



# Investor Relations Presentation September 2013

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*Note: These results include NSGB (unless stated), which was consolidated in 2Q13 under International Financial Reporting Standards*

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	F1	A1+
Outlook	Stable	Stable	Stable	Stable

## Presence

- QNB Group, subsidiaries and associate companies operate in 26 countries around the world, through more than 570 branches and offices, supported by more than 1,200 ATMs, and employing almost 13,500 staff

## Stock Info

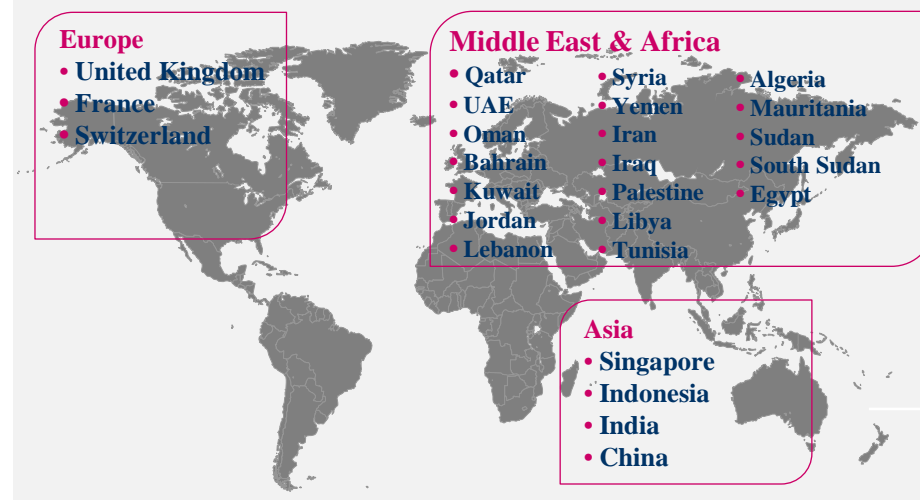
(Share Price as at 30/09/2013; ratios based on year-end 2012 financials)

Market Cap	USD32.1bn
(Share Price: QR166.8)	
Price/Earnings	11.0
Price/Book	2.1

## September 2013 Financials (in USD Bn)

	2013	2012	5yr CAGR
Total Assets	120.0	96.4	25%
Loans & Advances	83.5	65.5	27%
Operating Income	3.00	2.33	24%
Profit	1.95	1.71	19%
Coverage Ratio	119%	116%	

## Global Presence



# QNB's International Footprint



Qatar: 75 Branches



Egypt: 163 Branches  
Through 97% stake in QNB Al Ahli



Jordan: 117 (+3\*) Branches  
Through 35% stake in Housing Bank of Trade & Finance



Indonesia: 43 Branches  
Through 70% stake in QNB Kesawan



Libya: 35 (+1\*) Branches  
Through 49% stake in Bank of Commerce & Development



UAE: 21 (+1\*) Branches  
Through 40% stake in Commercial Bank International



Tunisia: 21 Branches  
Through 99% stake in QNB Tunisia



Syria: 15 (+30\*) Branches  
Through 51% stake in QNB Syria



Iraq: 9 (+1\*) Branches  
Through 51% stake in Bank Mansour



Oman: 6 Branches



Sudan: 6 Branches



France: 1 Branch



Kuwait: 1 Branch



Lebanon: 1 Branch



Mauritania: 1 Branch



Singapore: 1 Branch



South Sudan: 1 Branch



Switzerland: 1 Office 100% stake



United Kingdom: 1 (+1\*) Branch



Yemen: 1 Branch



Algeria: 5 Branches\*



Bahrain: 1 Branch\*



Palestine: 12 Branches\*



China: Representative office



India: 1 Office, 100% stake



Iran: Representative office



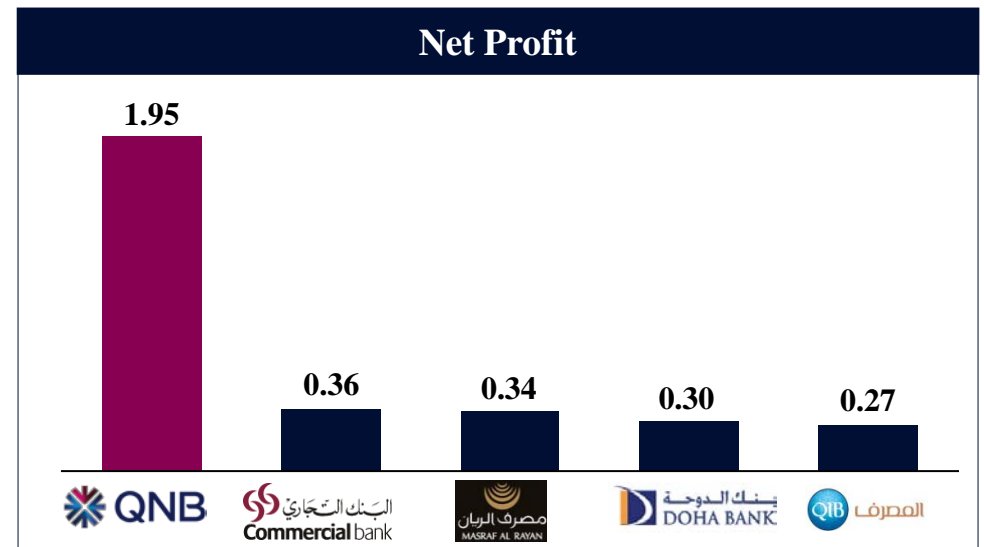
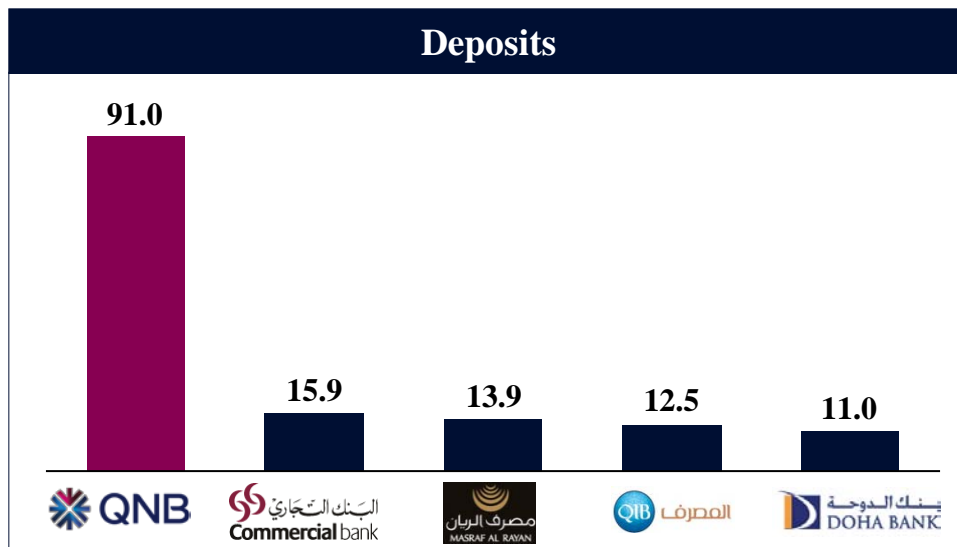
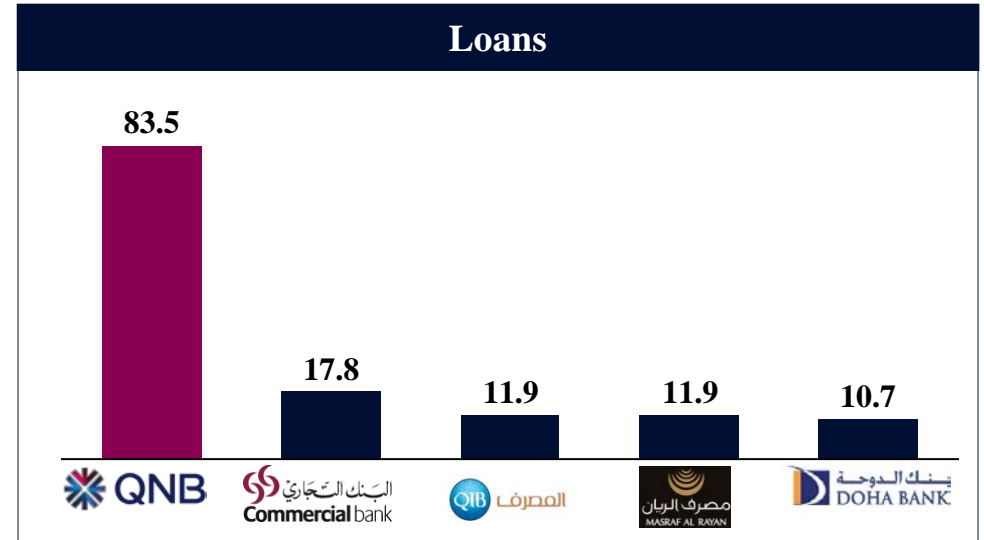
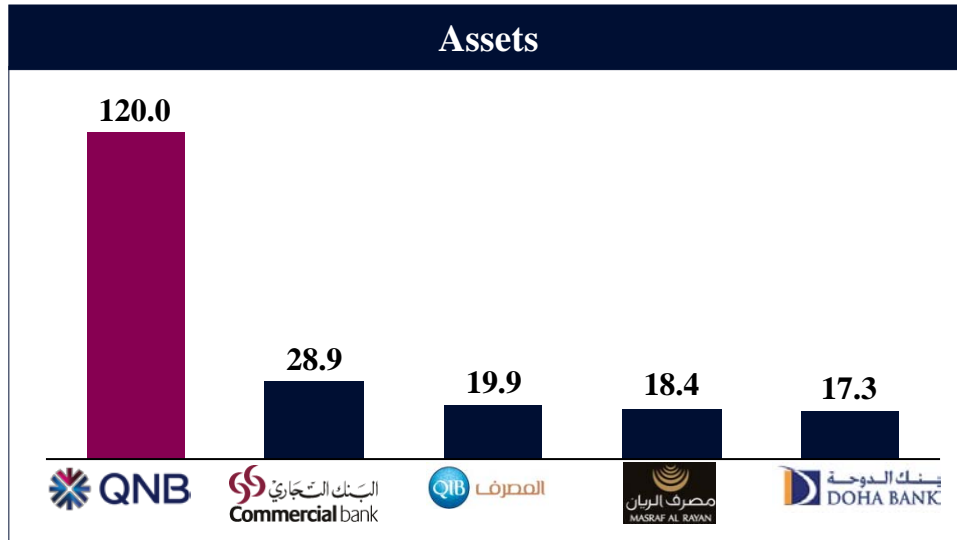
\* Includes the branches /representative offices from subsidiaries and associates



## QNB Comparative Positioning – Qatar and MENA

# Top 5 Domestic Banks

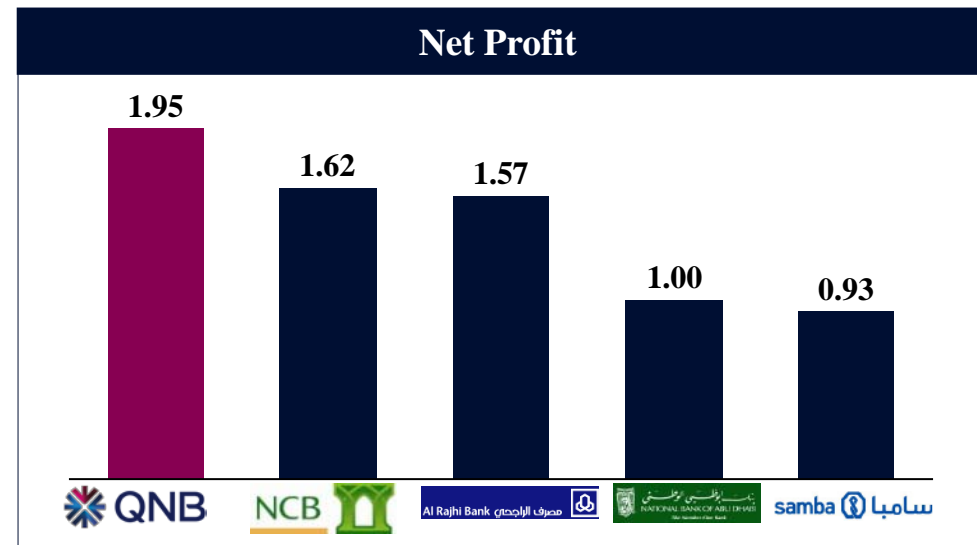
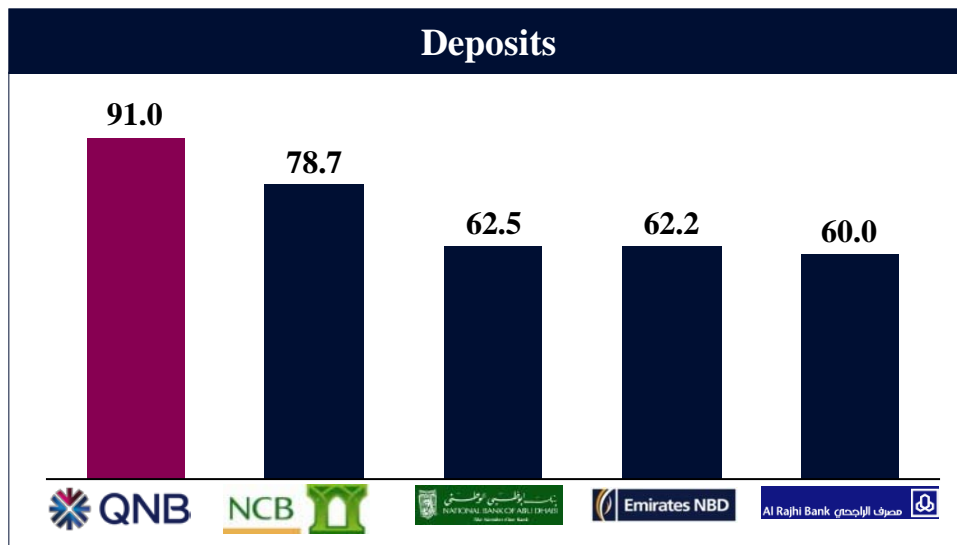
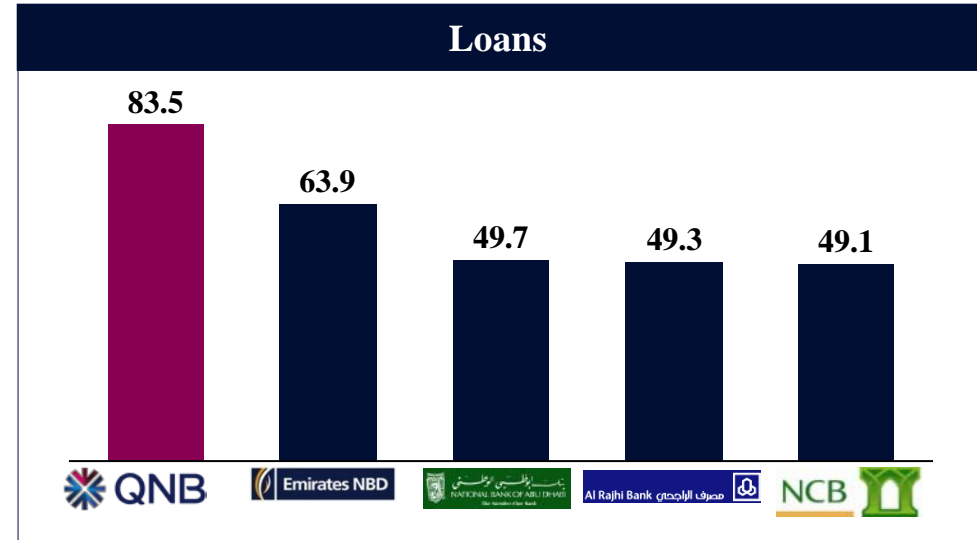
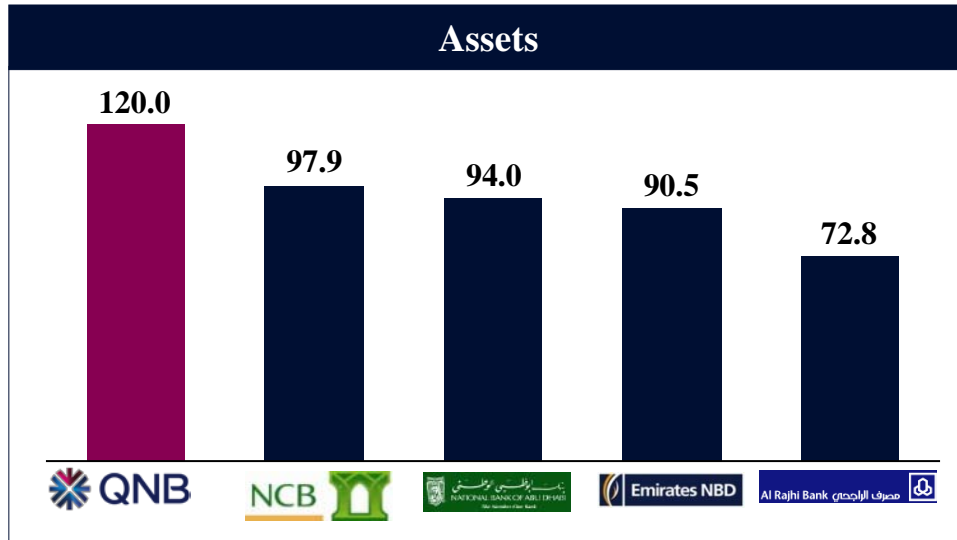
QNB continues to excel in the domestic market



Note: All amounts are in USD billions as at 30 September 2013  
Source: Companies' September 2013 press release or financial statements if available

# Top 5 Regional Banks

QNB strengthened its position as the leading bank in the region across all categories








## Financial Highlights – September 2013

*Note: Unless stated these results include NSGB which was consolidated in the 2Q13 under International Financial Reporting Standards*

# QNB continues to demonstrate sustainable profitable growth



September 2013 Highlights (Including NSGB)

 Growth vs. September 2012  
(unless stated)

**Profit**

- USD 1.95 Bn net profit  +14%


**Assets**

- USD 120.0 Bn assets  +25% since Sep-12  
+19% since Dec-12
- USD 83.5 Bn loans  +27% since Sep-12  
+22% since Dec-12

**Funding**

- USD 91.0 Bn deposits  +23% since Sep-12  
+23% since Dec-12

**Equity**

- USD 14.0 Bn equity  +11%

• Net interest margin (NIM): 2.89%

• Efficiency ratio: 20.4%

• NPL (% of gross loans): 1.6%

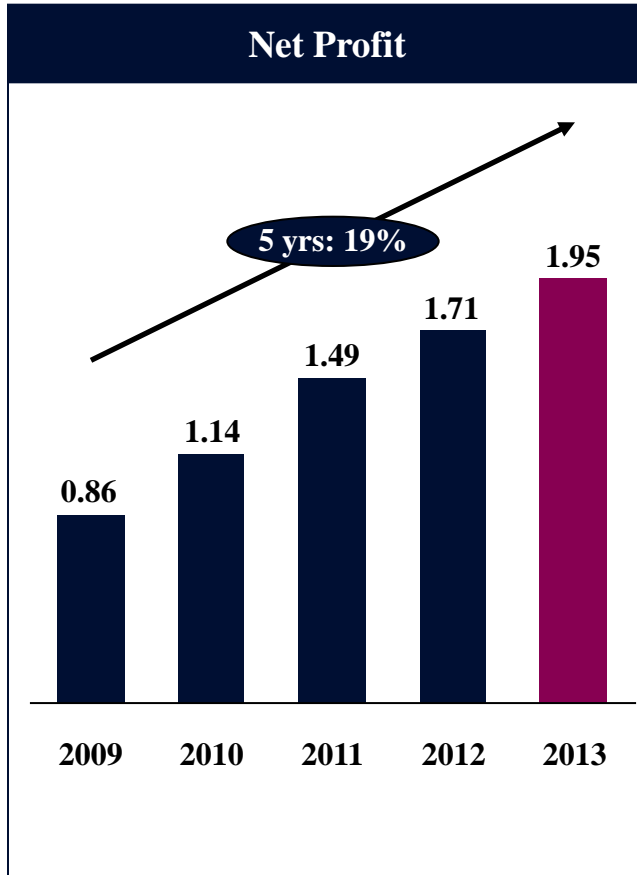
• Coverage ratio: 119%

• Loans to deposits ratio: 91.8%

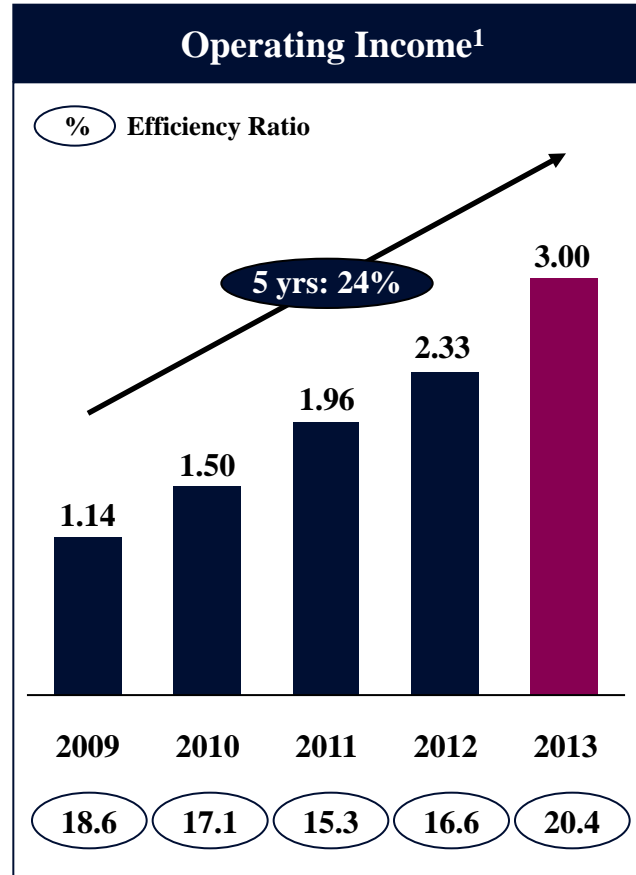
• Capital adequacy ratio: 14.6%

# Strong profitability growth

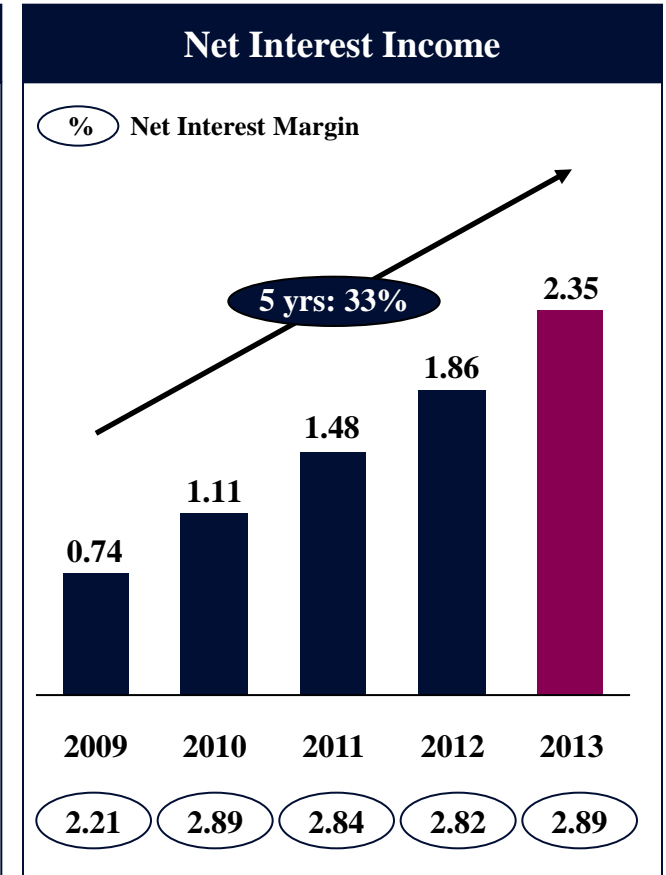
Income Statement Breakdown (USD Bn as at September)



- Net profit increased 14% from 2012
- 2008-2013 CAGR of 19%



- Operating income increased 29% from 2012
- 2008-2013 CAGR of 24%



- NII increased 26% from 2012
- NIM expanded by 68bps since 2009
- 2008-2013 CAGR of 33%

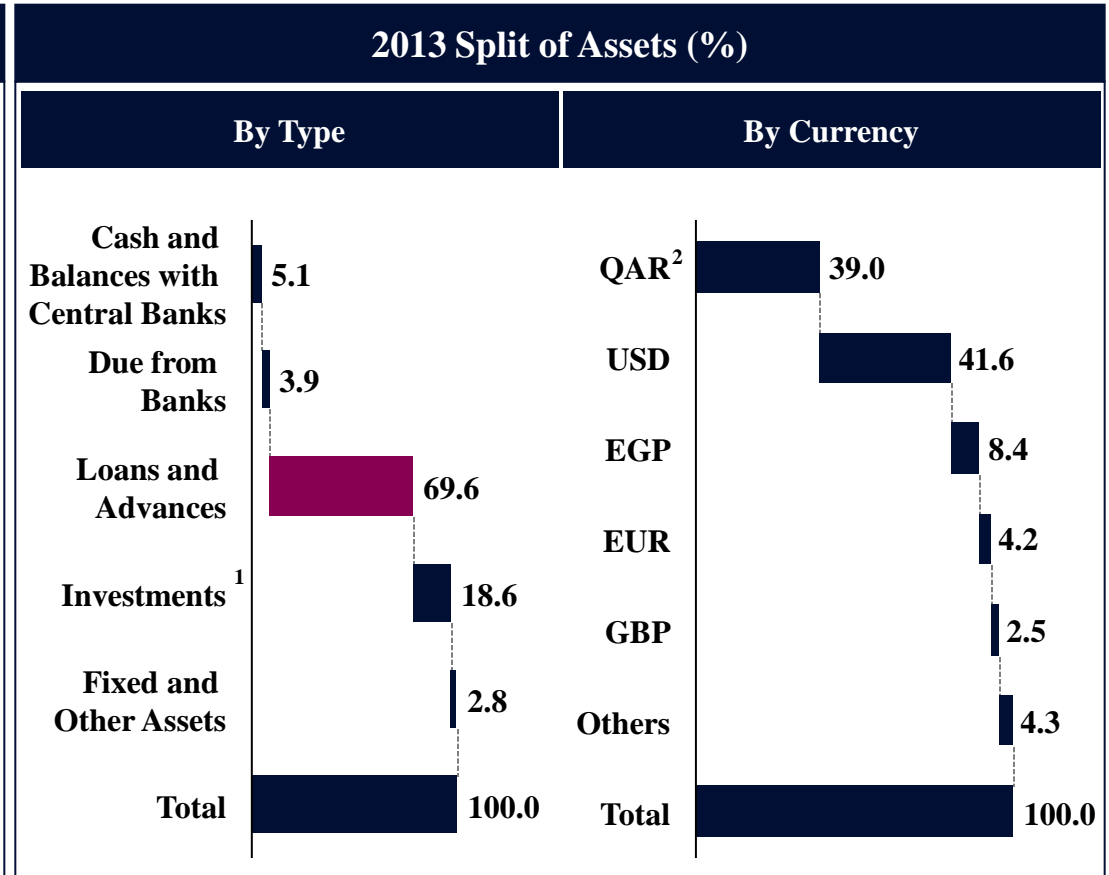
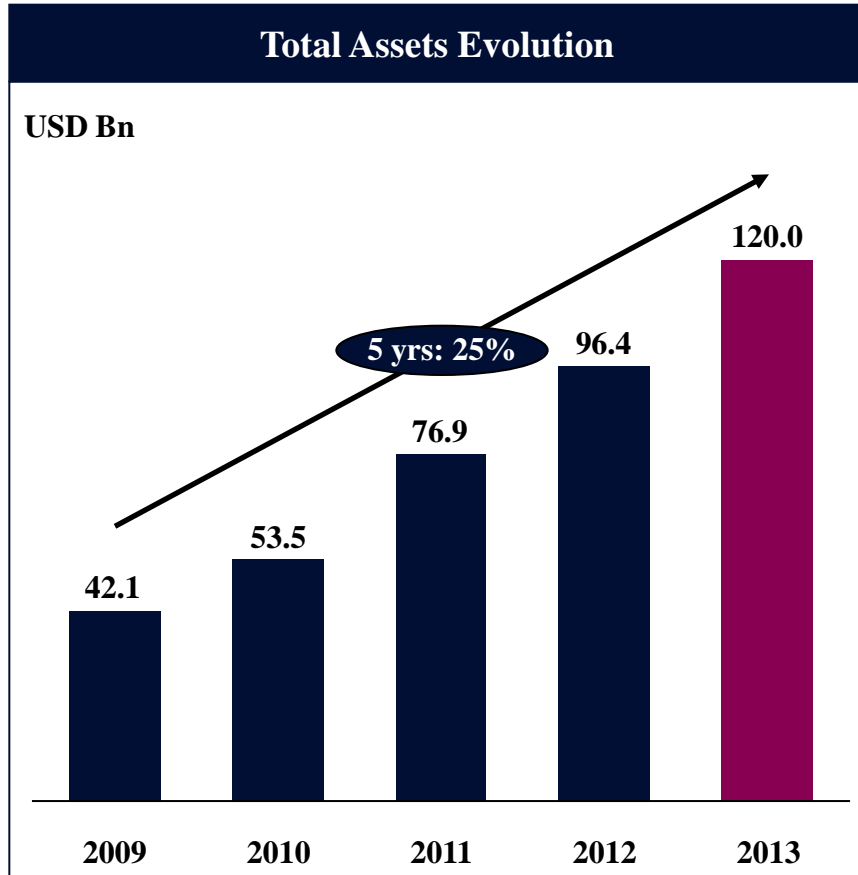
# Robust quarterly growth has been consistently delivered

## Quarterly Income Statement

Income Statement					
USD 000s	Q3 2012	Q4 2012	Q1 2013	Q2 2013 <sup>1</sup>	Q3 2013 <sup>1</sup>
• Net Interest Income	623,109	657,770	645,996	901,464	798,171
– FX Gain	37,854	39,972	47,355	73,406	43,300
– Fees and Commissions	84,663	92,472	96,202	169,870	131,356
– Investment Income	7,024	14,951	4,308	18,750	15,471
– Other Income	582	708	833	1,608	768
• Total Other Income	130,123	148,103	148,698	263,634	190,895
• <b>Total Operating Income</b>	<b>753,232</b>	<b>805,873</b>	<b>794,694</b>	<b>1,165,098</b>	<b>989,066</b>
• G&A Expenses	(131,598)	(143,638)	(144,579)	(264,751)	(203,875)
• <b>Total Operating Profit</b>	<b>621,634</b>	<b>662,235</b>	<b>650,115</b>	<b>900,347</b>	<b>785,191</b>
• Investment Income - Associates	21,067	21,587	18,554	22,058	14,522
• Loan Loss Provisions	(65,370)	(81,041)	(66,601)	(122,204)	(101,108)
• Other Provisions & Taxes	2,440	(22,633)	(14,728)	(86,277)	(48,046)
• <b>Net Profit</b>	<b>579,771</b>	<b>580,148</b>	<b>587,340</b>	<b>713,924</b>	<b>650,559</b>

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

Assets Analysis (as at September)

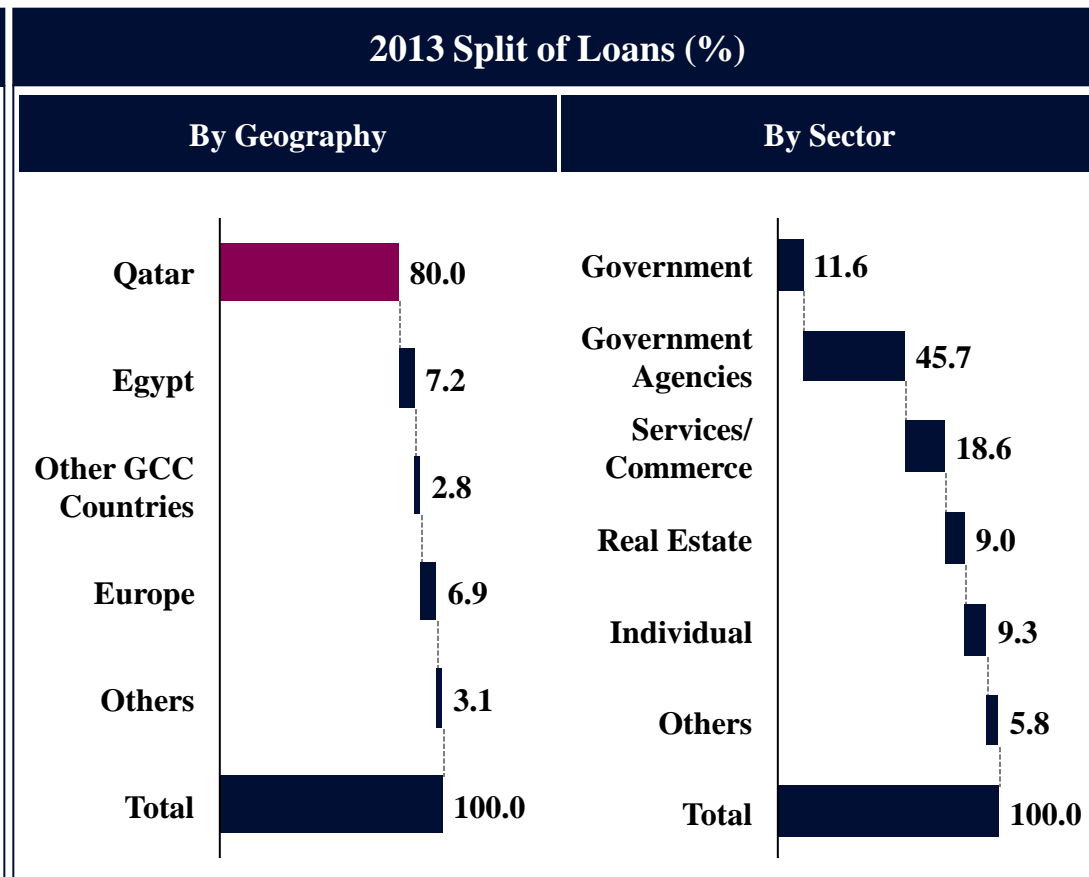
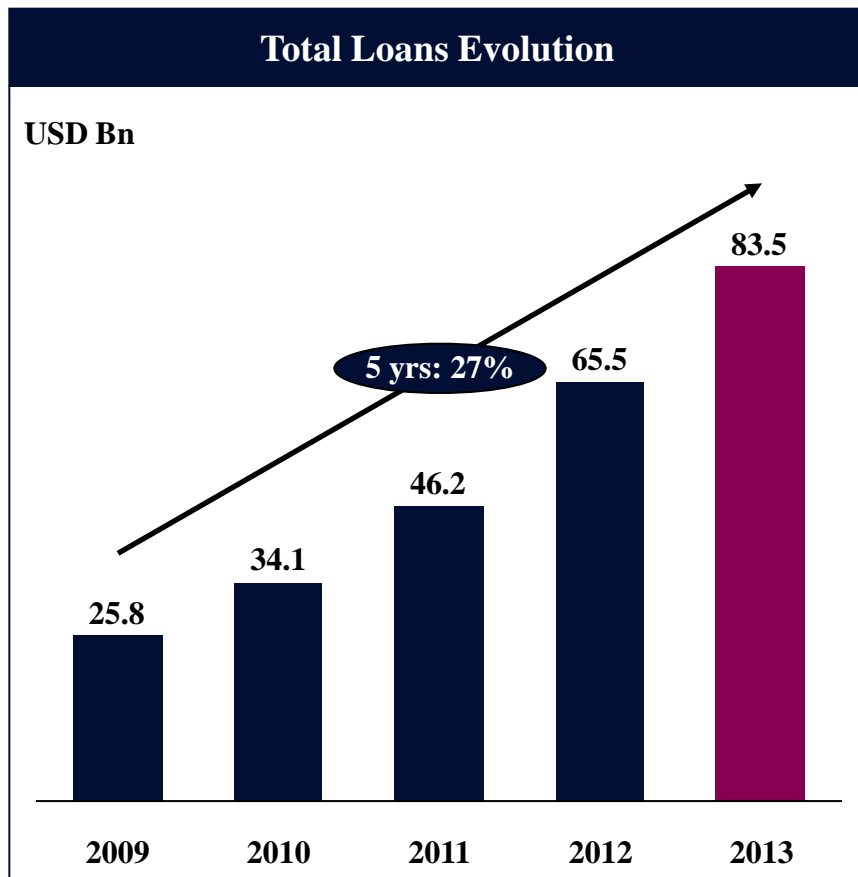


- Assets increased 25% from September 2012
- Assets increased 19% from December 2012

- Loans and advances represent 70% of total assets
- USD and QAR currencies account for 81% of total assets

# Strong loan growth fueled by domestic economic tailwinds

Loans Analysis (as at September)

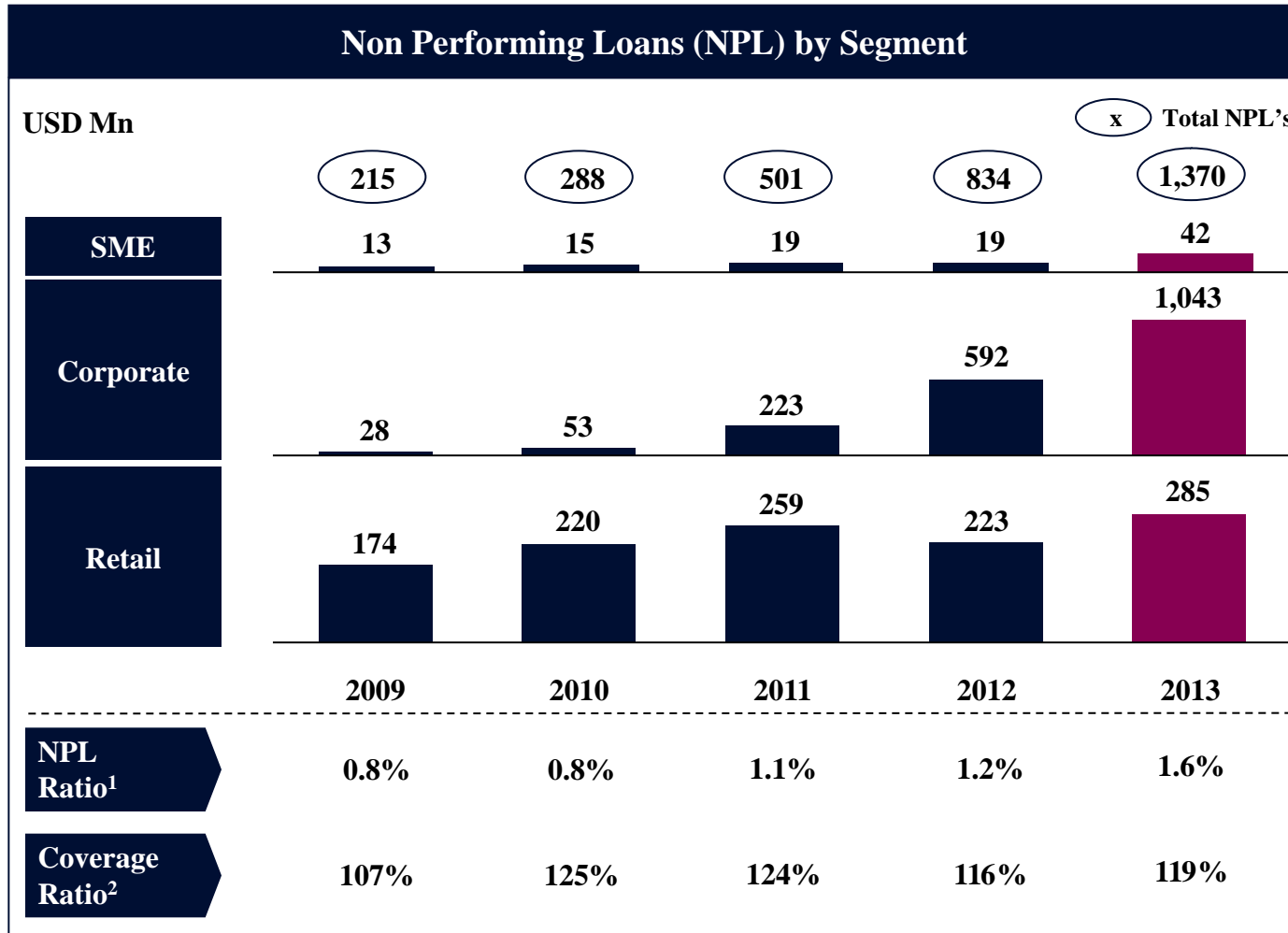


- Loans increased 27% from September 2012
- Loans increased 22% from December 2012

- Loans denominated in USD represent 47% of total loans
- Loan exposures are of high quality with 57% concentration to the public sector entities

# High quality lending portfolio is highlighted by low NPL ratios

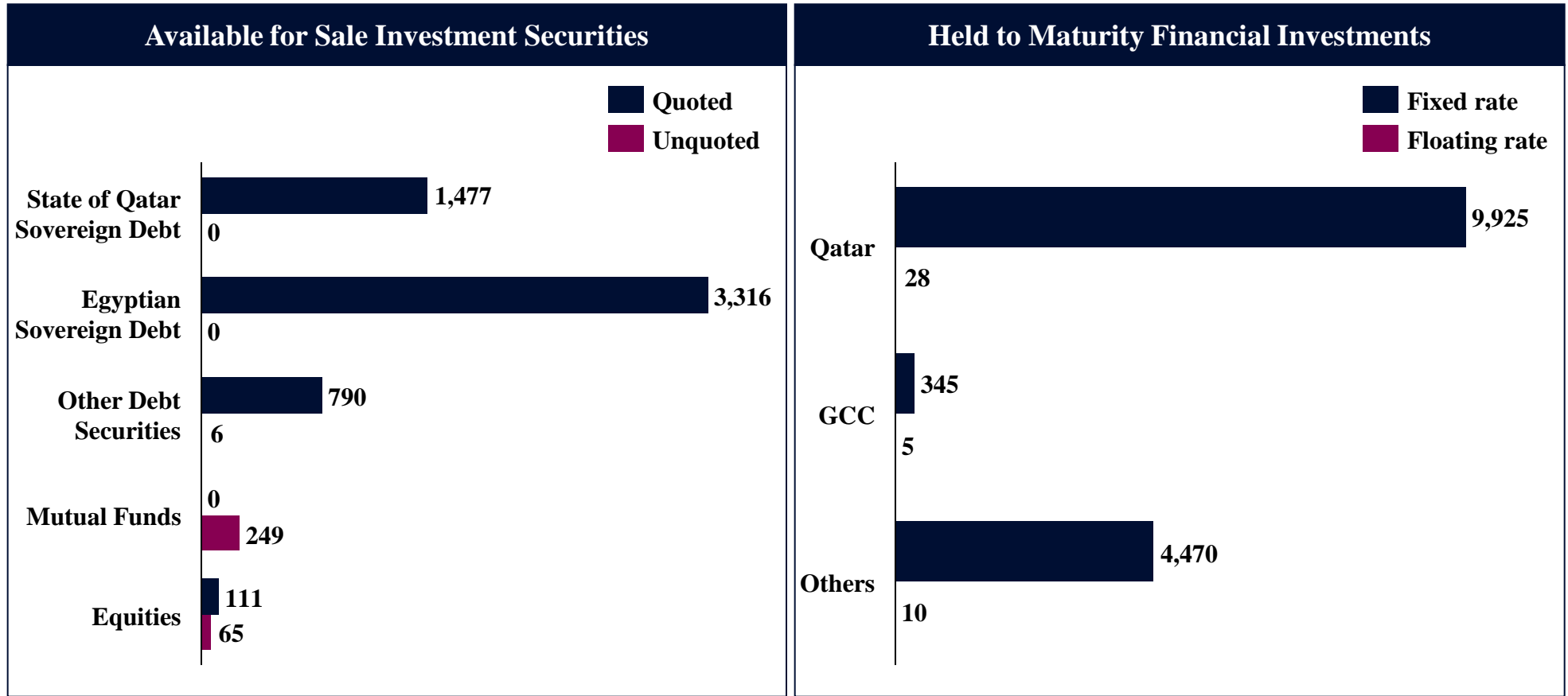
Asset Quality Analysis (as at September)



- One of the lowest NPL ratios among MENA banks
- QNB has continued to increase its provisions in response to the global economic situation
- The bank's coverage ratio has remained strong amidst the economic slowdown, with a coverage of 119% as at September 2013
- An additional risk reserve of USD 41.2 Mn was taken in 2012 to bring the total balance to USD 481 Mn representing nearly 3.5% of private lending versus a QCB requirement of only 2.00%

# High quality investment portfolio with a majority of securities rated AA or better

Investments Analysis (USD Mn as at September 2013)



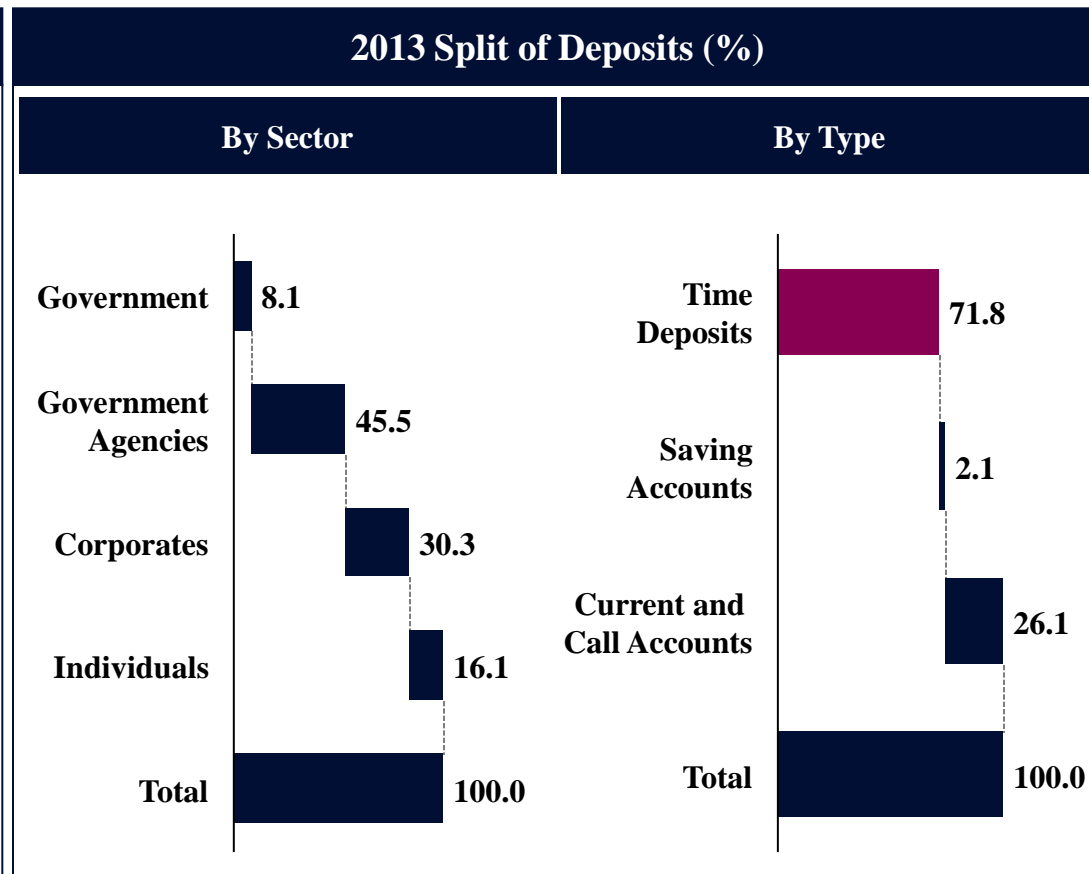
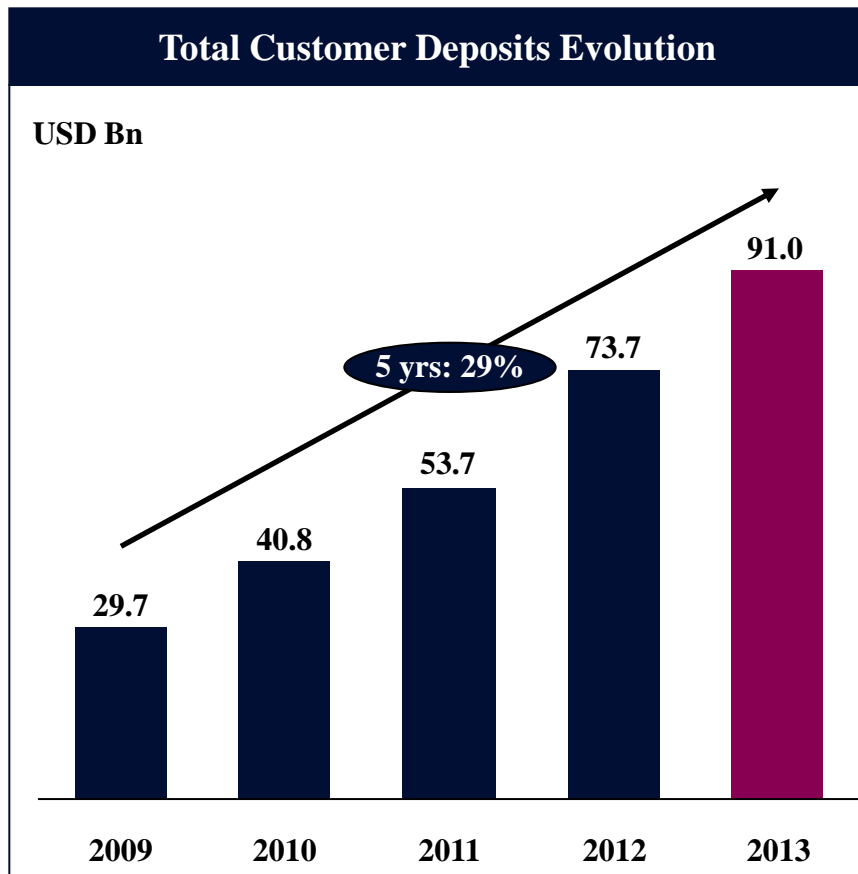
• Quoted securities account for 95% of available for sale investment securities

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



# Robust growth in customer deposits and funding

Funding Analysis (as at September 2013)

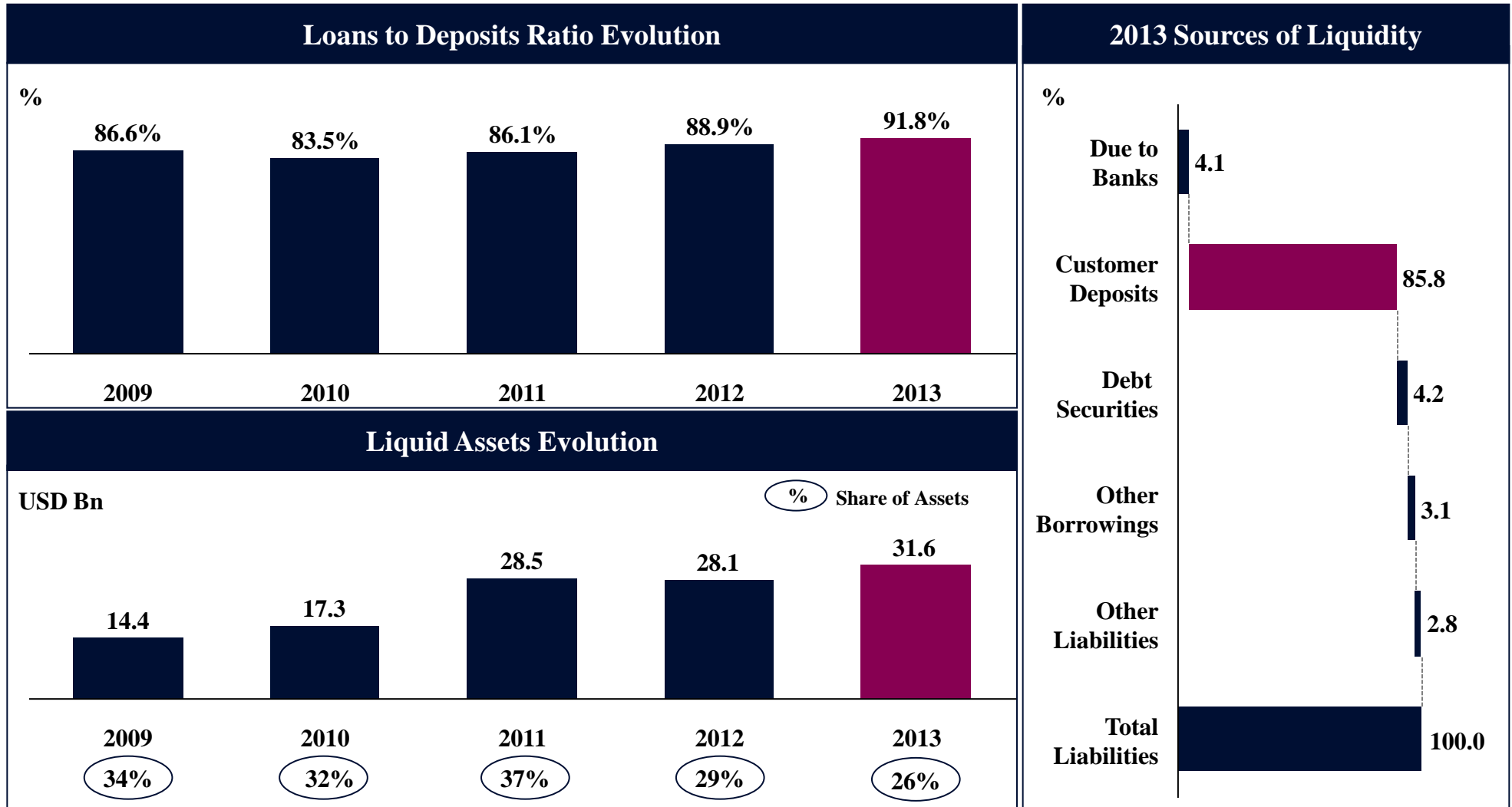


- Deposits increased 23% from September 2012
- Deposits increased 23% from December 2012

- QNB remains the public sector's preferred bank
- USD denominated deposits represent 49% of total deposits
- EGP denominated deposits represent 8% of total deposits

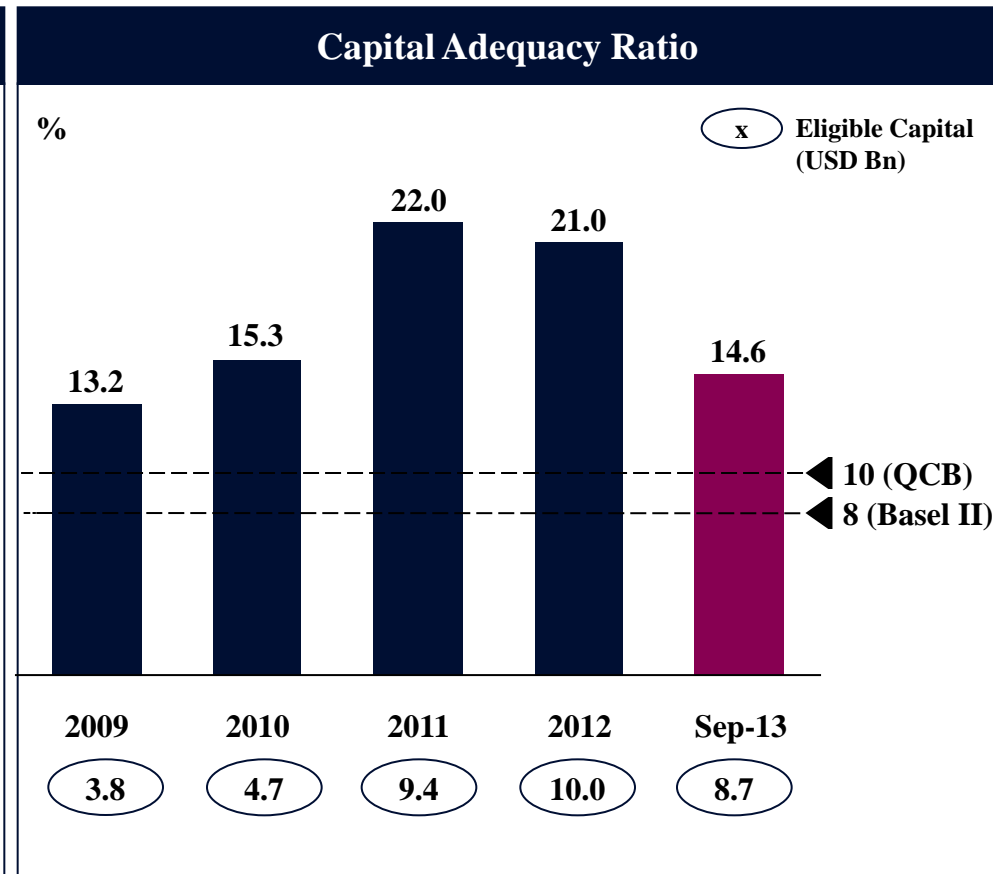
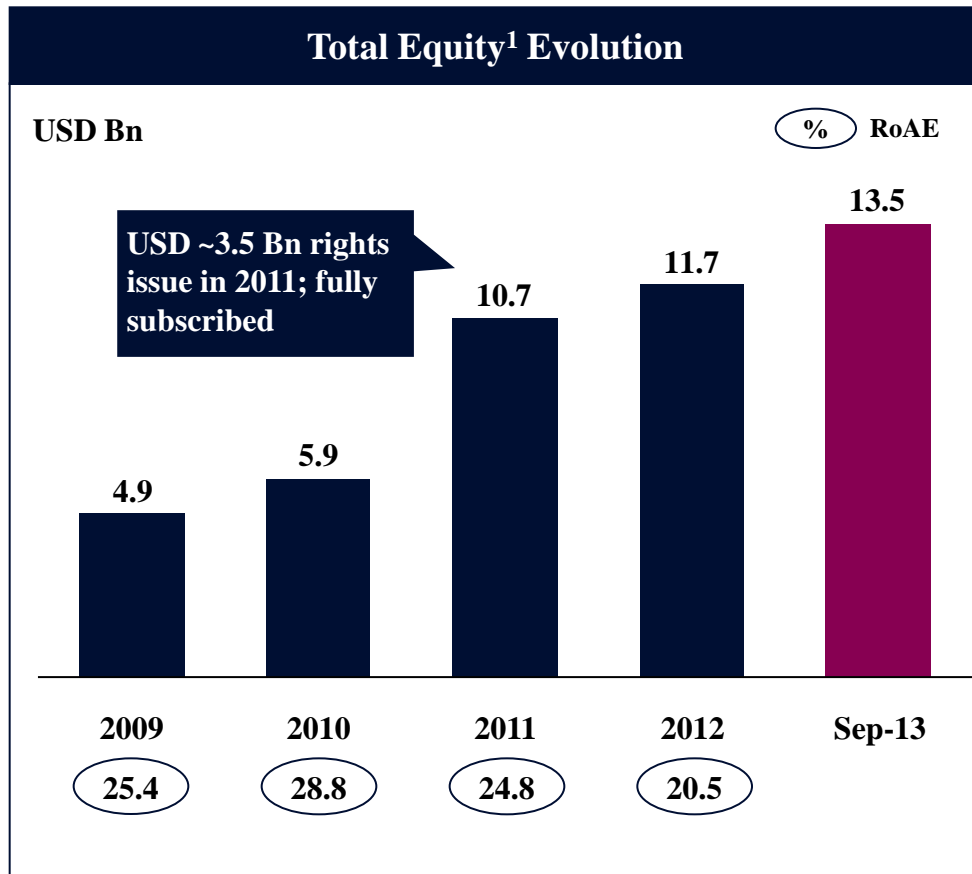
# Solid liquidity profile with loans to deposit ratio consistently below 92%

Liquidity Analysis (as at September)



# Strong capital adequacy ratio maintained above both QCB and Basel II requirements

Capital Analysis (as at December unless otherwise stated)



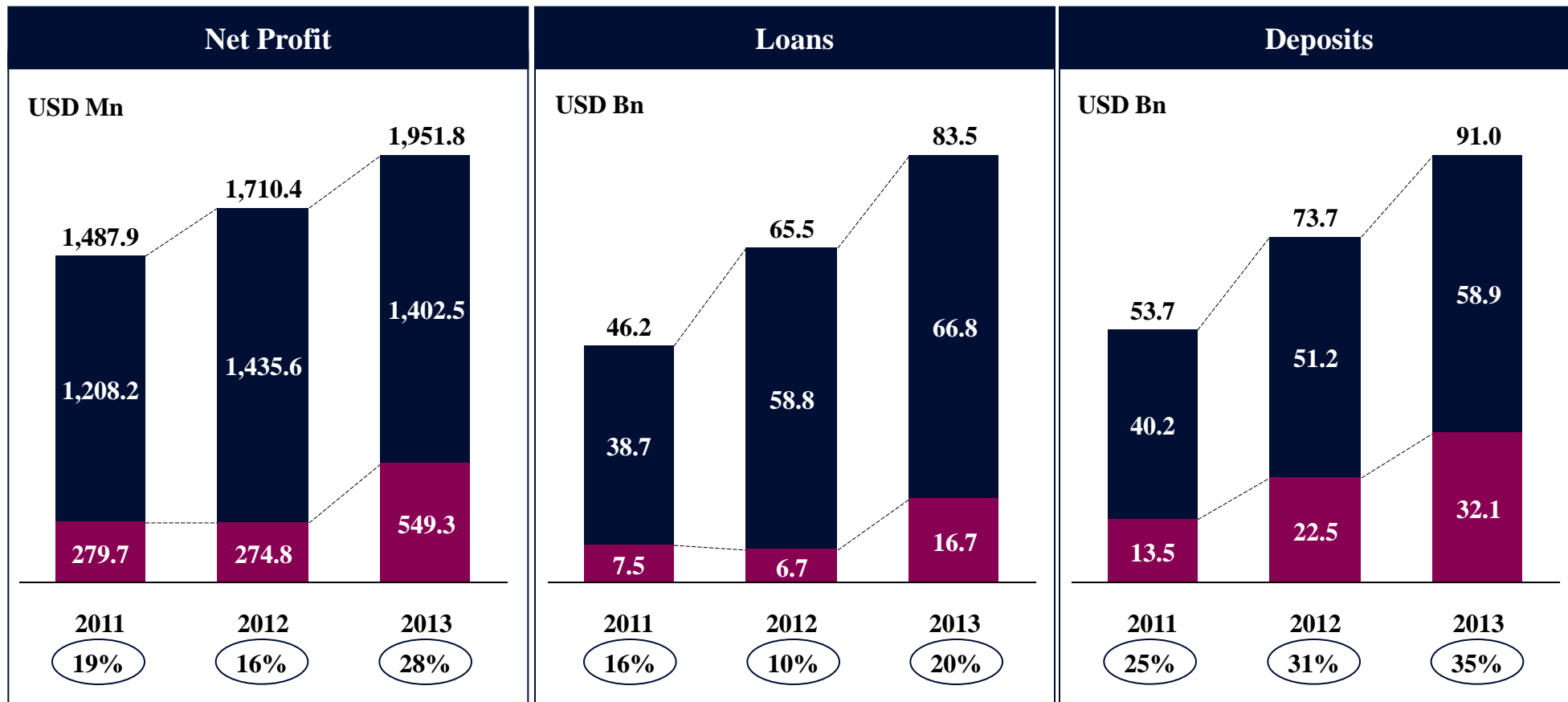
- Capital base has been regularly increased in line with the strong surge in QNB's balance sheet

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

# Increasing geographical diversification positively contributes to growth

Geographical Contribution (as at September)

■ Domestic ■ International (%) Share of International

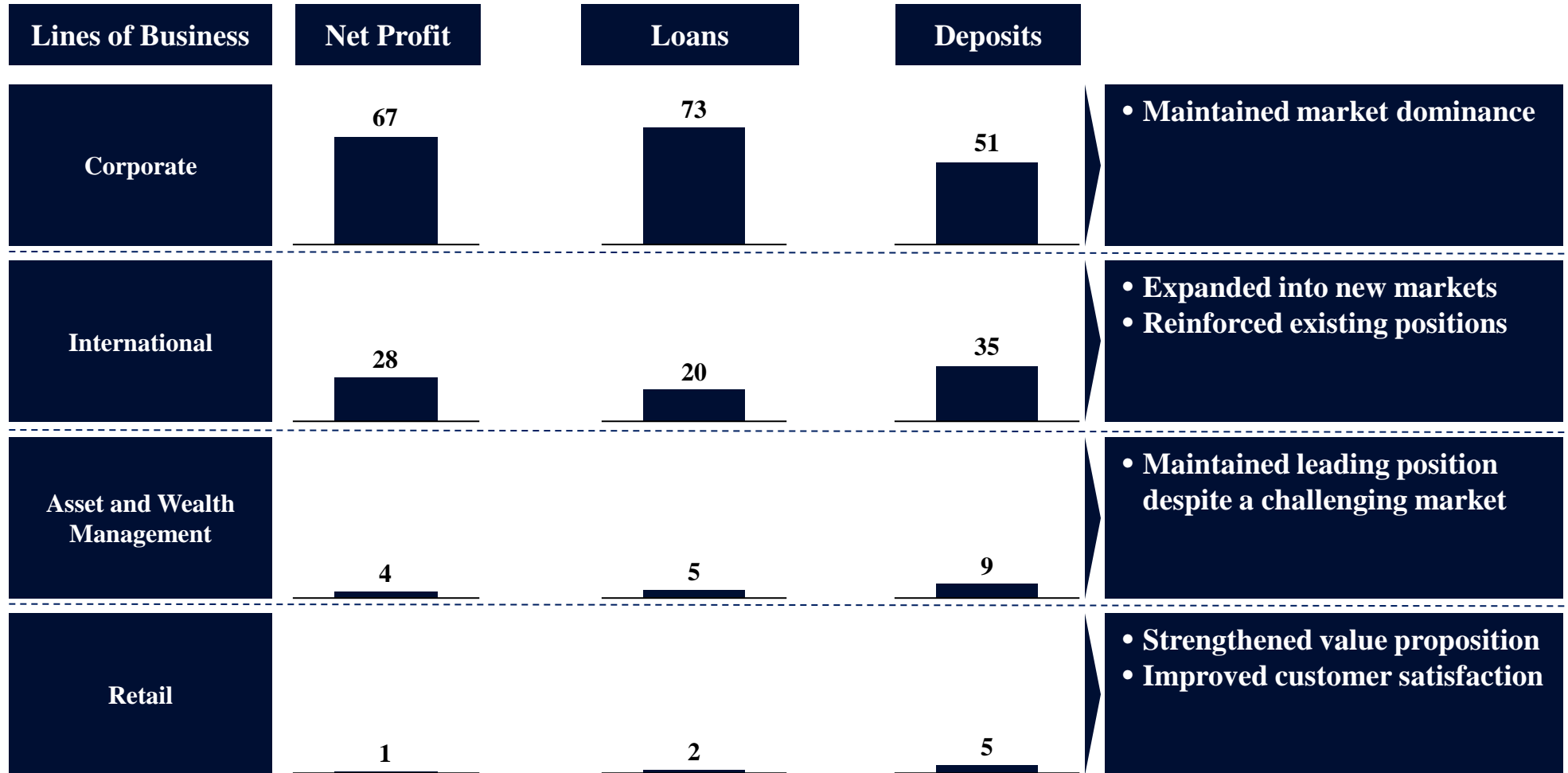


• Profit from international operations increased by USD 269.6 Mn (+96%) from 2011 to 2013

• Loans and deposits from international operations increased by USD 9.2 Bn (+124%) and USD 18.6 Bn (+138%) respectively, from 2011 to 2013


# Diversifying business mix will bolster sustainable growth

Business Mix Contribution (% share as at September 2013)



# QNB continues to demonstrate sustainable profitable growth



September 2013 Highlights (Excluding NSGB)

 Growth vs. September 2012  
(unless stated)

**Profit**

- USD 1.79 Bn net profit  +5%

**Assets**

- USD 109.8 Bn assets  +14% since Sep-12  
+9% since Dec-12
- USD 77.5 Bn loans  +18% since Sep-12  
+13% since Dec-12

**Funding**

- USD 81.7 Bn deposits  +11% since Sep-12  
+10% since Dec-12

**Equity**

- USD 13.8 Bn equity  +8%

• Net interest margin (NIM): 2.70%

• Efficiency ratio: 17.6%

• NPL (% of gross loans): 1.5%

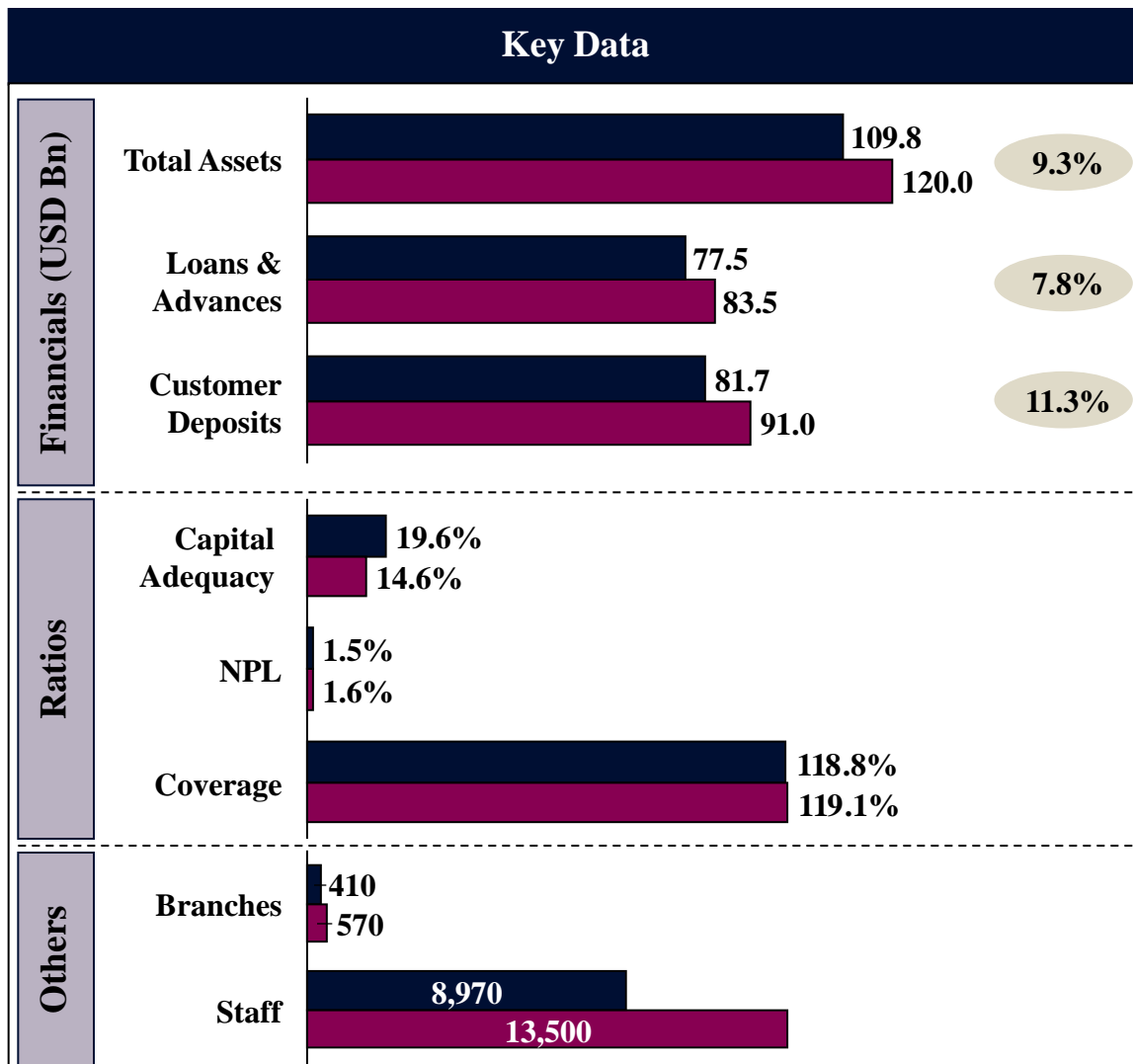
• Coverage ratio: 119%

• Loans to deposits ratio: 94.8%

• Capital adequacy ratio: 19.6%

# QNB Group Financials

Key data (as at end September 2013)



xxx

Growth

■ QNB

■ QNB incl. NSGB

## Highlights

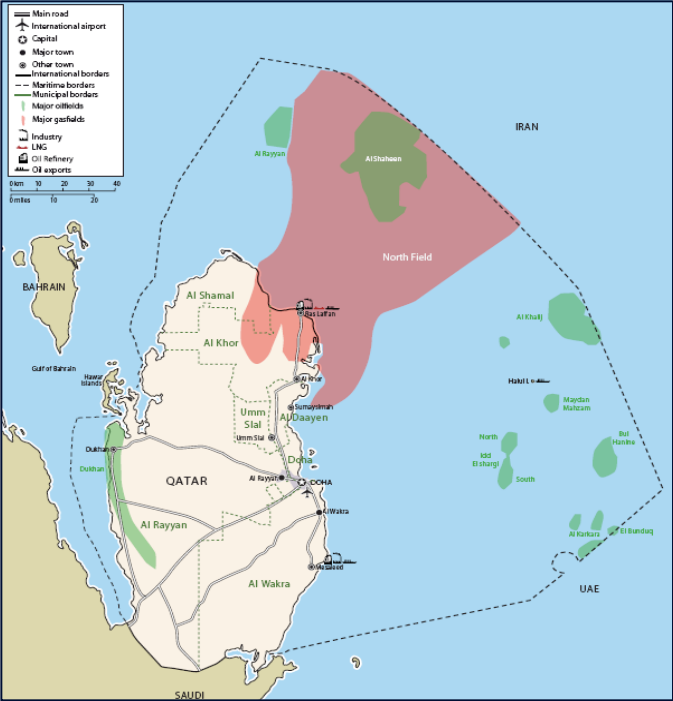
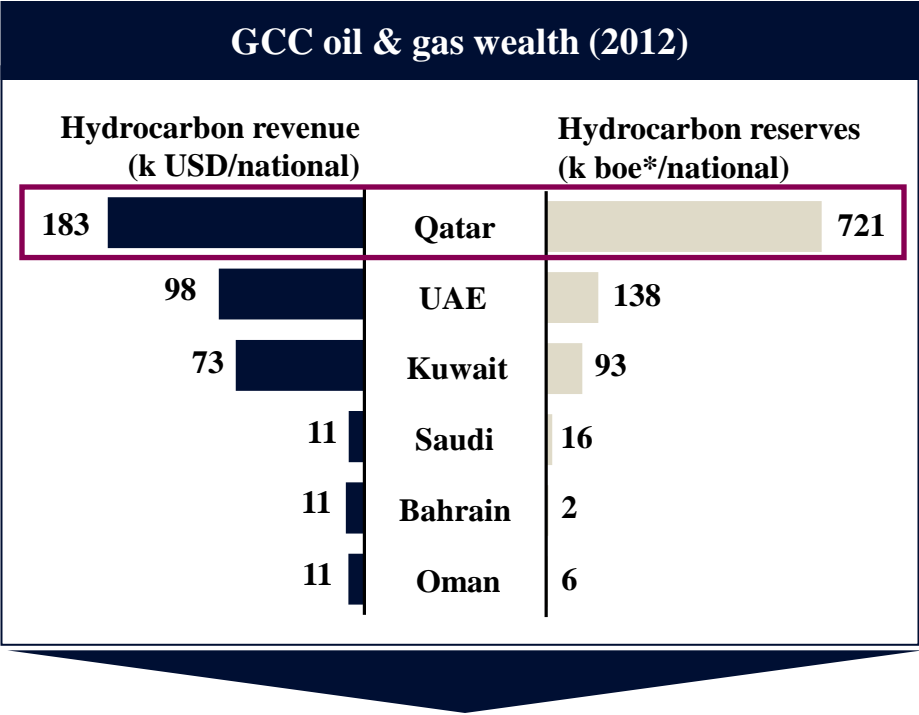
- QNB Group finalised incorporation of the financial results of NSGB during the second quarter of 2013
- Results finalised under International Financial Reporting Standards (IFRS)
- Capital Adequacy on consolidation 14.6%



# Economic Overview



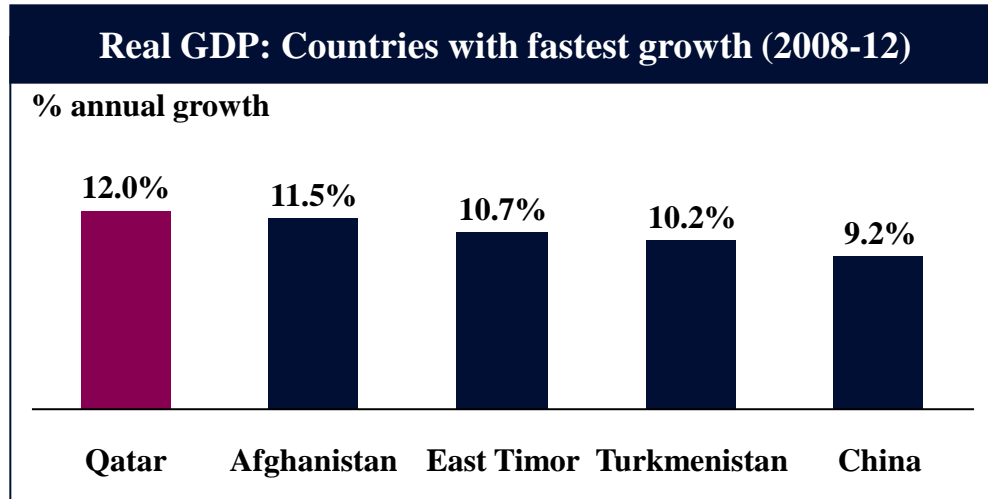
# Qatar has the world's highest hydrocarbon wealth per national



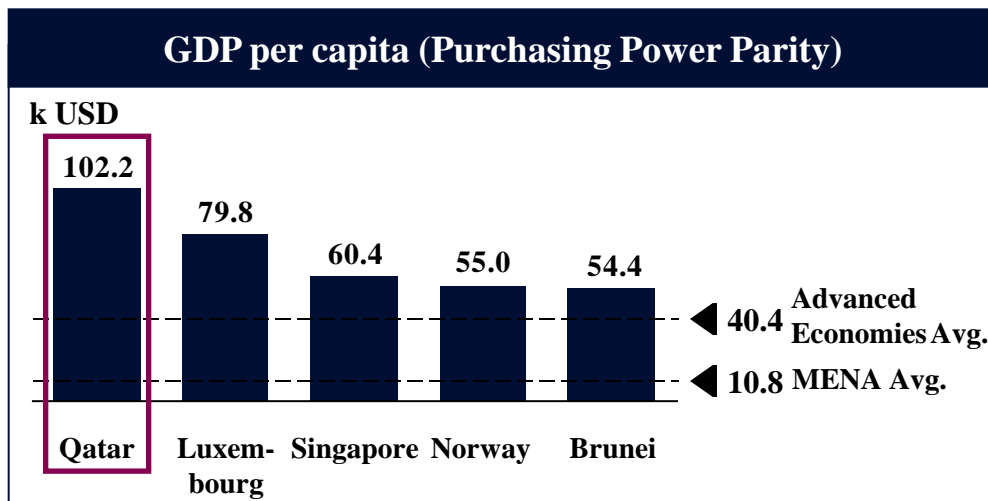
- Qatar has the world's highest state revenue per national
- Qatar has the world's highest reserves per national

- Qatar's hydrocarbons reserves are mostly held in the North Field, which contains 59% of GCC gas reserves and 13% of global gas reserves
- Qatar could produce at 2012 levels for another 160 years
- Qatar has 24bn barrels of crude oil and condensate reserves (1.4% of global reserves)

# Qatar was the world's fastest growing economy during 2008-12

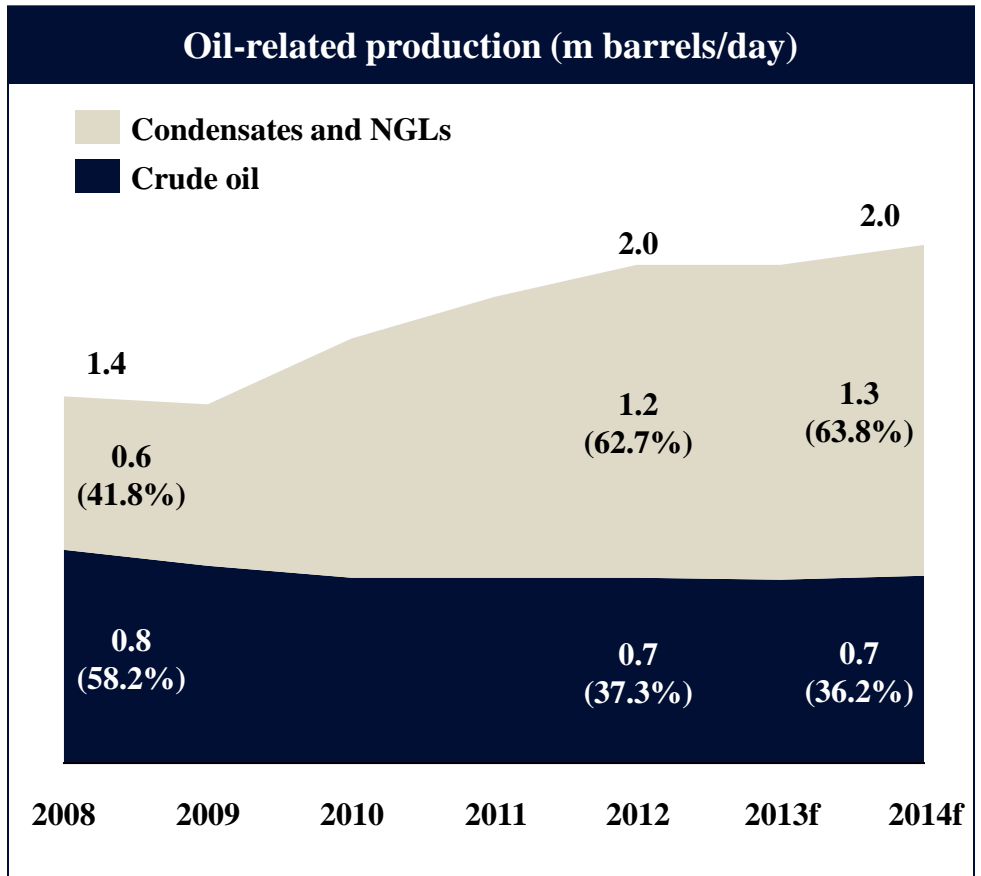
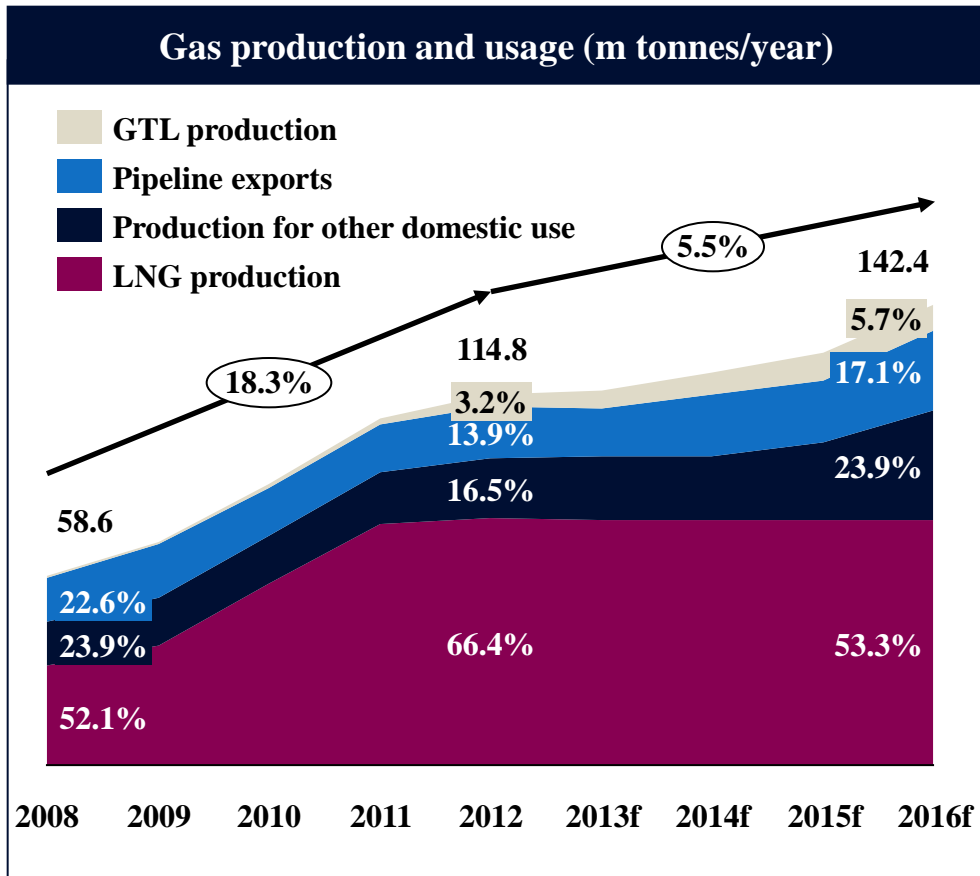


- Qatar's annual real growth of 12.0% during 2008-12 was the world's fastest, reflecting the expansion in LNG production
- Qatar's growth eased to 6.2% in 2012, still strong by global standards



- GDP per capita (Purchasing Power Parity) was USD 102.2k in 2012, the highest globally
- Qatar had the highest percentage of millionaire households in the world (14.3%) in 2012

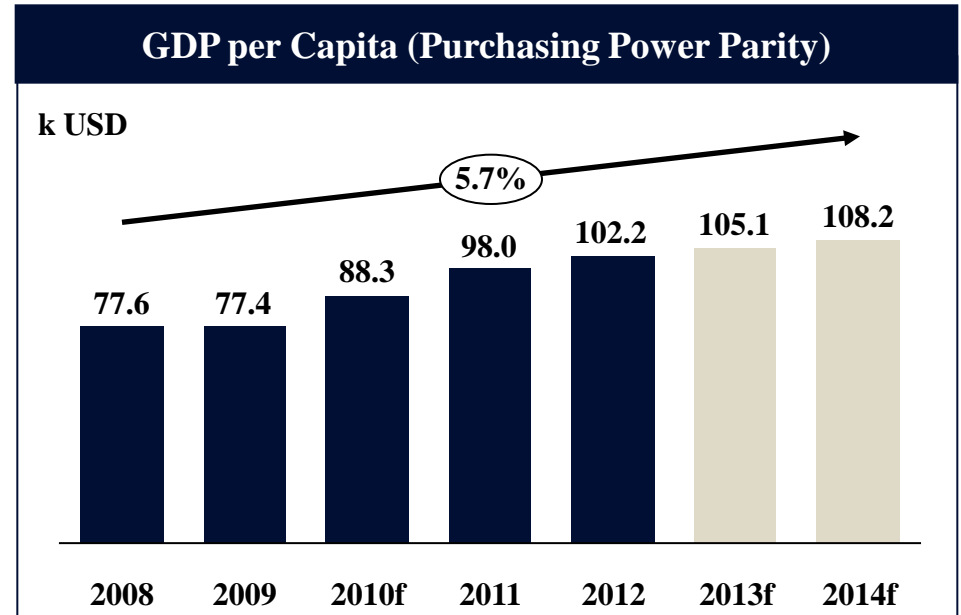
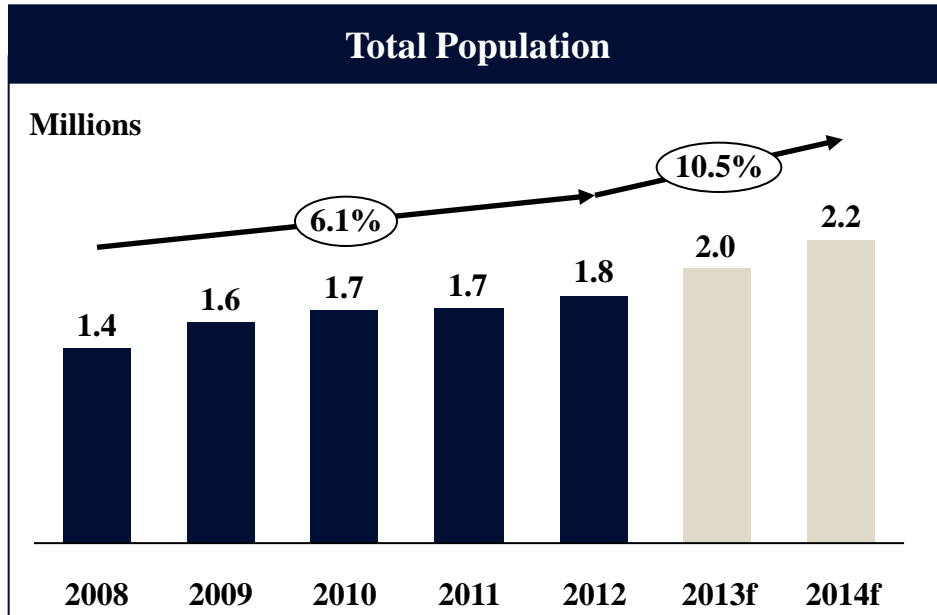
# Growth has been driven by a dramatic expansion in gas production



- Gas production has increased 2x since 2008
- LNG production has reached planned capacity of 77m t/yr
- Only 19.7% of total gas was used domestically in 2012

- Rising production of condensates and natural gas liquids (NGLs) more than compensates for lower oil production
- At current production rates, oil reserves will last 39 years

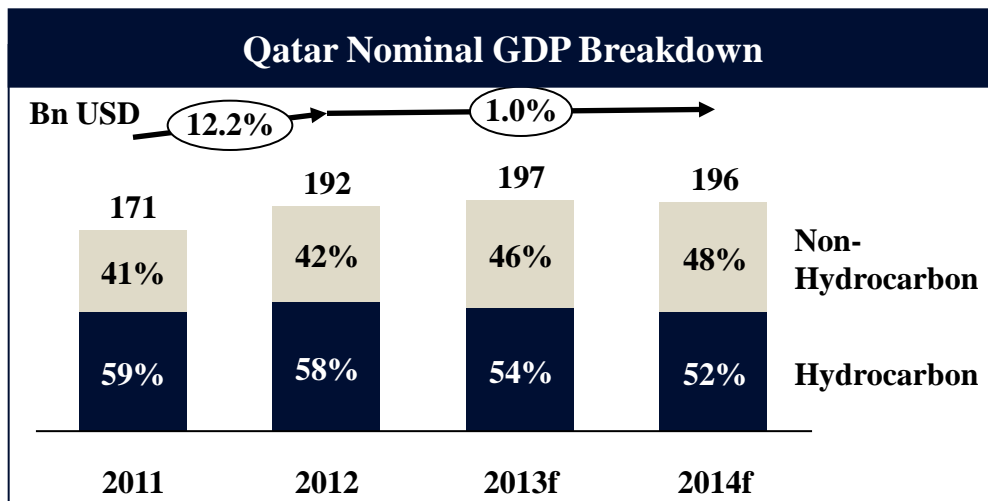
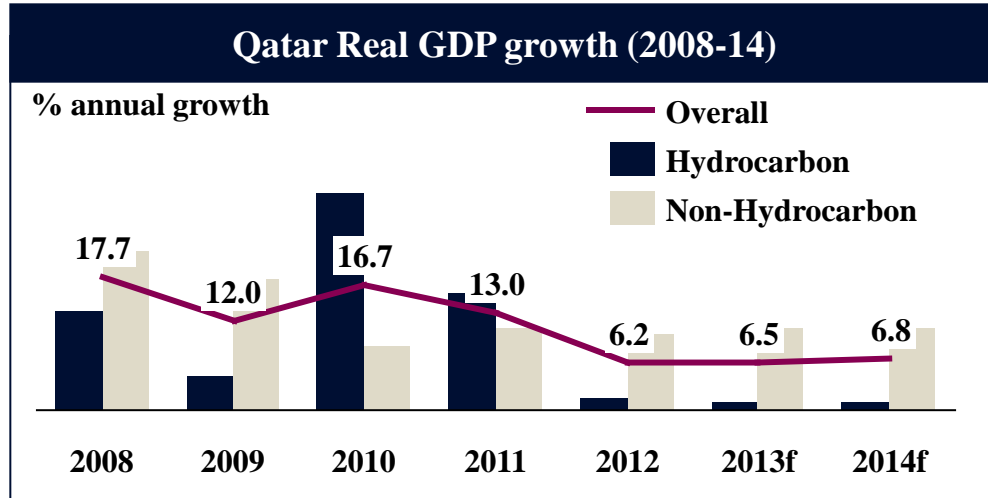
# Expansion has driven population growth and created significant wealth



- Population growth was the highest in the world in 2007-09, largely due to inflows of construction workers
- Population is expected to reach 2.2m in 2014 as the government ramps up its infrastructure investments in preparation for the 2022 World Cup

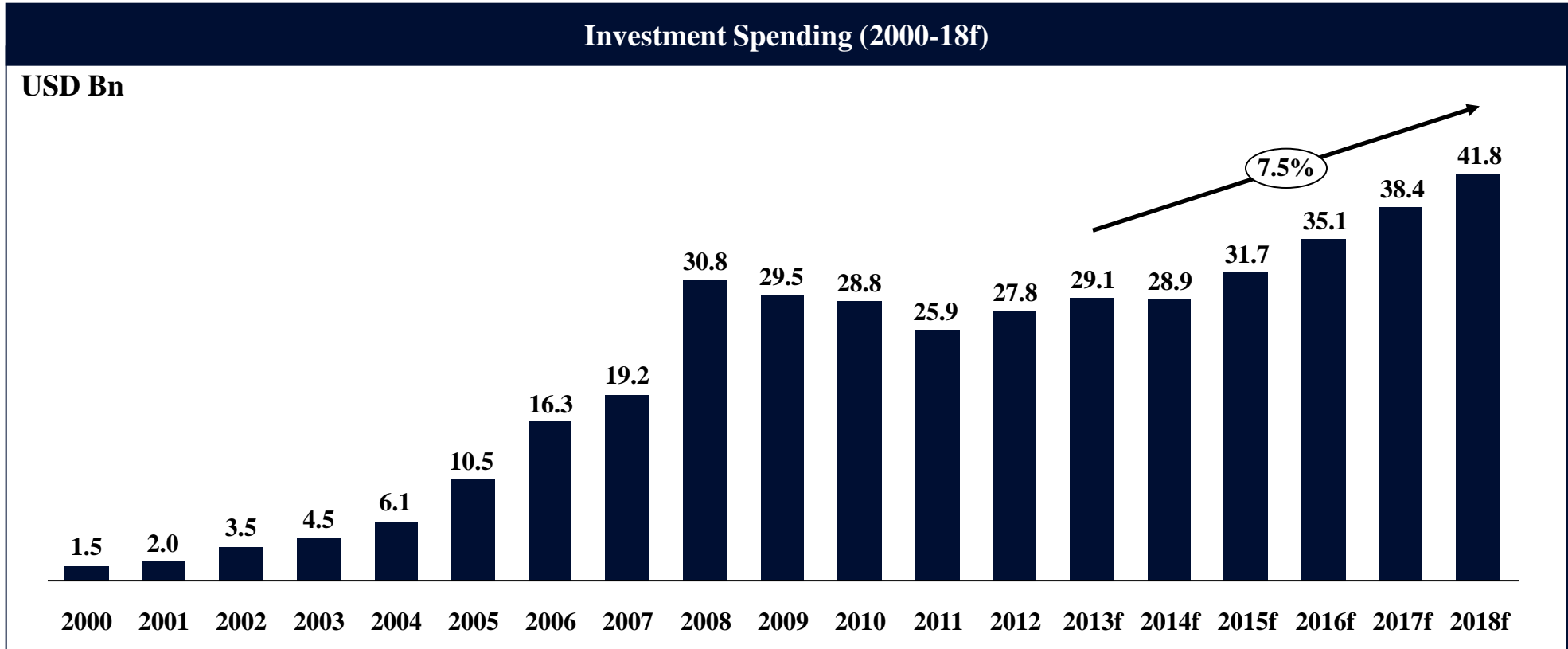
- GDP per capita has grown rapidly in recent years, becoming the highest in the world
- The outlook for economic growth is strong as the large hydrocarbon wealth is used to build a diversified economy

# The non-hydrocarbon sector will drive growth in the next few years



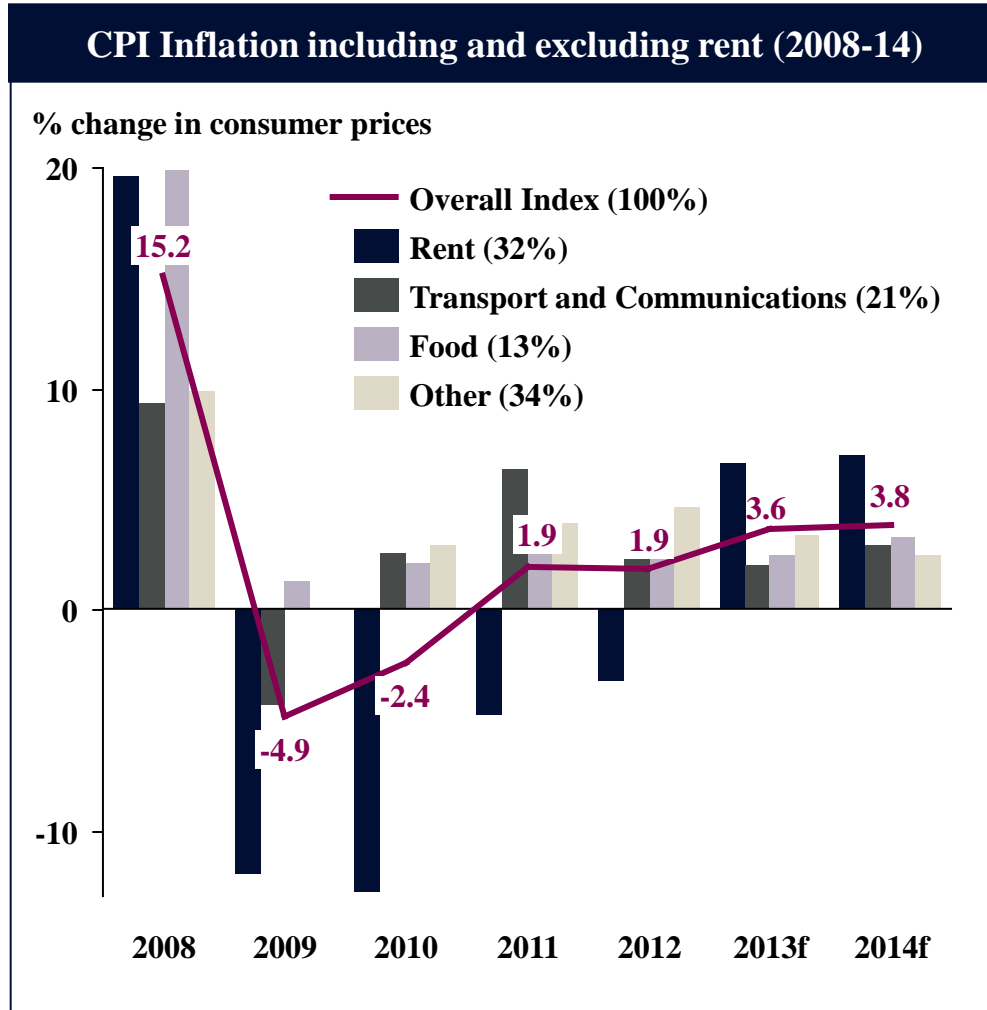
- Expansion plans in the oil and gas sector are now on hold and real hydrocarbon sector growth is expected to remain at around 1% in 2013-14
- QNB Group expects the non-hydrocarbon sector to expand strongly, driving an acceleration in overall real GDP growth to 6.5% in 2013 and 6.8% in 2014
- The share of non-hydrocarbon sector in nominal GDP is forecast to rise to 48% in 2014 as the economy becomes more diversified

# Non-hydrocarbon growth will be driven by increased investment spending



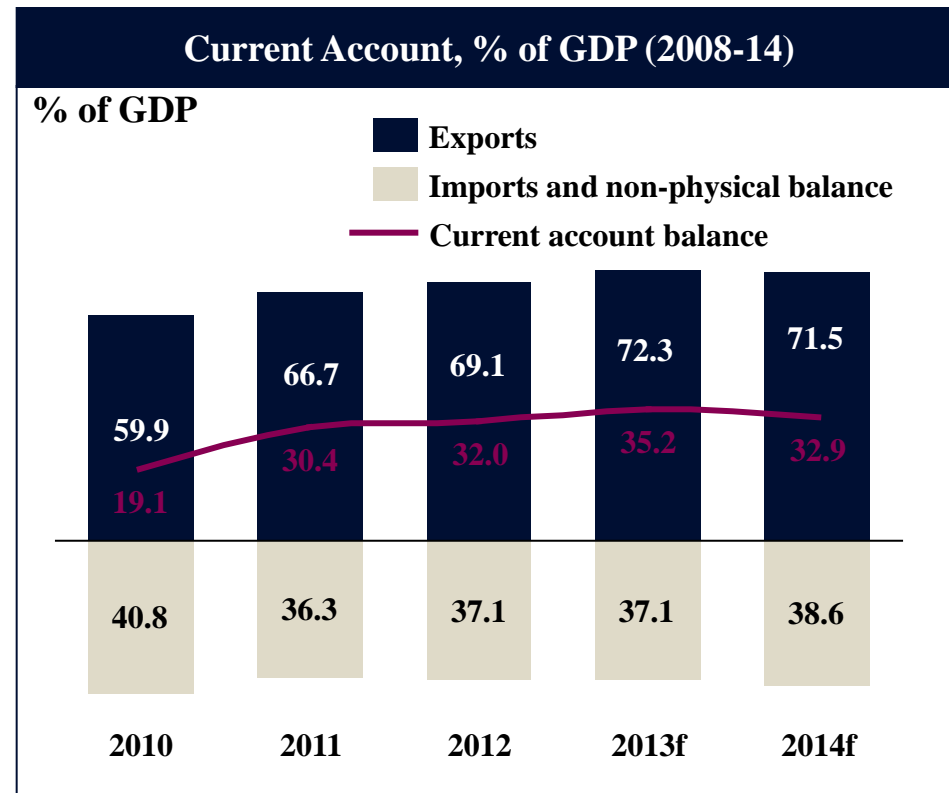
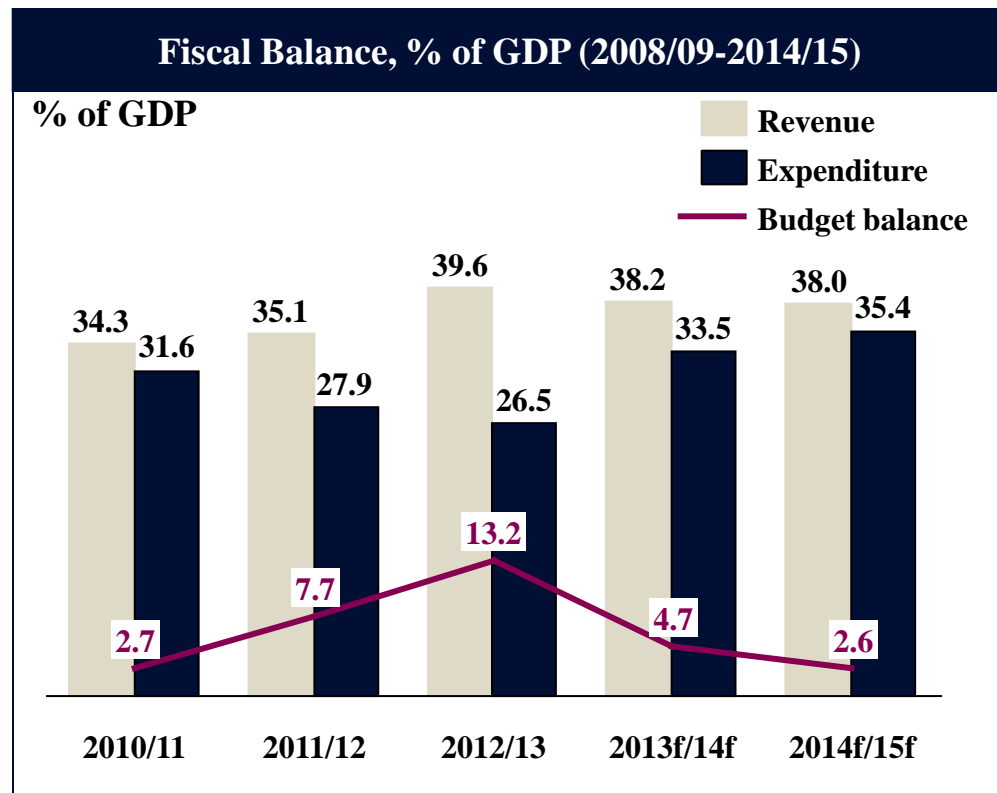
- Qatar's development is underpinned by an array of projects, which have been crucial to driving its economic growth in the last ten years
- Investment spending is set to pick up during 2013-18 in preparation for the 2022 World Cup

# Inflation remains moderate notwithstanding a recovery in rents



- Rents account for about one third of the CPI basket and fell during 2009-12, turning inflation negative in 2009-10
- Rental inflation is rising again and by August 2013 it was up 6.9% year-on-year
- QNB Group expects rents to continue rising at a moderate pace in the near term while non-rent inflation moderates, resulting in an uptick in inflation to 3.6% in 2013 and 3.8% in 2014

# Hydrocarbon receipts will continue to result in large fiscal and current account surpluses



- The budget for 2013/14 is based on conservative oil price assumptions (USD65/barrel)
- Higher infrastructure projects will drive government expenditures significantly higher over the next two years

- The current account balance will reach a record surplus in 2013 on high crude oil prices
- The ramp up in infrastructure spending will drive higher imports in 2014



# Strong fundamentals have lowered CDS spreads

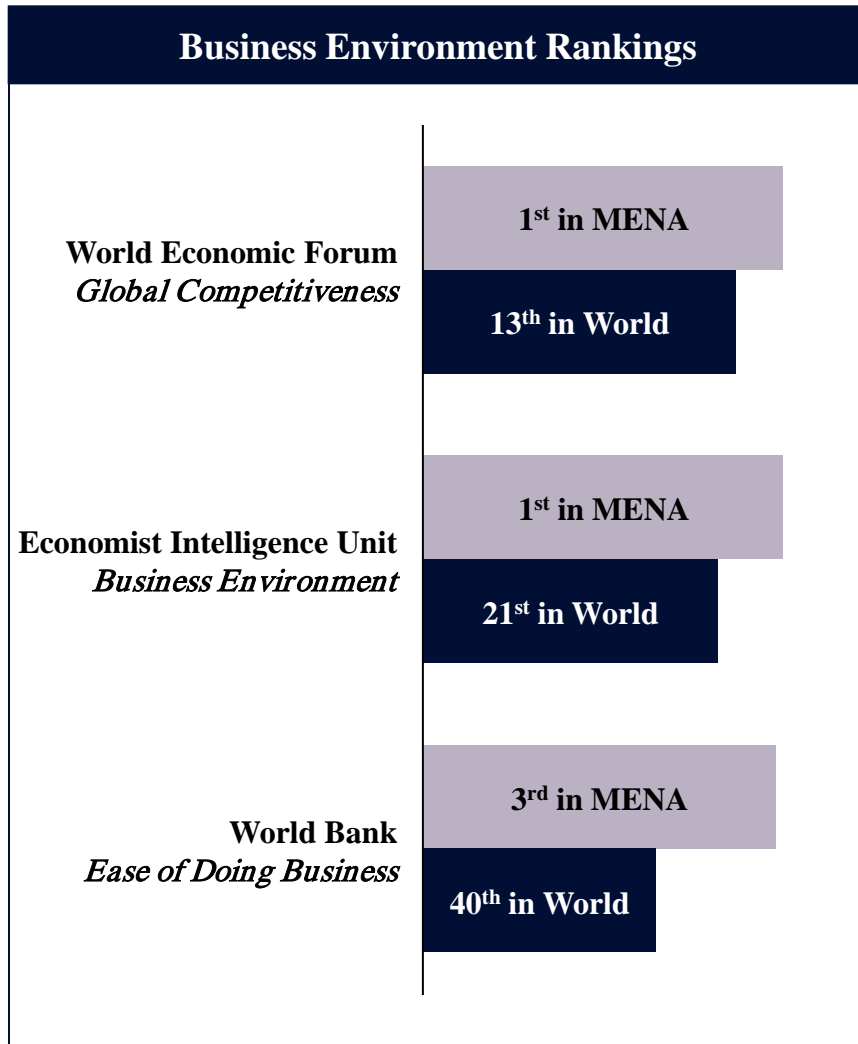
Qatar CDS Spread (Aug 2012 – Sep 2013)

Basis points above US Treasuries for a 5yr bond



- Strong fiscal and economic fundamentals have reduced Qatar's Credit Default Swaps (CDS) spread to historic lows
- Qatar's CDS spreads are amongst the lowest regionally as they are supported by the country's robust economic and resource-driven strengths as well as its strong fiscal and external balance sheets

# Qatar's business environment is one of the strongest in the MENA region



## Contributing factors

- **Strong economic fundamentals**
  - Strong growth and successful focus on diversification
  - High levels of government spending and personal consumption
  - Enabling infrastructure (power, transport, telecoms etc.)
  - Strong banking system
  - Stability provided by the currency peg to US dollar
- **Low tax environment**
  - Top 2 for taxes in most global rankings
  - Low corporate taxes, like 10% on foreign company profits (ex-hydrocarbons sector)
  - No personal or employment taxes
  - No VAT, low import duties
- **Enabling regulation and favorable business environment**
  - Flexible labor laws
  - Strong institutional framework, low level of corruption, high efficiency of government institutions and strong security
  - Innovative structures – e.g. Qatar Financial Centre

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