

Executive Summary

- Qatar’s population grew by 10.3% year-on-year in September 2013 year-on-year to reach 2.04m, in line with our forecast for population growth of 10.9% in 2013 as the government ramps up infrastructure investment
- Q2 real GDP expanded at a robust 6.0% rate year-on-year; we forecast growth to accelerate during the second half of 2013 (reaching 6.5% for the full year) and into 2014 (6.8%)
- Inflation slowed to 2.8% year-on-year in August notwithstanding rising rents

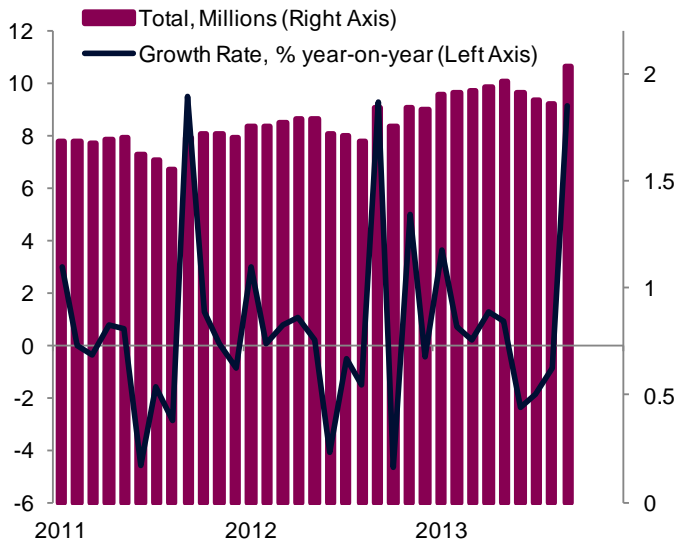
Qatar’s population surpasses 2m in September

Qatar’s population grew by 10.3% year-on-year in September 2013 to reach 2.04m. Population growth in recent months has been driven up by the large infrastructure investment program in preparation for the 2022 World Cup.

The latest population figures for September are in line with QNB Group’s full-year forecast of 10.9% population growth in 2013 and 10.1% in 2014. This increased level of population and hence job growth will lead to higher disposable incomes, boosting aggregate domestic consumption.

Qatar’s population continues to surge

Population (millions and % year-on-year)

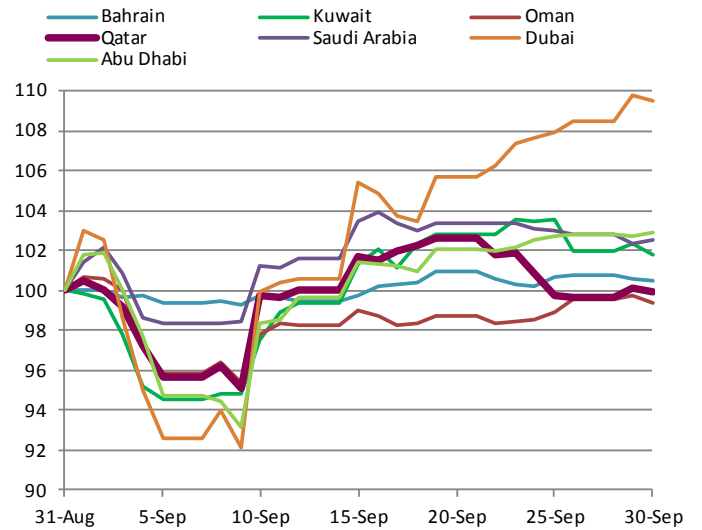


Sources: Qatar Statistics Authority (QSA) and QNB Group analysis

QNB Economics Weekly Commentary

- [GCC Capital Expenditure Expected to Rise in 2013](#)
- [Positive Economic Data Clouds Weak Medium-Term Fundamentals for the UK Economy](#)
- [Next Population Wave Hits Qatar’s Shores](#)
- [Emerging Market Crisis May Derail Global Economic Recovery](#)

Stockmarket Indices (rebased with 31 Aug 2013 = 100)



The GCC markets posted positive returns during September 2013. Dubai’s benchmark index (DFMGI) was the top performer, surging 9.5% month-on-month. The second best performing market was Abu Dhabi, rising 2.9% month-on-month followed by Saudi Arabia, up 2.6%. On the other hand, Oman’s benchmark index declined by 0.7% month-on-month, while Qatar posted a flat performance.

The Qatari market underperformed other regional indices during the month. While most regional markets did receive a boost from the US Fed’s decision to delay its tapering program, the QE Index came under some pressure. Announcement of the upcoming IPO arrested the negative market momentum.

Qatar Economic Insight 2013



QNB Group has recently published the Qatar Insight 2013, providing an overview of the Qatar’s economy, with historical data, in-depth analysis and forecasts.

The report is available on the QNB [website](#) along with the recently published [UAE Economic Insight 2013](#)

Qatar's economy maintains its strong growth momentum in Q2 2013

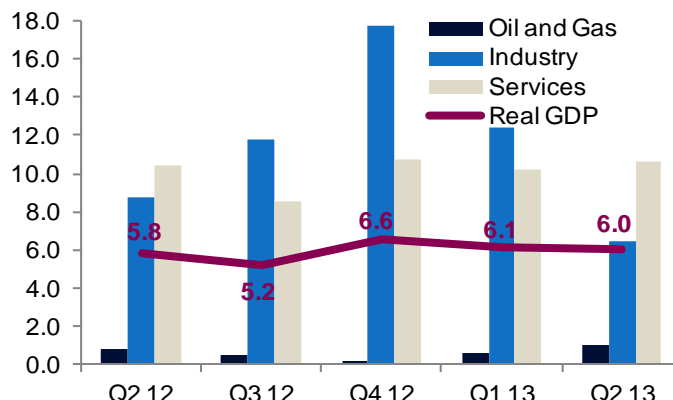
Qatar's economy continued to maintain its strong growth month-on-month momentum in the second quarter of 2013. Qatar's real GDP expanded at a robust 6.0% pace (year-on-year) in Q2 2013, spurred by double-digit growth in construction, transport and communication, and financial, real estate, and business services.

The Q2 GDP data confirms the continued process of diversification of Qatar's economy away from hydrocarbons towards manufacturing and services. The oil and gas sector grew by only 1.0%, compared with a double-digit growth in services, and a 6.4% growth in manufacturing.

QNB Group expects real GDP growth to accelerate during the second half of the year (reaching 6.5% for the full year) and into 2014 (6.8%), as the implementation of large infrastructure projects accelerates and higher population boosts aggregate demand.

Diversification to manufacturing and services continues

(% change year-on-year, Q2 2012 – Q2 2013)



Sources: QSA and QNB Group analysis

Qatar foreign merchandise trade surplus narrows to QR32.9bn in July 2013

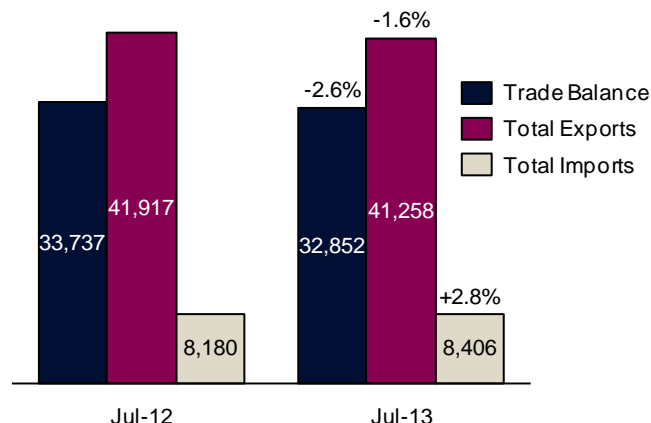
Qatar posted a trade surplus of QR32.9bn in July. The surplus narrowed by 2.6% year-on-year in July owing to lower export receipts, primarily from petroleum gases and other gaseous hydrocarbons.

Total exports in July stood at QAR41.3bn and imports QAR8.4bn. Japan topped the export destination in June and accounted for 28% of Qatar's exports, followed by South Korea (14%) and India (11%).

Among Qatar's major import items in July were motor cars and other vehicles, telephone sets and aircraft spare parts. China was the largest exporter to Qatar in July (10%) followed by the US (10%) and Japan (7%).

Lower export growth drives narrows trade surplus

Trade Balance (QAR Millions, and % change yoy)



Sources: QSA and QNB Group analysis

Qatar inflation stabilizes at 2.8% year-on-year in August despite rising rents

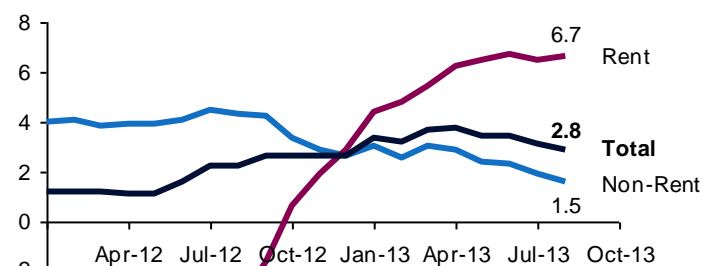
Inflation stabilized at 2.8% year-on-year in August 2013. Rent, Fuel and Energy group, which is the most influential and carry the maximum weight of 32.2% in the CPI basket, saw its index rise to 6.7% year-on-year in August (up 0.3% month-on-month).

Among the other sectors, the highest inflation was witnessed in Entertainment, Recreation and Culture, which rose up 8.4% compared to August 2012.

The latest data is in line with our forecast for inflation of 3.6% for 2013 as a whole. We expect the further pickup in population growth to drive consumer demand and push inflation up to around 3.8% in 2014. There is an upside risk for inflation if the rollout of major infrastructure projects runs into capacity constraints.

Slower non-rent inflation counteracts higher rents

CPI Inflation (% YoY)



Sources: Qatar Central Bank (QCB), QSA and QNB Group analysis

Economic News

- Qatar banks well prepared to deal with Basel III norms** – Ratings agency S&P said Qatar's banking sector will not have any major capitalization issues to deal with when the new Basel III capital norms are introduced. Last month, the Qatar Central Bank sent a draft circular on new Basel III capital rules to all Qatari banks. Building on the Basel I and Basel II norms, the Basel III norms seek to improve the sector's ability to deal with financial and economic stress, risk management as well as strengthen banking transparency. (Gulf-Times.com)
- New Doha Port project work on schedule** – New Port Project's Executive Director Nabil Al Buenain said the development works of New Doha Port are fast progressing and the project would be delivered on time. He said the works are progressing as per the schedule and will be ready for operations in 2016. (Peninsula Qatar)
- Qatar leads growth in Gulf projects with 1.3% value gain** – According to a report released by MEED, Qatar has led Gulf Projects' Index growth with the value of schemes planned or underway climbing 1.3% in the week up to August 27, 2013. The report added that Qatar's performance was supported by the launch of

five new projects worth \$600mn and revision of a construction project worth \$2.4bn. The Gulf Projects' Index recorded a growth of 0.1% (to \$3.1tn) in the period under review, following a rise in four of the six GCC region projects markets. (Gulf-Times.com)

- EC Harris: Qatar has 4th highest asset wealth per head** – According to the Global Built Asset Wealth Index published by EC Harris, Qatar has the fourth highest built asset wealth per person in the world with an estimated per capita wealth of \$143,000. During 2011-2012, the rate of growth in built asset wealth per capita stood at 8.4%, which is the highest growth in the world. The index illustrates how Qatar compares with 30 other countries that collectively represent 82% of the global GDP. The Index also revealed the total built asset wealth among these countries stood at \$193tn - equivalent to almost three times the GDP of these countries (\$68tn). (Peninsula Qatar)

Private Sector News

Finance

- Qatar put on watch for upgrade to emerging-market status at FTSE** – According to a report published by FTSE, Qatar's stocks may be promoted to secondary-emerging market status at global index compiler from frontier ranking. Qatar may be upgraded based on improvements in the settlement processes. FTSE said further improvements are required in increasing foreign ownership limits and improving broad market liquidity to meet secondary emerging eligibility requirements in full. Moreover, Kuwait is put on watch list for potential inclusion as secondary-emerging market and Morocco on watch list for possible demotion from secondary-emerging market status to frontier due to continued decline in broad market liquidity below the level sufficient to support sizable global investment. FTSE has ranked Egypt, UAE as secondary-emerging markets and Bahrain, Jordan, Oman, Tunisia as frontier markets. (Bloomberg)
- QP appoints QNB Group, Deutsche Bank to arrange QR3.2bn IPO for its unit** – Qatar Petroleum (QP) has appointed QNB Group and Deutsche Bank to help arrange for an IPO of shares in one of its units. The issue could be worth around QR3.2bn (\$880mn). Mesaieed Petrochemical Holding Company may issue its IPO on the Qatar stock exchange within 2013, subject to necessary approvals. QNB Group has been appointed to manage this offer, while Deutsche Bank will act as a financial adviser. The sale of shares will be restricted to Qatari nationals, although foreign investors will be allowed to buy a certain percentage of the firm once it has been listed. (Reuters, Gulf-Times.com)

- QNB Group and UDCD sign 10-year loan agreement** – The United Development Company (UDCD) has signed a 10-year loan facility agreement worth QR1.5bn with QNB Group. The loan facility has been granted for the purpose of financing UDCD's purchase of the remaining residential units at Qanat Quartier in the Pearl-Qatar Island. (AME Info)
- QE listed insurers' assets totaled QR15.9bn in 2012** – According to a report by the Qatar Central Bank (QCB), five national insurance companies listed on the Qatar Exchange (QE) held assets worth QR15.9bn in 2012, equivalent to roughly 2.3% of the country's GDP. These five national insurance companies are: Al Khaleej Takaful, Doha Insurance, Qatar Islamic Insurance, Qatar General Insurance and Qatar Insurance. The total gross premium earned by these five underwriters in 2012 amounted to QR3.92bn, accounting for roughly 0.6% of last year's GDP. A QCB analysis of their balance sheets indicated that their total assets grew by 6.7% during 2012 as compared to 3.6% in 2011. Moreover, these five insurance companies maintained their profit levels, as their net profit increased by 2.9% in 2012 as compared to 2.7% in 2011. (Gulf-Times.com)
- Credit Suisse, Qatar venture to target derivatives, equities** – Aventure Capital Management, the JV of Credit Suisse Group and Qatar Holding, is planning to target assets such as equities and derivatives in its second investment fund to be launched by the end of 2013. Aventure's CEO Hashem Montasser said the company will invest its second fund in the same region as well as Turkey and other frontier markets. He also said that the venture is hoping to have \$250-300mn

worth of assets under management by December 2013. (Gulf-Times.com)

- **QA signs frequent flyer deal with American Airlines** – Qatar Airways (QA) has entered into a reciprocal frequent flyer program agreement with American Airlines (AA). Under this agreement, the members of American Airlines' AAdvantage Program and QA's Privilege Club members can earn and redeem miles on any flights operated by these airlines. (Bloomberg)
- **MERS, QATI to replace KCBK, MRDS on the QE Index** – Al Meera Consumer Goods Company (MERS) and the Qatar Insurance Company (QATI) will replace Al Khalij Commercial Bank (KCBK) and Mazaya Qatar Real Estate Development Company (MRDS) in the 20-stock QE Index from October 01, 2013. The index recast will be effective from October 1, 2013. The other 18 entities will continue to be QNB Group, Industries Qatar, Ooredoo, Commercial Bank, Qatar Islamic Bank, Qatar Electricity & Water, Doha Bank, Nakilat, Barwa, Milaha, United Development Company, International Islamic, Gulf International Services, Qatari Investors Group, Vodafone Qatar, Alijarah Holding and Widam Food. Meanwhile, a total of 40 stocks has been included in QE All Share Index (and related sector index) calculation as of October 1. Ahlibank Qatar has joined the index, while Mannai Corporation has been removed. Further, Qatar National Cement has joined the Al Rayan Islamic Index, which will increase that index's member count to 18. (QE)
- **QFMA to establish grievance committee for investors** – The Qatar Financial Market Authority (QFMA) will soon establish a five-member grievance committee to protect the interests of investors and to promote the securities market's development. The committee will decide on grievances concerning the penal actions issued by the QFMA and its decisions will be final. (Gulf-Times.com)
- **Ezdan opens first phase of City project with 1,300 housing units** – Ezdan Holding Group has completed the first phase of Ezdan City in Wakair area, which houses over 1,300 residential units for the corporate sector. The second phase opening is expected to be announced during 1Q2014 and is likely to be allocated to families only. (Qatar Tribune)
- **VFQS continues retail expansion across Qatar** – Vodafone Qatar (VFQS) has launched a new store at Ezdan Mall, taking the company's retail footprint at key residential and commercial areas across Qatar to 20 stores. (AME Info)
- **New QE plans may double number of listed firms in five years** – The Qatar Financial Markets Authority's (QFMA) Director Zain al Abdin Sharar said new capital market regulations including plans to launch a second market on the Qatar Exchange could double the number of listed companies in the country in the next five years. He added that the forecast of a sharp increase in the number of listed firms and the volume of trade on the exchange would reflect the impact of a wide-ranging capital market reform. He also said that QFMA has new rules for listing on the second market, which is for the companies that cannot meet requirements for listing on the primary market. QFMA have amended the corporate governance code for companies listed on the main market to improve the disclosure requirements. He also added that QFMA was about to issue new rules for financial adequacy for financial service firms. These will help the market to be more efficient and to protect the market against any unseen circumstances. Sharar added QFMA will soon issue new M&A rules for listed companies regarding disclosures. (Gulf-Times.com)
- **Qatar banking sector can meet \$100bn projects boom** – According to a report by MEED, Qatar's banking sector, the fastest growing in the world in the past decade, is ready to rise to the challenge of financing a \$100bn boom in the country's projects industry until 2022. (Qatar Tribune)
- **QNB Group grabs top spot among GCC's 10 fastest growing global banks** – According to a report released by the QNB Group, the group leads the top 10 GCC banks that are among the fastest growing across the globe. QNB Group's assets totaled \$118bn in June 2013, up 30% over June 2012. QNB Group is the only Qatari bank in the list of top 10 GCC banks. QNB Group's asset growth was driven by the strategic acquisition of NSGB in Egypt and higher international stakes. At the end of 2012, 79% of QNB Group's assets were in Qatar. The report said the top ten GCC banks are likely to remain well insulated from the current turmoil in emerging markets as their growth is underpinned by strong economic fundamentals in the region. (Gulf-Times.com)
- **QP to develop Mesaieed infrastructure** – Qatar Petroleum (QP) is working on the development of Mesaieed Industrial City through a comprehensive plan over a 25-year period. The project includes a number of road works and expansion of residential areas. The development plan covers the renovation of the Al-Ajfa heritage village and setting up a sports club, besides two civil defense stations and a public service complex. Further, bridges will be built to protect oil & gas pipelines passing under the road. Recently, 40 kilometers of streets in the residential area were overhauled at a cost of QR800mn. (Gulf-Times.com)
- **GWCS sign agreement with QAFAC for chemical warehousing and record management services** – Gulf Warehousing Company (GWCS) has signed an agreement with Qatar Fuel Additives Company (QAFAC), whereby GWCS is contracted to handle QAFAC's offsite storage of chemicals and general cargo. The agreement also includes scope for document storage and records management services. The term of the agreement is three years and type of agreement is a call-off agreement. The estimated value of the agreement is QR6mn during the full three-year period. (QE)
- **Expansion of Al Ruwais port to be completed by end-2013** – The expansion and development works of the QR1bn Al Ruwais Port project is set to be completed by the end-2013. (Peninsula Qatar)

National Accounts

Nominal GDP (QR bn)	2009	2010	2011	2012	Q2 13	YoY%	QoQ%
Total	356.0	455.4	624.2	700.3	181.1	6.1%	-2.1%
Oil & Gas	159.5	239.7	370.2	404.7	100.3	0.5%	-5.7%
Non-Oil	196.5	215.7	254.0	295.6	80.8	13.9%	2.8%
Agriculture and Fishing	0.4	0.5	0.6	0.6	0.2	9.2%	0.4%
Industry	33.6	40.8	56.7	68.9	27.8	10.4%	3.3%
Manufacturing	33.6	40.8	56.7	68.9	17.4	5.0%	1.9%
Electricity, Gas and Water	1.8	2.1	2.4	2.6	0.8	9.7%	51.1%
Construction	25.5	27.5	28.3	31.0	9.4	21.9%	3.1%
Services	132.1	140.9	162.1	188.1	51.9	16.5%	2.5%
Trade, Restaurants and Hotels	29.8	31.5	35.6	39.5	10.2	8.7%	5.3%
Transport and Communications	16.2	18.1	21.0	23.4	6.0	12.1%	-5.1%
Financial and Business Services	58.1	60.3	65.6	71.2	20.7	22.0%	4.0%
Social Services	4.1	4.5	5.0	5.7	1.6	17.7%	6.4%
Government Services	32.1	37.4	46.2	60.9	17.0	17.0%	2.9%
Household Services	1.8	1.9	2.0	2.3	0.7	15.9%	0.7%
Imputed Bank Service Charges	-10.2	-12.7	-13.4	-14.8	-4.2	17.7%	7.3%
Import Duties	3.1	3.8	3.9	4.3	1.1	-6.7%	6.4%

Source: QSA

Real GDP (% change, YoY)	2009	2010	2011	2012	Q1 13	Q2 13	QoQ%
Total	12.0	16.7	13.0	6.2	6.1	6.0	0.6
Oil & Gas	4.5	28.9	15.7	1.7	0.5	1.0	-0.5
Non-Oil	17.6	8.6	10.8	10.0	10.6	9.9	1.4
Agriculture and Fishing	-17.0	19.7	5.4	4.5	6.1	6.6	-0.5
Industry	6.1	23.4	14.0	4.6	11.9	9.0	2.9
Manufacturing	13.7	17.6	10.4	11.8	12.5	6.4	0.4
Electricity, Gas and Water	-0.4	13.5	7.9	10.5	8.6	5.7	46.6
Construction	6.9	9.5	10.5	10.6	11.7	11.4	2.7
Services	21.9	6.9	10.3	9.2	10.1	11.0	0.3
Trade, Restaurants and Hotels	15.7	2.5	12.9	7.7	10.5	5.0	3.7
Transport and Communications	22.7	10.2	12.4	12.1	7.9	13.6	-3.9
Financial and Business Services	25.8	7.4	6.3	6.7	10.5	15.4	-0.2
Social Services	21.5	1.9	3.0	7.9	9.3	12.5	5.2
Government Services	23.6	8.7	13.1	11.5	9.4	9.6	2.9
Household Services	4.3	2.2	0.8	6.0	8.5	9.7	0.7
Imputed Bank Service Charges	1.0	3.3	16.4	8.0	4.9	11.6	7.2
Import Duties	-11.3	17.8	-1.1	13.7	0.9	-8.8	6.4

Source: QSA

N.B. Data which is new or revised this month is shown in **red**.

Balance of Payments

Balance of Payments (USD bn)	2009	2010	2011	2012	Q1 13	QoQ%	YoY%
Current Account Balance	6.4	24.0	52.0	61.6	16.5	43.6%	31.6%
Trade Balance (Goods)	25.6	54.0	87.4	102.2	28.3	11.3%	11.1%
Exports	48.0	75.0	114.3	133.0	35.7	7.8%	7.2%
Imports	-22.5	-20.9	-26.9	-30.8	-7.4	-3.7%	-5.7%
Invisibles	-19.2	-30.1	-35.4	-40.6	-11.8	0.0%	10.5%
Services	-3.9	-5.8	-9.5	-14.0	-4.0	0.0%	28.4%
Income	-9.4	-12.9	-13.3	-12.1	-3.5	0.0%	0.2%
Transfers	-5.8	-11.4	-12.7	-14.5	-4.2	0.0%	5.6%
Capital & Financial Account Balance	0.6	-10.7	-62.6	-44.5	-13.9	-21%	44%
Capital Account	-1.8	-2.1	-3.6	-6.2	-2.0	0%	16%
Financial Account	2.4	-8.6	-59.0	-38.3	-15.6	0%	95%
Direct Investment (outwards)	-3.2	-1.9	-6.0	-1.8	-2.4	0%	-225%
Direct Investment (into Qatar)	8.1	4.7	-0.1	0.3	-0.5	0%	818%
Portfolio investment (net)	-	-	-	2.8	-2.3	0%	-156%

Source: QCB, QSA, UNCTAD; Note: Not all Balance of Payment lines are shown in the table

Top 5 Export Destinations (USD bn)	2009	2010	2011	2012	Q1 13	QoQ%	YoY%
Japan	14.5	19.7	27.4	32.6	9.2	-19.3%	-12.0%
Korea	7.6	10.8	18.9	23.2	7.0	-7.5%	3.7%
India	3.7	5.6	10.3	14.7	2.9	24.3%	59.2%
European Economic Community (EEC)	4.0	9.1	17.0	11.9	2.5	5.6%	-30.7%
China	1.2	2.2	4.3	7.0	2.0	-28.5%	-2.5%

Top 5 Import Sources (USD bn)	2009	2010	2011	2012	Q1 13	QoQ%	YoY%
European Economic Community (EEC)	8.1	7.1	6.6	7.4	2.2	21.1%	31.8%
United States	3.1	3.5	3.1	3.9	1.6	159.2%	85.4%
United Arab Emirates	1.8	2.3	3.0	3.2	0.8	0.0%	6.3%
Saudi Arabia	1.3	1.7	2.2	2.4	0.6	0.0%	6.3%
United Kingdom	1.1	1.4	1.5	1.8	0.5	6.5%	67.6%

Source: IMF Direction of Trade Statistics - sometimes differ from QSA

Crude oil (USD / barrel)	2009	2010	2011	2012	Aug-13	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	714.0	-1.1%	-1.2%
Qatar average price	62.0	77.7	108.4	111.2	109.3	4.3%	-0.2%
Dukhan	62.6	78.4	109.7	111.8	110.6	4.6%	0.1%
Marine	61.6	77.2	107.5	110.6	108.7	4.1%	-0.4%

Source: OPEC (Direct communications), Reuters

Budget, Population, Money & Prices

Government Budget	2008/09	2009/10	2010/11	2011/12	Q1 13	QoQ%	YoY%
Balance	41.3	47.7	12.3	45.0	15.0		
% of GDP	9.8%	13.4%	2.7%	7.7%	8.1		
Revenue	141.2	169.3	156.1	219.3	79.6	54%	47.4%
Expenditure	100.0	121.6	143.8	174.4	64.6	49.0%	44.4%

Population (m people in Qatar)	2009	2010	2011	2012	Sep-13	MoM%	YoY%
Total	1.64	1.72	1.73	1.83	2.04	9.1%	10.3%
Male	1.27	1.30	1.30	1.37	1.51	6.3%	10.7%
Female	0.37	0.42	0.43	0.46	0.53	18.1%	9.4%

Source: QSA; Monthly data based on number of people in Qatar and annual data based on residency

Inflation (% ch, 12mth average YoY)	2009	2010	2011	2012	Aug-13	MoM%	YoY%
Overall (weights shown below)	-4.9	-2.4	1.9	1.9	3.1	0.0	2.8
Food, beverages & tobacco (13.2%)	1.3	2.1	4.3	3.7	2.8	-0.3	1.7
Clothing & footwear (5.8%)	-4.5	-1.3	7.5	2.8	0.8	-0.1	-0.1
Rents, water & maintenance (32.2%)	-12.0	-12.8	-4.8	-3.3	4.2	0.3	6.7
Furniture, textiles & appliances (8.2%)	-2.0	4.1	2.9	4.9	3.2	0.5	1.8
Health care (2.0%)	1.7	3.5	2.6	1.5	2.0	0.0	2.5
Transport & communication (20.5%)	-4.4	2.6	6.4	2.2	1.5	-0.5	-0.1
Entertainment, leisure & culture (10.9%)	-1.2	2.9	2.0	6.0	7.3	-0.1	8.4
Miscellaneous goods & services (7.2%)	7.3	4.7	5.6	4.8	0.4	0.7	-3.2

Source: QSA

Money Supply (QR bn)	2009	2010	2011	2012	Aug-13	MoM%	YoY%
Broad money (M2)	215.1	264.7	310.0	381.1	431.4	-1.7%	16.9%
M1	53.1	68.3	81.8	90.9	100.3	-7.0%	16.2%
Quasi-money	162.0	196.4	228.1	290.1	331.1	0.1%	17.1%

Interest rates (% , end period)	2009	2010	2011	2012	Aug-13	MoM bp	YoY bp
QCB deposit	2.00	1.50	0.75	0.75	0.75	0.0	0.0
QCB lending	5.50	5.50	4.50	4.50	4.50	0.0	0.0
Interbank overnight	2.01	1.39	0.74	0.77	0.82	4.4	6.5
Demand deposit	1.99	1.34	0.62	0.65	0.66	-0.1	15.4
Overdraft	8.75	8.19	7.42	6.63	5.92	2.9	-162.3
Credit card	20.00	19.92	10.69	9.11	8.41	16.5	-200.8

Source: QCB

Banking Sector Snapshot : August 2013

Review and Outlook

Banking sector data for the month of August 2013 shows limited activity. Deposits increased by 0.10% month-on-month (+11.2% YTD) while loans were flat (-0.03% month-on-month, +9.0% YTD) in the month of August 2013. In our view, Ramadan along with the summer break led to this subdued activity. *Going forward, we expect activity in the banking sector to pick up in the coming months. Hence, we maintain our loan growth estimate of ~15% for 2013 vs. 9.0% YTD. Furthermore, we expect NIMs to stabilize during 4Q2013.*

The banking sector's loan-to-deposit ratio (LDR) remained at 109% in August 2013. We believe some banks are contemplating issuing Tier I bonds, which will help improve their capital adequacy ratios (CARs) as well as provide additional funds propelling loan book growth.

Both the public and private sectors posted 0.4% month-on-month growth in deposits, while deposits outside Qatar declined by 3.9% month-on-month. Delving into segment details, the government institutions segment (represents ~60% of public sector deposits) declined by 5.6% month-on-month (+17.6% YTD). Moreover, the semi-government institutions segment also contracted by 1.9% month-on-month (+3.8% YTD). However, the government segment grew by 21.2% month-on-month (+12.7% YTD). On the private sector front, the consumer segment slightly decreased by 0.6% month-on-month (+12.8% YTD), while the companies & institutions segment increased by 1.5% month-on-month (+12.7% YTD).

The overall loan book was flattish in the month of August. Total domestic public sector loans declined by 2.0% month-on-month (+3.6% YTD). The government segment decreased by 8.3% month-on-month (-3.3% YTD). On the other hand, the government institutions' segment (represents ~67% of public sector loans) was flat month-on-month (+0.2% month-on-month, +8.3% YTD). *We believe public sector loan growth will be the primary driver of the overall loan book in 2013. Our assumption is based on the expected uptick in project mobilizations in the coming months.* Private sector loans increased by 1.4% month-on-month (+9.7% YTD). **Real Estate** segment (contributes ~29% to private sector loans) loans grew by 3.5% month-on-month (down 2.4% YTD). On the other hand, **Consumption and others** (contributes ~30% to private sector loans) declined marginally down 0.1% month-on-month (+9.5% YTD).

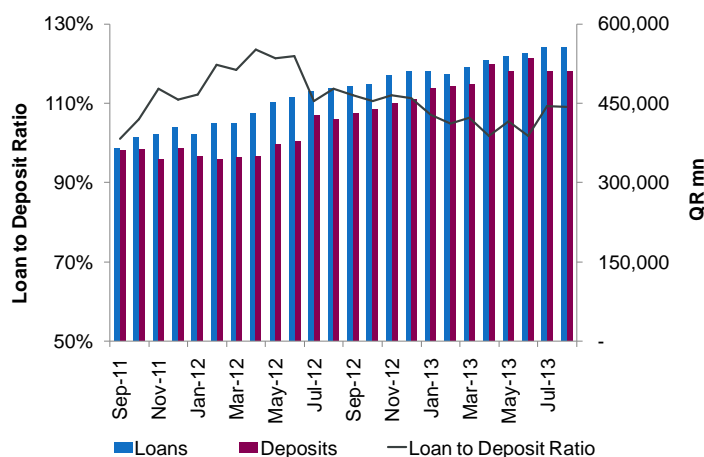
Specific loan-loss provisioning remains at 1.3% of average trailing 12-months loans vs. 1.3% in July 2013.

Banking Sector Index vs. QE All Share Index



Source: Bloomberg

Banking Sector - Loan to Deposit (LDR)



Source: Qatar Central Bank (QCB)

Shahan Keushgerian
shahan.keushgerian@qnbfs.com.qa
Saugata Sarkar
saugata.sarkar@qnbfs.com.qa

Abdullah Amin, CFA
abdullah.amin@qnbfs.com.qa

Banking Sector – Key Stats

Banks	Closing Price	Change YTD (%)	EPS 2013E (QR)	P/E 2013E (x)	P/B (x)	Dividend Yield 2013 (%)
QE Banks & Financial Services Index	2,412.00	23.74	N/A	N/A	2.0	4.4
Al Ahli Bank (ABQK)	54.00	10.20	4.1	13.0	2.1	5.6
Al Khalij Commercial Bank (KCBK)*	18.85	10.95	1.5	12.2	1.3	5.3
Commercial Bank of Qatar (CBQK)	69.30	(2.26)	8.1	8.5	1.2	7.4
Doha Bank (DHBK)*	54.50	17.56	5.3	10.2	1.6	6.9
Masraf Al Rayan (MARK)*	29.70	19.81	2.1	13.9	2.3	3.7
Qatar International Islamic Bank (QIIK)*	56.90	9.42	4.8	11.8	1.8	6.6
Qatar Islamic Bank (QIBK)*	69.00	(8.00)	6.3	10.9	1.5	6.5
Qatar National Bank (QNBK)	174.60	33.38	13.7	12.8	2.6	3.1

Sources: QNBFS estimates (*), Bloomberg estimates and data

Banking Sector Indicators

(In QR mn)	2011	2012	Jan-13	1Q-13	2Q-13	Jul-13	Aug-13	Change MoM	Change YTD
Total Assets	694,301	820,512	828,418	848,293	878,862	876,140	871,020	-0.6%	6.2%
Total Credit (Loans)	403,563	510,048	511,162	517,690	543,834	556,219	556,044	0.0%	9.0%
Total Deposits	363,612	458,066	477,512	486,662	534,802	508,984	509,474	0.1%	11.2%
Loan to Deposit Ratio	111%	111%	107%	106%	102%	109%	109%	-0.1%	-2.0%
Credit Facilities (Geographic)									
Total Domestic Credit	376,695	478,305	478,652	479,776	499,441	512,182	511,457	-0.1%	6.9%
Total International Credit	26,867	31,743	32,510	37,914	44,394	44,037	44,587	1.3%	40.5%
Domestic Credit Facilities - Public Sector									
Government	40,801	51,746	55,203	49,964	50,559	54,552	50,032	-8.3%	-3.3%
Government Institutions	90,619	139,585	134,555	137,306	151,387	150,875	151,182	0.2%	8.3%
Semi-Government Institutions	17,750	27,222	26,762	20,004	24,323	25,731	25,249	-1.9%	-7.3%
Total Domestic Public Sector Credit	149,170	218,553	216,520	207,274	226,269	231,158	226,462	-2.0%	3.6%
Domestic Credit Facilities - Private Sector									
General Trade	26,855	33,280	34,052	33,337	33,515	33,835	35,488	4.9%	6.6%
Industry	6,534	9,339	9,332	9,703	10,166	10,710	10,071	-6.0%	7.8%
Contractors	16,220	16,546	16,877	17,434	18,493	20,226	20,409	0.9%	23.3%
Real Estate	76,220	85,562	87,615	86,245	78,955	80,663	83,496	3.5%	-2.4%
Consumption & Others	71,986	78,587	76,850	87,127	81,632	86,123	86,079	-0.1%	9.5%
Services	29,709	36,438	37,407	38,657	50,411	49,468	49,452	0.0%	35.7%
Total Domestic Private Sector Credit	227,525	259,752	262,132	272,502	273,172	281,025	284,994	1.4%	9.7%
Deposit Details (Geographic)									
Resident Deposits	343,777	417,337	435,269	444,944	494,432	470,720	472,702	0.4%	13.3%
Non-resident Deposits	19,835	40,729	42,243	41,718	40,370	38,264	36,772	-3.9%	-9.7%
Deposits - Public Sector (Domestic)									
Government	40,825	44,557	46,773	36,666	41,704	41,446	50,214	21.2%	12.7%
Government Institutions	57,351	104,378	112,029	121,899	141,533	130,122	122,795	-5.6%	17.6%
Semi Government Institutions	27,700	31,794	31,763	26,123	36,247	33,639	32,989	-1.9%	3.8%
Total Public Sector Deposit	125,876	180,729	190,565	184,688	219,484	205,208	205,997	0.4%	14.0%
Deposits - Private Sector (Domestic)									
Personal	103,093	116,257	116,831	126,938	133,674	131,884	131,096	-0.6%	12.8%
Companies & Institutions	114,809	120,350	127,873	133,317	141,274	133,629	135,609	1.5%	12.7%
Total Private Sector Deposit	217,902	236,607	244,704	260,255	274,948	265,512	266,704	0.4%	12.7%

Source: QCB

Qatar Exchange Monthly Performance							
Company Name	Price (Sep 26)	% Change 5-Day	% Change Monthly	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	166.90	(4.41)	(0.36)	116,785	13.0	2.4	3.6
Qatar Islamic Bank	68.40	(0.87)	(2.01)	16,162	14.3	1.4	5.5
Commercial Bank of Qatar	68.30	(1.44)	(0.15)	16,901	8.4	1.2	8.8
Doha Bank	53.90	(1.10)	0.37	13,926	9.3	1.6	7.7
Al Ahli Bank	54.00	0.00	(1.82)	6,862	13.3	2.1	5.5
Qatar International Islamic Bank	55.60	(2.28)	0.18	8,416	11.9	1.7	6.3
Masraf Al Rayan	28.70	(3.37)	(0.69)	21,525	13.5	2.2	3.5
Al Khaliji Bank	18.50	(1.86)	0.05	6,660	12.3	1.3	5.4
National Leasing	34.35	(0.58)	0.44	1,700	10.0	1.3	5.8
Dlala Holding	21.50	(1.47)	11.63	477	N/A	2.2	N/A
Qatar & Oman Investment	12.80	(1.69)	2.81	403	21.0	1.3	3.9
Islamic Holding Group	41.40	0.49	6.70	166	26.4	3.2	2.7
Banking and Financial Services				209,983			
Zad Holding	65.00	(0.31)	3.17	850	7.7	0.7	6.2
Qatar German Co. for Medical Devices	15.49	1.57	7.57	179	N/A	0.9	N/A
Salam International Investment	12.08	(0.17)	(3.21)	1,381	22.9	0.9	5.8
Medicare Group	48.30	(3.40)	0.73	1,359	22.9	1.8	3.7
Qatar Cinema & Film Distribution	50.00	0.00	1.83	285	30.3	2.1	4.0
Qatar Fuel	284.50	(0.18)	0.57	18,484	16.2	3.3	3.5
Qatar Meat and Livestock	52.30	0.97	(0.76)	941	14.3	4.1	7.7
Al Meera Consumer Goods	131.90	(1.49)	0.30	2,638	17.3	2.1	6.1
Consumer Goods and Services				26,118			
Qatar Industrial Manufacturing	50.20	0.40	4.37	1,988	11.7	1.5	6.0
Qatar National Cement	101.30	(0.78)	(0.88)	4,974	11.4	2.1	5.9
Industries Qatar	147.50	(3.97)	(3.91)	89,238	9.9	2.9	5.2
Qatari Investors Group	29.00	(2.36)	3.39	3,605	18.1	1.8	2.6
Qatar Electricity and Water	156.50	(2.19)	(0.95)	15,650	10.9	3.0	4.7
Mannai Corp.	84.50	1.20	0.60	3,855	8.9	1.7	5.6
Aamal	14.40	(1.03)	(1.37)	8,640	13.5	1.3	N/A
Gulf International Services	51.20	1.39	6.67	7,612	13.6	2.8	2.9
Industrials				135,562			
Qatar Insurance	60.00	(0.83)	0.00	7,706	9.3	1.6	3.4
Doha Insurance	25.70	(0.96)	(1.15)	662	12.0	1.3	3.5
Qatar General Insurance & Reinsurance	52.70	0.76	2.73	3,038	3.6	0.9	1.7
Al Khaleej Takaful Insurance	39.75	(0.63)	(1.85)	679	14.3	1.2	2.1
Qatar Islamic Insurance	57.20	0.35	(0.35)	858	14.5	3.3	6.1
Insurance				12,942			
United Development	21.20	(4.50)	(0.93)	7,149	9.4	0.7	4.7
Barwa Real Estate	24.98	(3.37)	1.96	9,720	16.2	0.8	6.0
Ezdan Real Estate	17.11	(1.67)	(1.89)	45,384	N/M	1.6	0.8
Mazaya Qatar Real Estate Development	11.55	(1.28)	1.94	1,155	17.3	1.1	5.2
Real Estate				63,409			
Qatar Telecom	139.50	(3.73)	0.36	44,685	13.3	1.8	3.6
Vodafone Qatar	9.00	(1.42)	(0.22)	7,609	N/A	1.3	N/A
Telecoms				52,293			
Qatar Navigation (Milaha)	79.80	(2.09)	2.31	9,139	9.4	0.8	4.7
Gulf Warehousing	40.00	(3.50)	0.63	1,902	19.7	2.5	N/A
Qatar Gas Transport (Nakilat)	19.10	(4.07)	(0.98)	10,696	14.2	3.3	5.2
Transportation				21,738			
Qatar Exchange				522,044			

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/QatarMonitor>. For questions, or to receive it by email each month, please contact:

QNB Economics
 QNB Group
 Tel: (+974) 4453 4642
 economics@qnb.com.qa

Saugata Sarkar
 Head of Research, QNBFS
 Tel: (+974) 4476 6534
 saugata.sarkar@qnbfs.com.qa

Ahmed M. Shehada
 Head of Trading, QNBFS
 Tel: (+974) 4476 6535
 ahmed.shehada@qnbfs.com.qa

Keith Whitney
 Head of Sales, QNBFS
 Tel: (+974) 4476 6533
 keith.whitney@qnbfs.com.qa

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