant. By the Twentieth Annual Report, London and Paris Branches were open, oil price stability was a major issue in 1985 and the Bank was stressing greater emphasis on supporting the local economy and claimed around 55% of market share in credit advances. Today's restructured Corporate Banking Group has specialist Divisions encompassing Contracting, Trading, Retail and Government Sectors each staffed by professional managers with well defined goals and objectives to give QNB the quantitative and qualitative edge in the Qatari and International markets. The Division is well supported by specialist Credit Supervision and Risk Management Units and the Rescheduling and Settlement Department follows a vigorous policy of loan collections.

But the Bank has not forgotten its Retail Customer base and launched special services for this



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market segment. VISA cards were introduced in 1989 and as of December 1994 the Bank had issued more than half of the "Premier" and "Classic" cards issued by all the banks in Qatar. At the same time, the Bank has plans for Voice Banking and Home Personal Banking via Personal Computers.



The present ATM's are being upgraded to accept other credit cards.

handling the majority of Government related business, Qatar National Bank has dominated this sector and has managed the Government's special loans programme for Senior Government Employees as well as having put some of its domestic branches to serve Government specialised Agencies (passports office etc.). The Figure below illustrates the number of loans and volume administered for the Senior Government Employee programme.

At the same time, the bank has been a participant in the construction boom that has transformed Qatar since Independence. Commercial real estate loans have been extended to meet demand and the figures below testify to the expansion that has taken place.

QNB SENIOR GOVERNMENT EMPLOYEES
LOAN PROGRAMME 1975 - 1994

(CUMULATIVE)



The launch of the Vehicle Finance Division in 1994 was successful and today has around 8% of this market.

Being the premier Financial institution in Qatar and also

QNB COMMERCIAL REAL ESTATE LOANS

1975 - 1994

(CUMULATIVE)




Throughout the above expansion and development in products and services, the Bank has not lost sight of maintaining appropriate internal controls. As such, specialist Legal and Audit Departments were created to help

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ASSIDUOUS AND A CONFIDENT FUTURE

Senior Management. In 1985, the Bank established a stand-alone legal Department which today is staffed by qualified and professionally respected legal experts. The Audit Department reports to the Board of Directors and has set about its task to ensure that QNB departments pursue prudent procedures and establish required controls, especially for new products so that client confidence is always maintained. To manage the ever growing financial and regulatory reporting requirements, a specialised Financial Control Department has evolved which today serves the needs of the Bank in this essential function.

 As we have highlighted in this special Anniversary issue, Qatar National Bank has reached its position today because of the dedication of its staff and their commitment to the Institution.

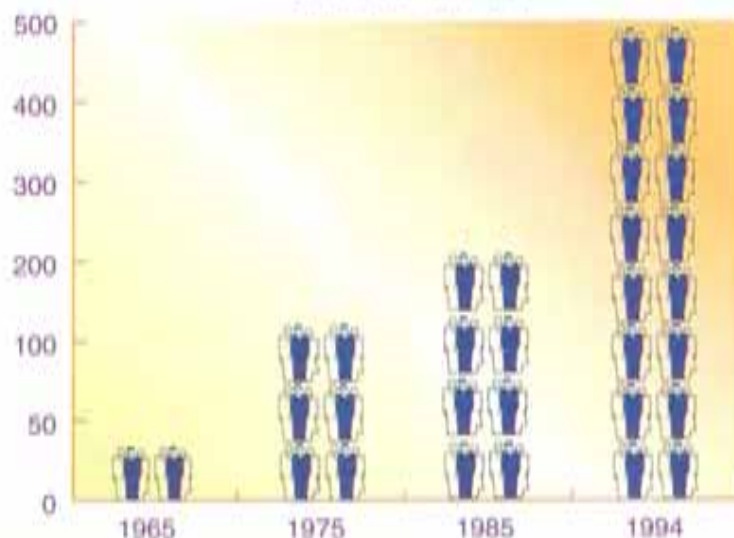
From its beginnings in 1965, the Bank today has nearly 500 domestic

and international employees with growth in staff numbers highlighted below.

It is gratifying to note that as of 31 December 1994 there were no less than 137 serving staff members with 10 years and longer of service record. This is nearly 30% of total staff and between them they have an average 20 years of service, a record few Financial Institutions can match. They are honoured separately in this Anniversary Report. Looking ahead and to enable the Bank to meet the challenges of the next decade, a professionally managed Human Resources Division has been established. One of its primary goals is to implement an effective Qatarisation programme with the aim of attracting high calibre Qatari graduates. A comprehensive plan has been submitted setting out future Departmental requirements.

The Human Resources Division has now put into effect a

QNB STAFF 1965 - 1994



computerised Bank-wide human resources plan, staff training and personal objectives and evaluation methods. Senior Management is very much aware of the need for up to date staff training and have provided all the necessary resources and encouragement to ensure that staff can meet the challenges of a competitive market place. As such, the Bank is proud of the fact that it is the only financial institution in Qatar to operate a fully fledged Training Centre. This was opened in



1991 with a total number of 688 staff going through its training programmes since opening. These included 263 Qataris. The Fig.

below illustrates the number of training days invested by the Training Centre with the 1995 Plan calling for 125 training days and with nearly 80% or 300 domestic staff programmed for training.

The Training Centre now offers a full range of programmes in the fields of Selling Skills, Marketing, Management Skills, Information System, Credit Performance Evaluation, and Secretarial Duties. 1995 calls for an additional five external courses in specialist areas.

1994 was a land mark year for the Bank as it signalled a Senior Management and Board decision to stress a comprehensive programme focusing on upgrading all bank customer service delivery. The Bank aims to differentiate itself through Customer Services delivered to focused target market segments and has committed the necessary resources in Systems, Training and Organisational structure. In terms of new products, fee income is being stressed through Investment Banking activities which will assume greater

QNB TRAINING DAYS



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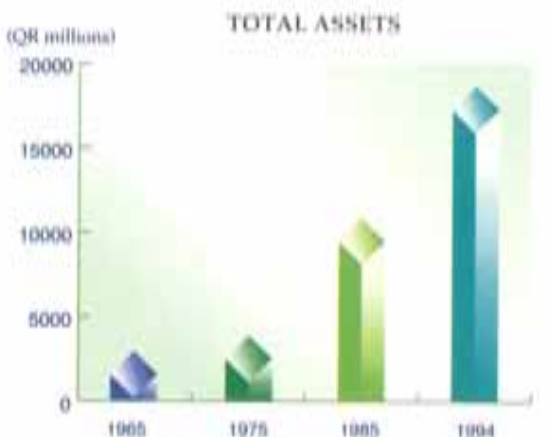
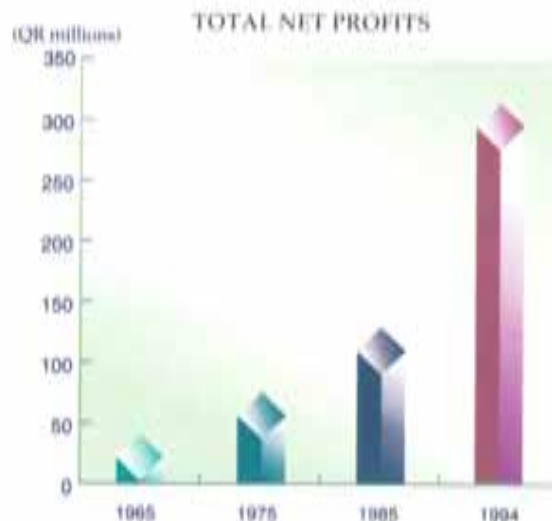
A PROUD PAST AND A CONFIDENT FUTURE

importance as the Bank faces international competition in this field. As pointed out earlier, Voice Banking, Home-Banking, Personal Housing Loans, Point of Sale cards capability and other retail service enhancements are being planned to keep the Bank competitive.

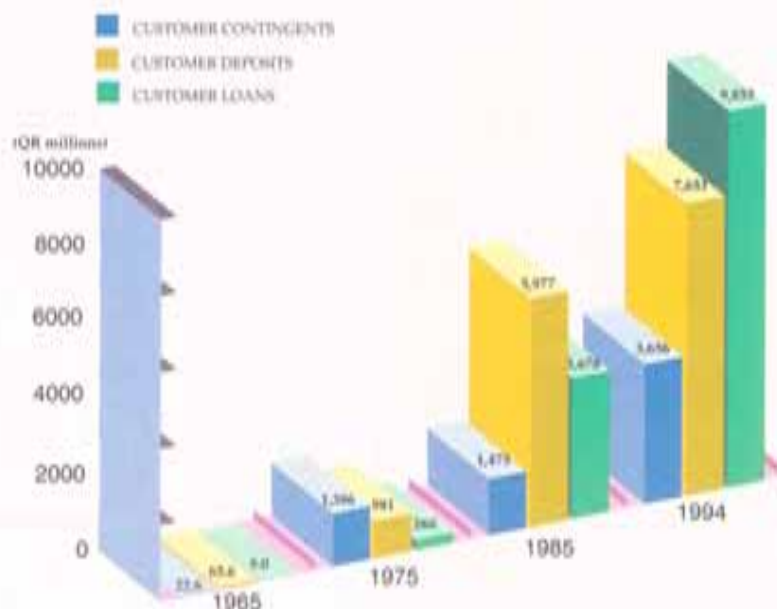
In the final analysis, Qatar National Bank has to fulfill its obligation to its shareholders in terms of profitability and return on equity. This it has consistently done, Year after year, since inception in 1965, and today QNB is one of the most profitable Banks operating in the Gulf with an enviable capitalisation and reserve position as well as return on shareholders equity.

The graphs illustrate the remarkable growth in assets, shareholders equity and net profits over the Milestone Years.

The return on shareholder funds for the respective years was 10.2% (1965), 31.1% (1975), 13.2% (1985) and 12.25% (1994). Growth in customer deposits, customer loans and contingent accounts are highlighted on the next page, all confirming the historical transformation that has taken place within the Bank and the State of Qatar.



CUSTOMERS' DEPOSITS, LOANS AND CONTINGENT ACCOUNTS
(QR millions)



The accompanying 1994 financials in comparison with 1993 figures show total assets as of 31st December 1994 at QR, 15,824 million, up by 2.4% over 1993 figures. Total shareholders funds stood at a healthy QR, 2,245 million, an increase of 7% over 1993 figures. Customer deposits decreased by QR, 247 million or 3.1% over 1993 figures. Due to on-going Government expenditure on capital projects the Bank witnessed a decline in Government deposits. This however, was compensated by a positive increase of QR, 515 million in deposits from private clients in 1994 compared to the 1993 figures, emphasising the Bank's determination to maintain its deposit market share in Qatar.

Loans and advances to customers stood at QR, 9,851 million as at 31 December 1994 compared with QR, 9,009 million

for the preceding period or a 9.4% increase, indicating continuing strong demand for credit facilities from all sectors. The Bank, through its Executive Board Committee and Risk Management Group, continues to exercise prudence in Credit extension.

This prudence and general Bank's strength enabled QNB to continue receiving sustained international credit lines reflected in an increase of QR, 381 million of deposits from other financial institutions or an 8.1% increase over 1993 figures.

Net profits for 1994 were QR, 275.2 million or 14.7% increase over 1993 figures before unusual items.

The increase in profits is attributed to a sharp rise in other income as well as a rise in interest income. In view of the increasing

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complexities of the international financial environment, Bank management is now stressing the need for income diversification and greater emphasis on fee income in line with the strategic realignment of the Bank's products and services.

The proposed dividends for 1994 is a straight cash payment of QR. 124.0 million representing 35% return on share capital. The 1993 dividend was 20% in cash and one bonus share for each four shares owned. Total shareholders funds has increased by QR. 150 Million or 7.15% over 1993 figures, thus continuing the trend to ensure that Qatar National Bank exceeds by a comfortable margin the internationally set BIS minimum capitalisation ratio of 8%. The return on average equity in 1994 was 12.68% compared to 11.54% in 1993, while the rate of return on average assets was 1.76% compared to 1.78% in 1993 - figures which compare favourably with leading Financial institutions in the region.

 As Qatar National Bank enters into its 31st Year of operation, it does so with confidence for the future knowing that a strong foundation has been laid by those early pioneers and under the leadership of His Highness the Emir Sh. Khalifa Bin Hamad Al Thani and His Highness the Heir Apparent and Defence Minister Sh. Hamad Bin Khalifa Al Thani. We are extremely proud of what has been achieved in so short a time frame and are confident of meeting future challenges.



AUDITOR'S REPORT TO THE SHAREHOLDERS

— FRODO BAGGINS AND A COMPANY LIMITED —

We have audited the accompanying balance sheet of Qatar National Bank S.A.Q. as of 31 December 1994, and the related statement of income and retained earnings, and the statement of sources and application of funds on pages 28 to 34 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 mis-statement. 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 of 31 December 1994, and the results of its operations and the sources and applications of its funds for the year then ended in accordance with the accounting policies on pages 31 and 32 and the Qatar Commercial Companies Law No. 11 of 1981.

As required by Qatar Commercial Companies Law No. 11 of 1981, we further confirm that we have obtained all the information and explanations which we require for the purpose of our audit and that the Bank has maintained proper accounting books and records during the year and that the financial information included in the Directors' Report is consistent with the books and records of the Bank and that we have not become aware of any contravention by the Bank of its Articles of Association or of the Qatar Commercial Companies Law No 11 of 1981 that would have a materially adverse effect on its activities or financial position.

M J Dajani
KPMG Poat Marwick
Qatar Auditors Registry No. 52
26 March 1995
Doha - Qatar

BALANCE SHEET AS OF 31 DECEMBER 1994

A PROUD PAST AND A CONFIDENT FUTURE

	Note	1994 QR'000	1993 QR'000
ASSETS			
Cash and short-term funds	3	333,839	420,813
Deposits with banks and other financial institutions		3,788,180	4,229,426
Promissory note from the State of Qatar	4	1,274,175	1,274,175
Loans and advances	5	9,855,589	9,009,372
Investments	6	165,098	176,584
Other assets	7	344,838	278,384
Property and equipment	8	62,564	59,757
Total Assets		<u>15,824,283</u>	<u>15,448,511</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Due to banks and other financial institutions	9	5,073,554	4,692,364
Customers' deposits	10	7,653,527	7,900,963
Other liabilities and provision for general banking risks		728,073	703,292
Proposed dividend	11	124,031	56,700
Total Liabilities		<u>13,579,185</u>	<u>13,353,319</u>
SHAREHOLDERS FUNDS			
<i>After Appropriation</i>			
Share capital	12	354,375	354,375
Statutory reserve	13	354,375	354,375
General reserve		1,500,000	1,310,277
Retained earnings		36,348	76,165
Total shareholders' funds		<u>2,245,098</u>	<u>2,095,192</u>
Total Liabilities and Shareholders' Funds		<u>15,824,283</u>	<u>15,448,511</u>
Contra accounts and other commitments	14	22,685,353	14,260,670

The Group's statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 31 to 34.

These financial statements were approved by the Board of Directors on 26 March 1995 and were signed on their behalf by:

Chairman

Vice Chairman

Managing Director

STATEMENT OF INCOME
AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 1994

A PROFIT PAST AND A CONFIDENT FUTURE

	Note	1994 QR'000	1993 QR'000
STATEMENT OF INCOME			
Interest income		1,051,170	897,475
Interest expense		<u>(722,520)</u>	<u>(592,233)</u>
Net interest income		328,650	305,242
Other income	15	<u>110,953</u>	<u>73,206</u>
OPERATING INCOME		439,603	378,448
General and administrative expenses		(124,008)	(127,257)
Depreciation		(12,878)	(12,583)
Provision for loan losses - Net of recovery		(18,441)	(4,893)
Provision for diminution in value of investments		(3,382)	(3,761)
Provision for diminution in value of properties acquired against advances		<u>(23,569)</u>	<u>(5,500)</u>
PROFIT BEFORE UNUSUAL ITEM		257,325	224,454
Unusual item	16	<u>17,872</u>	<u>45,000</u>
PROFIT FOR THE YEAR		<u>275,197</u>	<u>269,454</u>
STATEMENT OF RETAINED EARNINGS			
Balance at beginning of the year		76,165	6,421
Profit for the year		<u>275,197</u>	<u>269,454</u>
		351,362	275,875
Transfer to statutory reserve		—	(70,875)
Proposed dividend	11	(124,031)	(56,700)
Proposed issue of bonus shares		—	(70,875)
Directors' fees		(1,260)	(1,260)
Transfer to General reserve		<u>(189,723)</u>	<u>—</u>
		<u>(315,014)</u>	<u>(199,710)</u>
Balance at end of the year		<u>36,348</u>	<u>76,165</u>

The financial statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 14.

STATEMENT OF SOURCES
AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1994

(FIGURES IN QATRI) AND CONTINUED

	1994 QR'000	1993 QR'000
SOURCES OF FUNDS		
From operations:		
Profit for the year	273,937	260,194
Items not involving the movement of funds:		
Depreciation	12,878	12,583
Provision for loan losses	18,441	4,893
Provision for diminution in value for investments	3,382	3,761
Provision for diminution in value of properties acquired against advances	23,569	5,500
Provision for general banking risks no longer required	(17,872)	(45,000)
Total generated from operations	<u>314,335</u>	<u>249,931</u>
OTHER SOURCES:		
Net book amounts of property and equipment disposals	422	1,036
Disposal of investments	<u>8,104</u>	<u>202,760</u>
Total sources of funds	<u>322,861</u>	<u>453,727</u>
FUNDS APPLIED		
Purchase of property and equipment	(16,107)	(16,139)
Dividends	<u>(124,031)</u>	<u>(56,700)</u>
Total application of funds	<u>(140,138)</u>	<u>(72,839)</u>
INCREASE IN NET BANKING ASSETS	<u>182,723</u>	<u>380,888</u>
Arising from movements in:		
Loans and advances to customers	864,658	(374,694)
Promissory note from the State of Qatar	—	1,278,125
Customers' deposits	247,436	649,029
Due to banks and other financial institutions	<u>(381,190)</u>	<u>(1,161,935)</u>
	730,904	386,575
Other assets, liabilities and provision for general banking risks	(19,961)	95,945
Cash and short-term funds	(86,974)	(27,558)
Deposits with banks and other financial institutions	<u>(441,246)</u>	<u>(24,074)</u>
	<u>182,723</u>	<u>380,888</u>

The financial statements shall be read in conjunction with the notes to and forming part of the financial statements set out on pages 23 to 24.

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

QATAR NATIONAL BANK PUBLIC LIMITED

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar National Bank S.A.Q. ("the Bank") was incorporated in the State of Qatar as a share 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 following are the significant accounting policies which have been applied consistently in the preparation of these financial statements.

a) Accounting convention

These financial statements are prepared under the historical cost convention.

b) 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 exist with regard to its collectability; thereafter such interest is included in interest in suspense account and taken to income only upon receipt.

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

c) Provision for loan losses

Specific provisions are determined to reduce the carrying value of identified impaired advances to their expected ultimate net realisable value based on a detailed appraisal of the lending portfolio by the management and on the Qatar Central Bank instructions.

d) Provision for unforeseeable risks and contingencies

The Bank holds a general provision to cover unforeseeable risks and contingencies. The provision is included in the balance sheet under the heading "Other liabilities".

e) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates of exchange ruling on the balance sheet date. Gains or losses arising as a result thereof together with exchange profits and losses which arise from normal banking activities during the year are dealt with in the determination of the income for the year.

Gains and losses arising from the difference between the spot and forward rates on forward exchange contracts which are entered into as part of hedge transactions are credited to or charged against income over the period of the transactions.

Income and losses arising from the above hedged contracts, and which are translated into Qatari Riyals at rates of exchange ruling at the dates on which the contracts are entered into, are amortised over the period of the contracts.

f) Investments

Trading securities are valued at the lower of cost and market value.

Treasury bills are valued at cost.

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

Investment in equity of an associated company is accounted for using the equity method, less additional provision as estimated by the management.

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

A PROUD PAST AND A CONFIDENT FUTURE

g) Depreciation

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

Buildings - Freehold	25 Years
Equipment, furniture and fittings	4 to 7 Years
Motor vehicles	4 Years

Freehold land is not depreciated.

h) Employees terminal benefits.

The Bank makes a provision for all leaving indemnities payable to employees in accordance with the Bank's regulations and calculated on the basis of the individual's period of service at the year end. The Bank's regulations provide for an amount greater than the minimum required by the Qatari Labour Law. The provision for employees' terminal benefits is included under "Other liabilities".

i) Interest rate swaps

The Bank enters into interest rate swaps, a tool to manage interest rate risks. The contracts represent an exchange of interest payments and the underlying principal balance of assets or liabilities are not affected. These interest rate swaps are included as contra accounts.

j) Directors' fees

In accordance with the provision of the Qatar Commercial Companies Law No. 11 of 1981, Directors' fees have been shown as an appropriation of profit.

3. CASH AND SHORT TERM FUNDS	1994 QR'000	1993 QR'000
Cash in hand and on current account with other banks	129,180	181,878
Deposits with Qatar Central Bank	204,659	238,935
	<u>333,839</u>	<u>420,813</u>

4. PROMISSORY NOTE FROM THE STATE OF QATAR

This represents a Promissory Note of the State of Qatar repayable on 5 June 1995.

5. LOANS AND ADVANCES

Loans and advances are stated net of interest in suspense and specific provision for loan losses of QR 684 million (1993: QR 653 million).

6. INVESTMENTS	1994 QR'000	1993 QR'000
Investment in an associated company	15,542	13,858
Less: Provision for diminution in value of above investments	(12,561)	(8,314)
	2,981	5,544
Trading securities	3,643	3,625
Long term securities, portfolios and bonds	154,105	162,046
Foreign currency treasury bills	4,369	8,569
	<u>165,098</u>	<u>175,544</u>

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

A PRIVATE BANK AS A COMPANY LIMITED

	1994 QR'000	1993 QR'000
7. OTHER ASSETS		
Accrued interest	124,101	102,876
Properties acquired against advances (pending sale)	78,038	104,079
Prepayments and other	142,699	71,429
	344,838	278,384

8. PROPERTY AND EQUIPMENT

	Freehold Land and Building QR'000	Furniture, Equipment & Vehicles QR'000	Total QR'000
Cost	79,924	69,128	149,052
Accumulated depreciation	(42,466)	(44,022)	(86,488)
Net Book Value			
As at 31 December 1994	37,458	25,106	62,564
As at 31 December 1993	34,603	25,154	59,757

	1994 QR'000	1993 QR'000
9. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS		
Current accounts and demand deposits	2,610,324	3,129,565
Deposits maturing within one year	2,463,230	1,562,799
	5,073,554	4,692,364

	1994 QR'000	1993 QR'000
10. CUSTOMERS' DEPOSITS		
Demand deposits in Qatar Riyals	1,114,005	1,598,267
Savings and time deposits in Qatar Riyals	2,964,574	2,479,064
Deposits in foreign currencies	3,574,948	3,823,632
	7,653,527	7,900,963

11. PROPOSED DIVIDENDS

The Directors proposed a cash dividend of 15% (QR 15 per share) (1993) 20% (QR 20 per share) in addition to one bonus share for each four shares.

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

(UNAUDITED AND A CONFIDENTIAL ITEM)

	1994 QR'000	1993 QR'000
12. SHARE CAPITAL		
Issued and paid up 1,543,750 ordinary shares of QR 100 each	<u>354,375</u>	<u>354,375</u>
The Government of Qatar holds 50% of the ordinary shares of the bank with the other 50% held by the public.		
13. STATUTORY RESERVE		
The Qatar Commercial Companies Law No 11 of 1981 requires that 20% of the net profit for each year should be appropriated to a Statutory Reserve until the amount in the reserve account becomes equal to the paid up share capital. The balance in the Statutory Reserve is not available for distribution except in the circumstances specified in the above law.		
	1994 QR'000	1993 QR'000
14. CONTRA ACCOUNTS AND OTHER COMMITMENTS		
Letters of credit	2,316,995	2,663,130
Guarantees and acceptances	1,340,175	1,296,786
Forward foreign exchange and bullion contracts	17,245,972	8,208,569
Notional Principal amount of interest rate swap and forward agreements	<u>1,782,211</u>	<u>2,092,185</u>
	<u>22,685,353</u>	<u>14,260,670</u>
	1994 QR'000	1993 QR'000
15. OTHER INCOME		
Fees and commission	18,905	18,374
Investment income	46,524	11,113
Net gains from dealing in foreign currencies	35,907	34,696
Other operating income	<u>9,617</u>	<u>9,023</u>
	<u>110,953</u>	<u>73,206</u>
16. UNUSUAL ITEM		
During 1994 an amount of QR 17.9 million was transferred from Provision for General Banking Risk to Profit and Loss Account (QR 45 Million for 1993).		
17. COMPARATIVE FIGURES		
Certain comparative figures have been reclassified to conform with the presentation of the current year's financial statements.		