

## Contents

- 2 National accounts
- 3 Balance of payments and trade
- 4 Budget and population
- 4 Money and prices
- 5 Feature analysis: Turnaround in activity in Qatar
- 6 Economic news
- 6 Public companies news
- 6 Private sector news
- 8 Banking sector data and snapshot
- 10 Qatar Exchange market data

## News Headlines

### Economic

- Economy grows 5% YoY in Q2 2012 as non-energy sectors fuel GDP growth
- Industrial sector PPI down 4.3%
- Treasury bill yields decline at QR4bn auction
- Population crosses 1.84mn
- Work on Doha Metro project gets underway
- September CPI up 0.4% MoM
- Q2 2012 current account surplus dips to QR35.1bn

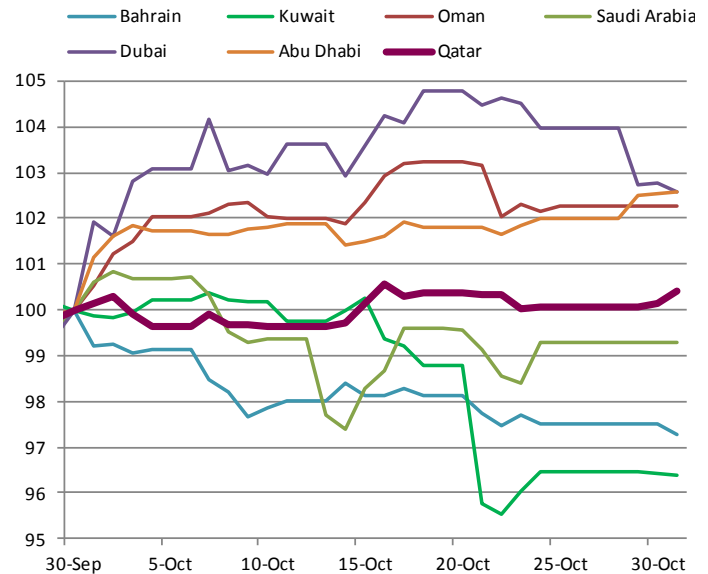
### Public companies

- QIA in talks to buy Morgan Stanley's commodities unit
- QIA and Qatar Holding granted qualified investor status in China
- Qatar Holding mulling major stakes in seven European banks
- Qatar Holding to buy controlling stake in Harrods Bank

### Private Sector

- Emir to inaugurate QAFCO 6 fertilizer plant on December 11
- QE appoints new CEO
- QE indices rebalance effective from October 01, 2012
- QE may launch ETF in 2012; on track for listing by GCC firms
- QE listed companies report QR28.5bn net profits for first nine months of 2012
- S&P: Qatari banks lending growth healthy
- QNB group net profit up 15.0% YoY
- Qatar Islamic Bank raises \$750mn from sukuk sale
- Barwa Bank plans to float on QE
- Doha Bank signs NRI mortgage loan agreement with Indian firm
- Doha Bank plans London share sale to boost capital
- QIIB eyes benchmark-sized five-year dollar sukuk
- QInvest-EFG deal expected to be concluded soon
- Barwa Real Estate to sell company assets worth QR16bn
- Industries Qatar's Q3 2012 net profit up 23.1%
- QTEL ups stake to 92% in Wataniya
- QTEL's profit rises 66.9% QoQ in Q3 2012 after Indonesian deal
- QTEL completes mandatory tender offer for Wataniya Telecom Kuwait

## Stockmarket Indices (rebased with 30 Sep 2012 = 100)



The Qatar Exchange (QE) Index finished up 0.4% in October. The 41 out of 42 listed stocks on the QE that have reported earnings (all bar Vodafone Qatar), had a combined net income of QR28.5bn in 9M2012 up 1.9% YoY. QNB Group, followed by Industries Qatar (IQCD), were the primary drivers of YoY earnings growth, while United Development Co. (UDCD), the real estate company behind The Pearl, was the main laggard. Earnings growth from the banking and industrial sectors more than outweighed net income declines in real estate. Relative to 9M2011, the banks collectively grew their net income by ~ QR1.1bn, of which 76% of this incremental income came from QNB Group.

Elsewhere in the GCC, Dubai, Abu Dhabi and Oman were the top performers. The Dubai equity market continues to benefit from improving sentiment in real estate, which is attracting investor interest in real estate stocks. According to Dubai's Real Estate Regulatory Authority (RERA), total property transactions in the second quarter of the year amounted to AED42bn (\$11.4bn), up 45% from a year earlier and almost double the number in the first quarter of 2012. The developer Emaar was the biggest contributor to the Dubai index's gains in October.

## Qatar Economic Insight 2012 Published



QNB's latest report forecasts that real GDP in Qatar will grow at 5.4% in 2012-13. Most of this growth will come from the non-oil sector.

Inflation is forecast to be moderate over this period, at 2.8%, and the current account will return an average surplus of 29% of GDP.

**For further detail and additional forecasts please see the [full report](#). The printed report is available on request.**

## National Accounts

Nominal GDP (QR bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
<b>Total</b>	<b>419.6</b>	<b>356.0</b>	<b>463.5</b>	<b>630.9</b>	<b>173.4</b>	<b>-1.1%</b>	<b>11.9%</b>
Oil & Gas	230.3	159.5	239.7	364.5	96.8	-6.4%	8.2%
Non-oil	189.3	196.5	223.7	266.4	76.6	6.4%	16.9%
Agriculture and Fishing	0.5	0.4	0.5	0.6	0.1	-0.7%	1.4%
Industry	74.1	60.9	75.4	89.1	27.4	6.8%	15.0%
Manufacturing	44.9	33.6	49.2	62.7	19.4	5.4%	14.6%
Electricity, Gas and Water	2.1	1.8	2.1	2.6	0.7	23.1%	10.3%
Construction	27.2	25.5	24.1	23.8	7.1	9.6%	17.0%
Services	111.1	132.1	143.8	173.2	48.1	47.6%	18.2%
Trade, Restaurants and Hotels	23.4	29.8	32.3	35.7	10.0	9.4%	10.6%
Transport and Communications	14.8	16.2	18.3	21.9	6.3	14.2%	16.0%
Financial and Business Services	51.6	58.1	62.1	73.7	17.9	6.5%	6.2%
Social Services	3.5	4.1	4.3	4.9	1.4	4.9%	11.0%
Government Services	26.3	32.1	35.8	46.7	14.8	0.4%	39.0%
Household Services	1.7	1.8	1.9	2.0	0.6	8.2%	16.2%
Imputed Bank Service Charges	-10.1	-10.2	-11.0	-11.7	-2.8	4.1%	-5.0%
Import Duties	3.5	3.1	4.0	3.5	1.0	11.6%	13.0%

Source: QSA

We expect Nominal GDP to grow by 12.2% in 2012 to QR708bn with growth in the oil sector of 8.0% and much faster growth of 18.0% in the non-oil sector

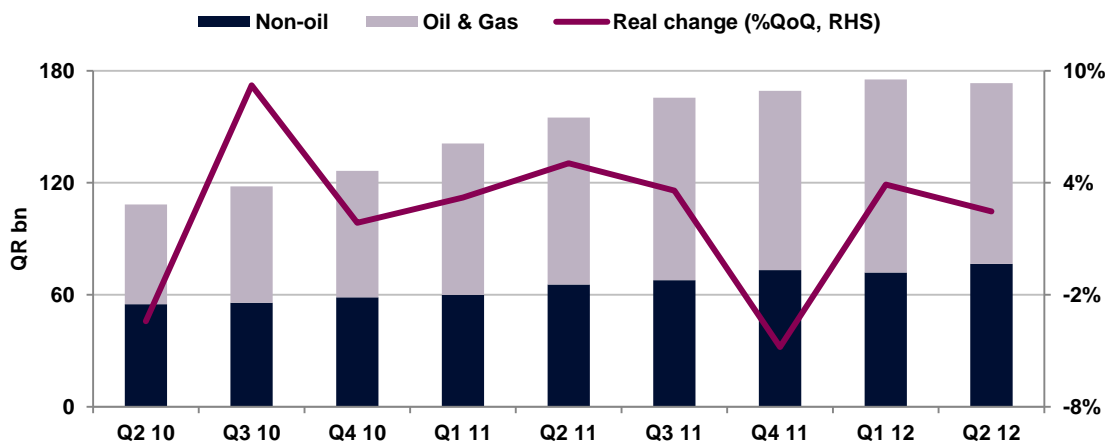
Government services is up 39% YoY due to the rise in salaries for Qatari nationals, by contrast in real terms the sector grew only 1.6%

Real GDP (% change, YoY)	2008	2009	2010	2011	2012F	Q2-12	QoQ%
<b>Total</b>	<b>17.7</b>	<b>12.0</b>	<b>16.7</b>	<b>13.0</b>	<b>5.4</b>	<b>5.0</b>	<b>2.5</b>
Oil & Gas	13.2	4.5	28.8	15.7	2.6	0.8	-0.1
Non-oil	21.3	17.6	8.6	10.8	7.8	8.5	4.5
Agriculture and Fishing	36.7	-17.0	19.0	4.5	2.9	1.8	-1.9
Industry	45.8	9.3	9.6	7.0	8.5	9.1	4.5
Manufacturing	18.9	13.7	22.4	7.9	7.8	8.0	6.0
Electricity, Gas and Water	12.3	-0.4	1.9	23.9	12.7	10.3	23.1
Construction	79.2	6.9	0.4	4.9	8.8	10.0	1.7
Services	13.2	21.9	7.0	13.2	7.5	8.1	4.4
Trade, Restaurants and Hotels	6.4	15.7	9.0	9.0	4.4	4.1	3.8
Transport and Communications	51.0	22.7	10.2	18.0	15.4	18.0	11.7
Financial and Business Services	8.9	25.8	7.2	8.0	9.7	12.1	10.2
Social Services	4.5	21.5	1.2	12.3	2.6	2.4	0.9
Government Services	8.9	23.6	4.1	20.1	3.0	1.6	-3.8
Household Services	3.8	4.3	2.2	3.4	11.6	11.1	5.8
Imputed Bank Service Charges	35.6	1.0	3.3	4.3	7.8	8.6	10.7
Import Duties	-21.4	-11.3	33.6	-16.5	7.2	8.3	10.1

Source: QSA and QNB Group Forecasts for 2012

Following the completion of most planned expansions in the gas sector, non-oil is now driving growth going forwards

There has been particularly strong growth in Transport & Communications and Financial Services, showing the vibrancy of the private sector. Strong population growth suggests that companies are hiring new staff in response to business expansion



## Balance of Payments and Trade

Balance of Payments (US\$ bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
<b>Current Account Balance</b>	<b>26.6</b>	<b>6.4</b>	<b>23.8</b>	<b>52.0</b>	<b>9.6</b>	<b>-2.4%</b>	<b>-36.2%</b>
Trade Balance	42.2	25.6	53.9	87.4	18.5	-6.8%	-19.1%
Exports	67.3	48.0	74.8	114.3	27.3	-1.4%	-5.7%
Imports	-25.1	-22.5	-20.9	-26.9	-8.8	12.5%	45.1%
Invisibles	-15.6	-19.2	-30.1	-35.4	-8.9	-11.2%	14.1%
Services	-3.8	-3.9	-5.8	-9.5	-3.6	28.6%	55.9%
Income	-6.8	-9.4	-12.9	-13.3	-2.2	-36.5%	-8.6%
Transfers	-5.0	-5.8	-11.4	-12.7	-3.0	-17.2%	0.5%
<b>Capital &amp; Financial Account Balance</b>	<b>-24.0</b>	<b>0.6</b>	<b>-10.7</b>	<b>-62.6</b>	<b>-5.2</b>	<b>36%</b>	<b>-75%</b>
Capital Account	-1.4	-1.8	-2.1	-3.6	-1.1	-10%	22%
Financial Account	-22.6	2.4	-8.6	-59.0	-4.1	56%	-79%
Direct Investment (outwards)	-3.7	-3.2	-1.9	-6.0	-2.1	-208%	-19%
Direct Investment (into Qatar)	3.8	8.1	4.7	-0.1	-0.2	244%	-9429%
Portfolio investment (net)	-	-	-	-18.9	-2.9	-171%	433%

The fall in exports in the last year is mainly a result of lower production of crude oil, which was compounded in Q2 2012 versus Q1 as crude oil prices were lower

Strong growth in imports in Q2 has been driven by Machinery and Transport equipment; an indication that project activity may be picking up

International reserves shot up by US\$10bn in September 2012 to a record US\$37bn



Source: QCB, plus UNCTAD for Direct Investment prior to 2011; Note: this is a simplified table and does not show all Balance of Payment lines

Top 5 Export Destinations (US\$ bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
Japan	18.8	14.5	19.7	27.4	7.9	-10.5%	24.3%
South Korea	12.0	7.6	10.8	18.9	5.9	1.7%	30.0%
European Union	3.1	4.0	9.1	16.9	3.2	-7.6%	-34.4%
India	2.9	3.7	5.6	10.3	2.8	-14.7%	7.0%
Singapore	6.4	4.2	5.0	6.8	2.3	32.3%	33.6%

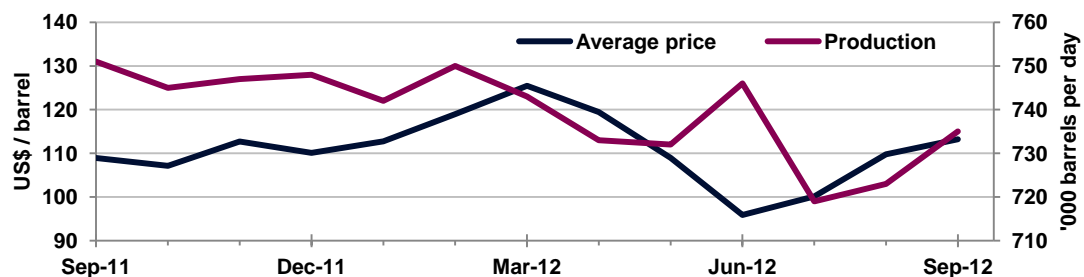
Exports to Japan have surged 24% YoY as additional LNG cargoes were dispatched to assist with its energy crisis following the closure of its nuclear plants

Top 5 Import Sources (US\$ bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
European Union	9.3	8.1	7.1	6.6	1.5	-27.0%	12.5%
United States	2.5	3.1	3.5	3.1	0.5	-45.8%	-21.3%
United Arab Emirates	1.8	1.8	2.3	3.0	0.8	0.0%	3.0%
Saudi Arabia	1.4	1.3	1.7	2.2	0.6	0.0%	3.0%
Japan	2.7	1.8	1.3	1.1	0.4	-22.4%	40.3%

Source: IMF Direction of Trade Statistics; Note: the IMF's exports and imports by country differ slightly from QSA figures

Crude oil (US\$ / barrel)	2008	2009	2010	2011	Sep-12	MoM%	YoY%
Oil production ('000 bpd)	842.8	781.0	733.0	734.0	735.0	1.7%	-2.1%
Qatar average price	94.8	62.0	77.7	108.4	112.9	3.0%	4.1%
Dukhan	96.9	62.6	78.4	109.7	114.2	3.4%	3.8%
Marine	93.5	61.6	77.2	107.5	112.3	2.9%	4.1%

Crude production has been lower this year as maintenance work is required at some mature fields



Source: OPEC (Direct communications), Reuters; Note: Monthly figures for 2011 have estimated based on downward revisions in OPEC annual figures

## Budget and Population

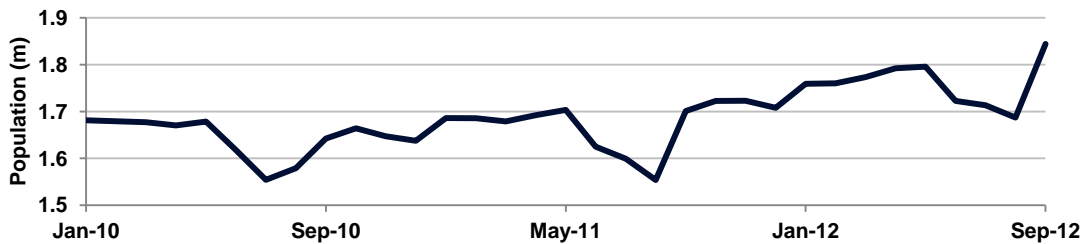
Government Budget (QR bn)	2008/09	2009/10	2010/11	2011/12	Q1-12	QoQ%	YoY%
Balance	40.6	53.7	12.8	44.5	9.3	83.3%	-170%
% of GDP	9.7%	15.1%	2.8%	7.1%	5.3%		
Revenue	140.6	168.8	155.5	203.4	54.0	-3.2%	33.0%
Expenditure	100.0	115.1	142.7	158.9	44.7	-11.9%	-17.1%

The delay in releasing the 2012/13 budget may have slowed expenditure growth in 2012

Population (m)	2008	2009	2010	2011	Sep-12	MoM%	YoY%
Total	1.45	1.64	1.72	1.73	1.84	9.3%	8.4%
Male	1.11	1.27	1.28	1.30	1.36	6.7%	8.0%
Female	0.34	0.37	0.41	0.43	0.48	6.7%	8.0%

Population growth has accelerated, pointing to a pickup in activity

Source: QSA; Monthly data is based on those physically in Qatar, based on entries and exits over the borders, while the annual series relates to residency



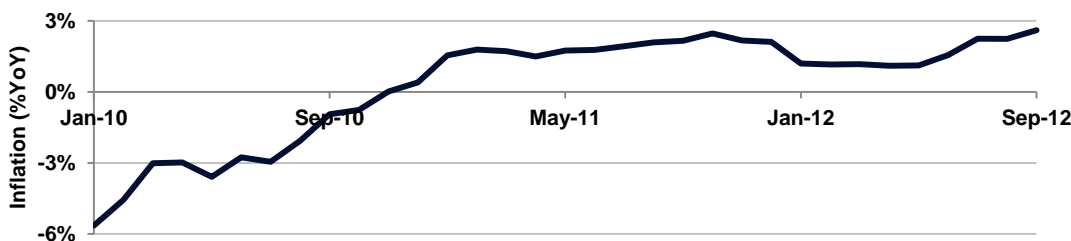
The average YoY increase in the population over the last 12 months was 5.7% compared with population growth of 1.2% in 2011

## Money and Prices

Inflation (% ch, 12mth average YoY)	2008	2009	2010	2011	Sep-12	MoM%	YoY%
Overall (weights shown below)	15.2	-4.9	-2.4	1.9	1.8	0.4	2.6
Food, beverages & tobacco (13.2%)	19.9	1.3	2.1	4.3	3.9	1.8	5.8
Clothing & footwear (5.8%)	11.8	-4.5	-1.3	7.5	3.9	0.2	2.5
Rents, water & maintenance (32.2%)	19.7	-12.0	-12.8	-4.8	-5.1	0.9	-1.7
Furniture, textiles & appliances (8.2%)	7.7	-2.0	4.1	2.9	5.7	0.3	6.9
Health care (2.0%)	4.2	1.7	3.5	2.6	2.0	0.0	1.4
Transport & communication (20.5%)	9.3	-4.4	2.6	6.4	3.4	-1.2	2.2
Entertainment, leisure & culture (10.9%)	9.9	-1.2	2.9	2.0	6.0	-0.4	5.9
Miscellaneous goods & services (7.2%)	12.4	7.3	4.7	5.6	5.3	1.7	3.1

Although rents are still down on an annual basis, moderating overall inflation, they have been rising since June

The turnaround in rent inflation is probably related to an increase in immigration and points to a pickup in activity



Money Supply (QR bn)	2008	2009	2010	2011	Sep-12	MoM%	YoY%
Broad money (M2)	184.0	215.1	264.7	310.0	374.7	1.5%	18.5%
M1	50.9	53.1	68.3	81.8	90.1	4.4%	24.7%
Quasi-money	133.1	162.0	196.4	228.1	284.6	0.6%	16.7%

Interest rates (% , end period)	2008	2009	2010	2011	Sep-12	MoM bp	YoY bp
QCB deposit	2.0	2.0	1.5	0.8	0.8	0	0
QCB lending	5.5	5.5	5.5	4.5	4.5	0	0
Interbank overnight	2.0	2.0	1.4	0.7	0.8	2	29
Demand deposit	1.8	2.0	1.3	0.6	0.6	14	2
Overdraft	8.8	8.8	8.2	7.4	6.9	-61	-95
Credit card	20.7	20.0	19.9	10.7	11.3	90	-195

Interbank lending rates fell sharply following QCB action in 2011, but are now picking up marginally

**Feature analysis: Various Indicators Point to a Pickup in Activity in Qatar**

Recent population, rental inflation and import data from the QSA all point to a turnaround in economic activity in Qatar, which is most likely driven by the beginning of a ramp up in project spending.

Firstly, the QSA publishes monthly data on the number of people in the country, including tourists and other non-residents. This series is subject to seasonal fluctuation owing to holiday periods. However, looking at the change YoY gives an indication of developing trends. Since the end of 2011, the annual change in the number of people in Qatar has been accelerating, rising from an average of 1.6% in Q3 2011 to an average of 8.0% in Q3 2012. Changes in Qatar's population tend to be driven by increases in expatriate labour, which is attracted to the country to work on major projects. The acceleration in population growth is therefore a strong indication that project activity is being ramped up.

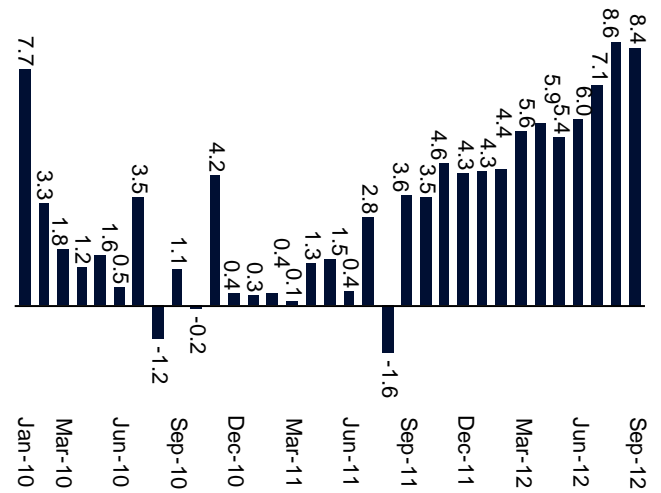
Secondly, recent import data supports the conclusion that project activity is rising. Overall, imports in Q2 2012 were up by 24% YoY and 12% MoM. Most of the increase was a result of higher imports of Machinery and Transport Equipment, a key category for projects. Imports of Machinery and Transport Equipment in Q2 2012 were 27% higher YoY and 15% higher QoQ, a strong indication of an increase in project activity. The rest of the increase in imports was predominantly from manufactured goods, as demand for consumer goods has risen.

Thirdly, rental inflation in Qatar appears to have turned a corner. From January 2010 until June 2012, a 30-month period, rental inflation only increased in six of the months and only once by more than 0.1%, and that was back in March 2010. However, rent inflation has increased in each of the last four months with a 0.9% monthly increase in September 2012, the most recent data. Together with the latest population statistics, this provides a strong indication that the oversupply in the housing market, which has kept rents down since 2008, is now lower, leading to upward pressure on prices.

The QSA has also recently released GDP data for Q2 2012. YoY growth continued to slow, falling to 12% from 24% the previous quarter in nominal terms and to 5.0% from 7.9% in real terms. This was because real growth in the oil and gas sector grew by just 0.8%, as current major expansions in oil and gas production have been completed. By contrast, the non-oil sector grew at a healthy 8.5%. Key non-oil sectors have been services, particularly transport, storage and communications (18% YoY growth) and financial services (12% YoY growth), as well as non-oil industry with the construction sector expanding by 10% YoY.

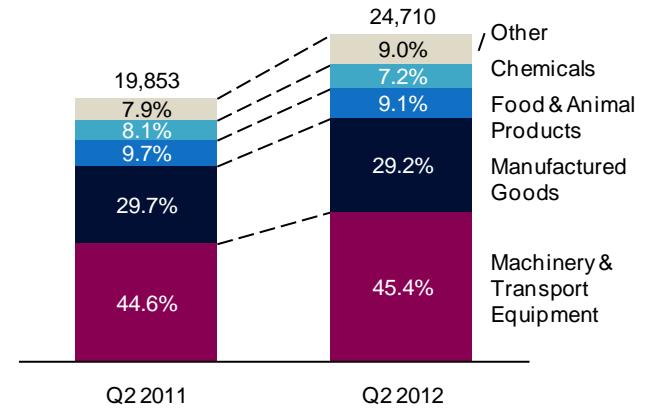
The pickup in activity seen in the lead indicators such as population and inflation suggests that non-oil growth may accelerate in the third quarter of 2012. QNB Group expects that real growth will be 5.4% in 2012 and 5.3% in 2013 while nominal growth will be 13% and 6.7%. Growth in the oil and gas sector is forecast to remain moderate and so overall growth will be driven by the non-oil sector.

**People in Qatar (% change YoY)**



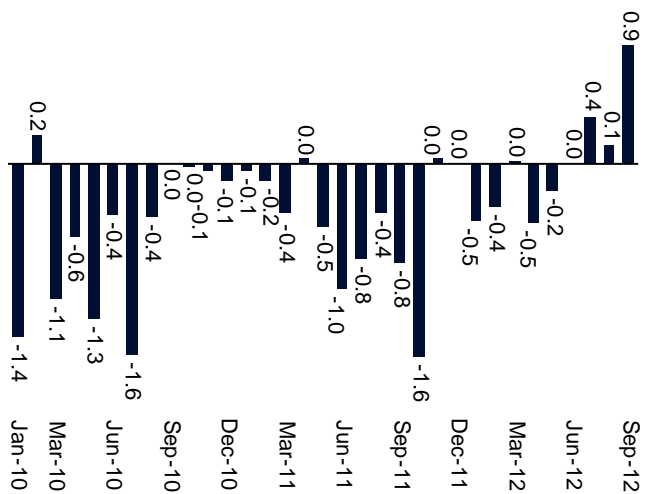
Source: QSA and QNB Group analysis

**Imports (QR m)**



Source: QSA and QNB Group analysis

**Rent Inflation (% change MoM)**



Source: QSA and QNB Group analysis

## Economic News

- **QSA has revised down 2011 real GDP growth** – to 13% from the previously reported 14.1%. (Reuters)
- **Industrial sector PPI down 4.3%** – According to Qatar Statistics Authority (QSA), Producer Price Index (PPI) of the Industrial sector declined by 4.3% QoQ to 169.9 in Q2 2012. The mining group PPI dropped by 3.9% QoQ, PPI for the manufacturing group fell 6.4% QoQ, while PPI for electricity & water rose 4.2% QoQ. On a YoY basis, PPI of the Industrial sector rose by 3.6%. Producer prices for mining were up 6.1%, for electricity & water group PPI was up by 4.1%, while prices of manufacturing dropped by 6.8%. (QSA)
- **Treasury bill yields decline at QR4bn auction** – Qatar sold QR4bn of treasury bills in the first week of October. The yields declined amid rising demand for the country's debt. The average yield on the three-month securities fell to 0.98%, down from 1.03% at the September sale, the yield on six-month notes fell four basis points to 1.18%, while the yield on nine-month notes were down 10 basis points to 1.25%. (Bloomberg)
- **Population crosses 1.84mn** – According to the Qatar Statistics Authority (QSA), the number of people in Qatar rose to 1.84mn as of September 2012 vs. 1.7mn at the end of September 2011. Data shows that the male component of the population was 1.36mn, while females totaled 480,588. (Peninsula Qatar)
- **Work on Doha Metro project gets underway** – Qatar Railway Company has announced the launch of first phase of

the Doha Metro network. The company's Executive Committee Chairman, Abdullah bin Abdulaziz al Subaie said the work includes drilling operations, changing the course of services, renewal of some services in order to avoid any obstacles that could emerge during the construction phase. (Qatar-tribune)

- **September CPI up 0.4% MoM** – According to the data released by the Qatar Statistics Authority (QSA), Qatar's Consumer Price Index (CPI) for September 2012 increased by 0.4% MoM to 111.8. On a MoM basis, all major groups increased by a range of 0.2% to 1.8%. However, the 'transport & communications' group declined by 1.2% MoM due to the drop in the air-ticket fares, followed by the 'entertainment, recreation & culture' group, which declined by 0.4%. The highest increase was noticed in the 'food, beverages & tobacco' group (up 1.8%). 'Miscellaneous goods and services' (which is mainly education) group rose 1.7%, 'rent, fuel & energy' group climbed 1.0% and 'garments & footwear' group was up 0.3%. On a YoY basis, CPI increased by 2.0%. All the major groups witnessed increases, except for 'rent, fuel & energy', which was down 0.1% YoY. (QSA)
- **Q2 2012 current account surplus dips to QR35.1bn; 2011 GDP revised down** – According to data published by the Qatar Statistics Authority (QSA), Qatar's current account surplus shrank to QR35.1bn in Q2 2012, equivalent to 20.2% of GDP. In Q2 2011, the country had booked a surplus of QR55bn. (Reuters)

## Public Companies News

- **QIA in talks over Morgan Stanley commodities unit** – Qatar Investment Authority (QIA) is in talks with Morgan Stanley to buy as much as a majority stake of its commodities unit (Bloomberg)
- **Qatar Investment Authority and Qatar Holding approved as QFIIs in China** – According to China Securities Journal reports, a new batch of institutions has been approved as Qualified Foreign Institutional Investors (QFIIs), which includes Qatar Investment Authority and Qatar Holding, who will now be able to buy Chinese stocks and bonds. Earlier this year, China raised the total maximum QFII quota to \$80bn from a previous ceiling of \$30bn. (Bloomberg and Qatar Tribune)
- **Qatar mulling major stakes in seven European banks** – Qatar is reportedly considering acquisition of major stakes in

European investment banks. According to sources, negotiations are underway with seven banks who are suffering from accumulated losses due to the economic recession in Europe. Moreover, Qatari delegations are conducting broad negotiations to widen their investment portfolio in Luxembourg in order to diversify their income generating investments. (GulfBase.com)

- **Qatar has bought a controlling stake in Harrods Bank** – The UK Financial Services Authority has granted an approval for Qatar Holding to buy a controlling stake in Harrods Bank, the private banking arm of the luxury department store. Qatar Holding has appointed a new board for the bank and plans to expand its operations. (Bloomberg)

## Private Sector News

- **Emir to inaugurate Qafco 6 on December 11** – HH the Emir Sheikh Hamad bin Khalifa al-Thani will inaugurate Qatar Fertilizer Company's (Qafco) latest expansion, the \$610mn Qafco 6, on December 11. The project will increase the company's annual production capacity of urea to 5.6mn tons per year and strengthen the company's position as a key player in the global fertilizer market. (Gulf-Times.com)
- **S&P: Qatari banks lending growth healthy** – According to S&P, the outlook for lending growth remains healthy for Qatari banks. S&P said for banks in Qatar and elsewhere in the GCC region, funding profiles have improved visibly in the past few years. S&P believes that profitability for GCC banks will continue to improve again this year primarily due to reduction in the amounts set aside as provisions against loan losses. The report said despite the turmoil in regional markets since 2008, most GCC banks have been able to protect their net interest margins as they were able to continue to price their loans at decent levels. (Gulf-Times.com)
- **Qatar Islamic Bank raises \$750mn from sukuk sale** – Qatar Islamic Bank has raised \$750mn from Islamic bond

sale. The lender priced the five-year sukuk at a profit rate of 2.5% and a spread of 175 basis points over midswaps, tighter than the earlier guidance after strong investor interest. (Reuters)

- **QE appoints new CEO** – The Board of Qatar Exchange (QE) has appointed Mr. Rashid Bin Ali Al-Mansoori as CEO of Qatar Exchange. He was previously the QE's Deputy CEO and had also served as IT Director at the Qatar Investment Authority (QIA) and Qatar Olympics Committee, as well as the Head of Applied Systems at the Ministry of Interior. Before that he worked in leading financial positions in the refining department of Qatar Petroleum. (QE)
- **QE listed companies report QR28.5bn net profits for first nine months of 2012** – The 41 listed companies in the Qatar Exchange (QE) (with the exception of Vodafone Qatar) have reported a combined net profit of QR28.5bn for the nine-month period ended September 30, 2012, reflecting a YoY increase of 1.9%. (QE)
- **QE indices rebalance effective from October 01, 2012** – The QE index and All Share Index has been rebalanced

effective October 01, 2012. QE has removed Al Meera (MERS) and Qatar Insurance (QATI) from the 20 stock index following the semi-annual review of QE Index constituents. The Qatari Investors Group (KHCD) and Mazaya (MRDS) have become constituents of the index. The maximum weight a single stock can hold within QE index as of the rebalance date is 15%. For the QE All Share Index, there is one change with Al Ahli Bank joining the All Share Index; the All Share Index will have 41 stocks with Ezdan (ERES) the only exception. (QE)

- **QE may launch ETF in 2012; on track for listing by GCC firms** – The QE CEO, Rashid bin Ali Al Mansoori, said the QE is likely to have ETFs by the end of 2012 and is working with a potential issuer for a Shari'ah compliant ETF. He said the QE has been working with regulators to create listing requirements for REITs and has made good progress. He further said the QE is on track to invite listed companies from other GCC countries, and allow securities lending & borrowing (SLAB) as part of its strategy to attract more foreign investments. The exchange is actively engaged with several local private companies who are working toward initial public offerings (IPOs) and a number of government companies are in advanced stage discussions with banks. (Qatar Tribune, Gulf-Times.com)
- **QNB group net profit up 15.0% YoY** – QNB Group has announced its financial results for the nine months ended 30 September 2012. The group recorded net profit of QR6.2bn, up by 15.0% compared to the same period last year. Total assets increased by 25.3% YoY to reach QR351.0bn, loans and advances posted strong growth rate of 41.9% YoY to reach QR238.6bn. Meanwhile, customer deposits recorded solid growth of 37.4% YoY to QR268.5bn. The Bank was able to maintain the ratio of non-performing loans to total loans at 1.2%. Provisions were conservatively managed, as the coverage ratio reached 116%. (QE, QNB)
- **Barwa Bank plans to float on QE**– According to Barwa Bank CEO Steve Troop, Barwa Bank is planning an Initial Public Offering (IPO) on the QE and is being advised by local investment bank QInvest. Barwa Bank's IPO will most likely be an offering by existing shareholders rather than a fresh issue of shares and a potential listing is likely in 1H2013. (Reuters)
- **Doha Bank signs NRI mortgage loan agreement with Indian firm** – Doha Bank has entered into an agreement with India-based Indiabulls Group for offering mortgage loans to NRI customers for acquiring properties in India. (Gulf-Times.com). Separately, Doha Bank CEO Raghavan Seetharaman said the bank is eyeing a regional expansion. He said the bank has established operations in Qatar, Kuwait and the UAE, and seeks to expand in other Arab countries to attract deposits and benefit from the region-wide spending boom. (Qatar Tribune)
- **Doha Bank plans London share sale to boost capital** – Doha Bank is considering selling shares in London as part of a plan to boost its capital by 50% in 2013. According to sources, the bank may raise about a quarter of the capital through an issue of global depository receipts (GDR) on the London Stock Exchange, while the remainder will be raised through a local rights issue. (Gulf-Times)
- **QIIB eyes benchmark-sized five-year dollar sukuk** – Qatar International Islamic Bank (QIIB) is planning to issue a benchmark-sized, five-year dollar sukuk. HSBC, Standard Chartered and QNB Capital are mandated arrangers on the deal. (Reuters)
- **QInvest-EFG deal expected to be concluded soon** – Egypt's EFG Hermes bank chairwoman Mona Zulficar said the bank expects to receive regulatory approval for its deal with Qatar's QInvest in the coming weeks. She added the

transaction will be completed within the next two months, after the regulatory approval. (Qatar Tribune)

- **Barwa Real Estate to sell company assets worth QR16bn** – Barwa Real Estate Group plans to sell company assets worth QR16bn to repay its loans. The assets include Barwa Al Khor land in Qatar and Barwa New Cairo project in Egypt. The expected results of this sale will be reflected in the group's Q4 2012 financial statements. (QE)
- **Industries Qatar's Q3 2012 net profit up 23.1%** – Industries Qatar (IQCD) posted a net income of QR2.62bn (our forecast was QR2.21bn vs. Bloomberg consensus mean of QR2.15bn) in Q3 2012 vs. QR2.13bn in Q2 2012. This translated into a growth of 23.1% QoQ. The growth was on the back of a 9.4% QoQ uptick in revenue mainly due to incremental urea volumes from the initial ramp-up of QAFCO 5 and 6 and gains in ammonia prices. Furthermore, direct costs declined by 2.7% QoQ given the increased contribution of higher-margin fertilizers. (QNBFS, QE)
- **QTEL ups stake to 92% in Wataniya** – Qatar Telecom (QTEL) spent around \$1.8bn to substantially raise its stake in Kuwait-based National Mobile Telecommunications Company (Wataniya), and consolidate its control over the Kuwaiti company. QTEL raised its stake in Wataniya to 92.1% from 52.5% by buying 199.65mn shares for KD2.6 each. (WSJ)
- **QTEL's profit rises 66.9% QoQ in Q3 2012 after Indonesian deal** – Qatar Telecom (QTEL) posted a net income of QR1.07bn in Q3 2012, indicating a QoQ hike of 66.9% on the back of its Indonesian unit completing a one-time sale & leaseback of its telecommunication towers. (QE, Bloomberg)
- **QTEL completes mandatory tender offer for Wataniya Telecom Kuwait** – Qatar Telecom (QTEL) has completed its mandatory tender offer for the National Mobile Telecommunications Company in Kuwait (Wataniya Telecom, Kuwait). QTEL has completed the acquisition of 199.7mn Wataniya Telecom Kuwait shares for a total consideration of KD519.1mn, raising its shareholding from 52.5% to 92.1%. (QE)

## Banking Sector Snapshot – end-September 2012

### Review and Outlook

**Liquidity for the Qatari banking system improved with deposits for the month of September up by 2.5% MoM versus a marginal increase of 0.9% MoM in the loan book.** The sector loan-to-deposit ratio (LDR) declined to 112% in September versus 114% at the end of August 2012. Furthermore, the domiciled loan-to-deposit ratio for the sector followed suit and stood at 105% vs. 107% in August. Liquidity has gradually improved throughout the year (current LDR of 112% vs. the 2012 high of 124% in April). We forecast loan growth in excess of 20% for 2012 and expect NIMs to contract by approximately 10bps.

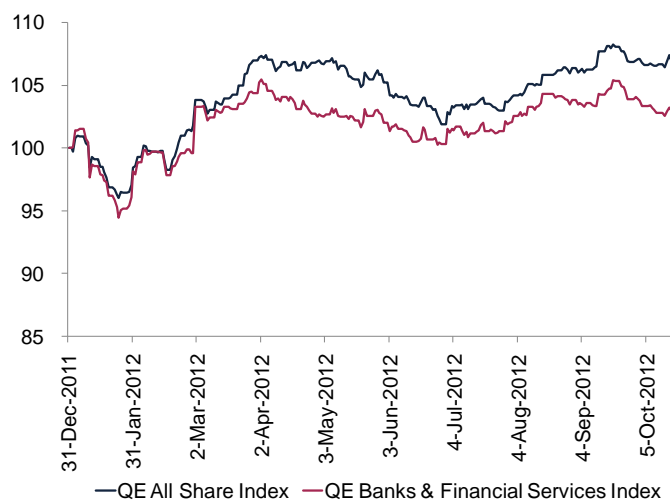
**The public sector led deposit growth in the month of September.** Scrutinizing the segment details, public sector deposits expanded 9.7% and 26.6%, MoM and YTD, respectively. As is generally the case, government institutions contributed to the bulk of the growth. This segment grew by 10.2% MoM (67.9% YTD). Other contributors to growth were the government and semi-government institutions segments, which increased by 13.1% and 4.5% MoM, respectively. On the other hand, private sector deposits shed 1.9%, led by the consumers segment (-4.3% MoM). Deposits from companies/institutions ended the month flat. Consequently, total system deposits inched up by 2.5% MoM (18.5% YTD). It should be noted that most of the growth in deposits was realized in May and July.

**The overall loan book witnessed mediocre growth of 0.9% MoM (19.6% YTD).** Total domestic public sector loans were up by 3.0% MoM (38.1% YTD). The drivers behind this growth were mainly the government and semi-government segments, which grew by 19.3% MoM (3.6% YTD) and 2.0% MoM (32.7% YTD), respectively. A significant portion of the growth in public sector loans took place in the 2nd quarter, which witnessed a 26% QoQ expansion. Private sector loans continue to lag that of the public sector, registering a 1.1% decline MoM (+8.2% YTD). **Consumption loans continued to exhibit weakness,** receding by 1.2% MoM (+5.4% YTD). The majority of the sub-segments under private sector loans declined across the board with the exception of **general trade** (+3.0% MoM, 23.4% YTD) and **industry** (+21.5% MoM, 23.5% YTD). It is worth mentioning that **public sector loans** contributed to 75.3% of incremental loans YTD.

**Specific loans loss provisioning rested at 1.3%** of average trailing 12-months loans (1.3% in August 2012), indicating minimal growth in provisions. We expect provisions for 2012 to be in the range of 1.3% to 1.5%.

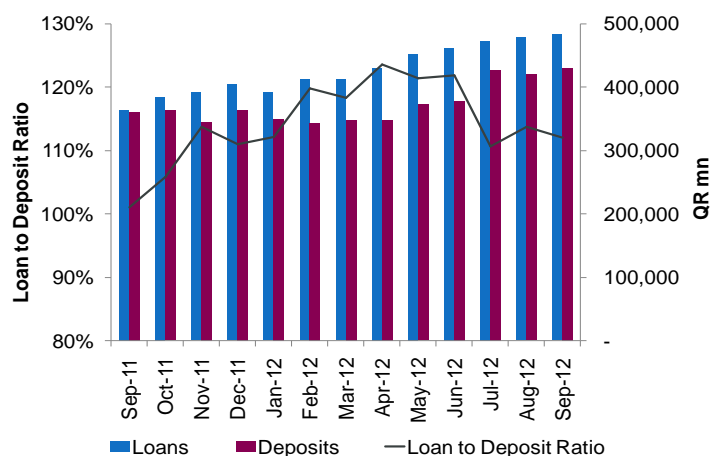
**NIMs expected to come under pressure.** Interbank rates (3M and 6M), have been trending lower in recent months

### Banking Sector Index vs. QE All Share Index



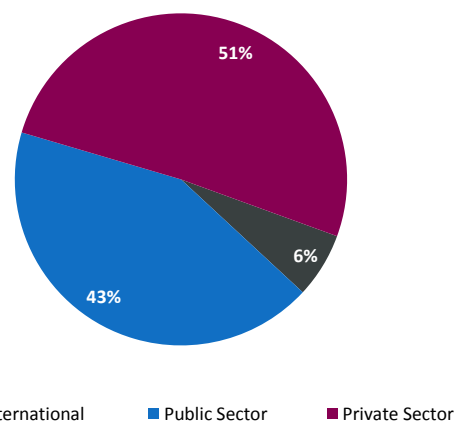
Source: Bloomberg

### Banking Sector - Loan to Deposit (LTD)



Source: Qatar Central Bank (QCB)

### Loan Pie



Source: QCB (as of end September 2012)



## Banking Sector Indicators

(In QR mn)	2010	2011	1Q-12	2Q-12	Aug-12	Sep-12	Change MoM	Change YTD
<b>Total Assets</b>	567,482	694,301	700,546	742,817	767,967	789,456	2.8%	13.7%
<b>Total Credit (Loans)</b>	314,481	403,563	412,247	460,946	478,308	482,719	0.9%	19.6%
<b>Total Deposits</b>	306,788	363,612	348,356	378,254	420,563	430,938	2.5%	18.5%
<b>Loan to Deposit Ratio</b>	<b>103%</b>	<b>111%</b>	<b>118%</b>	<b>122%</b>	<b>114%</b>	<b>112%</b>	<b>-1.5%</b>	<b>0.9%</b>
<b>Credit Facilities (Geographic)</b>								
Total Domestic Credit	293,920	376,695	384,622	432,472	448,804	452,086	0.7%	20.0%
Total International Credit	20,561	26,867	27,625	28,475	29,504	30,634	3.8%	14.0%
<b>Domestic Credit Facilities - Public Sector</b>								
Government	36,303	40,801	32,235	31,967	35,424	42,258	19.3%	3.6%
Government Institutions	50,452	90,619	105,268	136,992	141,413	140,125	-0.9%	54.6%
Semi-Government Institutions	16,303	17,750	15,100	23,199	23,098	23,558	2.0%	32.7%
<b>Total Domestic Public Sector Credit</b>	<b>103,058</b>	<b>149,170</b>	<b>152,603</b>	<b>192,158</b>	<b>199,936</b>	<b>205,941</b>	<b>3.0%</b>	<b>38.1%</b>
<b>Domestic Credit Facilities - Private Sector</b>								
General Trade	24,875	26,855	27,590	29,610	32,195	33,149	3.0%	23.4%
Industry	6,648	6,534	5,755	6,883	6,643	8,070	21.5%	23.5%
Contractors	18,411	16,220	16,532	15,195	16,333	16,249	-0.5%	0.2%
Real Estate	51,042	76,220	80,113	81,976	82,151	81,624	-0.6%	7.1%
Consumption & Others	60,345	71,986	76,386	79,210	76,769	75,881	-1.2%	5.4%
Services	29,541	29,709	25,643	27,439	34,777	31,171	-10.4%	4.9%
<b>Total Domestic Private Sector Credit</b>	<b>190,862</b>	<b>227,525</b>	<b>232,019</b>	<b>240,314</b>	<b>248,868</b>	<b>246,144</b>	<b>-1.1%</b>	<b>8.2%</b>
<b>Deposit Details (Geographic)</b>								
Resident Deposits	277,107	343,777	327,183	351,575	391,100	400,441	2.4%	16.5%
Non-resident Deposits	29,681	19,835	21,174	26,679	29,463	30,497	3.5%	53.8%
<b>Deposits - Public Sector</b>								
Government	18,486	40,825	31,352	26,354	29,912	33,842	13.1%	-17.1%
Government Institutions	32,277	57,351	46,679	54,822	87,355	96,268	10.2%	67.9%
Semi Government Institutions	21,309	27,700	23,039	26,679	28,011	29,277	4.5%	5.7%
<b>Total Public Sector Deposit</b>	<b>72,071</b>	<b>125,876</b>	<b>101,070</b>	<b>107,855</b>	<b>145,278</b>	<b>159,387</b>	<b>9.7%</b>	<b>26.6%</b>
<b>Deposits - Private Sector</b>								
Personal	90,828	103,093	111,843	117,147	122,721	117,470	-4.3%	13.9%
Companies & Institutions	114,207	114,809	114,270	126,574	123,101	123,584	0.4%	7.6%
<b>Total Private Sector Deposit</b>	<b>205,036</b>	<b>217,902</b>	<b>226,113</b>	<b>243,721</b>	<b>245,822</b>	<b>241,054</b>	<b>-1.9%</b>	<b>10.6%</b>

**Qatar Exchange Market Performance**

Company Name	Price (November 05)	% Change 5-Day	% Change Monthly	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	134.00	0.07	0.07	93,764	11.1	2.1	2.7
Qatar Islamic Bank	76.90	(0.13)	0.26	18,171	12.9	1.6	5.9
Commercial Bank of Qatar	72.90	0.97	1.39	18,039	9.3	1.2	8.2
Doha Bank	54.60	0.18	(0.18)	11,286	8.7	1.5	8.2
Al Ahli Bank	52.80	(8.97)	(1.31)	5,920	12.9	2.0	N/A
Qatar International Islamic Bank	52.80	0.19	0.76	7,992	11.7	1.6	6.6
Masraf Al Rayan	26.50	(0.38)	0.38	19,875	13.4	2.2	1.9
Al Khaliji Bank	17.21	0.35	(0.52)	6,196	12.2	1.1	5.8
National Leasing	47.00	0.00	1.40	2,326	8.6	1.8	6.5
Diala Holding	33.30	(4.03)	(3.76)	666	18.0	2.8	3.0
Qatar & Oman Investment	12.80	(0.08)	(0.23)	403	20.0	1.2	3.9
Islamic Holding Group	37.80	(0.53)	(0.53)	151	23.2	3.4	2.6
<b>Banking and Financial Services</b>				<b>184,788</b>			
Zad Holding	59.00	(1.34)	(3.59)	772	7.4	0.6	N/A
Qatar German Co. for Medical Devices	14.63	(3.18)	(3.75)	169	N/M	0.9	N/A
Salam International Investment	13.20	0.00	0.99	1,509	13.4	0.9	6.9
Medicare Group	40.20	0.50	(0.74)	1,131	24.6	1.5	2.7
Qatar Cinema & Film Distribution	52.80	(9.43)	(9.43)	301	15.5	2.2	2.6
Qatar Fuel	281.00	0.68	0.72	14,605	12.8	2.8	2.8
Qatar Meat and Livestock	67.00	(8.22)	(9.70)	1,206	14.2	4.6	4.5
Al Meera Consumer Goods	159.90	(1.30)	(0.99)	1,599	16.0	5.9	4.4
<b>Consumer Goods and Services</b>				<b>21,293</b>			
Qatar Industrial Manufacturing	54.00	1.89	2.47	2,138	10.7	1.7	5.6
Qatar National Cement	103.90	0.87	1.86	5,102	11.7	2.3	5.8
Industries Qatar	150.50	(2.65)	(0.99)	82,775	9.9	2.9	5.0
Qatari Investors Group	24.23	(1.70)	(1.90)	3,012	22.8	1.5	2.1
Qatar Electricity and Water	132.90	(1.12)	(0.23)	13,290	10.8	4.2	4.9
Mannai Corp.	94.70	0.21	(1.25)	3,240	10.6	2.5	5.2
Aamal	15.65	0.06	0.32	8,521	16.6	1.4	N/A
Gulf International Services	30.40	0.00	1.16	4,520	10.9	1.8	3.9
<b>Industrials</b>				<b>122,599</b>			
Qatar Insurance	69.00	0.00	0.00	6,154	11.2	1.8	4.8
Doha Insurance	29.50	(4.53)	(4.53)	690	11.2	1.5	N/A
Qatar General Insurance & Reinsurance	50.00	1.01	1.01	2,506	16.4	1.0	2.3
Al Khaleej Takaful Insurance	46.00	1.77	0.55	655	10.2	1.2	6.5
Qatar Islamic Insurance	56.50	(2.42)	(3.91)	848	17.3	3.6	5.3
<b>Insurance</b>				<b>10,853</b>			
United Development	18.02	0.73	0.90	6,077	1.8	0.6	N/A
Barwa Real Estate	29.15	0.52	1.22	11,343	9.5	0.9	3.4
Ezdan Real Estate	18.25	(2.41)	(3.18)	48,408	N/M	1.8	0.8
Mazaya Qatar Real Estate Development	11.55	0.17	(0.69)	1,155	26.0	1.1	N/A
<b>Real Estate</b>				<b>66,983</b>			
Qatar Telecom	105.90	(0.56)	0.28	33,922	11.8	1.3	1.6
Vodafone Qatar	9.00	0.00	0.00	7,609	N/M	1.2	N/A
<b>Telecoms</b>				<b>41,531</b>			
Qatar Navigation (Milaha)	67.50	1.66	4.81	7,730	10.1	0.7	5.2
Gulf Warehousing	40.35	1.00	0.88	1,599	21.1	2.3	3.7
Qatar Gas Transport (Nakilat)	15.55	0.00	0.39	8,708	11.2	7.5	5.5
<b>Transportation</b>				<b>18,038</b>			
<b>Qatar Exchange</b>				<b>466,083</b>			

Source: Bloomberg, \* Trailing Twelve Months

This report is produced by QNB Group's Economics Team in collaboration with QNB Financial Services. Past issues are available online at <http://tinyurl.com/QatarMonthly>. For questions, or to receive it by email each month, please contact:

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