



# QATAR NATIONAL BANK

( S. A. Q. )

1976  
Annual Report  
and  
Accounts





HIS HIGHNESS  
SHEIKH KHALIFA BIN HAMAD AL-THANI  
EMIR OF THE STATE OF QATAR





## *Board of Directors*

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Chairman His Excellency Sheikh Abdul Aziz Bin Khalifa Al-Thani

Member Es-Sayyed Ahmad M. Suwaidi

Member Es-Sayyed Abdullah Abdulghani

Member Es-Sayyed Yousuf Jaseem Darweesh

Member Es-Sayyed Ahmad Mannai

Member Es-Sayyed Mohammad I. Jaidah

Member Es-Sayyed Haidar S. Lari

Executive Director Es-Sayyed Abdulkadir Qadi



## Branches

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### MAIN BRANCH

*Telegraphic Address*

*Telex*

*Telephone number*

PO Box 1000, DOHA

QATARBANK

4212 QATBNK DH

4357 QATBNK DH

23092 (3 LINES)

### MUSHAIREB BRANCH

*Telegraphic address*

*Telephone number*

PO Box 1818, DOHA

QATARBANK

23464

### AIR PORT ROAD BRANCH

*Telegraphic address*

*Telephone number*

PO Box 3252, DOHA

QATARBANK

28868

### UMM-SAID BRANCH

*Telegraphic address*

*Telephone number*

PO Box 10050, UMM-SAID

QATARBANK, UMM-SAID

77529

### AL KHOR BRANCH

*Telegraphic address*

PO Box 20030, AL KHOR

QATARBANK, AL KHOR

### AIRPORT BRANCH

*Telephone number*

25500

### GULF HOTEL BRANCH

*Telephone number*

28606

### LONDON BRANCHES

#### CITY BRANCH

*Telex*

*Telephone number*

ORMOND HOUSE,

63 QUEEN VICTORIA ST.,

LONDON, EC4N 4UB

889201 QATBNK G

01-248 6751

#### WEST END BRANCH

*Telex*

*Telephone number*

36 CURZON ST

LONDON, W1Y 7AF

298698 QNBCUR G

01-493 7411



## *Financial Highlights*

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	Qatar Riyals	1976	1975	
<b>INCOME</b>		<b>40,486,441</b>	35,118,938	+15%
<b>LOANS</b>		<b>339,598,000</b>	266,340,606	+28%
<b>STATUTORY &amp; FINANCIAL RESERVES</b>		<b>119,622,691</b>	84,725,403	+41%
<b>TOTAL ASSETS</b>		<b>1,874,463,832</b>	1,100,855,025	+69%
<b>SHAREHOLDERS EQUITY</b>		<b>147,704,116</b>	112,817,675	+31%

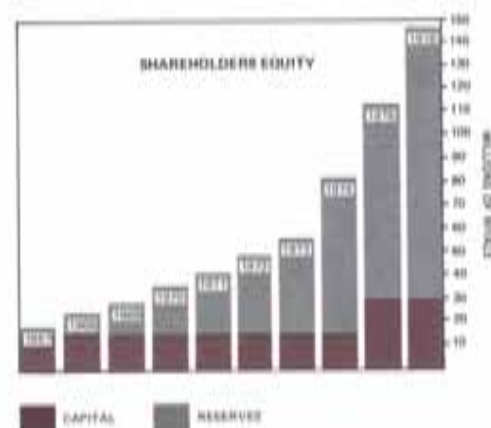
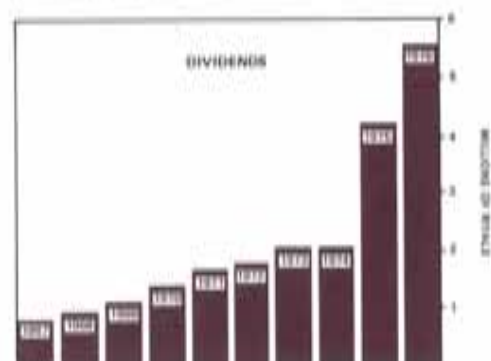
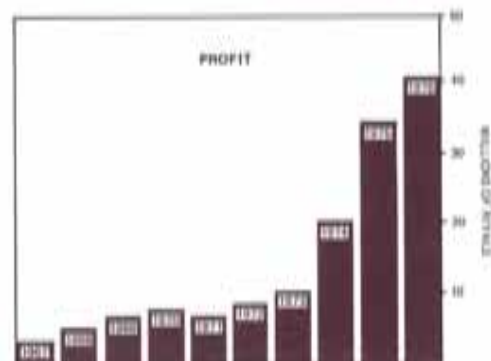
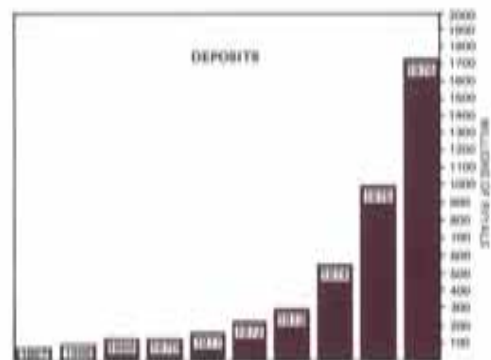


# 1976 Financial Results

The Bank's net profit increased by 15% to QR 40,486,441 (QR 35,118,938) after making provision for contingencies but before transfers to Statutory and Special Reserves of QR 34,897,000 (QR 30,924,000). A dividend of 20% (15%) QR 5,600,000 (QR 4,200,000) was paid.

The profit showed a significant increase over 1975, itself an exceptional year, despite a decline in foreign exchange profits, resulting from the introduction in the latter part of 1975 of statutory limits within which exchange rates could be quoted. Had Euromarket interest rates in 1976 not fallen from the high levels of 1975, even higher interest income would have been achieved. In the circumstances, therefore, the results can be regarded as fully satisfactory.

Liabilities on guarantees and credits show a substantial increase but in the main this represents a liability in respect of the Government of Qatar.



## HEAD OFFICE PREMISES

The Head Office in Qatar will shortly be moving into new premises which will enable the bank to increase their present staff and, thereby, expand, increase and improve their services.



## *International Business*

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In order to develop the Bank's International business, a branch was opened in Ormond House, 63 Queen Victoria Street, London, on 1st July 1976, which provides full banking services. A second branch has since been opened in the West End of London at 36 Curzon Street, which will offer all visitors from Qatar and other Middle Eastern countries the banking services they require.

The Bank in London has recently received full authorised status from the Bank of England and, with a modern and efficient foreign exchange and money management department, is able to offer any service required by clients from any part of the world.



*The dealing room at our London branch*

**STAFF** Qatar National Bank could not have achieved the progress in 1976 without the co-operation and dedication of employees at all levels, and to them goes the gratitude and appreciation of the Directors and Shareholders.

## Balance Sheet

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	1976 (000)	1975 (000)
<b>ASSETS</b>		
Cash, Short term funds and at Bankers	1,466,957	816,548
Advances and Bills Discounted (after deducting provisions for Bad and Doubtful Debts)	339,598	266,341
Accrued Interest Receivable and Prepaid Expenses	10,141	3,410
Investments	36,027	5,297
Fixed Assets (at cost) net of Depreciation	21,741	9,259
	<u>1,874,464</u>	<u>1,100,855</u>
<b>LIABILITIES</b>		
Current Deposit and other Accounts (including Reserves for Contingencies)	1,404,583	754,309
Amounts due to Banks	311,781	227,195
Dividends Payable	5,600	4,200
Provisions and Accrued Expenses	4,796	2,333
<b>CAPITAL RESOURCES</b>		
Share Capital	28,000	28,000
Reserves	119,704	84,818
	<u>1,874,464</u>	<u>1,100,855</u>
Liabilities on Guarantees and Credits for which there is a corresponding Customer Liability	1,960,181	1,386,681

# Consolidated Statement of profit and loss

## For the Year Ended 31st December 1976

		1976 Q Riyal	1975 Q Riyal
<b>INCOME</b>	Interest earned and other income	116,408,974	102,262,202
<b>EXPENDITURE</b>	Interest paid, salaries, rent and other expenses	75,922,533	67,143,264
	<b>Profit for the Year</b>	<b>40,486,441</b>	<b>35,118,938</b>

## Appropriation Statement

### For the Year Ended 31st December 1976

		1976 Q Riyal	1975 Q Riyal
	Balance 1st January 1976	92,272	97,122
	Add: Net Profit for the year	40,486,441	35,118,938
		<b>40,578,713</b>	<b>35,216,060</b>
<b>LESS</b>	Transfer to special reserve	26,800,000	23,900,000
	Transfer to statutory reserve	8,097,288	7,023,788
	Proposed dividend	5,600,000	4,200,000
	Balance Carried Forward	81,425	92,272

**ABDULKADIR QADI**  
*Executive Director*

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

- NOTES**
1. The exemption from income tax for the bank was renewed for five consecutive years effective 23rd March 1976 in accordance with the Cabinet Decision No. 4 of 1976 dated 23rd May 1976.
  2. Bills for collection kept in the custody of the bank as at 31st December 1976 totalled QR 28,195,826.

# *The Auditor's Report*

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To The Shareholders  
Qatar National Bank - SAQ  
Doha, Qatar

We have examined the Balance Sheet of QATAR NATIONAL BANK, S.A.Q., Doha, Qatar, as at 31st December 1976, and the related Statements of Profit and Loss and Appropriation for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, and we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination.

In our opinion, the accompanying Balance Sheet and Statements of Profit and Loss and Appropriation present fairly the financial position of Qatar National Bank, S.A.Q., Doha, Qatar, as at 31st December 1976, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and giving all the information required by the Law and the Bank's Bye-Laws. We are also of the opinion that proper books of account were kept by the bank, that the stocktaking was carried out in accordance with recognized principles and that the information given in the Board of Directors' report in so far as they are related to accounts are in agreement with the books. To the best of our knowledge and belief, and according to the information given to us, no contraventions of the Law or the Bank's Bye-Laws were committed during the financial year in such a way so as to affect materially the bank's activities or its financial position.

Doha, Qatar  
3rd March 1977

SABA & Co.



## *The Economy of Qatar*

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The December 1976 Ministerial Meeting of the Organisation of Petroleum Exporting Countries, held in Doha and inaugurated by HH Sheikh Khalifa bin Hamad al-Thani, Emir of the State of Qatar, focused international attention on the rapid pace of economic and social development achieved in 1976. As during the preceding years, oil production and export remain the main pillars of the State's economy, but also the pace of development allowed new progress toward diversification of activity.

Increased oil production, now under full national control for both on-shore and off-shore crude recovery, allowed for a total export volume of 23,141 million long tons, compared with 20,368 million long tons in 1975. Domestic activity directly related to oil or gas production grew as a result of the refinery extension, which has increased the output of gasoline and allied products for the domestic market from 6,200 to over 18,000 barrels per day, and of the newly opened natural gas liquid processing plant at Umm-Said.

The latter is supplied from Dukkhan (which also supplies feedstock for the Qafco fertilizer plant and fuel for the Ras Abu Aboud power station and the State's existing industries) and produces propane, butane and natural gasoline. Both types of production will increase in the future. A second refinery is to be built, to quadruple domestic crude running capacity for the export market and the NGL production is to be extended with a QR 1,400 million project for the recovery of off-shore natural gas which is at present flared. The second NGL plant is expected to begin in early 1978, with a first-stage production target of 11,000 tons of propane, 900 tons of butane and 900 tons of natural benzene per day. The ethane taken out of the NGL by the fractionation plant will be used as feedstock by the petro-chemicals plant.

The recent spectacular unassociated gas discoveries have added new impetus to the Qatar Gas Company's studies concerning liquid natural gas production and export. An LNG plant, with an initial output rate of twelve hundred million cubic feet a day, is envisaged for 1981.

In other fields of industry, the locally-owned Qatar National Cement Company has terminated Phase II of its expansion plan. Production has been raised from 1,800 to 2,700 tons per day with additional units which include two dry-process kilns, two bagging units and a desalination plant of 250,000 gallons per day. The Qatar Fertilizer Corporation, in operation since 1973, has made substantial progress in its QR 1,000 million expansion programme aimed at doubling capacity by 1978. Production of ammonia will then be raised from 900 to 1,800 tons daily and the urea output increased from 1,000 to 2,000 tons per day. During 1976, the iron and steel complex under construction at Umm-Said, advanced further toward its date of completion. It is now anticipated that the plant will come into operation at the end of 1977 or in early 1978. The projected annual steel production capacity is 400,000 metric tons (billet basis), mainly in reinforcing bar and other construction material in strong regional demand.

## The Economy of Qatar

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The Qatar Petro-chemical Company, incorporated in 1974, is expected to begin production of ethylene (300,000 tons per year) in 1979, on the basis of locally-produced ethane feedstock. Some of the ethylene produced will be used in the production of plastic goods such as pipes and household items. The latter diversification is part of a plan to complete the Umm-Said industrial complex with several smaller output units.

The year 1976 witnessed the completion of 21 new schools, several large housing and infrastructural projects, among which is the 40,000 seat sports stadium, core of a complex to be known as Khalifa Sports City. In Doha, the buildings of the Qatar Monetary Agency, of the Ministry of Foreign Affairs, of the Chamber of Commerce and our bank form new landmarks on the Corniche. A new development scheme is now being implemented in the West Bay area, a large section of reclaimed land at the north-end of Doha. The scheme provides inter alia for a major hotel-conference complex.

Agriculture was able to increase its output in line with official planning targets and claims an increasingly higher share of domestic consumption. The modernisation and rationalisation of catching methods have enabled a substantial increase of the fish supply and of the shrimp operations. The Qatar National Fishing Company, which started its activities in 1968, now operates a fleet of six modern trawlers equipped with refrigeration facilities.

In pace with these domestic developments, Qatar's foreign trade showed again a substantial acceleration. Exports increased from QR 7,025 million in 1975 to QR 8,683 million in 1976, and it is interesting to note the growing participation of non-oil industrial products such as urea fertilizer and hydrous liquid ammonia. Imports remain heavily influenced by the nature of the domestic industrialisation programmes and the changing consumption patterns of the resident population. Imports went up from QR 1,622 million in 1975 to QR 3,236 million in 1976. As in prior years, transport equipment, investment goods and machinery counted for some 60% of the total, with the United Kingdom, Japan, the United States and Germany counting for the bulk of these supplies.

The Government's budget continues to play a major development role, with regard both to the promotion and financing of industrial enterprise and to the implementation of infrastructural and social projects. In the industrial sector, the Government takes an active interest in the major plants now operative or under construction. Social and infrastructural capital expenditure concerns a wide range of projects, notably public health, education, power/desalination establishments, broadcasting, transport, telecommunications and port facilities. The Government also participates actively in a large number of regional and inter-arab enterprises. The 1977 budget provides for a 44% increase in allocations to development projects, from QR 4,383 to QR 6,301 million.



## *The World Economy*

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After the steep drop in economic activity and the unprecedented inflationary and exchange rate disturbances of the 1973-1975 period, the past year can on the whole be considered as a favourable turn of events for the world economy. Measured by the percentage rise of National products and industrial production, the developed and the developing countries were able to make good a substantial part of the decline suffered during the recession. OPEC countries continued to grow rapidly, increasing once again their imports of manufactured goods and services. The rates of inflation slackened almost everywhere and as a result, interest rates responded more closely to improve capital demand and supply conditions, companies were able to strengthen their balance sheets, and it was possible for deficit countries to be financed more easily than expected. Finally, international monetary relations, though still unstable, benefited from an improved co-ordination between key-currency countries and the settlement of some controversial issues at the Jamaica conference of the International Monetary Fund, in January 1976.

A closer look at the individual data, however, reveals both a number of disturbing contrasts and the persistence of many unresolved problems with regard to the future growth and stability of the world economy.

Thus, it is striking that the cyclical upturn which characterised the first half of 1976, lost its momentum during the second semester. In fact, the rates of growth of the United States, Germany and Japan slackened to such an extent that the deficit countries, notably Great Britain, France and Italy, could no longer count on an export-led recovery and were forced into more stringent austerity policies, thereby accentuating the world slowdown in the later half of 1976. The exact causes of the unexpected deceleration pattern are still debated. It is, nevertheless, now fairly evident that the main reason has to be sought in the persistence of demand, price and exchange rate uncertainties, i.e. in the fact that all those engaged in production, exposed to either the volatility or foreign demand or to sudden changes in competitive conditions, tended to remain unusually cautious in the setting of future capacity. Indeed, this explains why investment did not relay the cyclical upswing of consumption and inventory rebuilding as during other Post-War recoveries, thereby causing a slowing of economic activity and a painful deepening of unemployment. Beyond the 1976 phenomenon, this profile of the recovery also raises a longer term concern, relating to the chances of raising capital expenditure to a level adequate to ensure a satisfactory supply for sustained future growth and the avoidance of the production bottlenecks that contributed so much to the 1974-1975 imbalances.

## The World Economy

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### Growth in Some Major Countries (% per year in volume)

	<i>annual average</i>			
	1963-1974	1975	1976/I	1976/II
United States	4.0	-1.8	6.5	3.2
Germany	4.4	-3.2	7.0	4.2
Japan	9.4	2.1	8.4	3.3
France	5.4	-1.2	7.0	3.0
United Kingdom	2.7	-1.8	2.7	1.3
OECD region	5.0	-1.2	6.0	3.2

As to the inflation issue, it is true that the recession contributed to a substantial improvement. But it is no less true that, with few exceptions, prices continue to rise at historically high rates, particularly in the United Kingdom, France, Italy and in the developing countries. Many diverse factors have contributed to that situation - international commodity prices, interaction between inflation and exchange rates, excessive growth of nominal wages, efforts to restore industrial profit margins being among the main ones. The overall conclusion to be drawn, however, is fairly clear. On the one hand, forceful action to combat inflation, with the stabilising effects it engenders in expectations and exchange rate appreciations, can be effective. On the other, though, the problem of longer-term control of wages, money supply, commodity pricing and political pressures are such that inflation is bound to remain substantial and a permanent threat for any future expansion of the industrial economies. In fact, it must be feared that, as the recovery moves ahead, the real problems of controlling inflation will reappear.

### Cost-of-Living Indices in some Major Countries (% increase per year)

	<i>annual average</i>		
	1962-1972	1975	1976
United States	3.3	9.8	4.8
Germany	3.2	6.0	3.9
Japan	5.7	11.8	8.9
France	4.4	11.7	9.8
United Kingdom	4.9	24.2	14.8
OECD	3.9	11.2	8.5

The diverging patterns of behaviour among major countries were vividly reflected in exchange rate developments, which only partly responded to the objective to "assure orderly exchange arrangements and to promote a stable system of exchange rates", agreed upon in the Rambouillet, Puerto-Rico and Jamaica meetings. The limited impact of the latter is hardly astonishing. On the one hand the high degree of interdependence of both goods and capital markets and the vast pool of uncontrolled euro-currencies, makes it practically impossible to counter movements based on divergent economic trends or strong expectations. On the other, there is still a striking absence of any prospect for a coherent, multilateral

## The World Economy

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agreement on rules for balance-of-payment adjustment and international liquidity creation. Therefore, the private sector knows that by deliberate choice or by force of circumstances, countries will be compelled to let their currencies float up or down for quite some time to come.

Finally, the efforts to adjust the world economy to the structural changes that have occurred or are deemed necessary, i.e. to create the "new international economic order" have failed to make any progress in 1976. The Paris "North-South" conference remains in a contentious phase and the multi-commodity stabilisation scheme negotiated in the United Nations Conference for Trade and Development (UNCTAD) is meeting with stiff resistance from the industrial countries. In addition, the flow of development aid from developed to developing areas has again declined. Thus, the reform and the renovation of international economic relations, recognised as an objective by the unanimous special session of the United Nations General Assembly, remains as remote as ever, perpetuating a gap which poses a constant threat to the efficient and equitable functioning of the world economy.



## *The Financial Environment*

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This basic uncertainty proved to be a critical element of the world financial environment, which, in 1976, was also influenced by a large number of diverging factors. Thus, uncertainty meant that capital flow and long-term rates have continued to express a substantial risk-aversion. Divergent developments in external balances, exchange-rate conditions, budget situations or inflation rates, have induced differing monetary policies. Notably in the United Kingdom, Italy and France, this led to high interest rates whereas, abundant savings, weak corporate credit demand and inflows of foreign capital led to generally declining rates elsewhere. As a result, the interest rate structure of 1976 presented an unusually complex pattern.

The 1976 developments, however, also revealed new policy trends which, if successful, would be liable to exert a significant impact on the future behaviour of interest rates and indeed on all prices. First, a growing number of central banks have decided to make use of publicly announced money supply targets. In other words, the monetary authorities endeavour to keep the increase of the money stock within pre-announced limits so as to ensure that short-run fluctuations in to-be-financed aggregate demand will automatically generate their own feedback in the form of a tightening or easing of credit conditions. By doing so, it is hoped to gradually dismantle inflationary expectations and to gain a better protection against the risk that monetary policy will feed a "stop-and-go" pattern. Secondly, as evidenced by the credit-demand behaviour of the last eighteen months, the private sector now seems to have reversed its propensity to accept escalating financial risks. In 1976, financial and non-financial corporations have rebuilt liquidity and restructured balance-sheets. In fact, the shock waves that emanated from the 1973-1975 events seem to have set in motion a trend toward greater caution that promises to achieve a more satisfactory degree of financial consolidation than occurred after previous business cycle excesses. Finally, governments have recognised the interdependence between official and private international financing and established corresponding multilateral risk sharing mechanisms. As such specially set-up institutions such as the IMF Oil Facility, the safety-net arrangements of the OECD and the BIS (Bank for International Settlements) are combined with greater control of the Euro-currency markets and the introduction of "lender-of-last resort" credit facilities to contain or prevent the spreading of any pressures that may arise.

As stated above, it is as yet unclear whether these emerging trends are simple fluctuations in the degree of risk-taking, i.e. a temporary move toward safer financial configurations and more coherent interest-rate patterns, or a definite retreat toward safer ground. Since, as a practical matter, one has to accept that abnormally large net credit flow will be needed for the years to come through both official and private channels to finance the restructuring of the world economy, it is to be hoped that an improved international framework of monetary and financial resiliency will remain a matter of constant intergovernmental concern.

