



# Investor Relations Presentation September 2012

# Contents

1. QNB at a Glance
2. Qatar Banking Sector
3. Financial Highlights – September 2012
4. Economic Overview

QNB at a Glance



# QNB at a Glance: Overview

## Overview

- Established in 1964 as the first Qatari owned bank
- Owned (50%) by the Government of Qatar via the Qatar Investment Authority (QIA)
- Largest bank in Qatar
- Listed on Qatar Exchange (QNBK)

## Credit Rating

	Moody's	S&P	Fitch	Capital Intelligence
LT	Aa3	A+	A+	AA-
ST	P-1	A-1	A1+	F1
Outlook	Stable	Stable	Stable	Stable

## Presence

- QNB Group, subsidiaries and associate companies operate in 24 countries around the world, through 383 branches and offices, supported by more than 780 ATMs, and employing almost 8,500 staff

## Stock Info

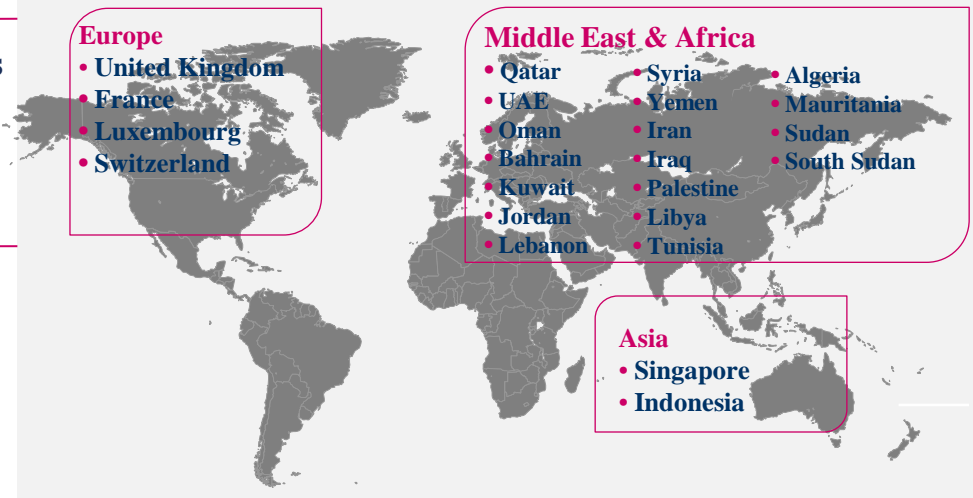
(Share Price as at 30/09/2012; all other facts based on year-end 2011 financials)

Market Cap	US\$26.0 bn
(Share Price: QR135.8)	
Price/Earnings	12.2
Price/Book	2.3

## September 2012 Financials (in US\$)


























	2012	2011	5yr CAGR
Total Assets	96.4 bn	76.9 bn	25%
Loans & Advances	65.5 bn	46.2 bn	30%
Operating Income	2.33 bn	1.96 bn	27%
Profit	1.71 bn	1.49 bn	27%
Coverage Ratio	116%	124%	

## Global Presence



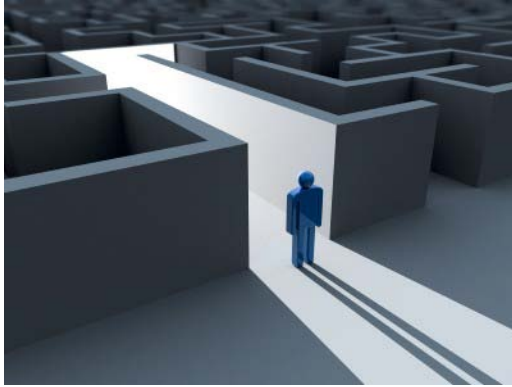
# QNB operates through branches, representative offices and subsidiaries/associates

## Overview of International Network

Type of Operation by Geography				
Subsidiaries and Associates				
				
				
				
Branches				
				
				
Representative Offices				

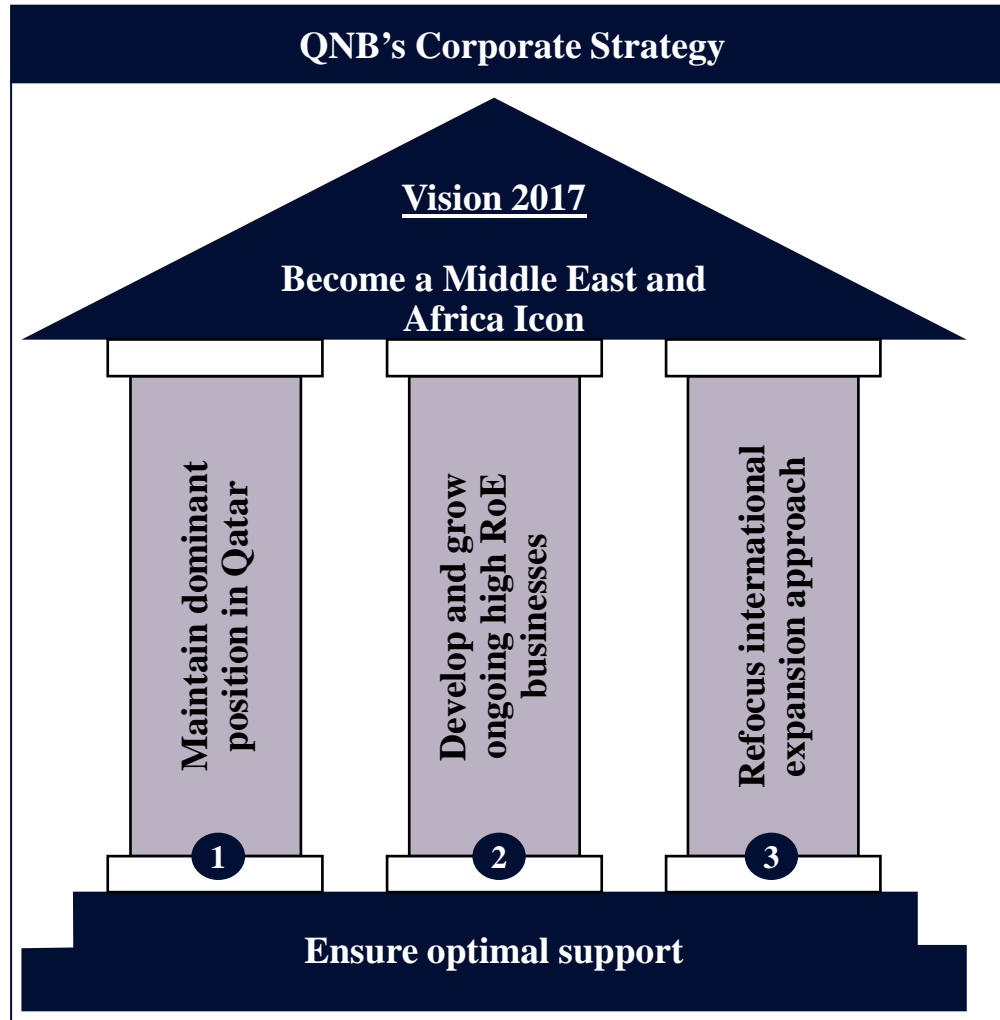
Subsidiaries and Associates	Country	Ownership
QNB Capital	Qatar	100%
QNB Financial Services	Qatar	100%
QNB Banque Privée	Switzerland	100%
QNB Kesawan	Indonesia	70%
QNB Syria	Syria	51%
Mansour Bank	Iraq	51%
Tunisian Qatari Bank	Tunisia	50%
Commerce & Development Bank	Libya	49%
Commercial Bank International	UAE	40%
Housing Bank for Trade & Finance	Jordan	35%
Al Jazeera Finance Company	Qatar	20%

# QNB's vision for 2017 is "To become a Middle East and Africa Icon"



# A corporate level strategy has been developed along three pillars to realize QNB's 2017 vision

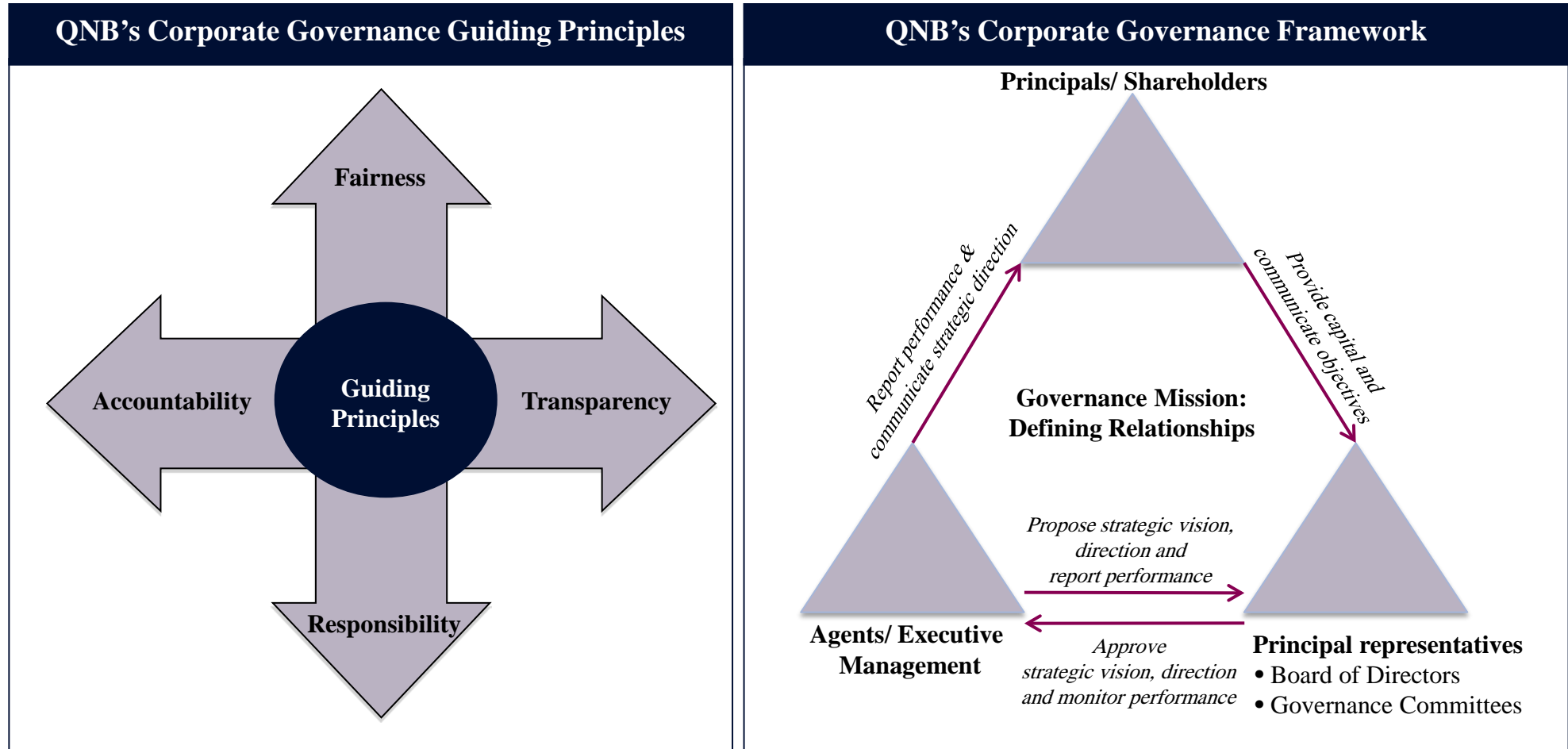
## Overview of Corporate Strategy



Explanation of Priorities	
<b>1</b>	<b>Maintain dominant position in Qatar</b> <ul style="list-style-type: none"><li>• Protect large corporate business</li><li>• Grow affluent Qatari segment and expand into expat segment</li></ul>
<b>2</b>	<b>Develop and grow ongoing high RoE businesses</b> <ul style="list-style-type: none"><li>• Grow brokerage and custody businesses</li><li>• Strengthen private banking value proposition</li><li>• Grow QNB Capital</li></ul>
<b>3</b>	<b>Refocus international expansion approach</b> <ul style="list-style-type: none"><li>• Build brand in the Middle East and Africa by increasing share and profitability in existing key markets</li><li>• Achieve scale by pursuing sizeable acquisitions</li></ul>

# QNB's corporate governance framework is based on four guiding principles and aims to prevent any principal-agent conflict of interest

## Corporate Governance Guiding Principles and Framework



QNB's governance framework ensures management decisions are in the best interests of shareholders



# QNB's corporate governance architecture cascades from Board of Directors to Management Committees...

## Corporate Governance Architecture



# ...and ensures shareholders' objectives are translated into clearly defined action plans with active execution oversight by the Board

## Corporate Governance Architecture

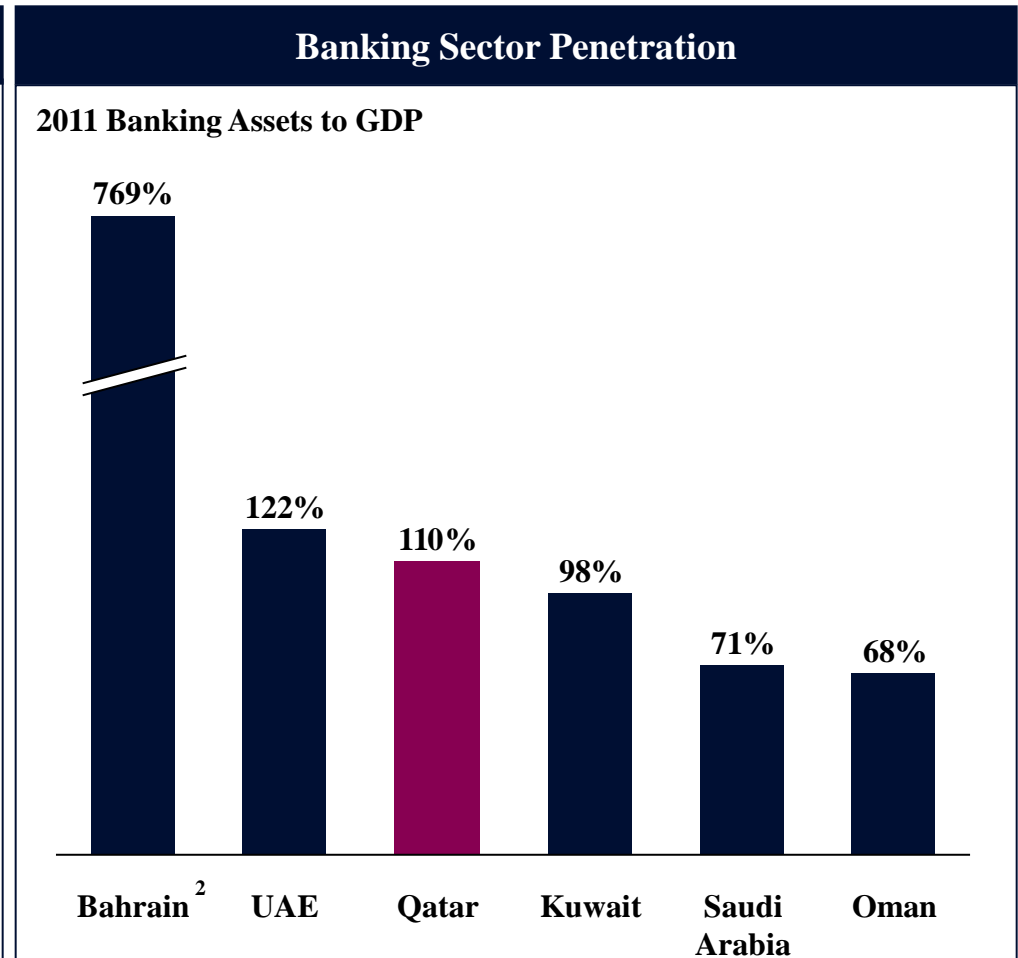
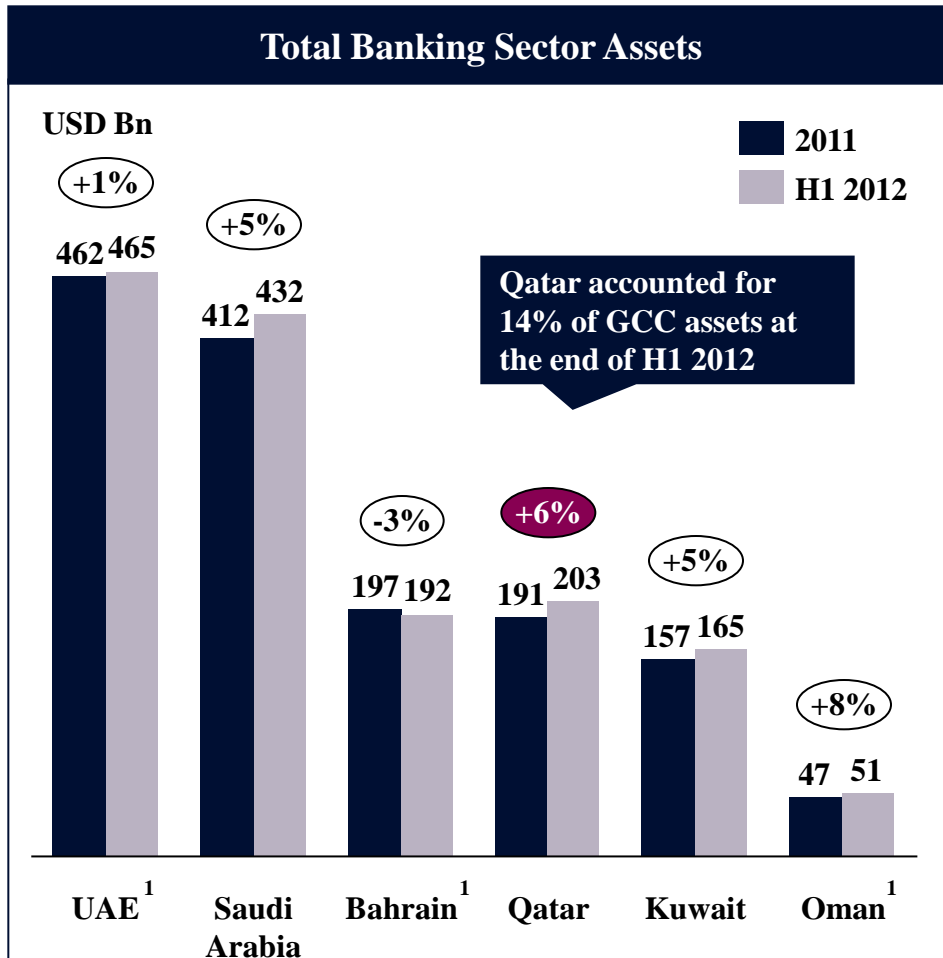




# Qatar Banking Sector

# Qatar's banking sector has experienced the strongest growth in the GCC, however penetration levels are still low compared to peers

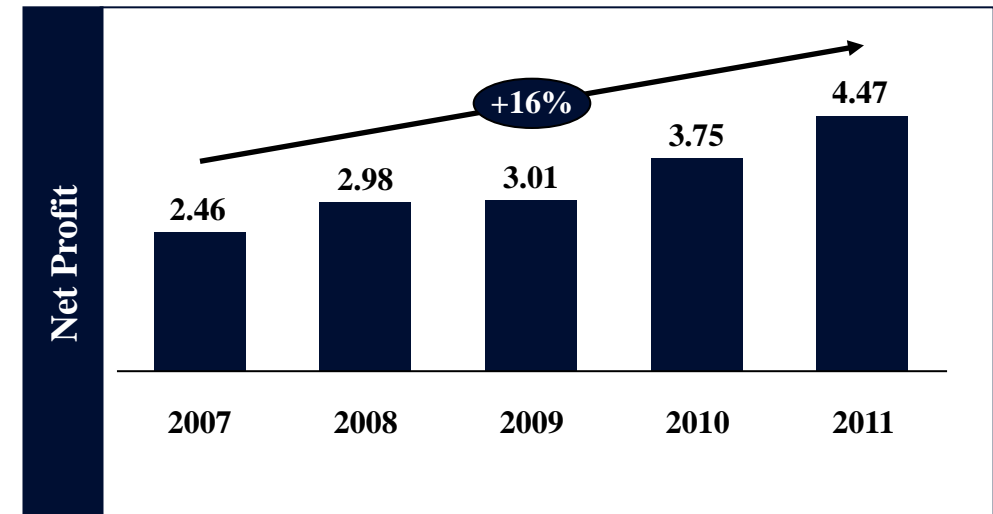
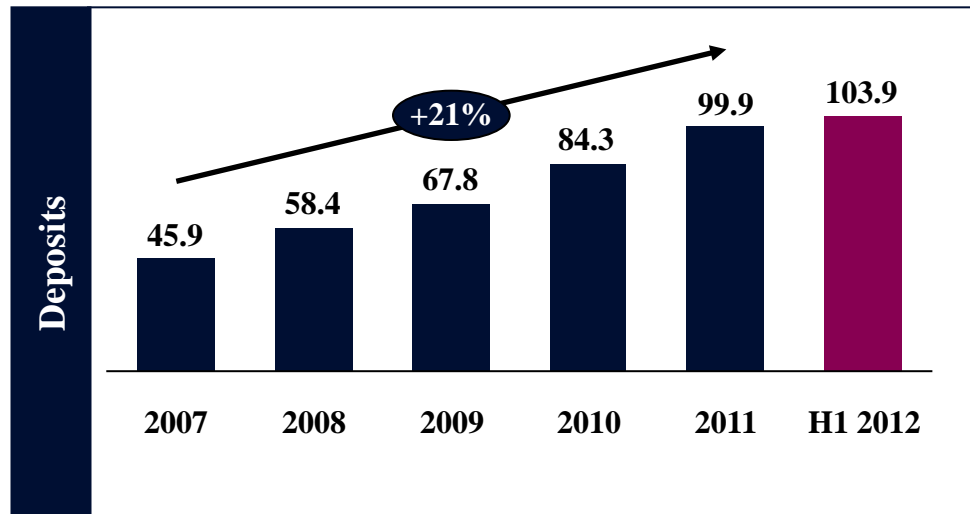
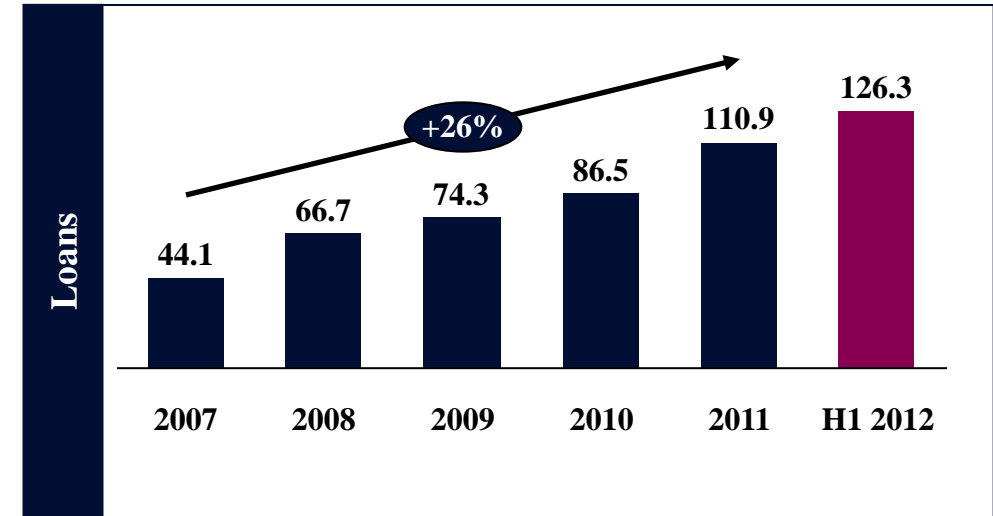
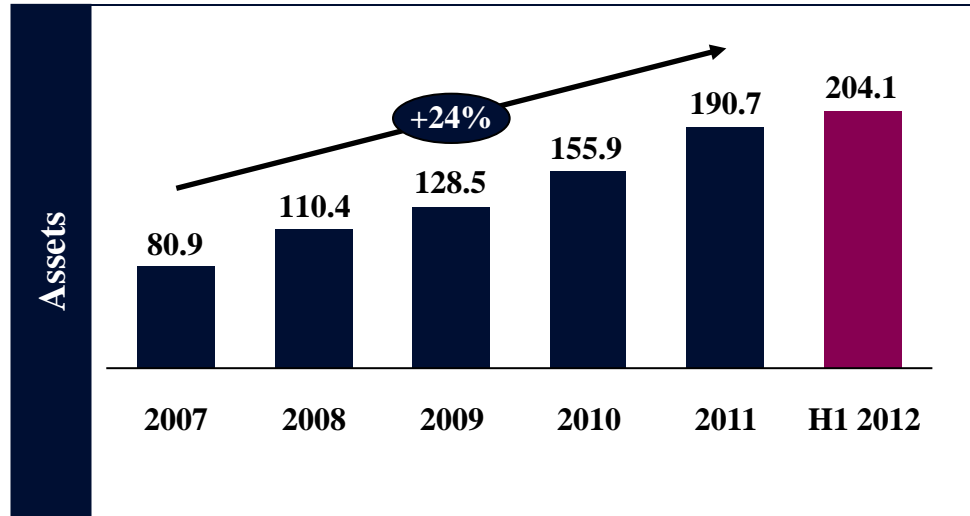
## Benchmark of Qatar Banking Sector vs. GCC



Qatar's current banking penetration levels provide ample room for further expansion

# All key banking sectors metrics have expanded rapidly over the last five years while asset quality remains high as well as stable

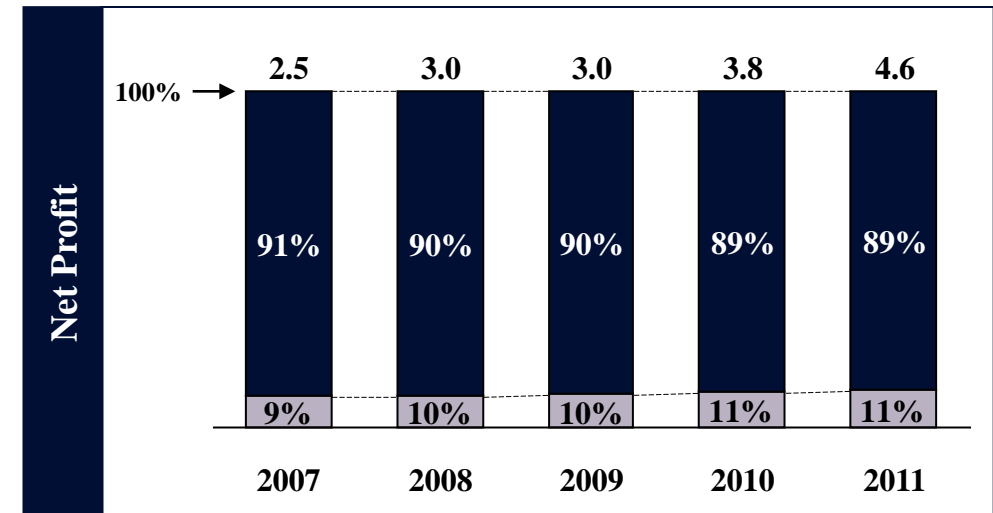
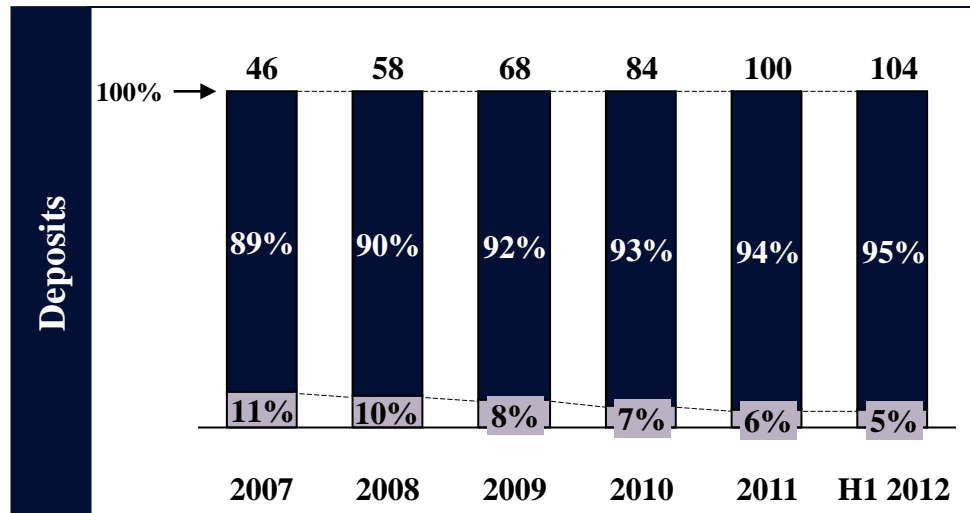
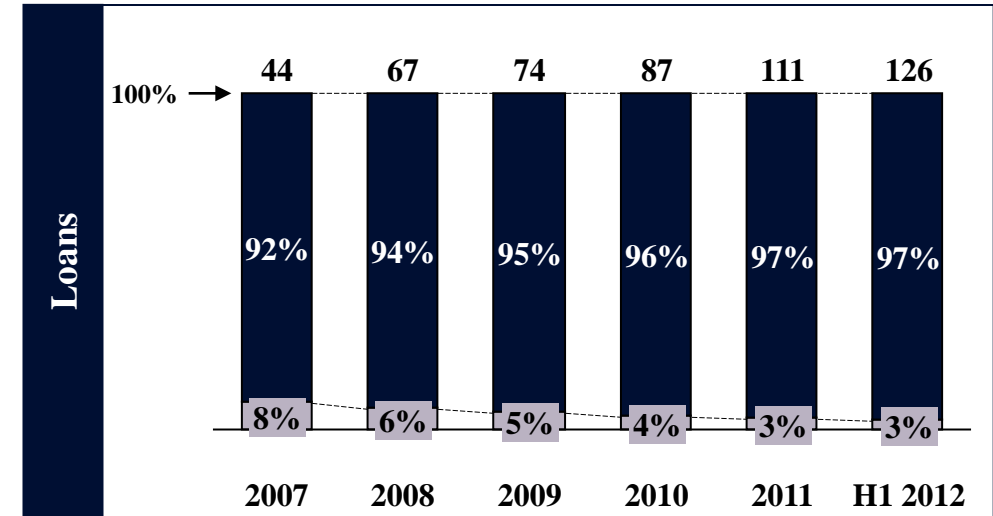
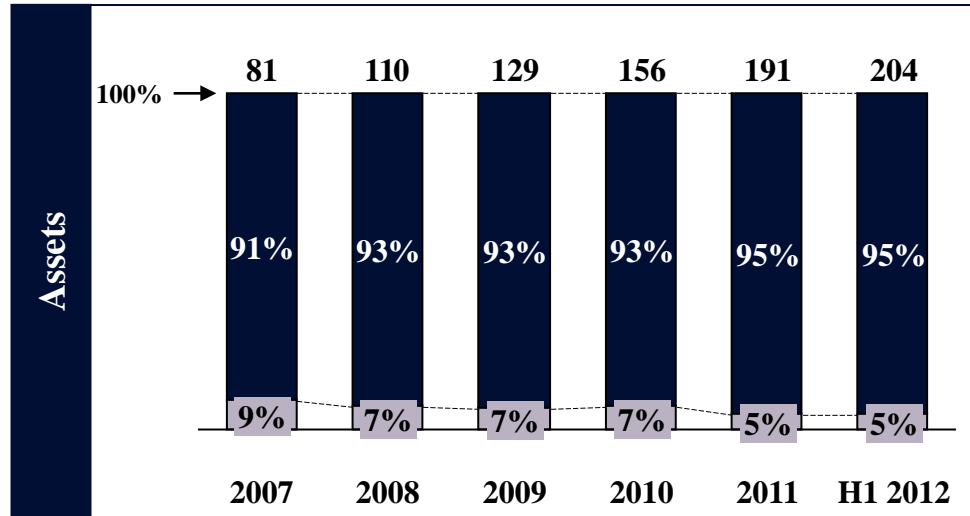
## Qatar Banking Sector Growth (USD Bn)



# The banking sector is dominated by domestic players

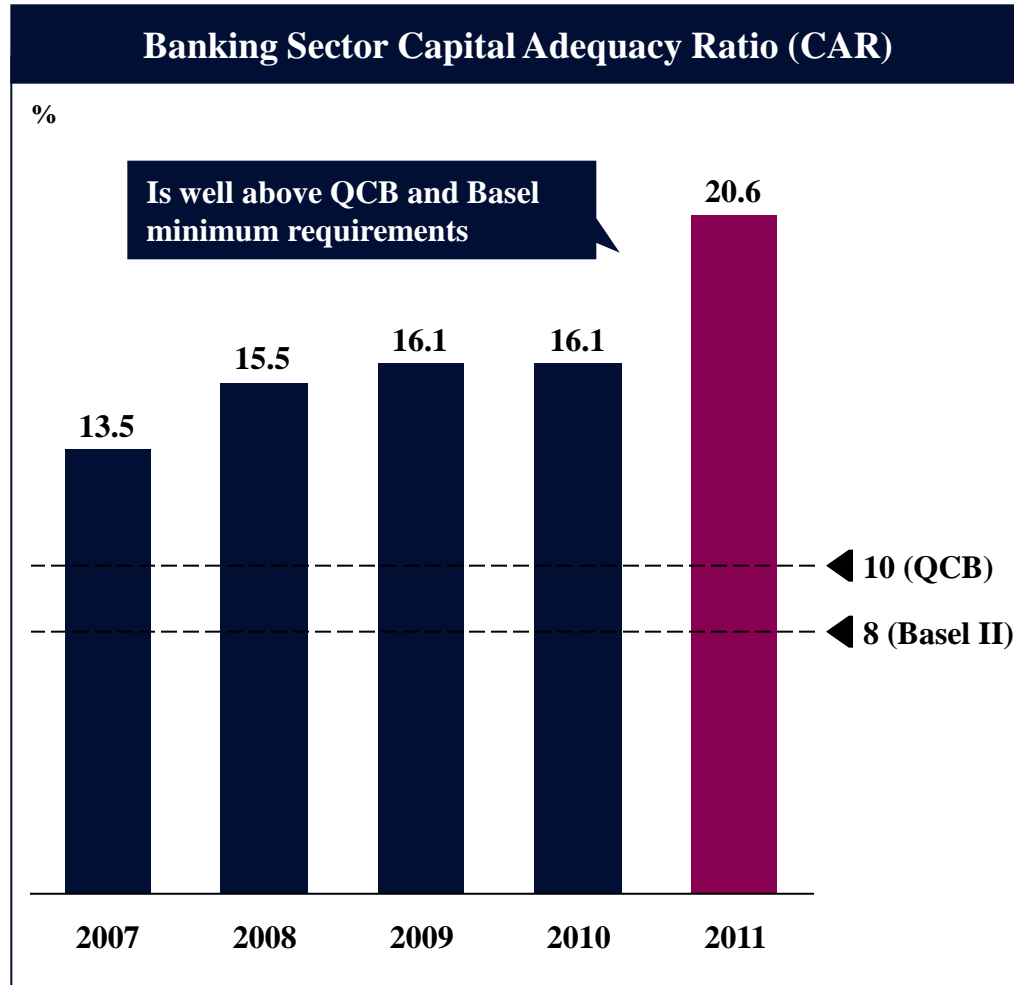
## Qatar Banking Sector Domestic-Foreign Split (USD Bn)

■ Domestic banks ■ Foreign banks



# Qatar Central Bank's prudent oversight ensures the banking sector is well protected, however the regulatory environment is evolving

## Qatar Banking Sector Regulation



### Regulatory Environment

#### Focus on capital adequacy and risk management

- QCB has taken a proactive role in the supervision of the banking sector to ensure it remains well capitalized
- QCB has applied the Basel II framework since 2007 and is ahead of schedule for the implementation of the Basel III<sup>1</sup>

#### Evolving regulatory environment

- QCB has introduced new regulations that impact market structure and competitive dynamics, for e.g.,
  - In April, QCB introduced maximum limits<sup>2</sup>, capped interest rates and durations for personal loans against salaries<sup>3</sup>

- Qatar's banking sector CAR has remained high in recent years
- Caps on interest rates and terms have resulted in commoditization of retail banking products as the ability to differentiate on price has become limited

<sup>1</sup> The timeline for the completion of different aspects of the Basel III framework falls between 2013 and 2019

<sup>2</sup> For the amount and maturity: USD 549,500 over six years for Qatari nationals and USD 110,000 over four years for expatriates

<sup>3</sup> On personal loans against salary at 1.5% over its benchmark interest rate

Source: Qatar Central Bank and QNB analysis

# Qatar has a vibrant banking sector with 18 active financial institutions and with new players entering, the competitive intensity is increasing

## Qatar Banking Sector Competitive Landscape

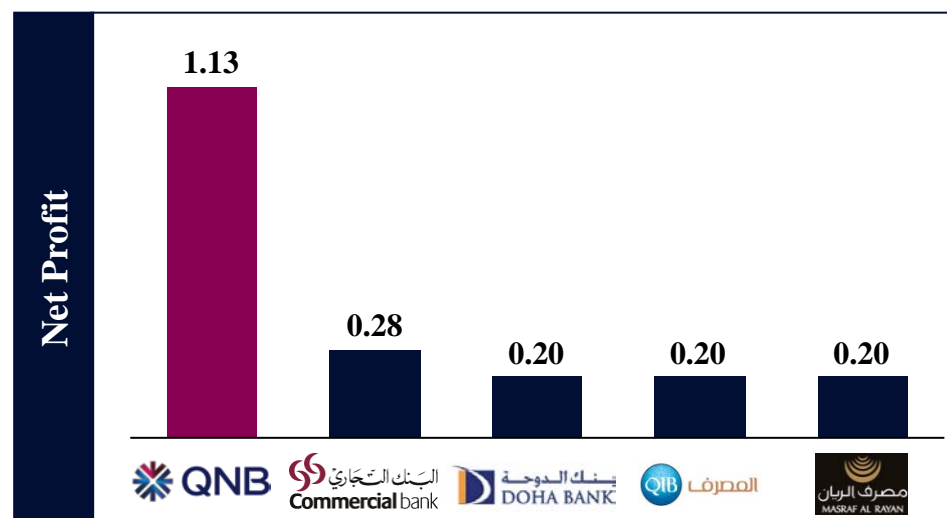
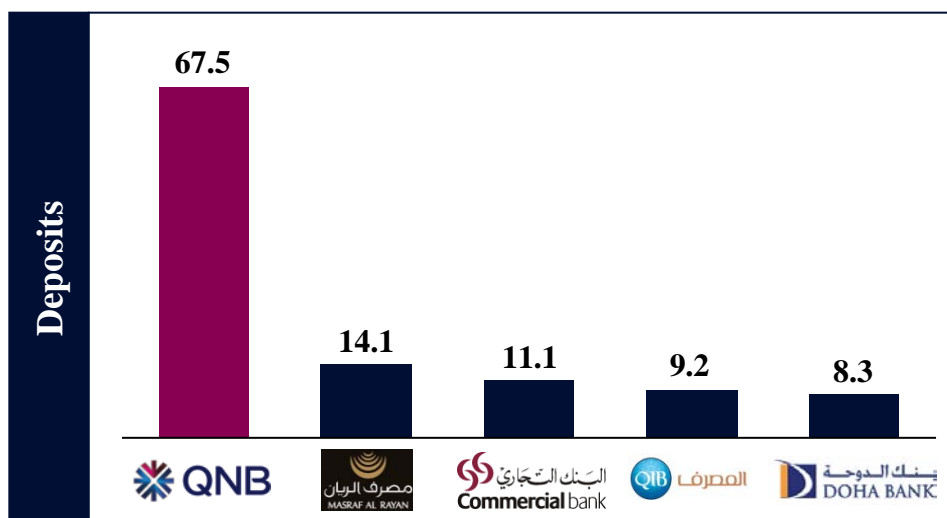
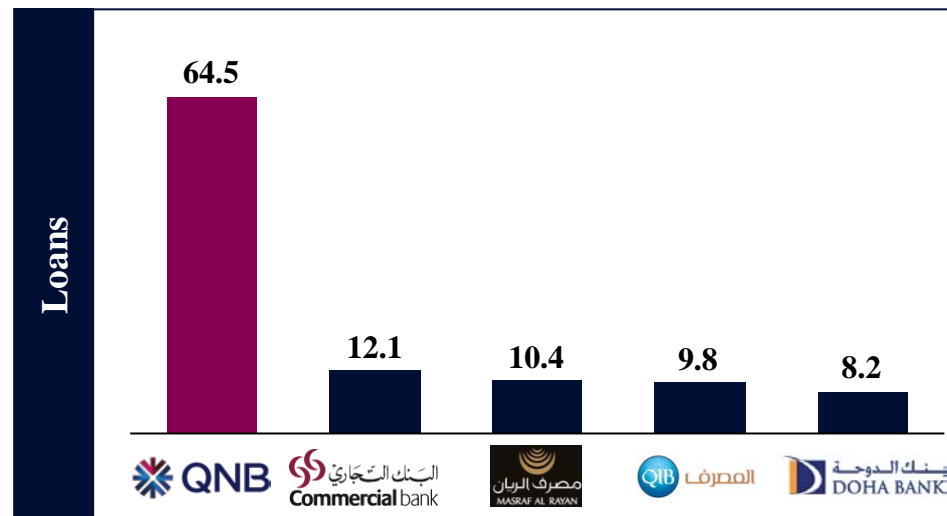
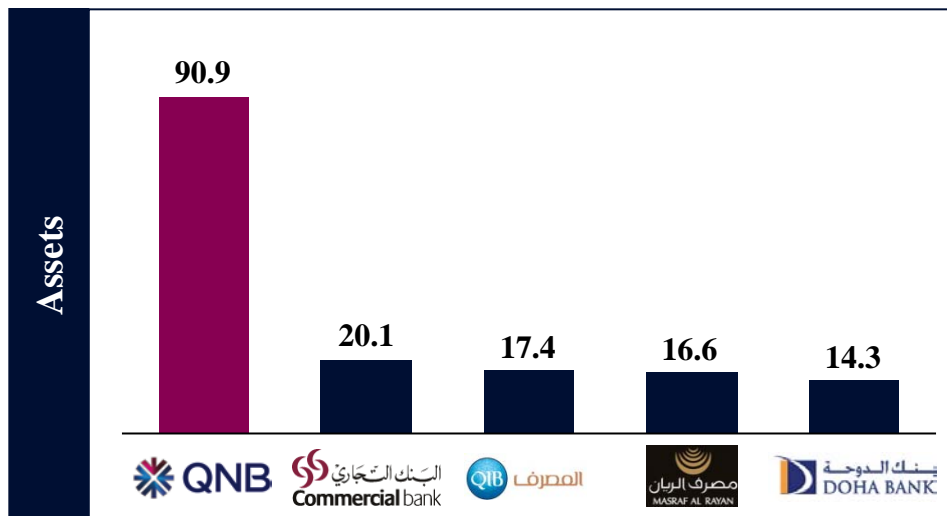


- The market comprises:
  - 6 commercial banks
  - 4 Islamic banks
  - 7 foreign banks
  - 1 specialized bank
- Commercial banks account for the bulk of the banking sector with share above 70%
- Market is attracting new entrants encouraged by incentives offered by the Qatar Financial Centre (QFC)



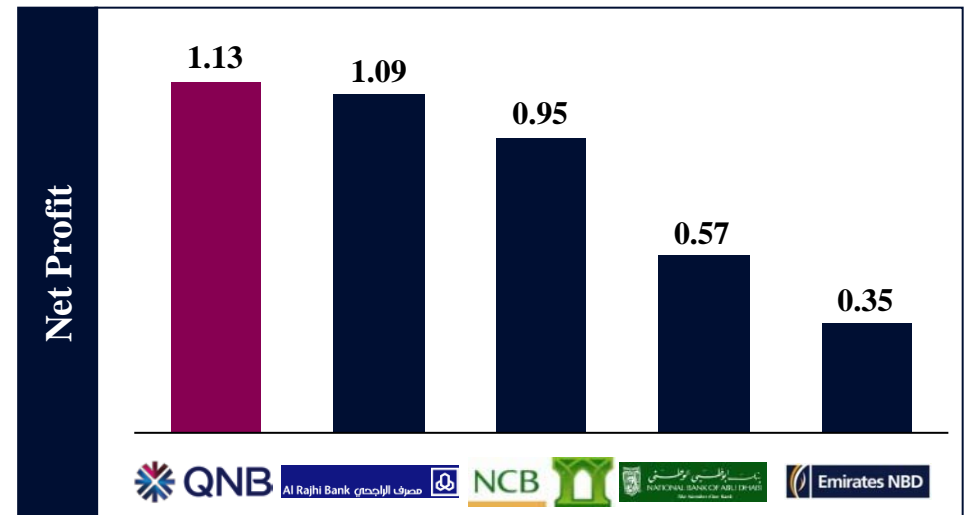
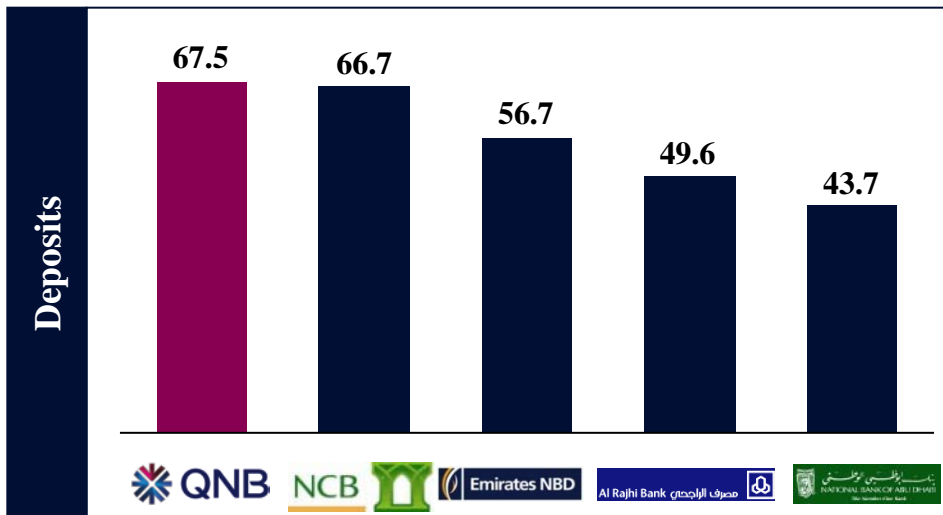
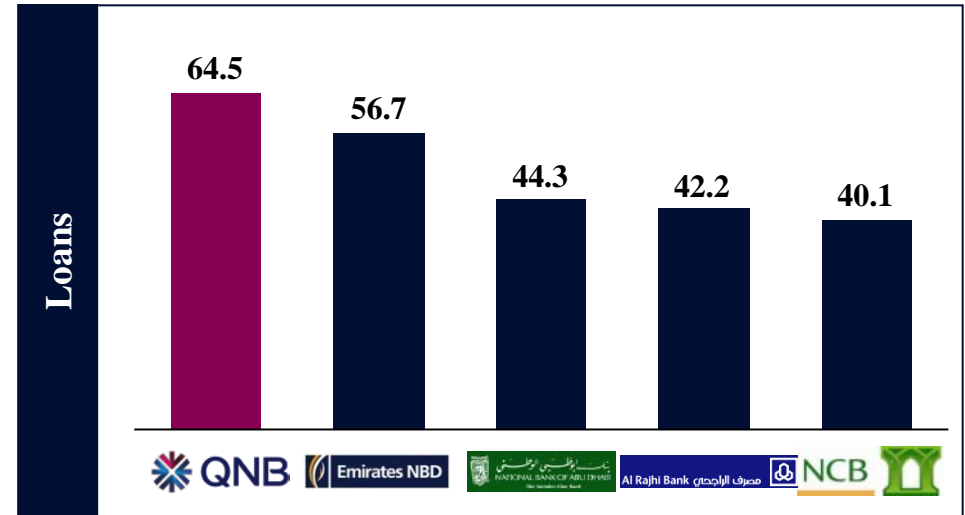
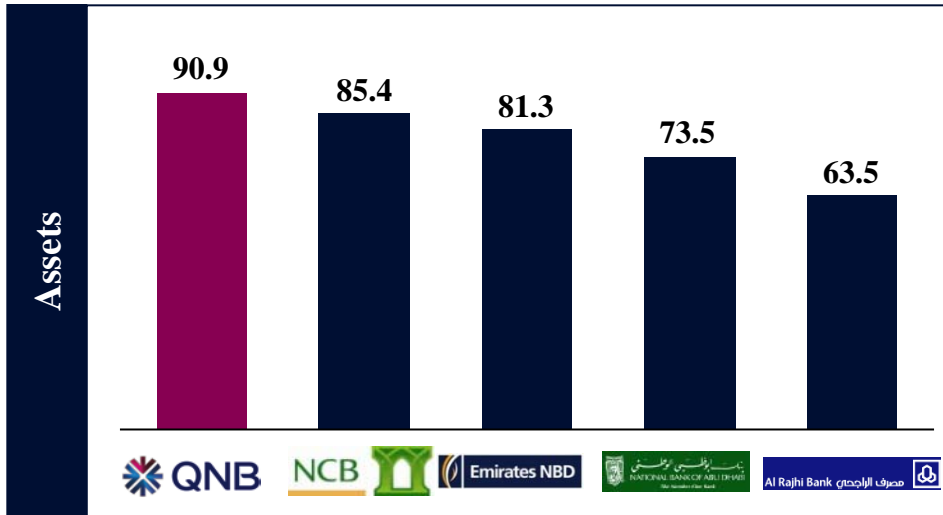
# QNB is the dominant bank in Qatar...

QNB vs. Domestic Peers (USD Bn as at 30/06/2012)



# ... and a leading MENA player

QNB vs. Regional MENA Peers (USD Bn as at 30/06/2012)





## Financial Highlights – September 2012

# QNB continues to demonstrate sustainable profitable growth

Quarter 3 2012 Highlights



Growth vs. September 2011


**Profit**


- USD 1.71 Bn net profit

 +15%

**Assets**

- USD 96.4 Bn assets
- USD 65.5 Bn loans

 +25%

 +42%


**Funding**

- USD 73.7 Bn customer deposits

 +37%

**Equity**

- USD 12.7 Bn equity

 +13%

• Net interest margin: 2.82%

• Efficiency ratio: 16.6%

• NPL (% of assets): 1.2%

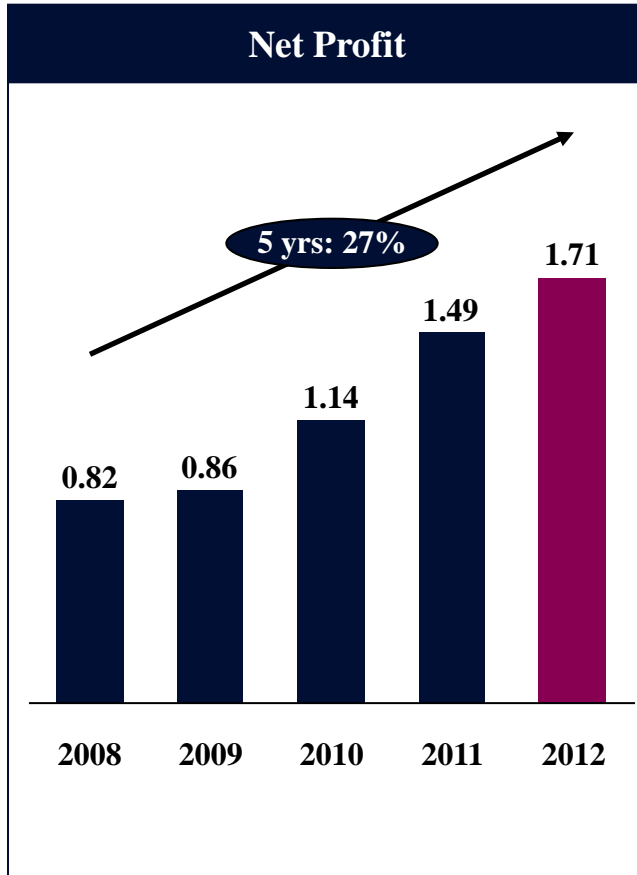
• Coverage ratio: 116%

• Loans to deposits ratio: 88.9%

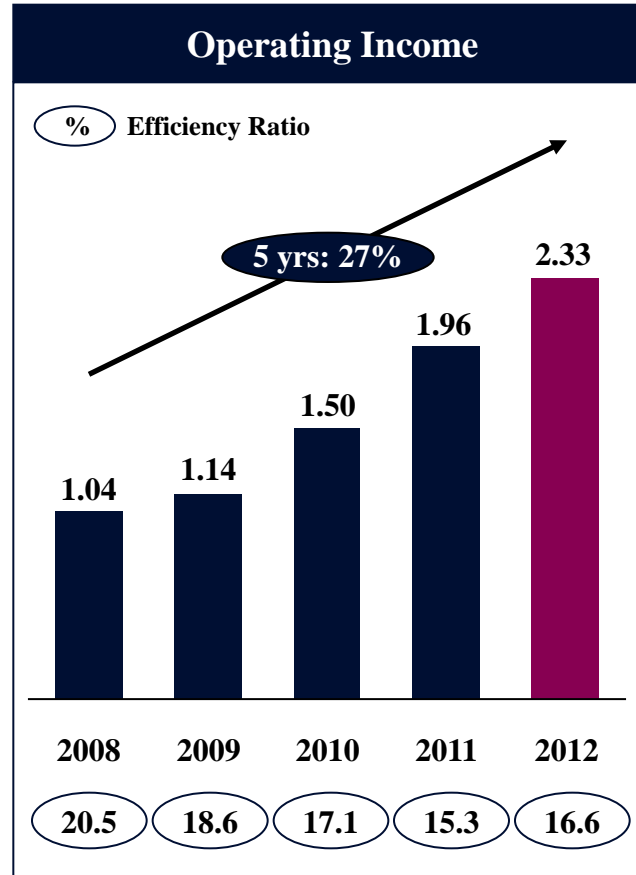
• Capital adequacy ratio: 19.3%

# Strong profitability growth

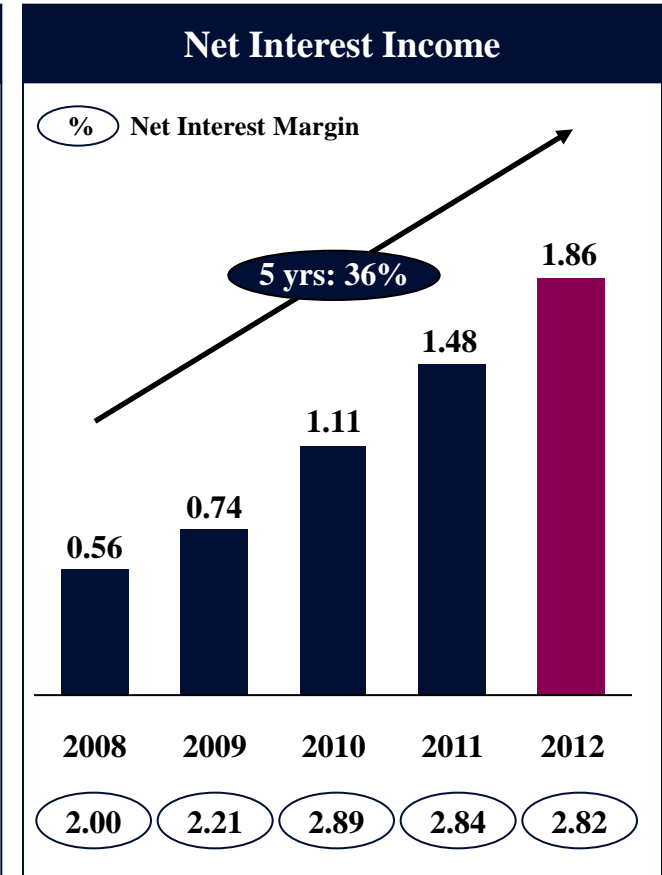
Income Statement Breakdown (USD Bn as at September)



- Net profit increased 15% from September 2011
- 2007-2012 CAGR of 27%



- Operating income increased 19% from September 2011
- 2007-2012 CAGR of 27%



- NII increased 25% from Sep-11
- NIM expanded by 82bps since 2008
- 2007-2012 CAGR of 36%

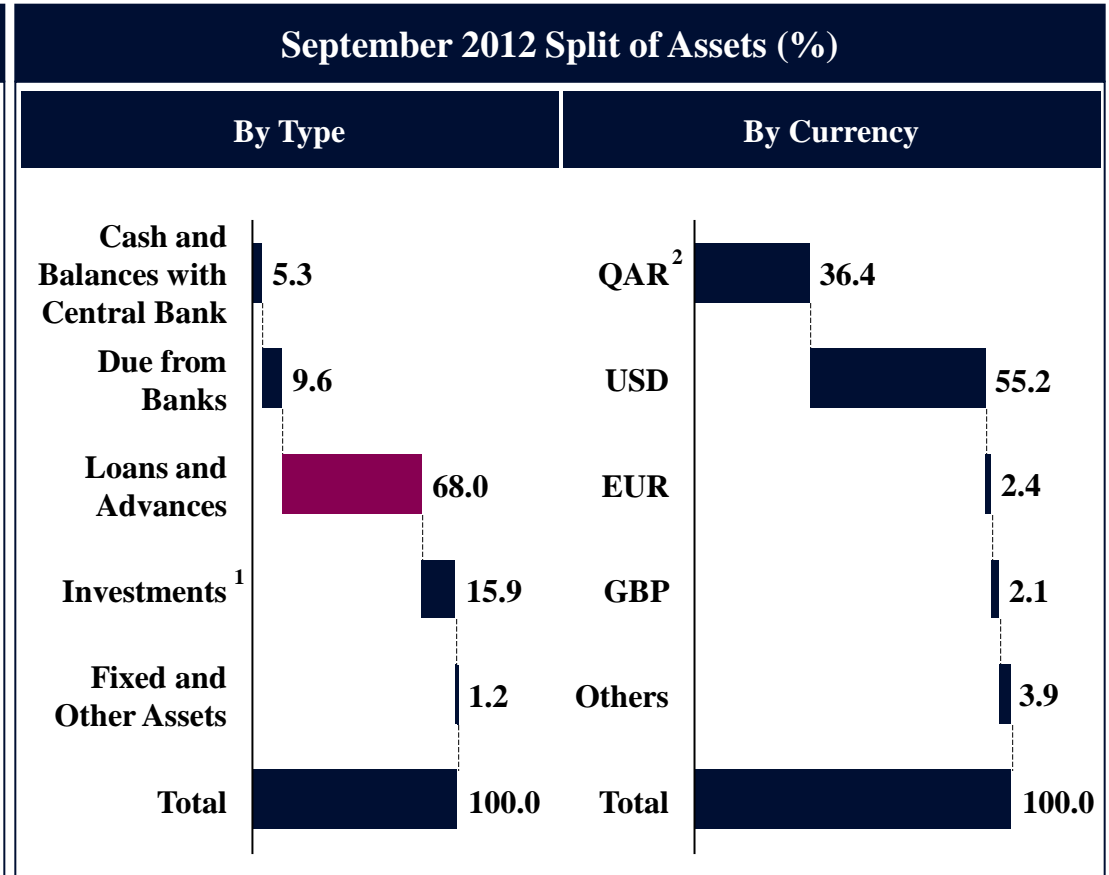
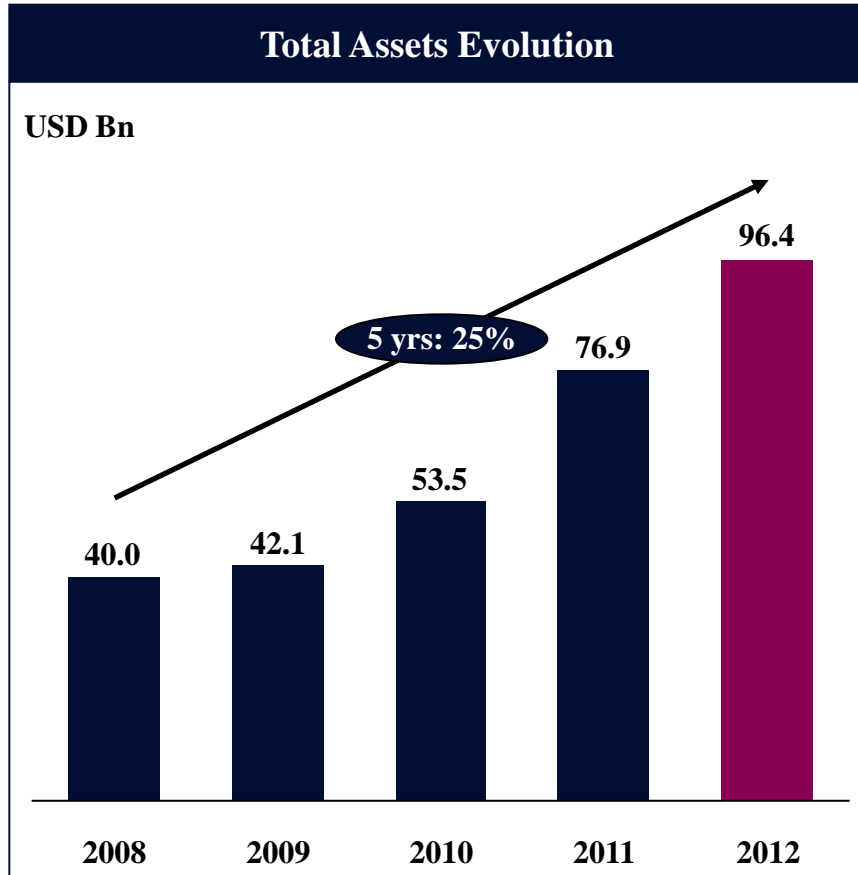
# Robust quarterly growth has been consistently delivered

## Quarterly Income Statement

Income Statement					
USD 000s	Q3 2011	Q4 2011 <sup>1</sup>	Q1 2012	Q2 2012	Q3 2012
• Net Interest Income	531,475	660,731	617,098	615,340	623,109
– FX Gain	39,143	46,783	44,849	41,709	37,854
– Fees and Commissions	90,500	100,742	92,631	88,646	84,663
– Invest. Income – Dividends	4	0	4,858	12,741	0
– Invest. Income – Capital Gains	20,902	21,098	595	8,135	7,024
– Invest. Income – Associates	13,662	4,470	10,138	16,698	21,067
– Other Income	1,590	2,480	483	826	582
• Total Other Income	165,801	175,573	153,554	168,755	151,190
• <b>Total Operating Income</b>	<b>697,276</b>	<b>836,304</b>	<b>770,652</b>	<b>784,095</b>	<b>774,299</b>
• G&A Expenses	(100,556)	(138,485)	(123,385)	(132,175)	(131,598)
• <b>Total Operating Profit</b>	<b>596,720</b>	<b>697,819</b>	<b>647,267</b>	<b>651,920</b>	<b>642,701</b>
• Loan Loss Provisions	(68,782)	(109,356)	(73,255)	(70,392)	(65,370)
• Other Provisions & Taxes	(5,871)	(13,748)	(23,416)	(1,473)	2,440
• <b>Net Profit</b>	<b>522,067</b>	<b>574,715</b>	<b>550,596</b>	<b>580,055</b>	<b>579,771</b>

# Strong asset growth driven by lending activities mainly in QAR and USD

Assets Analysis (all figures are as at September)

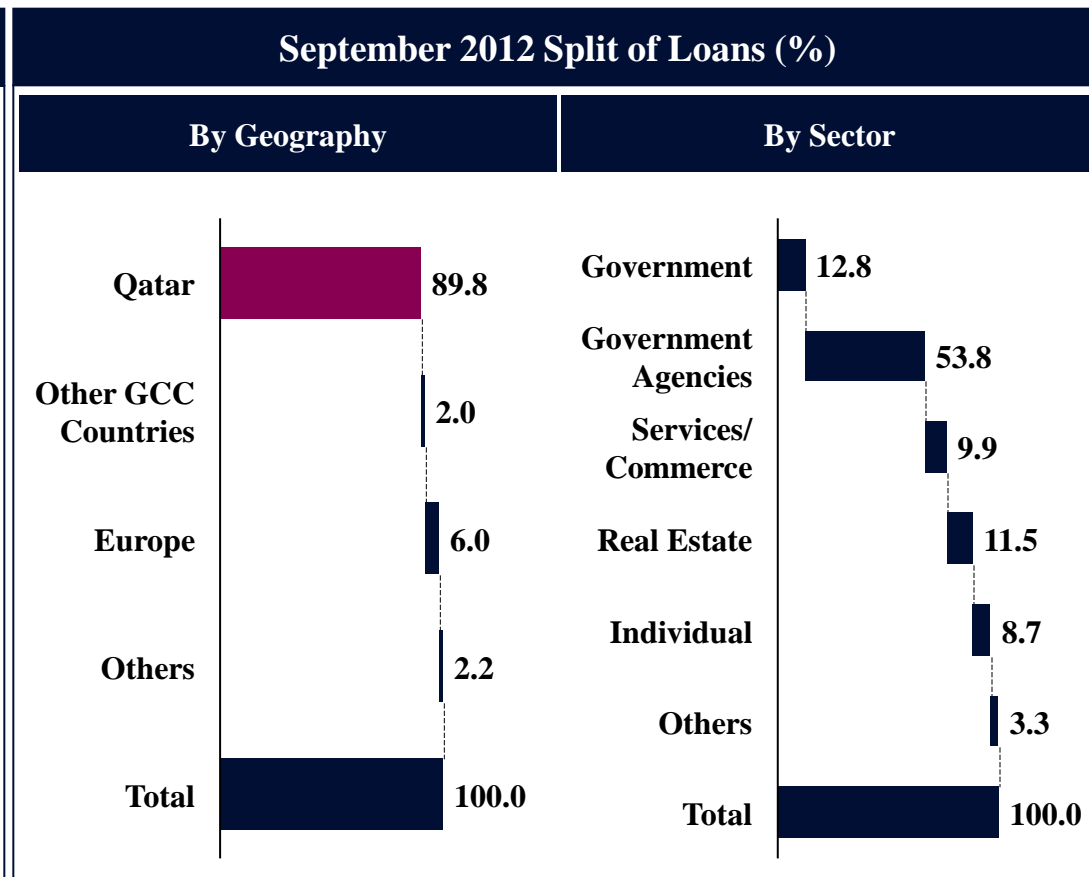
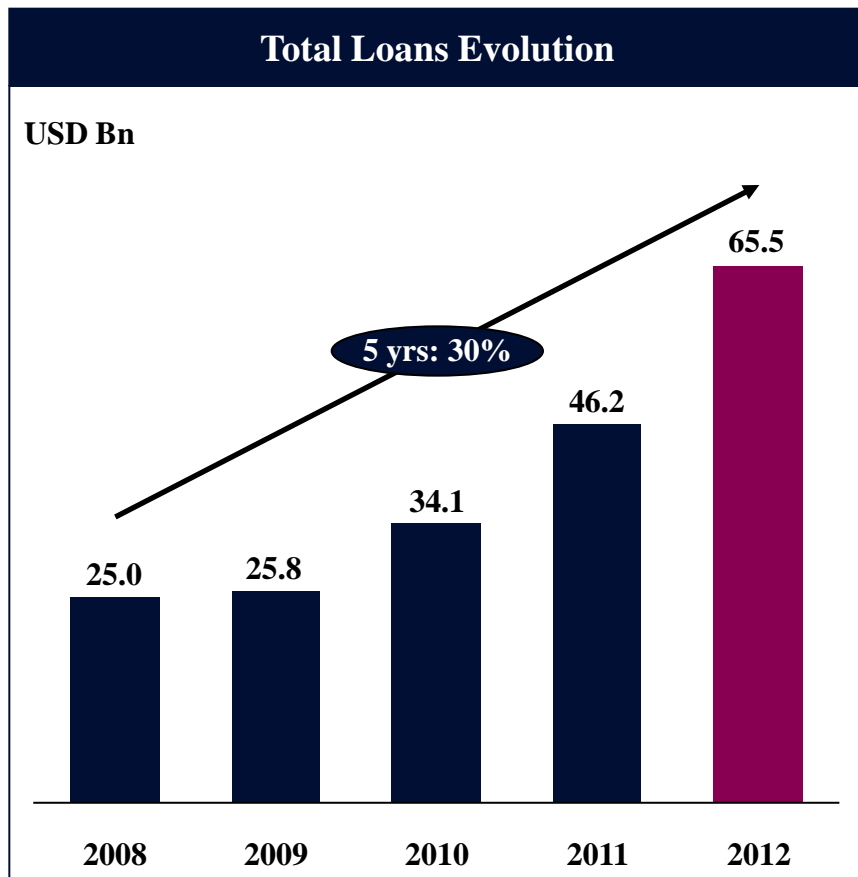


- September 2012 year on year growth was 25%
- September 2012 growth since June 2012 was 6%
- 2007-2012 CAGR of 25%

- Loans and advances represent 68% of total assets
- USD and QAR currencies account for 92% of total assets

# Strong loan growth fueled by domestic economic tailwinds

Loans Analysis (all figures are as at September)



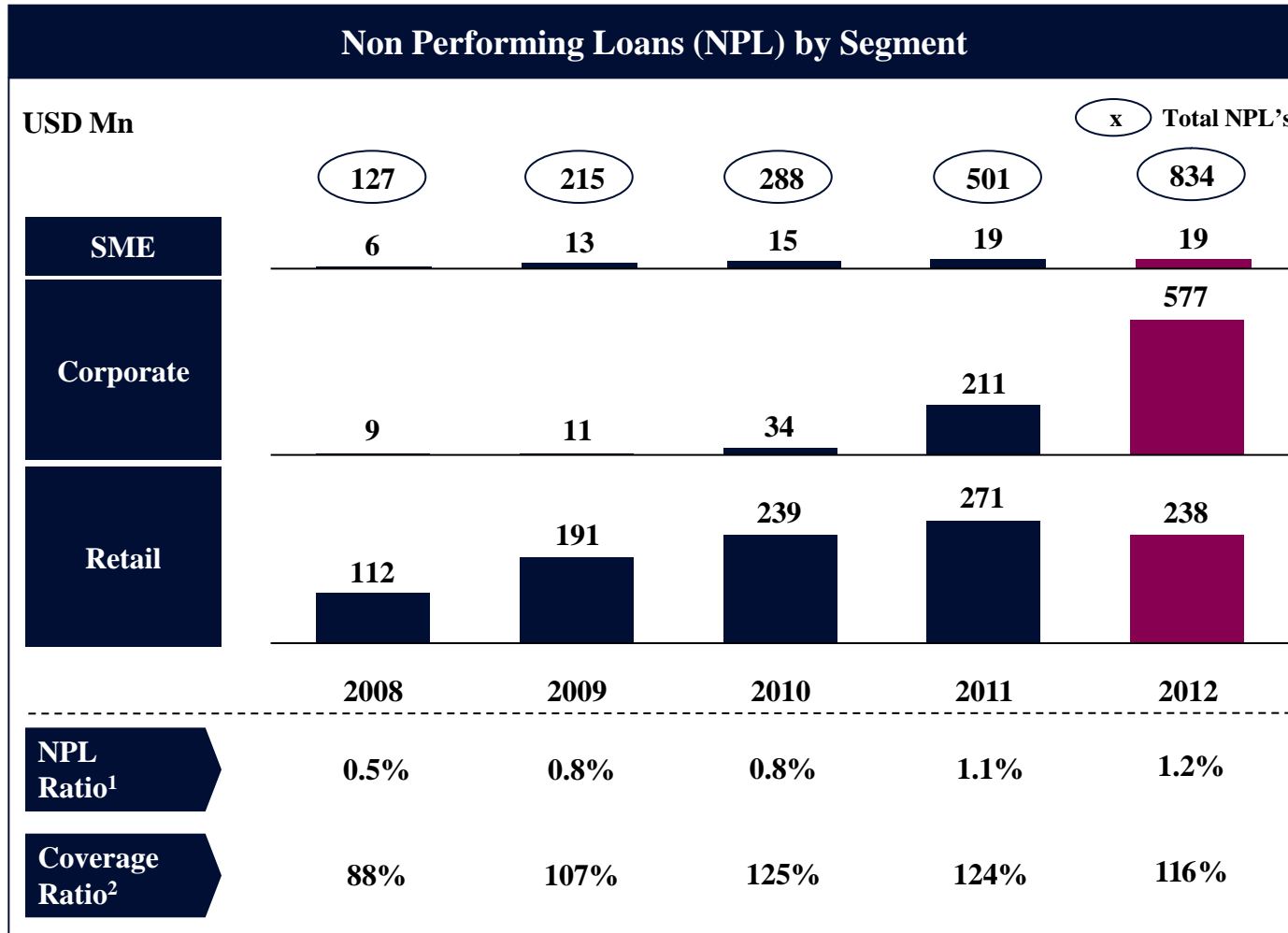
- September 2012 year on year growth was 42%
- September 2012 growth since June 2012 was 2%
- 2007-2012 CAGR of 30%

- Qatari entities account for 90% of total loans
- Loan exposures are of high quality with significant concentration in Government and Government Agencies



# High quality lending portfolio is highlighted by low NPL ratios

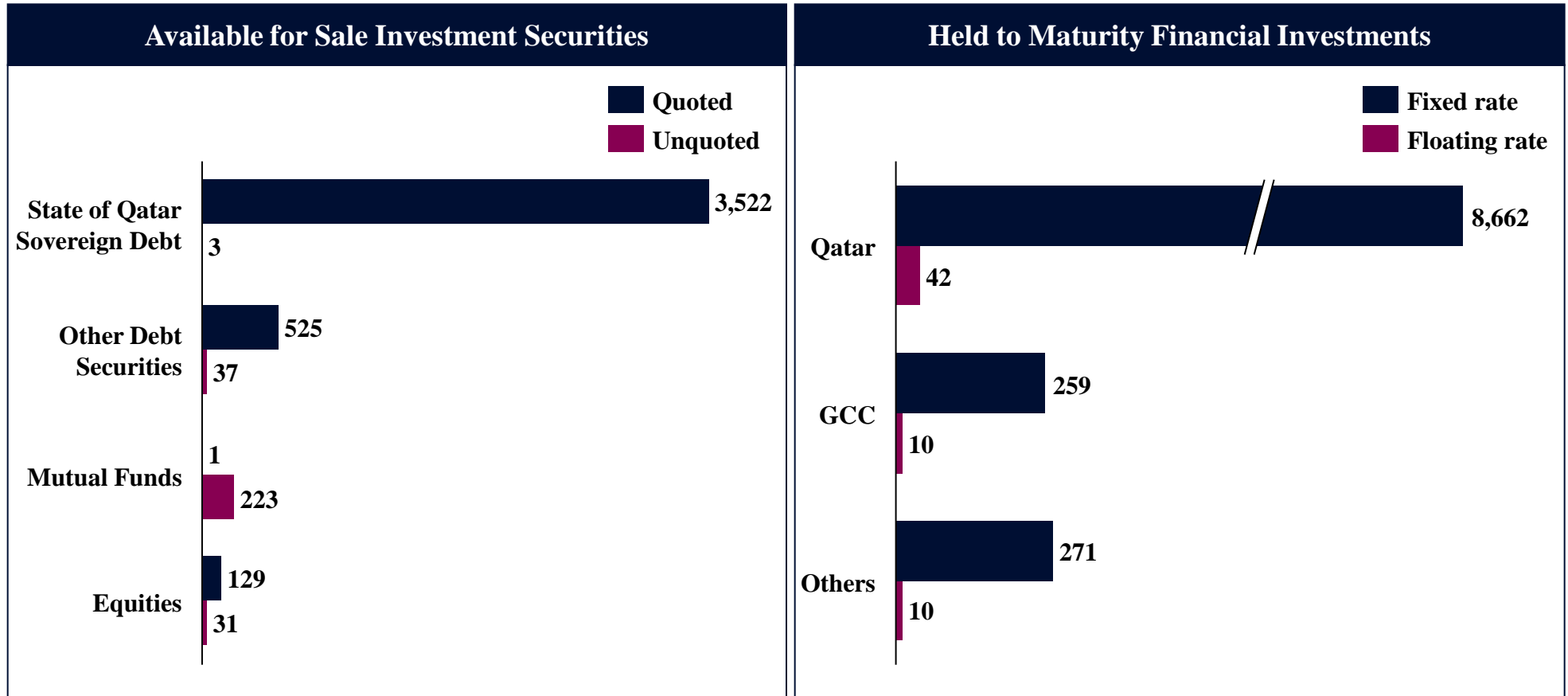
Asset Quality Analysis (all figures are as at September)



- One of the lowest NPL ratio among MENA banks
- Since 2008, QNB has increased its provisions in response to the global financial crisis
- The bank's provisions coverage has remained strong amidst the economic slowdown, with a coverage of 116% as at September 2012
- An additional risk reserve of USD 27.5 Mn was taken in 2011 to bring the total balance to USD 440 Mn representing nearly 3.25% of private lending against QCB requirement of only 1.50%

# High quality investment portfolio with 90% of securities rated AA or better

Investments Analysis (USD Mn as at 30/09/2012)

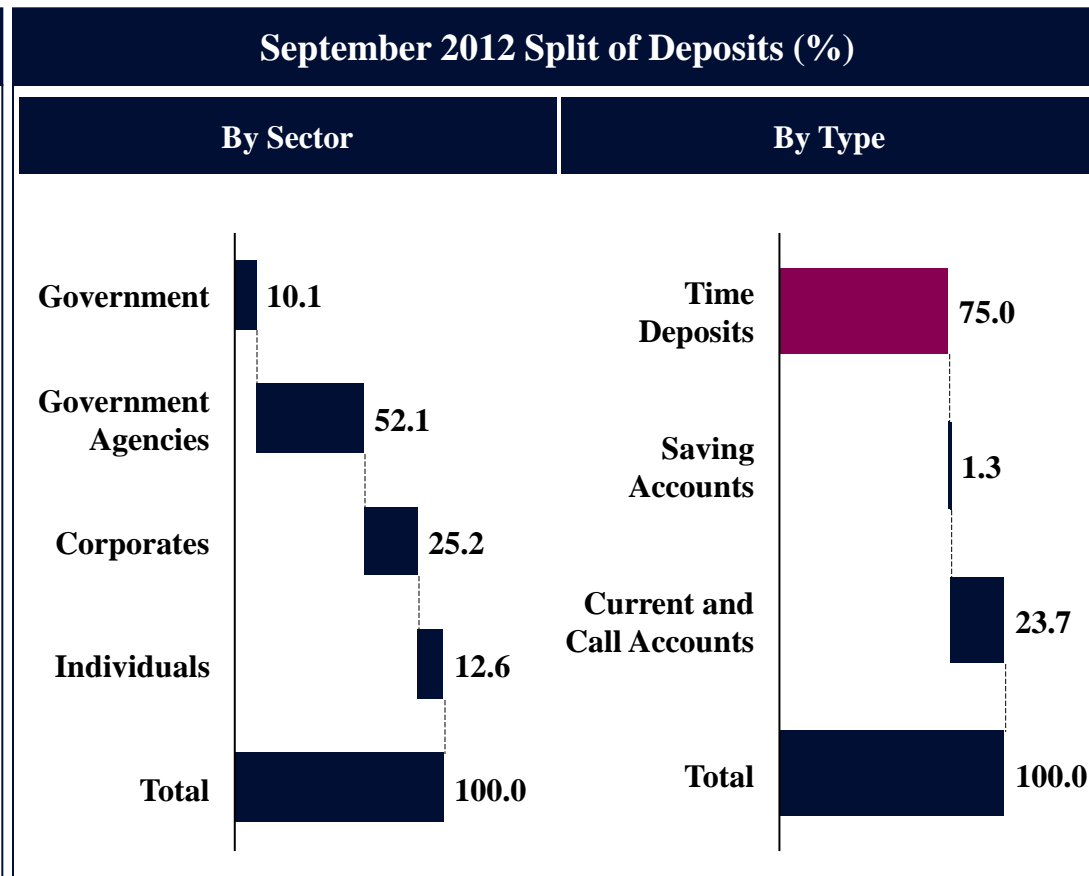
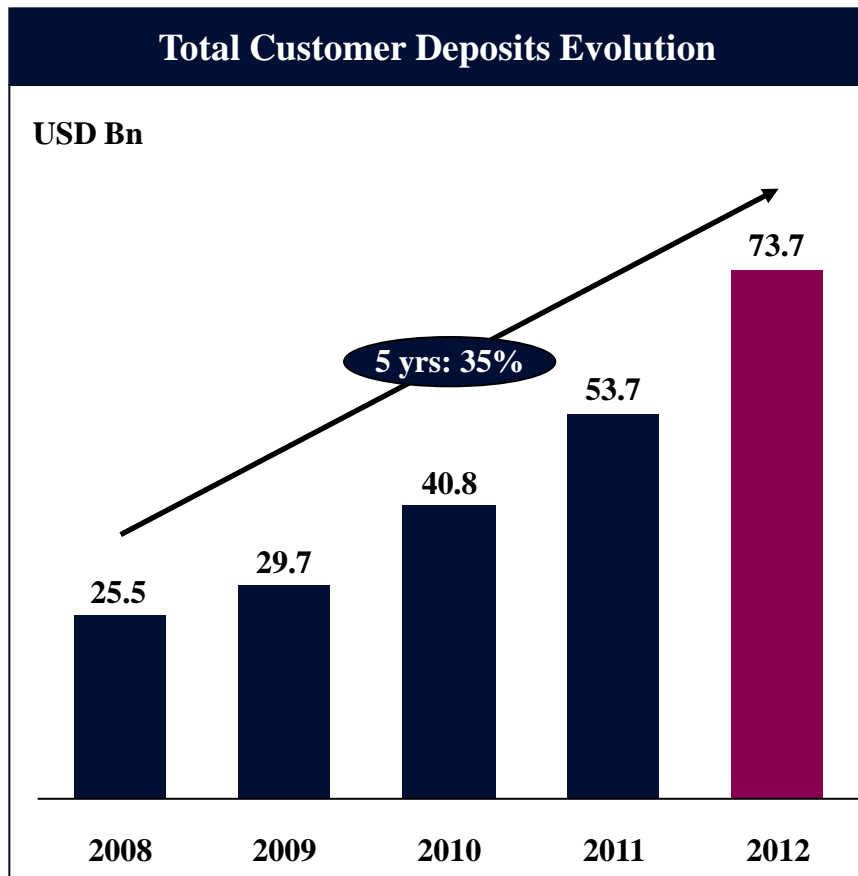


- Quoted securities account for 93% of available for sale investment securities

- Majority of held to maturity financial investments are State of Qatar sovereign bonds

# Robust growth in customer deposits and funding

Funding Analysis (all figures are as at September)

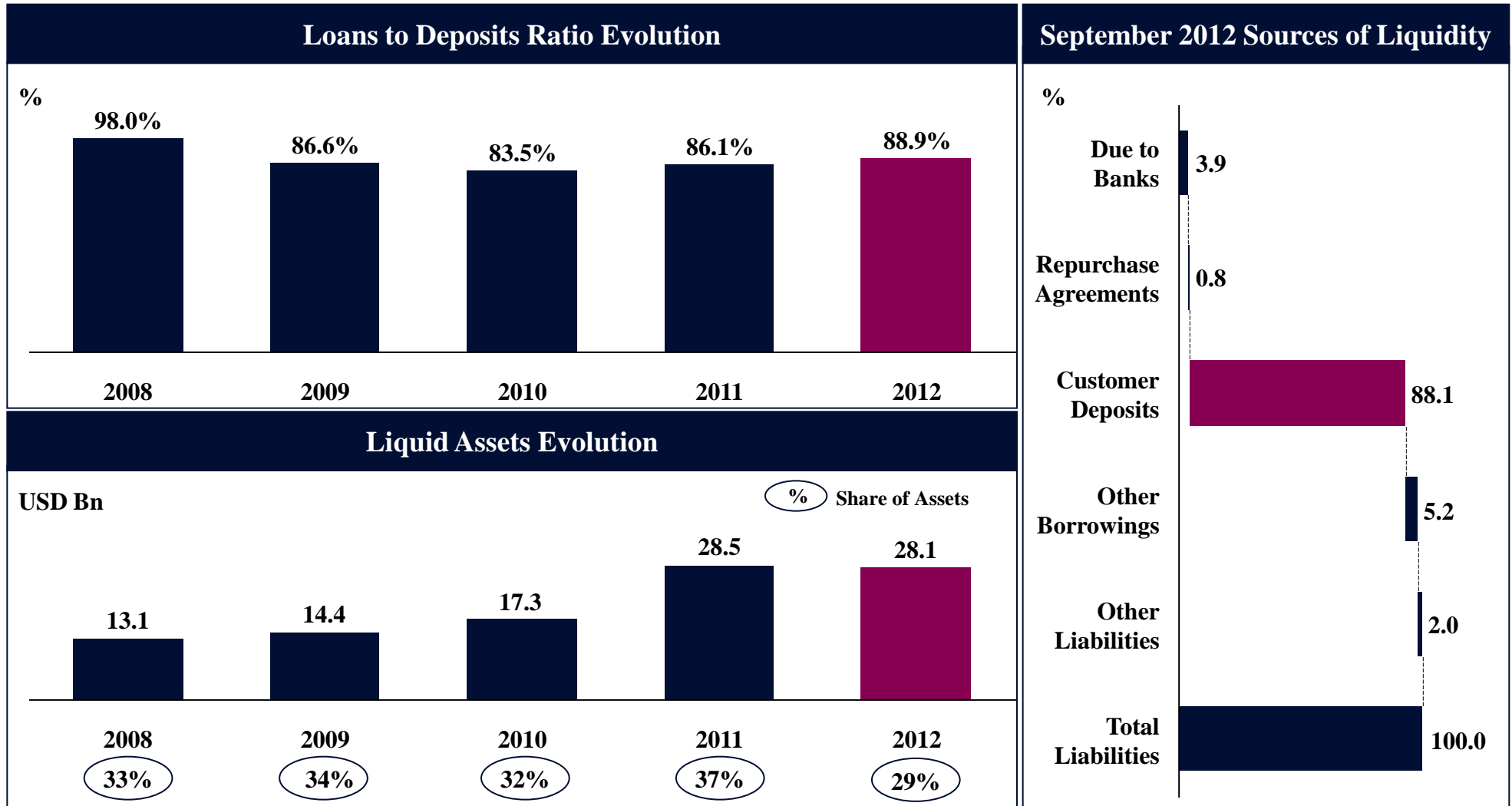


- September 2012 year on year growth was 37%
- September 2012 growth since June 2012 was 9%
- 2007-2012 CAGR of 35%

- QNB remains the public sector's preferred bank
- Time deposits account for 75% of deposits

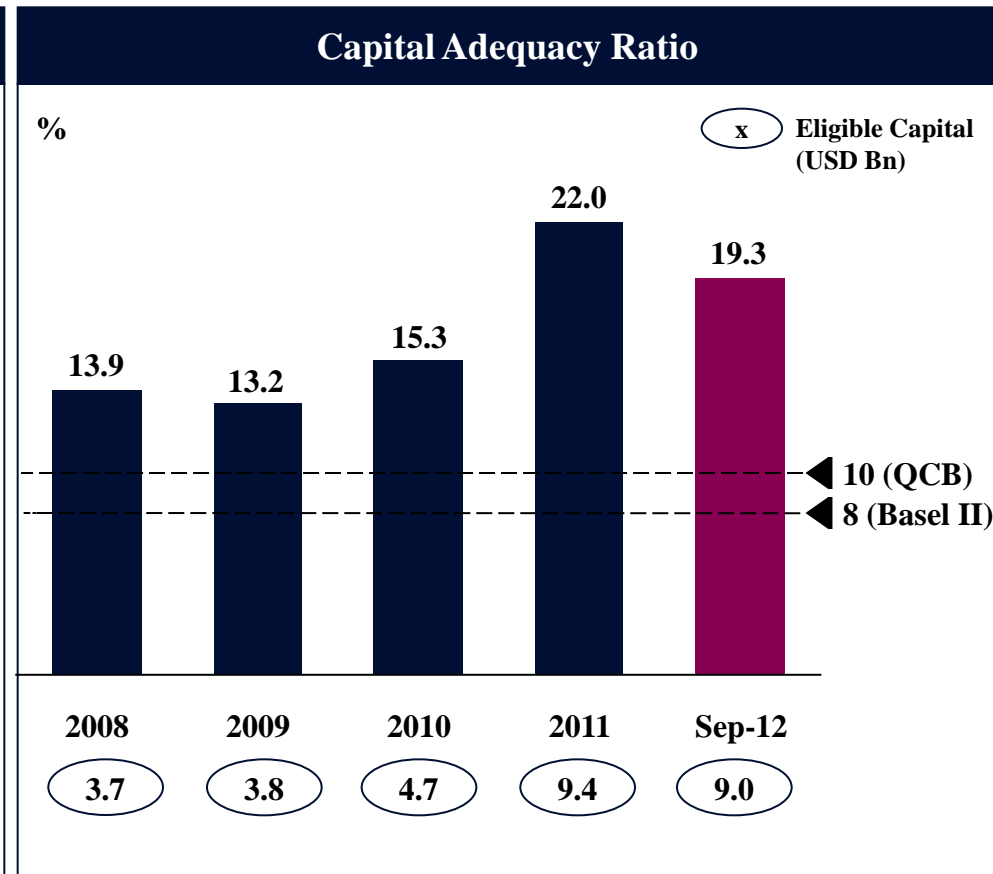
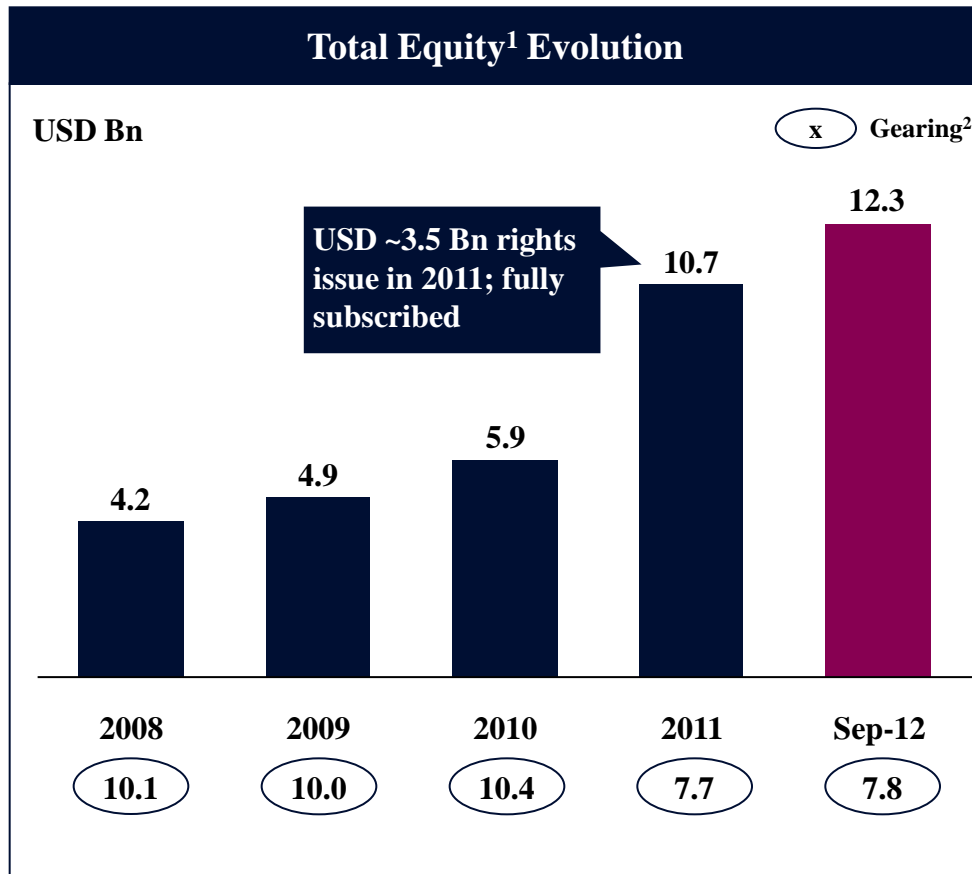
# Solid liquidity profile with loans to deposit ratio consistently below 100%

Liquidity Analysis (all figures are as at September)



# Strong capital adequacy ratio maintained that are above QCB's and Basel II requirements

Capital Analysis (as at December unless otherwise stated)



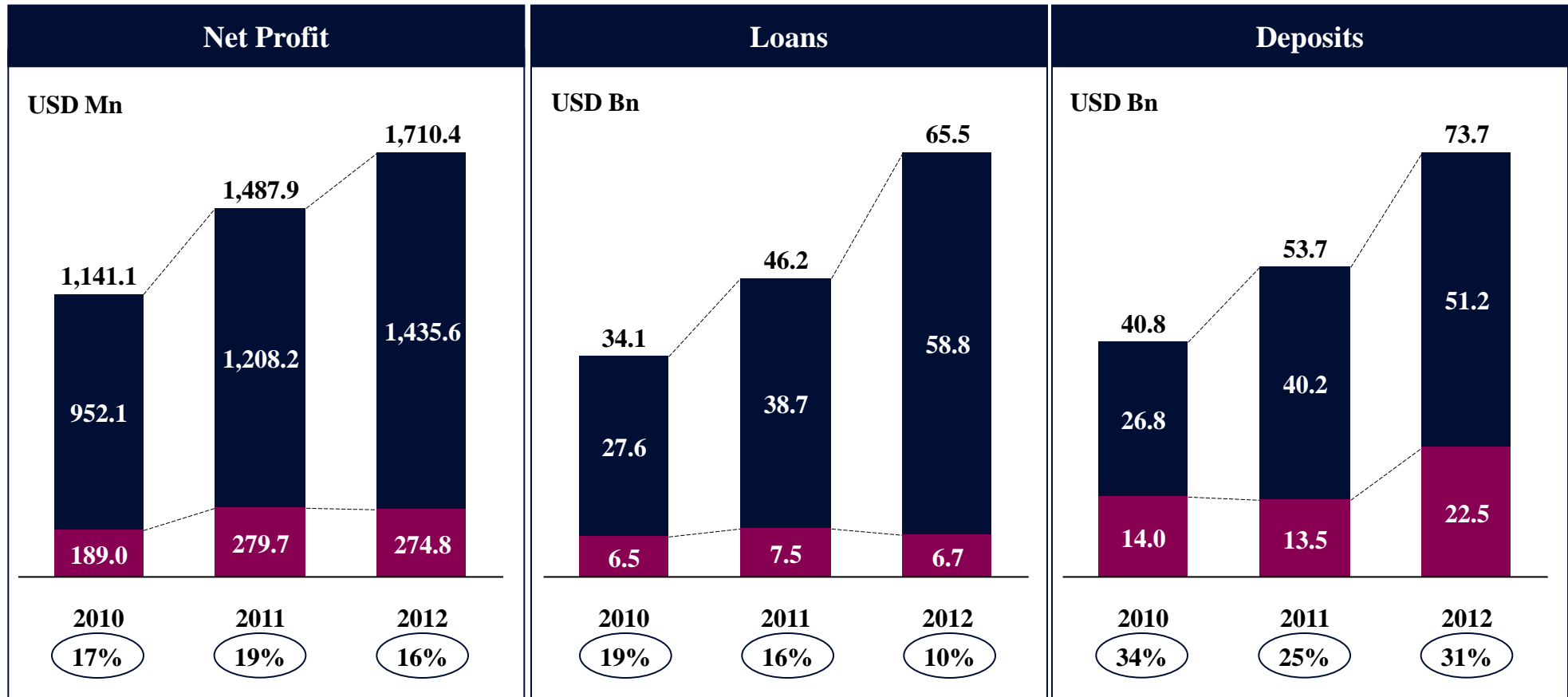
- Capital base has been regularly increased in line with the strong surge in QNB's balance sheet

- Capital adequacy ratio have been consistently maintained above QCB and Basel II requirements
- Eligible capital is all in the form of Tier 1 capital

# Growing geographical diversification positively contributes to growth

Geographical Contribution (all figures are as at September)

■ Domestic ■ International (%) Share of International

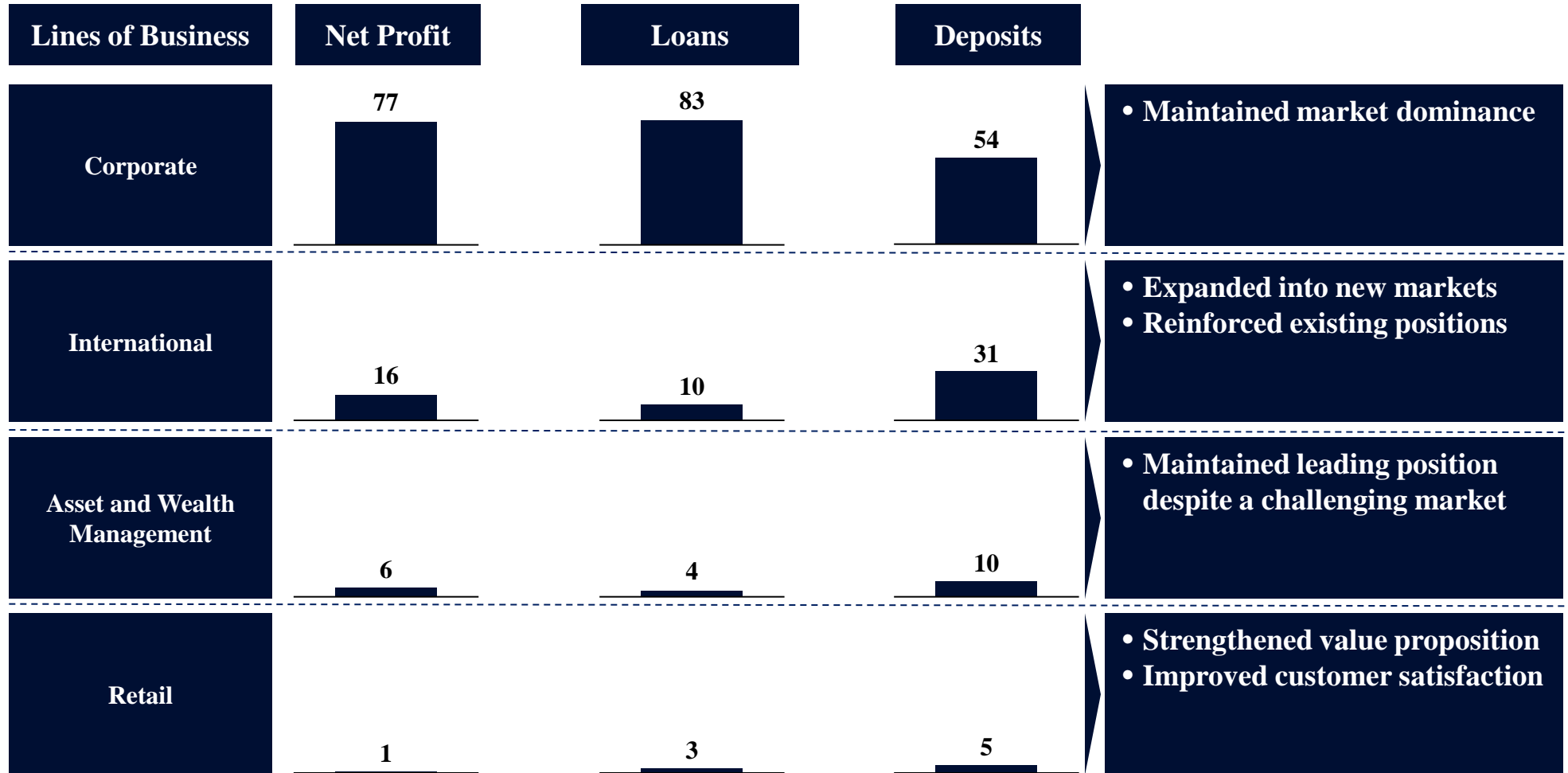


- Profit from international operations increased by USD 85.8 Mn (+45%) from 2010 to 2012

- Loans and deposits from international operations increased by USD 0.2 Bn (+2%) and USD 8.5 Bn (+61%) respectively, from 2010 to 2012

# Diversifying business mix will bolster sustainable growth

Business Mix Contribution (% share as at 30/09/2012)



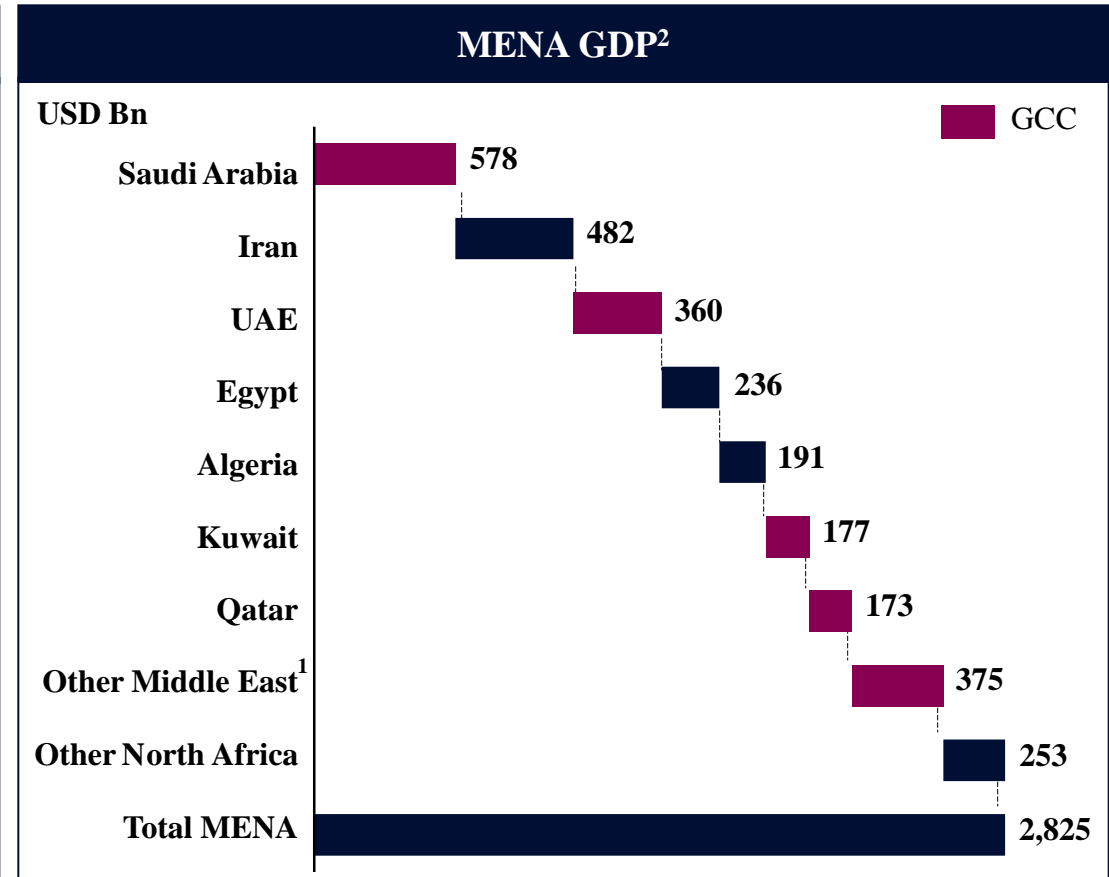
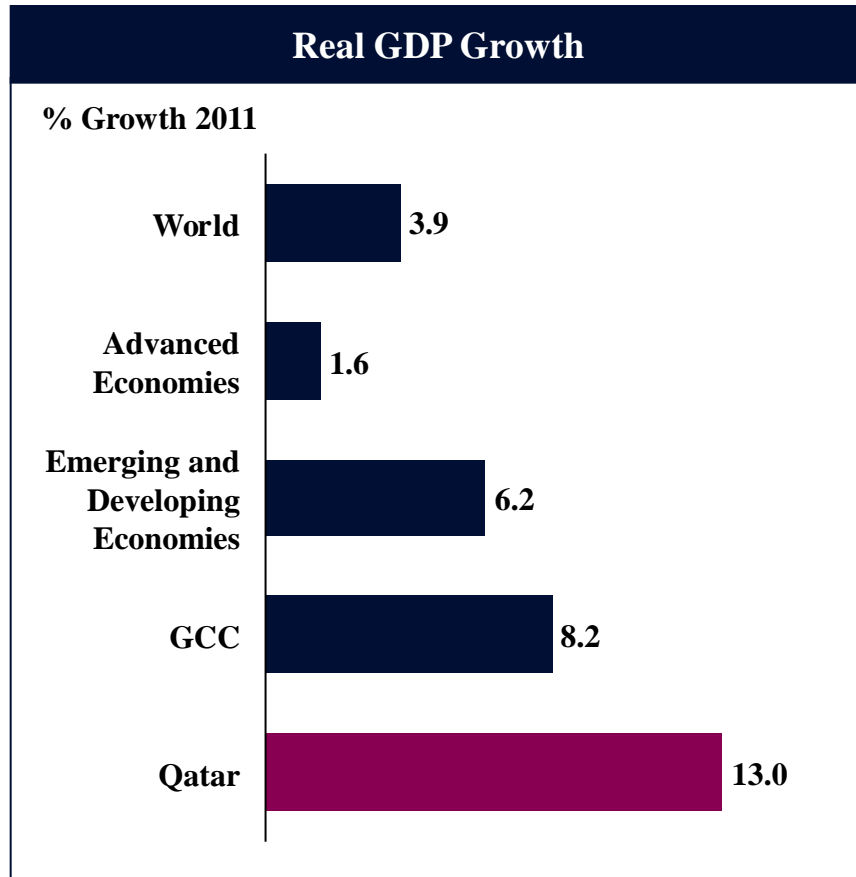


# Economic Overview



# The GCC has been protected from weak growth in advanced economies and Qatar leads the group

## 2011 GDP Analysis

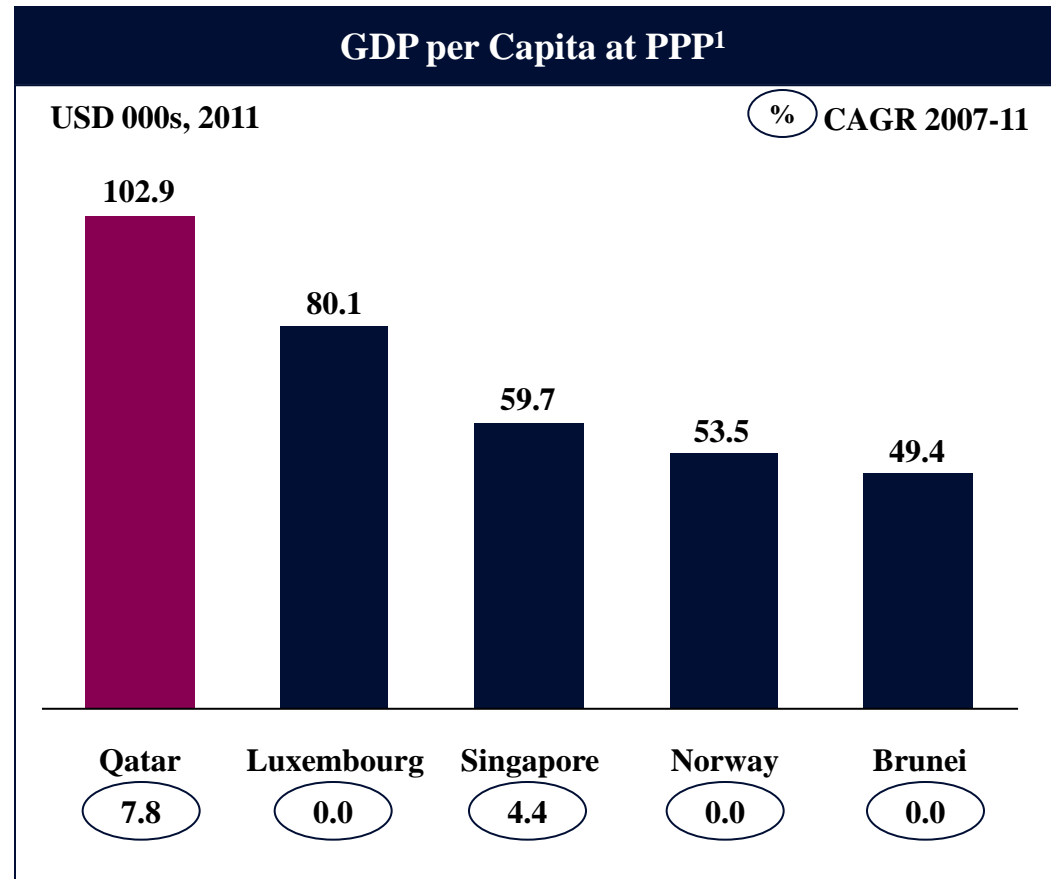
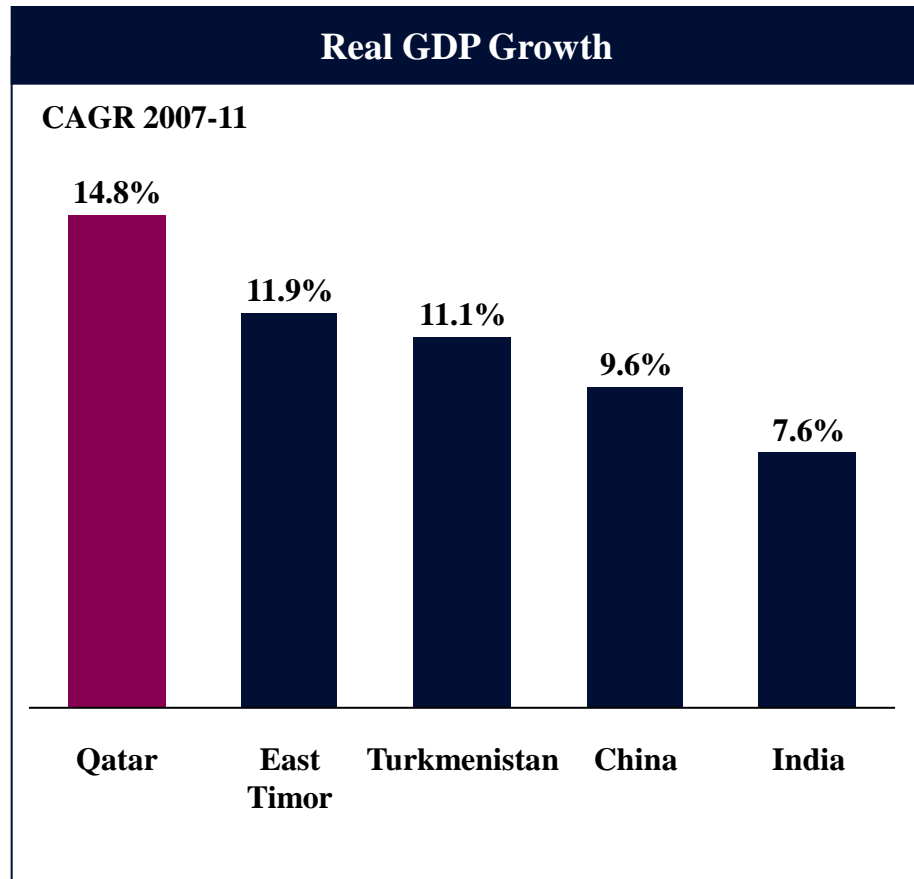


- GCC has experienced the highest real GDP growth in the world
- Qatar leads within the GCC

- MENA GDP is dominated by oil exporters
- GCC accounts for more than 40% of MENA GDP (USD 1.3 Trn)

# Qatar is the world's fastest growing economy and has the highest GDP per capita

## World's Fastest Growing and Richest Economies

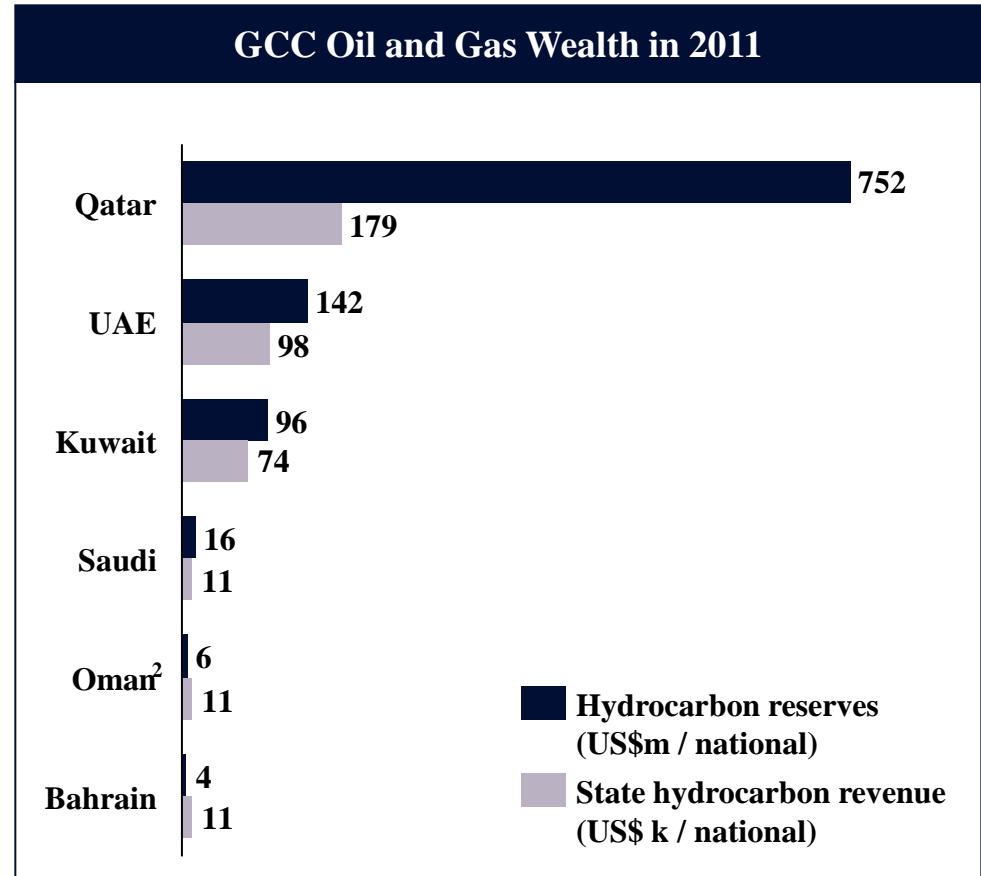
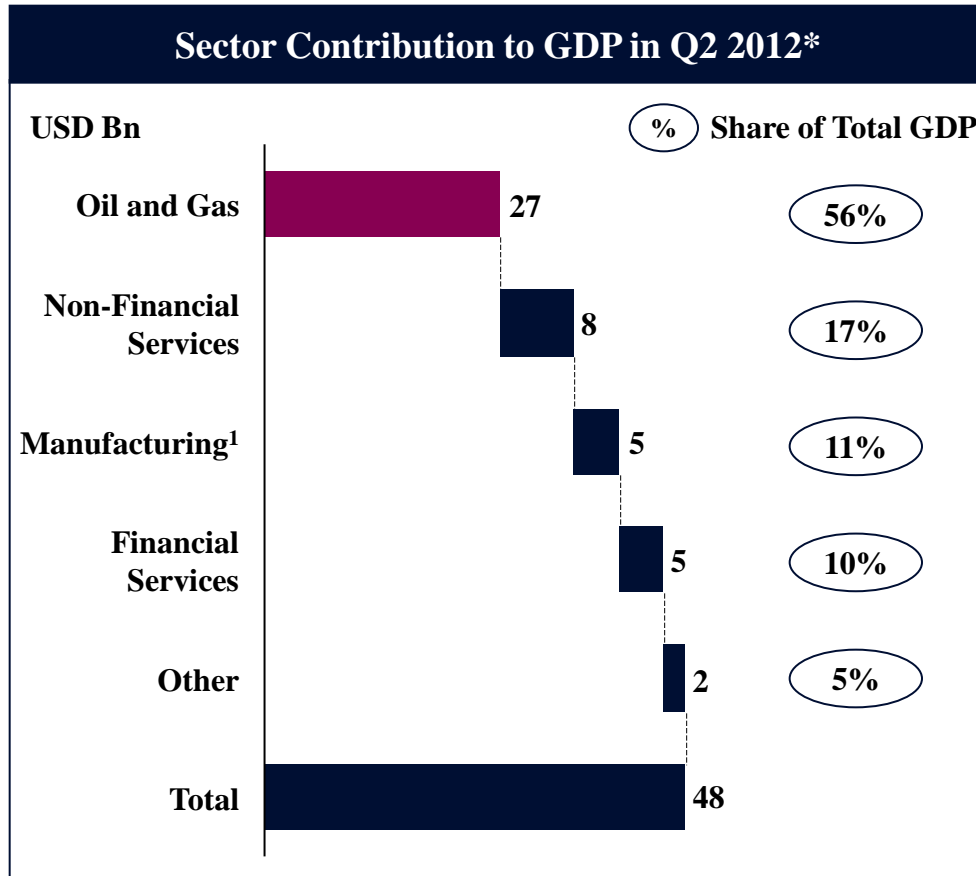


- In the last 5 years Qatar has outperformed GDP growth compared to other fast growing economies in the world

- Qatar's GDP per capita surpassed the USD 100,000 threshold in 2011 and is ~20% higher than Luxembourg

# Qatar's oil and gas sector is the major contributor to GDP which reached USD 48 Bn in Q2 2012

## Qatar's Key Economic Sectors



- Oil and gas sector is the largest contributor to GDP
- Qatar is the world's leading exporter of LNG
- Total GDP in 2011 was USD 173 bn

- Qatar has the largest hydrocarbon wealth in the GCC on the basis of reserves as well as revenue per national
- Qatar has the largest gas field in the world

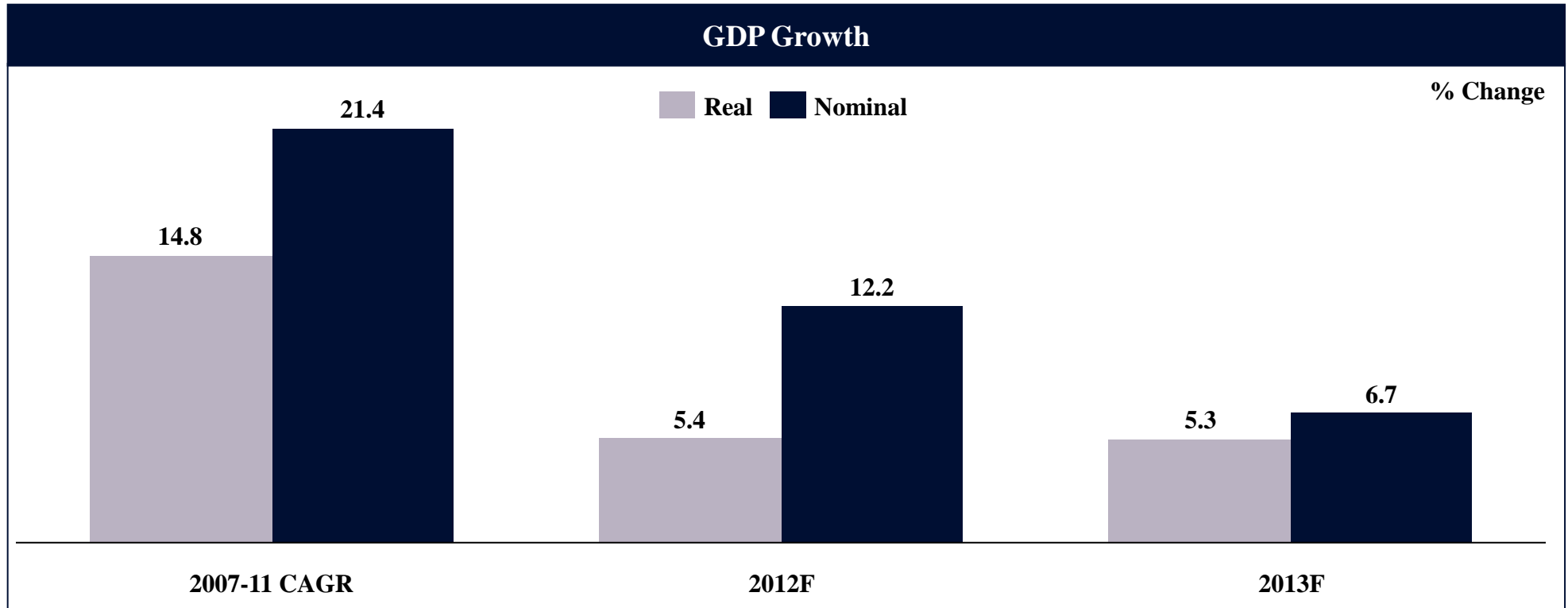
<sup>1</sup> Manufacturing sector is closely linked to the oil and gas sector primarily focused on petroleum refining and petrochemicals production

<sup>2</sup> Bahrain's reserve figure includes its 50% share in Abu Safah field, which is not usually included in its official reserves

\* Preliminary

Source: Qatar Statistical Authority, BP, IMF and QNB analysis

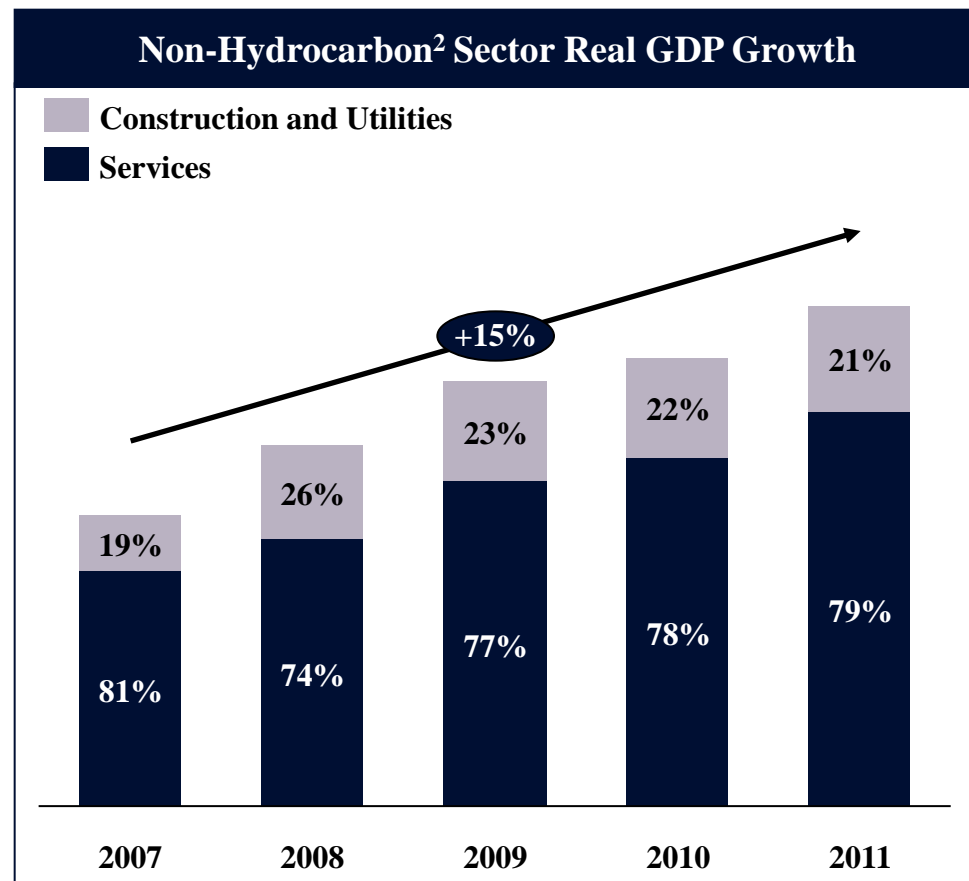
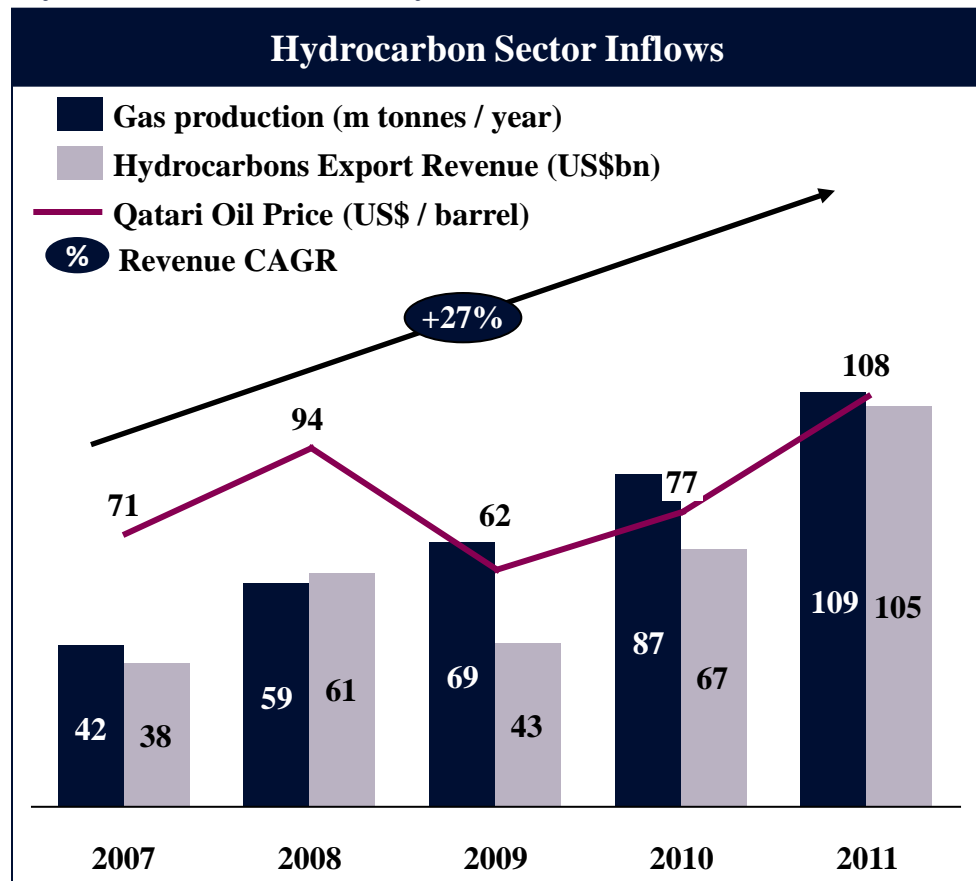
# GDP growth is expected to remain strong, but at lower levels from recent highs



- No major new oil and gas production projects are being completed in 2012-13, which should lead to flat growth in the hydrocarbons sector and a slowdown in overall GDP growth
- In 2012-13, GDP growth will be driven by the non-oil sector, which is expected to expand at 7.2% (real) and 13.9% (nominal)

# The government is redistributing the strong inflows from hydrocarbons export revenues to diversify the economy

## Hydrocarbon and Non-Hydrocarbon Sectors

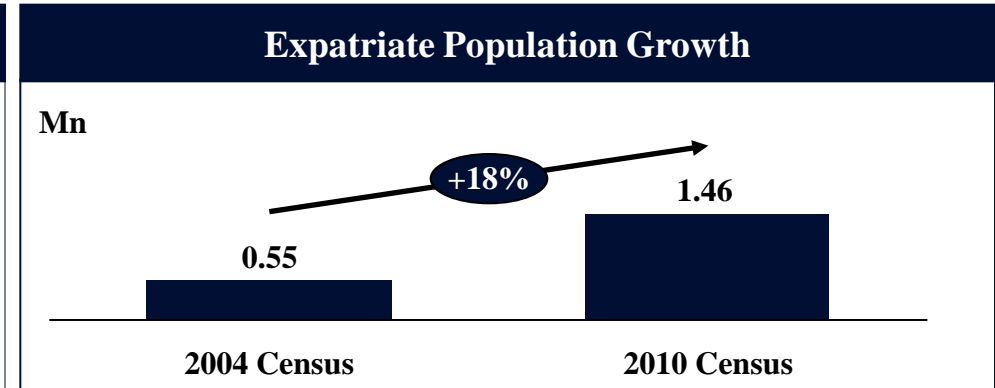
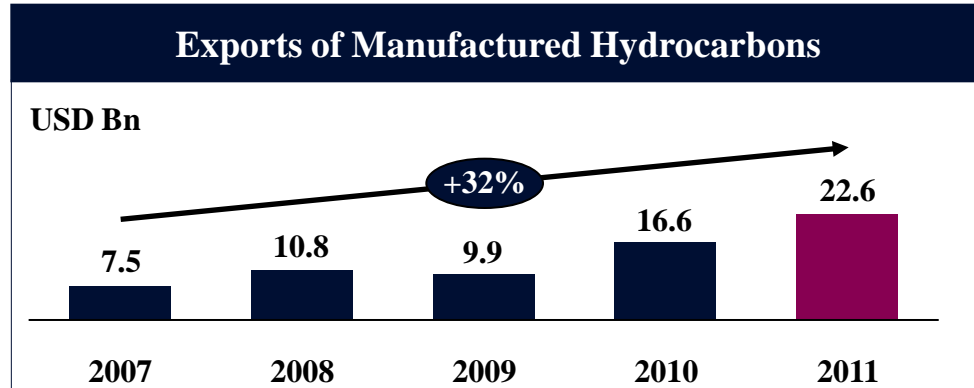


- High oil prices and rising production have resulted in strong hydrocarbon revenue inflow
- Hence, Government expenditure<sup>1</sup> has grown rapidly

- Government's expenditure has nurtured the growth of the non-hydrocarbon sector

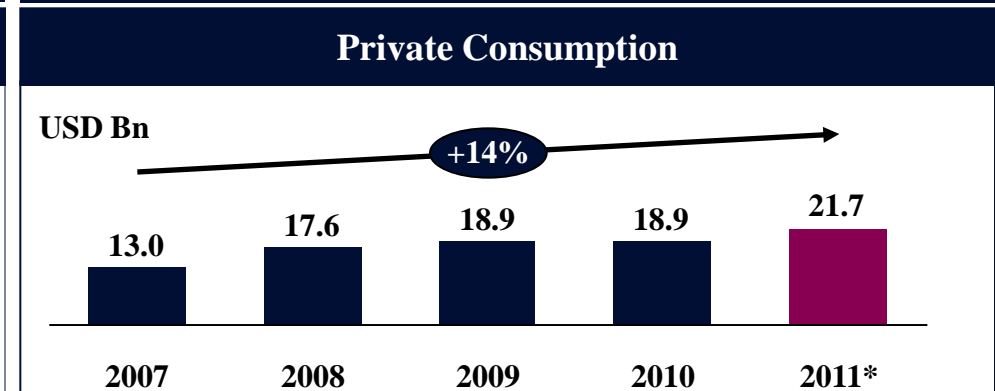
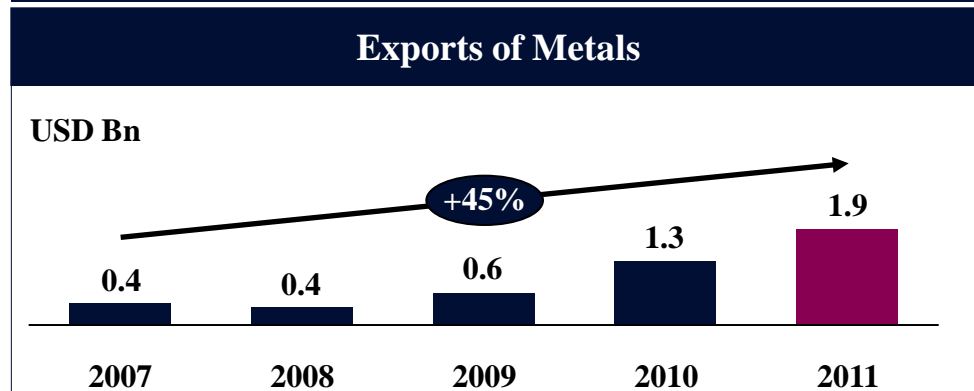
# Economic diversification is being achieved by leveraging natural resources which is leading to population and consumption growth

## Qatar's Economic Diversification and Impact



- Increasing focus on processing of raw hydrocarbons into refined fuels, liquefied, petrochemicals and fertilizers

- Growing non-hydrocarbon sector has led to significant growth in expatriate population

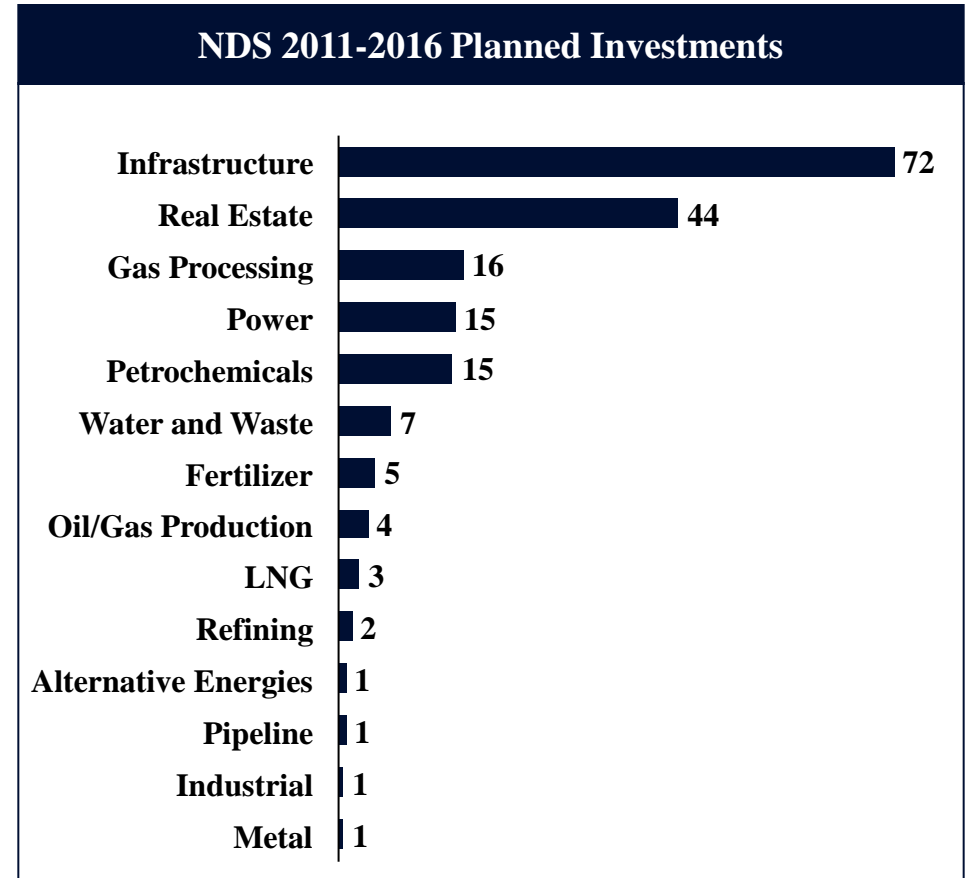
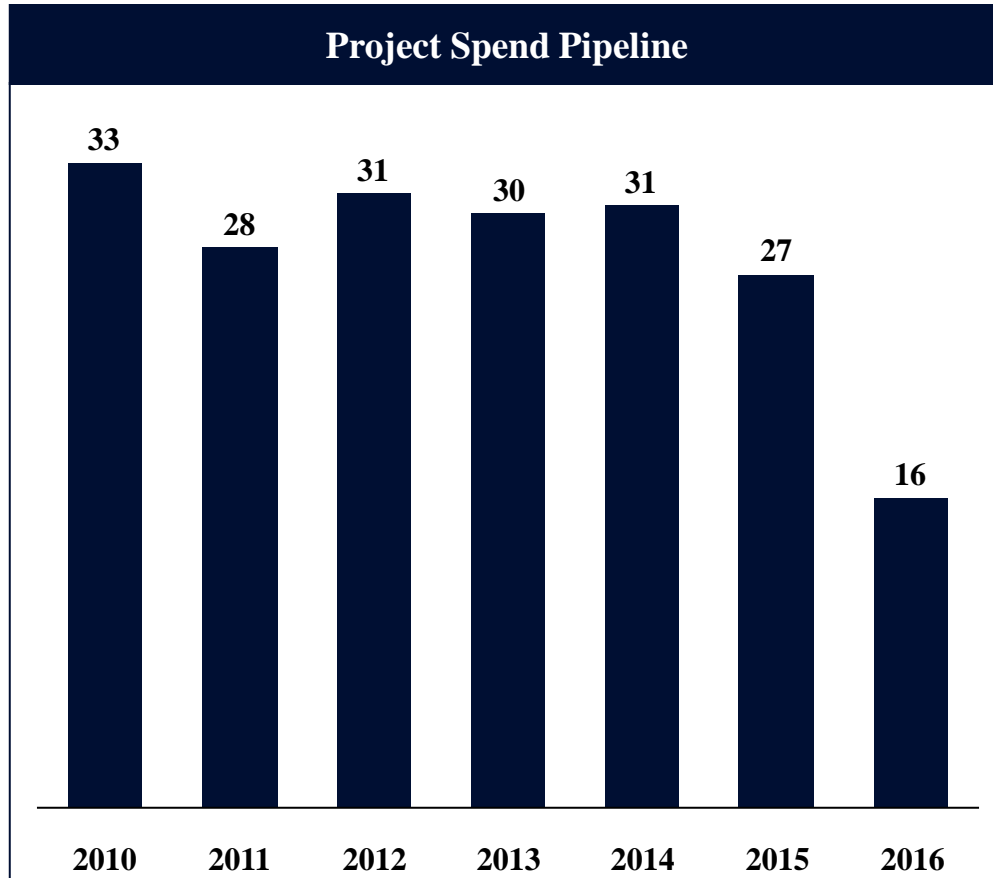


- Leveraging abundance of energy resources to establish energy-intensive industries such as metals production

- Expanding population adds impetus to domestic demand, particularly in the private sector

# Looking ahead, the Government has planned large scale capital outlays to upgrade the infrastructure...

Qatar's Projected Investments (USD Bn)



~USD 185 Bn of planned projects will be executed to support the National Development Strategy 2011-2016

# Disclaimer

*This presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of QNB. These forward-looking statements represent QNB's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report 2011. Past performance cannot be relied on as a guide to future performance. This presentation contains IFRS financial information.*

*Some information is based on sources we believe to be reliable but we do not represent that it is accurate or complete. QNB and/ or the connected persons do not accept any liability whatsoever for any direct, indirect, incorrect or inconsequential loss arising from any use of the information or its content.*