



# Investor Relations Presentation March 2013

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*Note: These results do not include financial results of NSGB. QNB Group expects to finalise the incorporation of the financial results of NSGB during the second quarter of 2013.*

QNB at a Glance



# QNB at a Glance: Overview

## Overview

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

## Credit Rating

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

## Presence

- QNB Group, subsidiaries and associate companies operate in 25 countries around the world, through more than 560 branches and offices, supported by more than 1,150 ATMs, and employing over 13,000 staff

## Stock Info

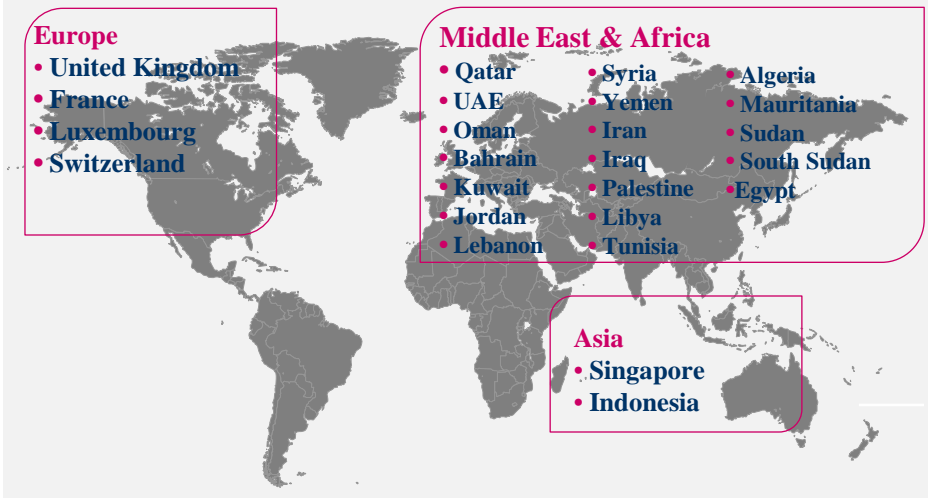
(Share Price as at 31/03/2013; ratios based on year-end 2012 financials)

Market Cap	US\$25.7 bn
(Share Price: QR133.6)	
Price/Earnings	11.0
Price/Book	2.1

## March 2013 Financials (in US\$)

	2013	2012	5yr CAGR
Total Assets	104.4 bn	85.5 bn	24%
Loans & Advances	71.1 bn	55.3 bn	27%
Operating Income	0.81 bn	0.77 bn	20%
Profit	0.59 bn	0.55 bn	18%
Coverage Ratio	119%	127%	

## Global Presence



# Overview of QNB's International Network

## Branches, Subsidiaries and Associates

### Type of Operation by Geography

#### Subsidiaries and Associates



#### Branches



### Subsidiaries and Associates

### Country

### Ownership

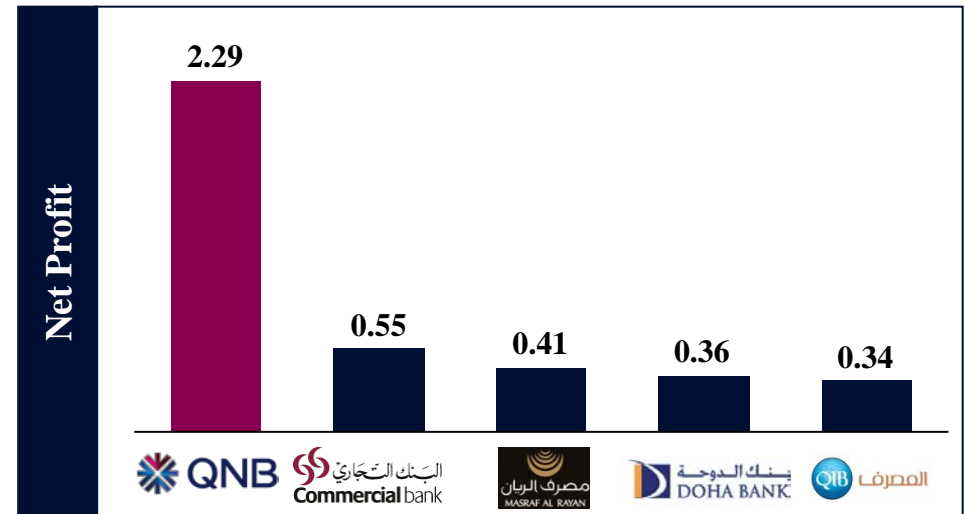
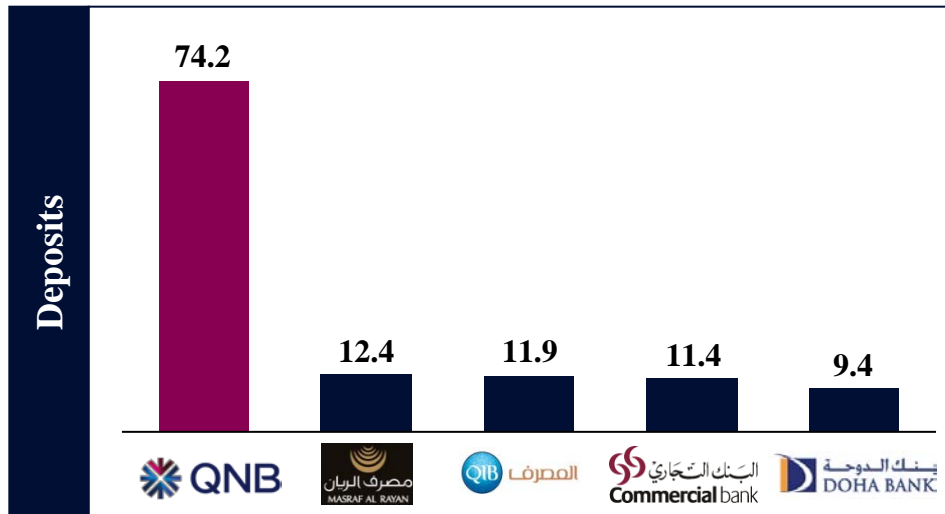
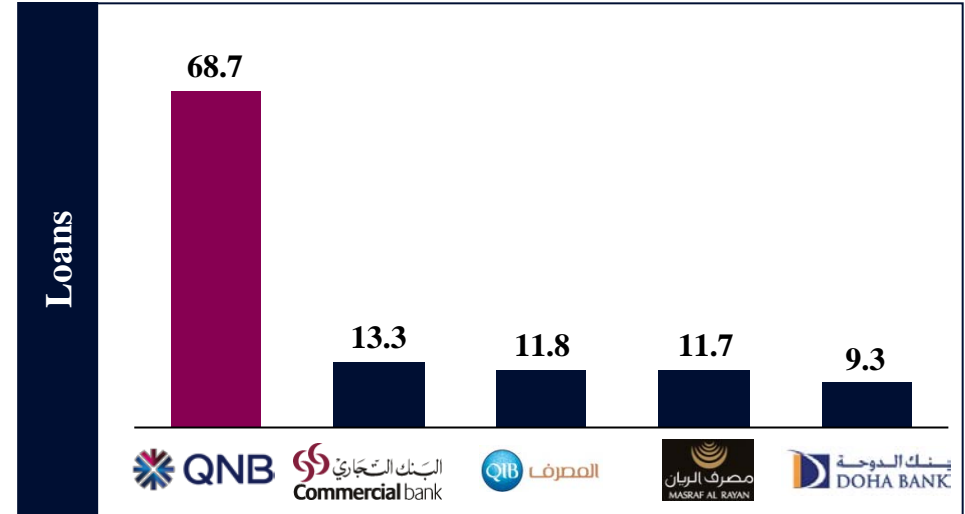
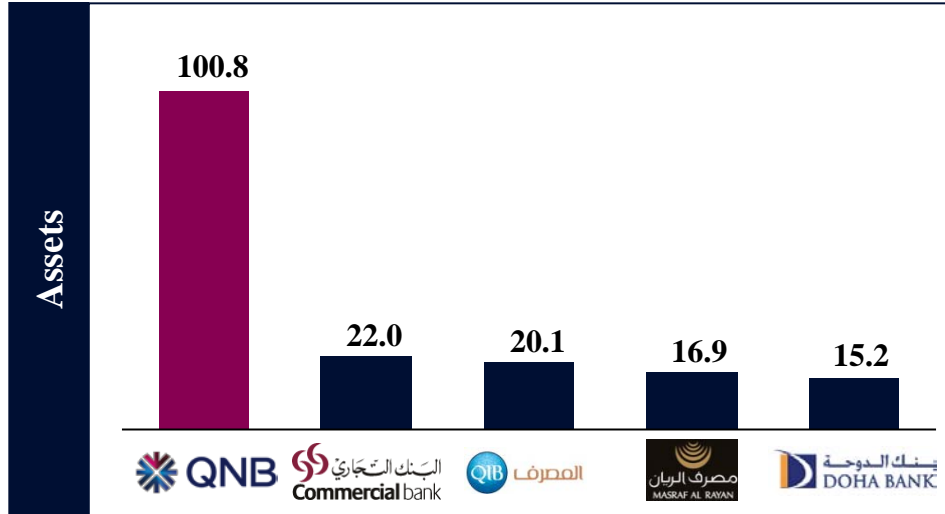
QNB Capital	Qatar	100%
QNB Switzerland	Switzerland	100%
QNB Financial Services	Qatar	100%
QNB Tunisia	Tunisia	99.96%
NSGB	Egypt	97.12%
QNB Kesawan	Indonesia	70%
QNB Syria	Syria	51%
Mansour Bank	Iraq	51%
Bank of Commerce & Development	Libya	49%
Commercial Bank International	UAE	40%
Housing Bank for Trade & Finance	Jordan	35%
Al Jazeera Finance Company	Qatar	20%



## QNB Comparative Positioning – Qatar and MENA

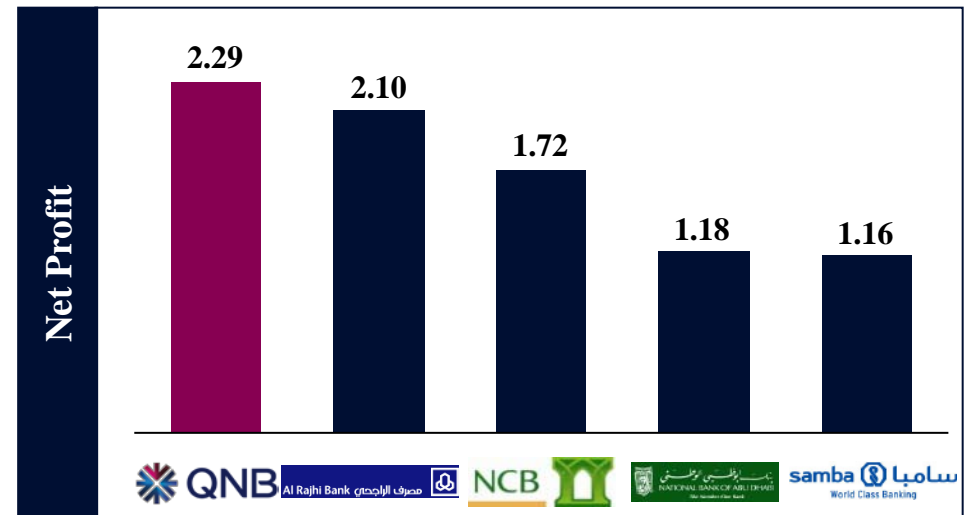
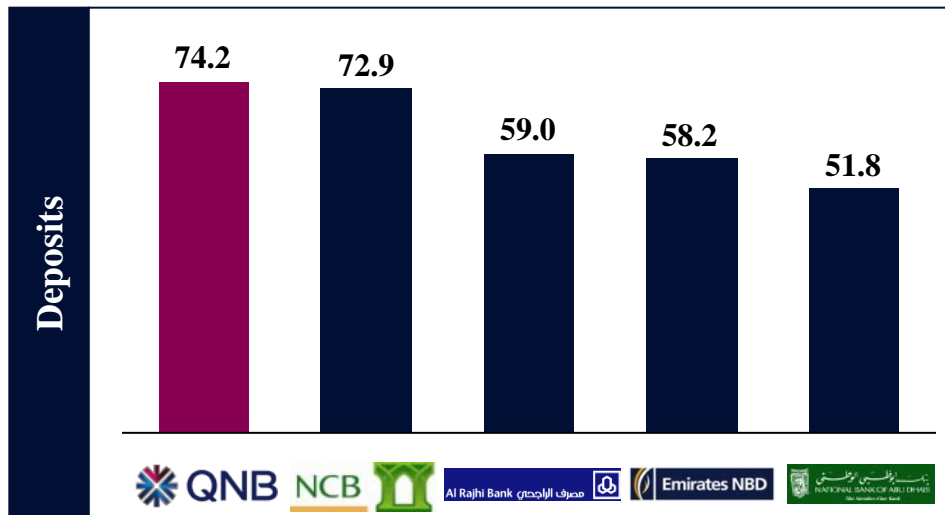
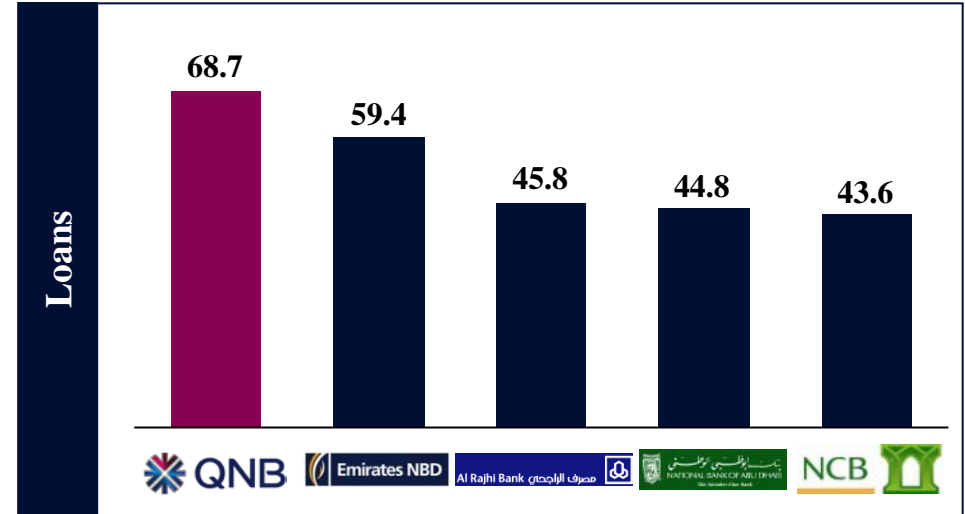
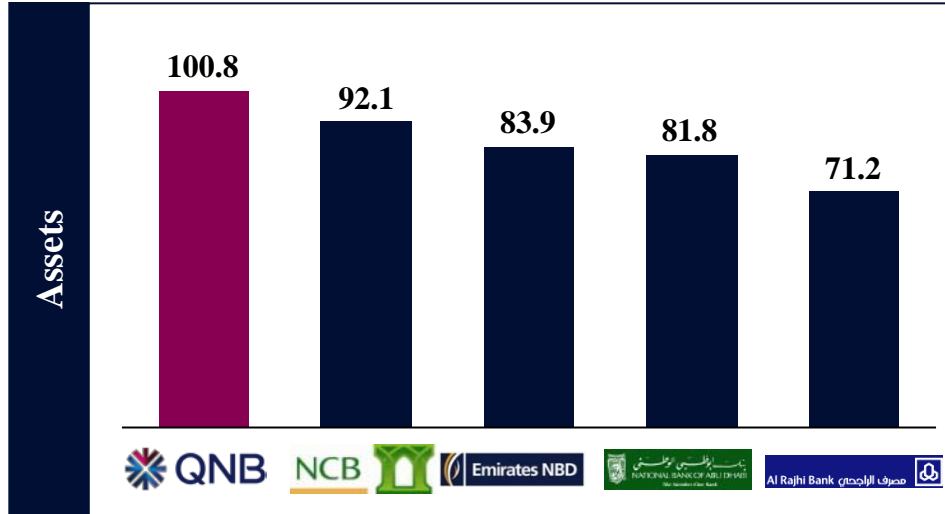
# Top 5 Domestic Banks

QNB continues to excel in the domestic market



# Top 5 Regional Banks

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







## Financial Highlights – March 2013

*Note: These results do not include financial results of NSGB. QNB Group expects to finalise the incorporation of the financial results of NSGB during the second quarter of 2013.*

# QNB continues to demonstrate sustainable profitable growth

March 2013 Highlights





Growth vs. March 2012


**Profit**

- USD 0.59 Bn net profit  +7%


**Assets**

- USD 104.4 Bn assets  +22% since Mar-12  
+4% since Dec-12
- USD 71.1 Bn loans  +29% since Mar-12  
+4% since Dec-12

**Funding**

- USD 76.9 Bn deposits  +28% since Mar-12  
+4% since Dec-12

**Equity**

- USD 12.6 Bn equity  +9%

- Net interest margin (NIM): 2.73%
- Efficiency ratio: 17.7%

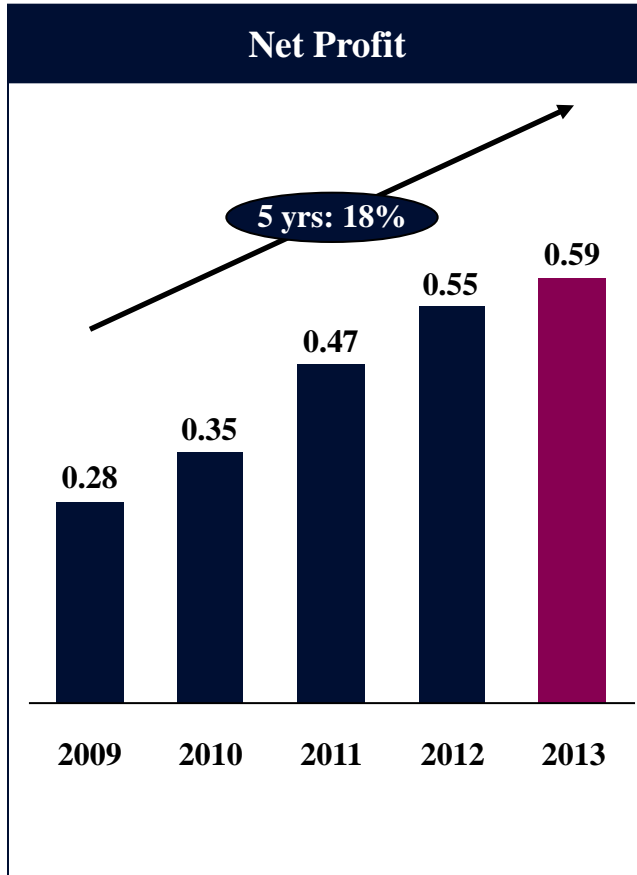
- NPL (% of assets): 1.4%
- Coverage ratio: 119%

- Loans to deposits ratio: 92.5%

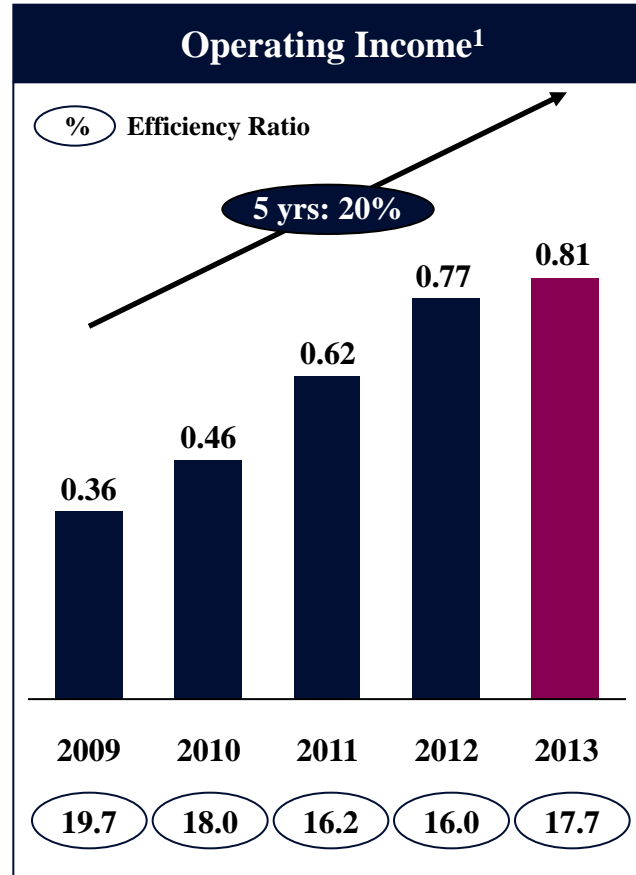
- Capital adequacy ratio: 20.5%

# Strong profitability growth

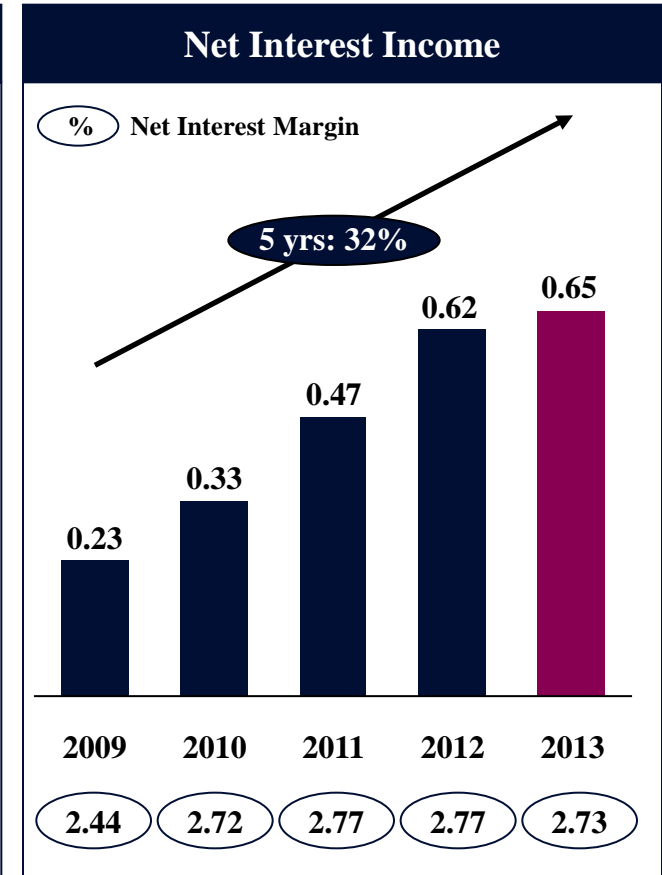
Income Statement Breakdown (USD Bn as at March)



- Net profit increased 7% from 2012
- 2008-2013 CAGR of 18%



- Operating income increased 6% from 2012
- 2008-2013 CAGR of 20%



- NII increased 5% from 2012
- NIM expanded by 29bps since 2009
- 2008-2013 CAGR of 32%

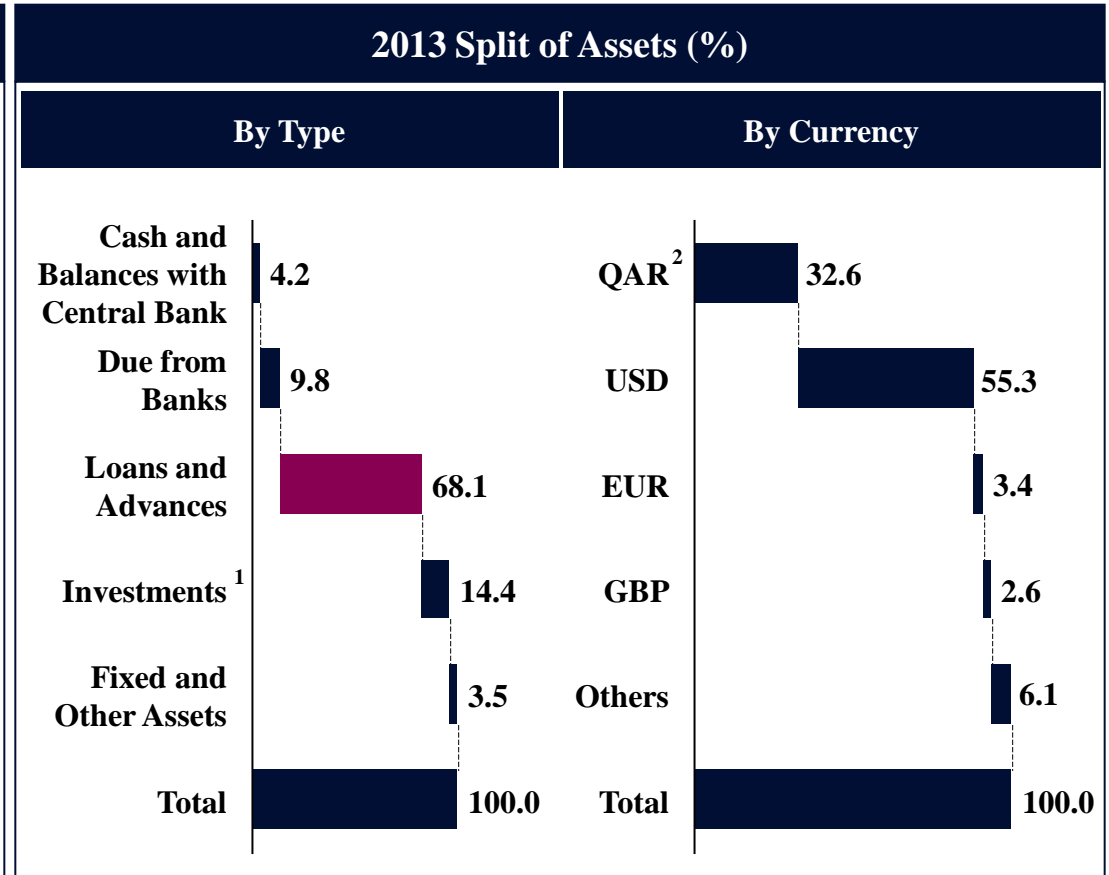
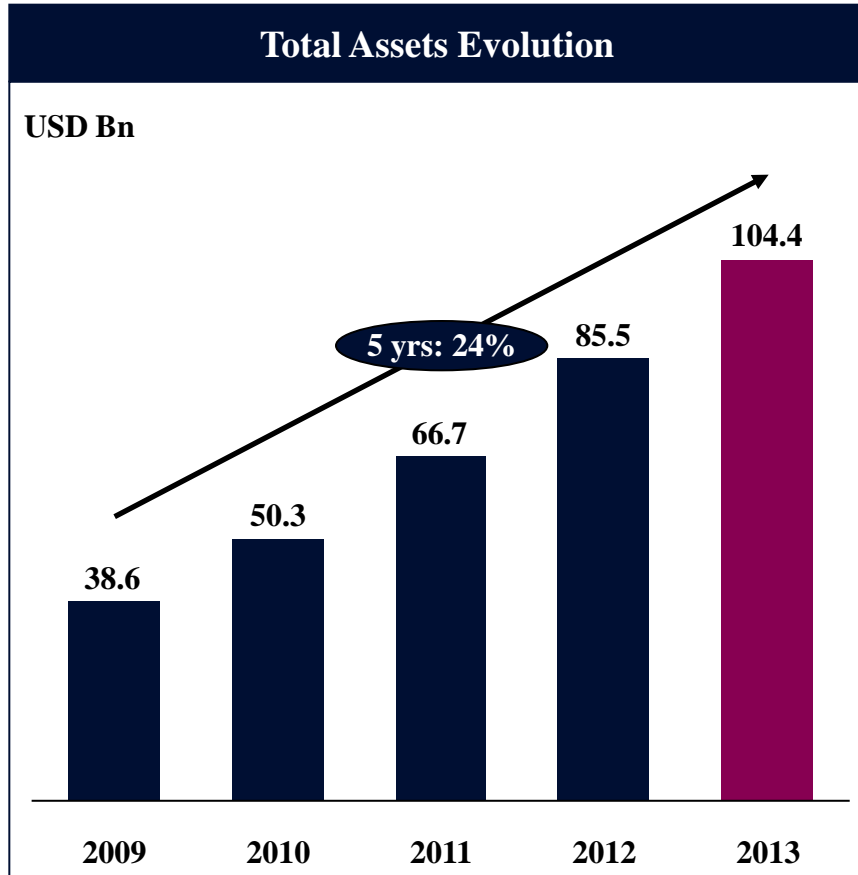
# Robust quarterly growth has been consistently delivered

## Quarterly Income Statement

Income Statement					
USD 000s	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
• Net Interest Income	617,098	615,340	623,109	657,770	645,996
– FX Gain	44,849	41,709	37,854	39,972	47,355
– Fees and Commissions	92,631	88,646	84,663	92,472	96,202
– Investment Income	5,453	20,876	7,024	14,951	4,308
– Other Income	483	826	582	708	833
• Total Other Income	143,416	152,057	130,123	148,103	148,698
• <b>Total Operating Income</b>	<b>760,514</b>	<b>767,397</b>	<b>753,232</b>	<b>805,873</b>	<b>794,694</b>
• G&A Expenses	(123,385)	(132,175)	(131,598)	(143,638)	(144,579)
• <b>Total Operating Profit</b>	<b>637,129</b>	<b>635,222</b>	<b>621,634</b>	<b>662,235</b>	<b>650,115</b>
• Investment Income - Associates	10,138	16,698	21,067	21,587	18,554
• Loan Loss Provisions	(73,255)	(70,392)	(65,370)	(81,041)	(66,601)
• Other Provisions & Taxes	(23,416)	(1,473)	2,440	(22,633)	(14,728)
• <b>Net Profit</b>	<b>550,596</b>	<b>580,055</b>	<b>579,771</b>	<b>580,148</b>	<b>587,340</b>

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

Assets Analysis (as at March)

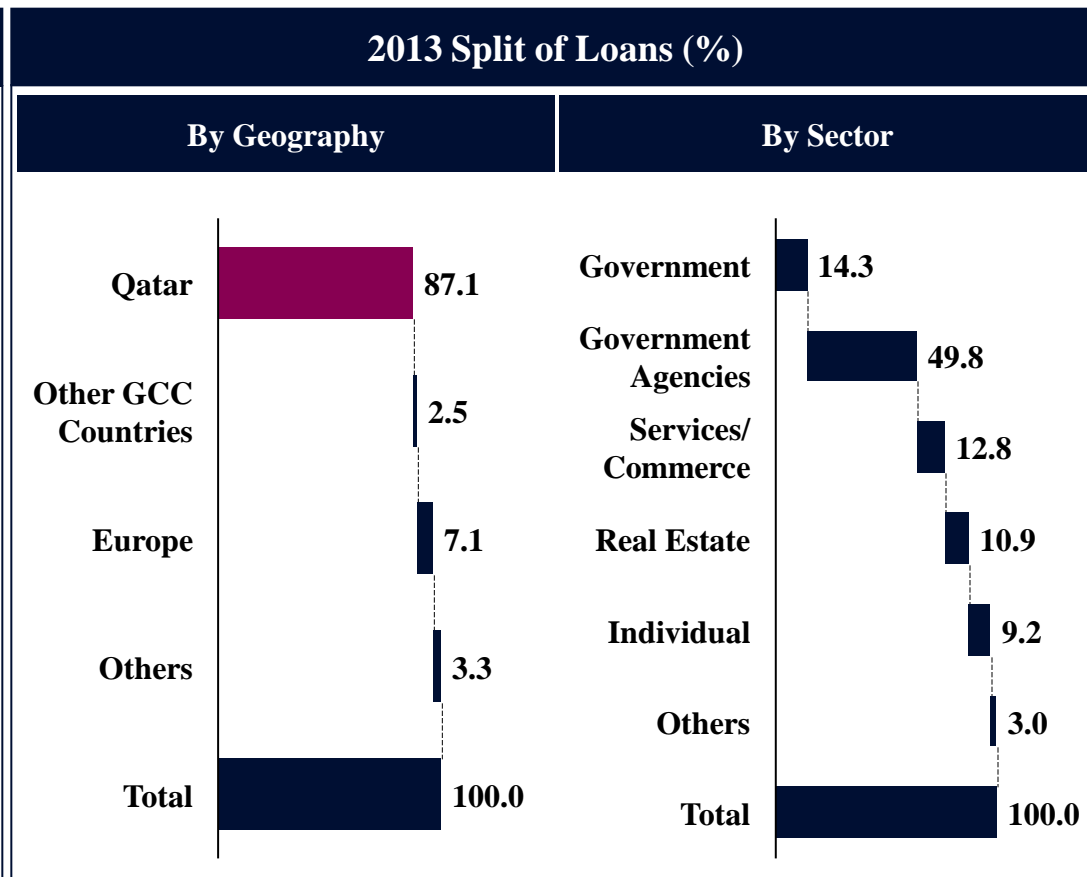
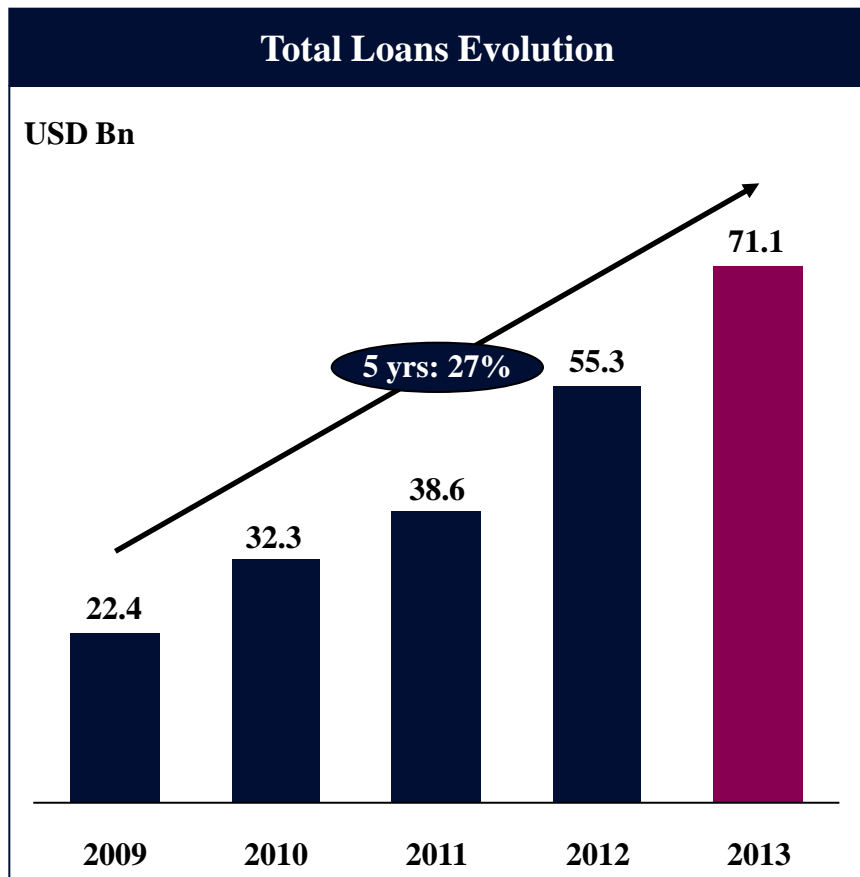


- Assets increased 22% from March 2012
- Assets increased 4% from December 2012

- Loans and advances represent 68% of total assets
- USD and QAR currencies account for 88% of total assets

# Strong loan growth fueled by domestic economic tailwinds

Loans Analysis (as at March)

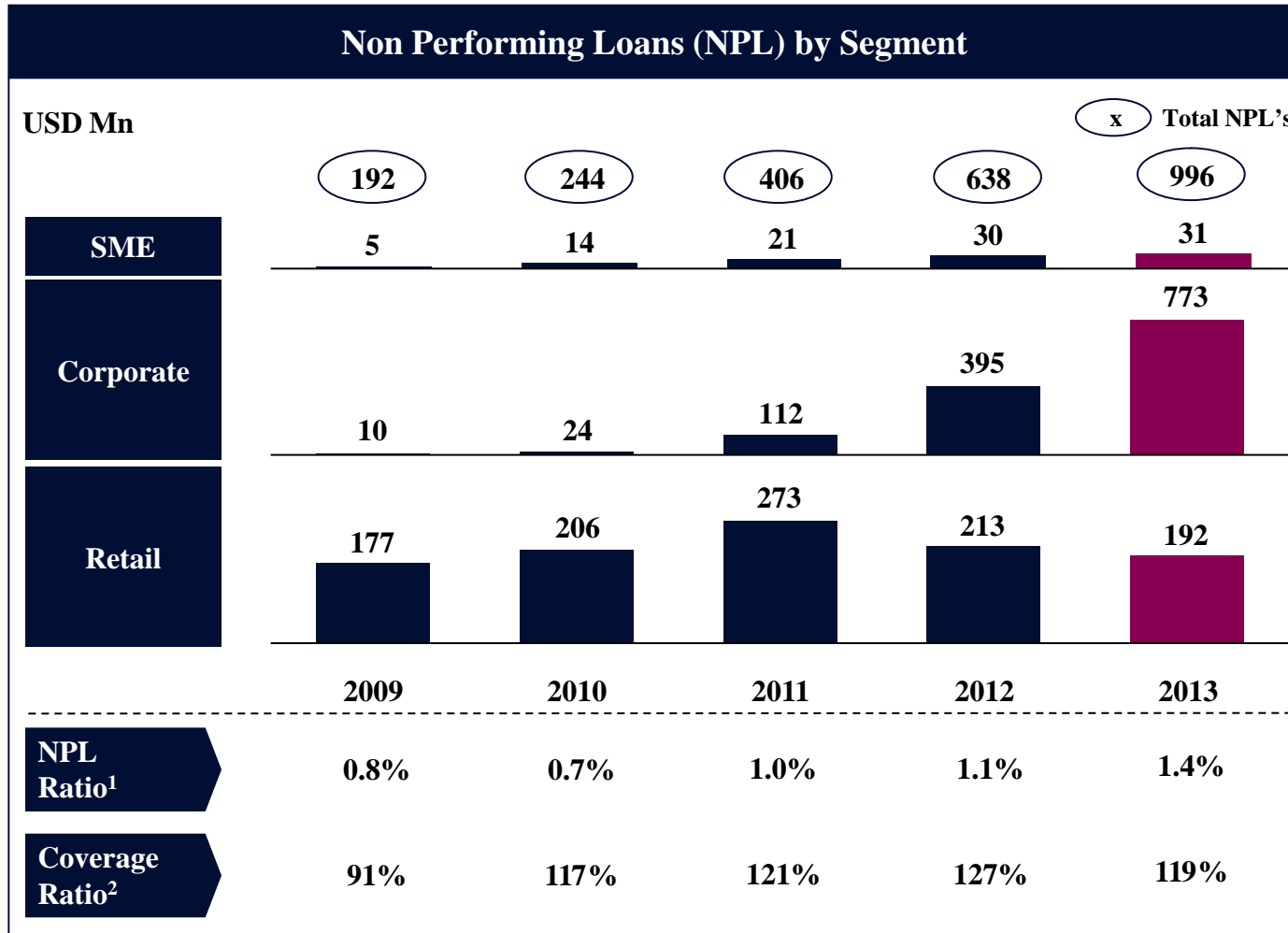


- Loans increased 29% from March 2012
- Loans increased 4% from December 2012

- Loans denominated in USD represent 64% of total loans
- Loan exposures are of high quality with significant concentration in Government and Government Agencies

# High quality lending portfolio is highlighted by low NPL ratios

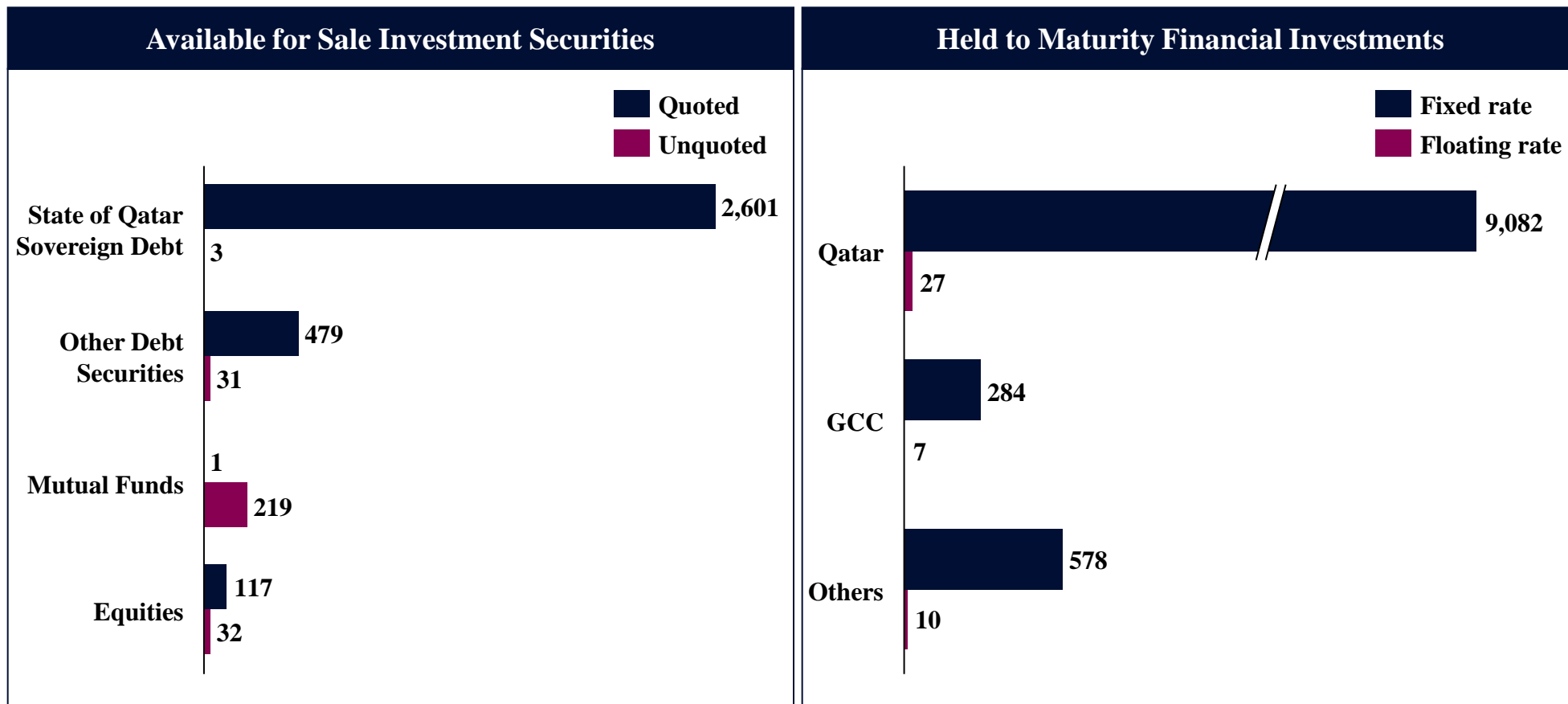
Asset Quality Analysis (as at March)



- One of the lowest NPL ratio among MENA banks
- QNB has continued to increase its provisions in response to the global economic situation
- The bank's provisions coverage has remained strong amidst the economic slowdown, with a coverage of 119% as at March 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 against QCB requirement of only 2.00%

# High quality investment portfolio with 86% of securities rated AA or better

Investments Analysis (USD Mn as at March 2013)



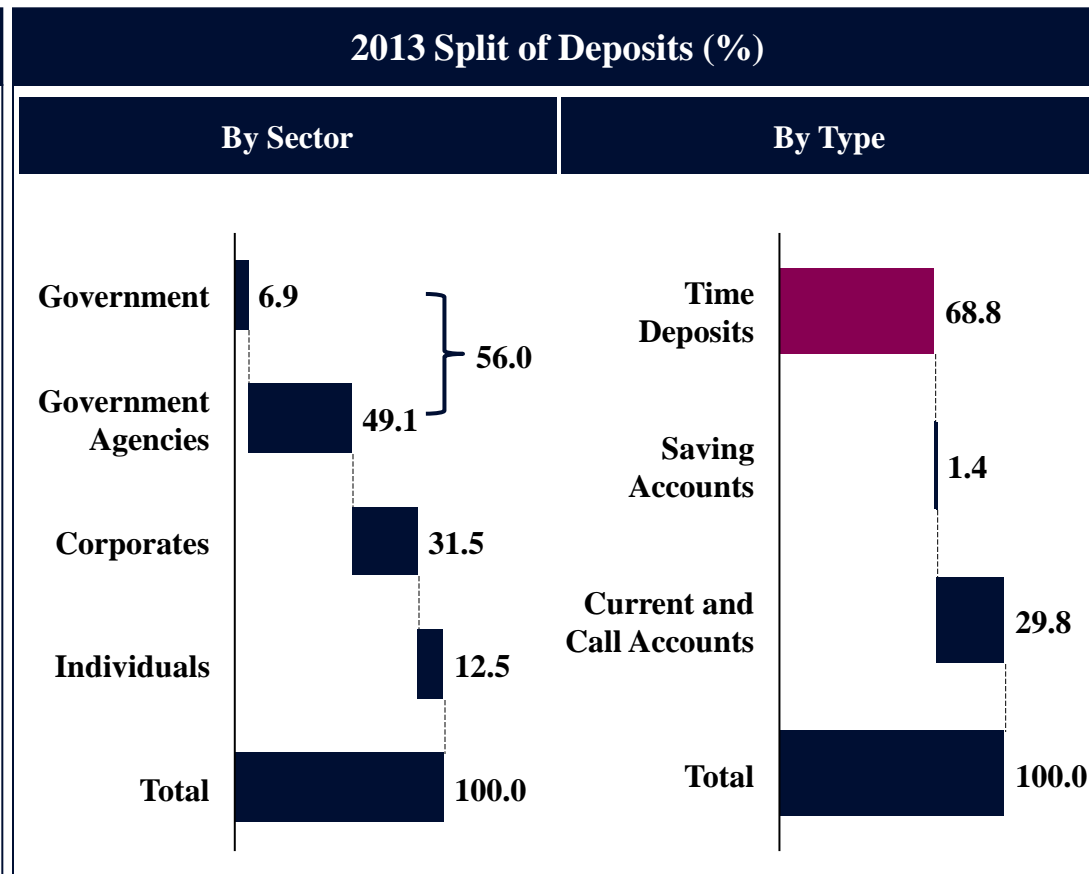
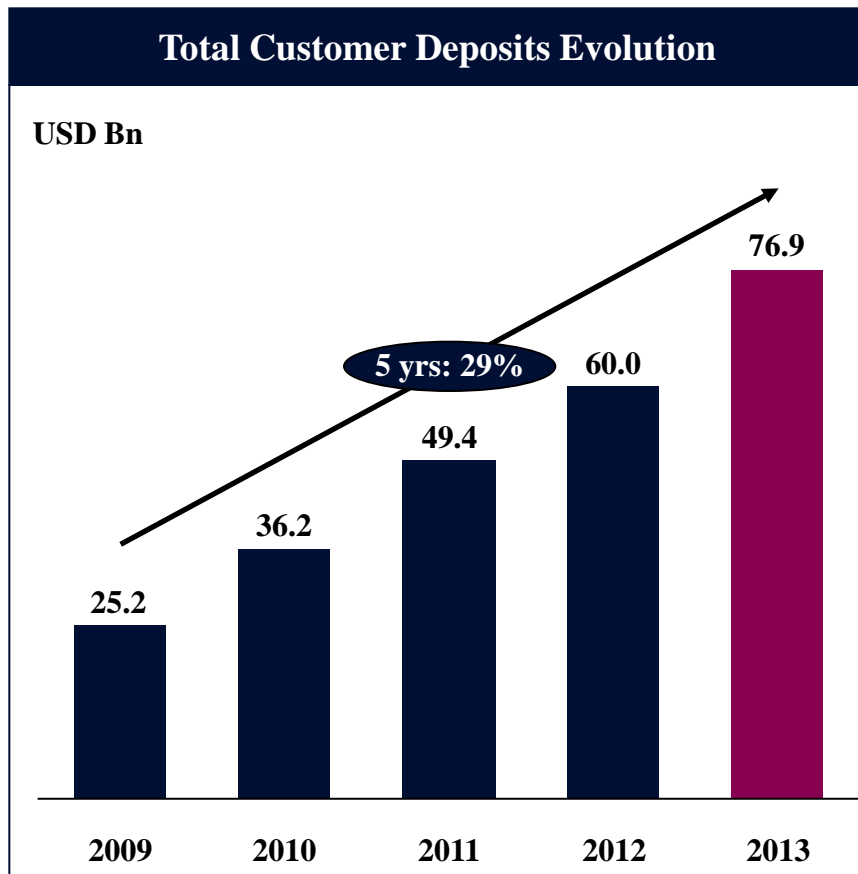
- Quoted securities account for 92% of available for sale investment securities

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



# Robust growth in customer deposits and funding

Funding Analysis (as at March 2013)

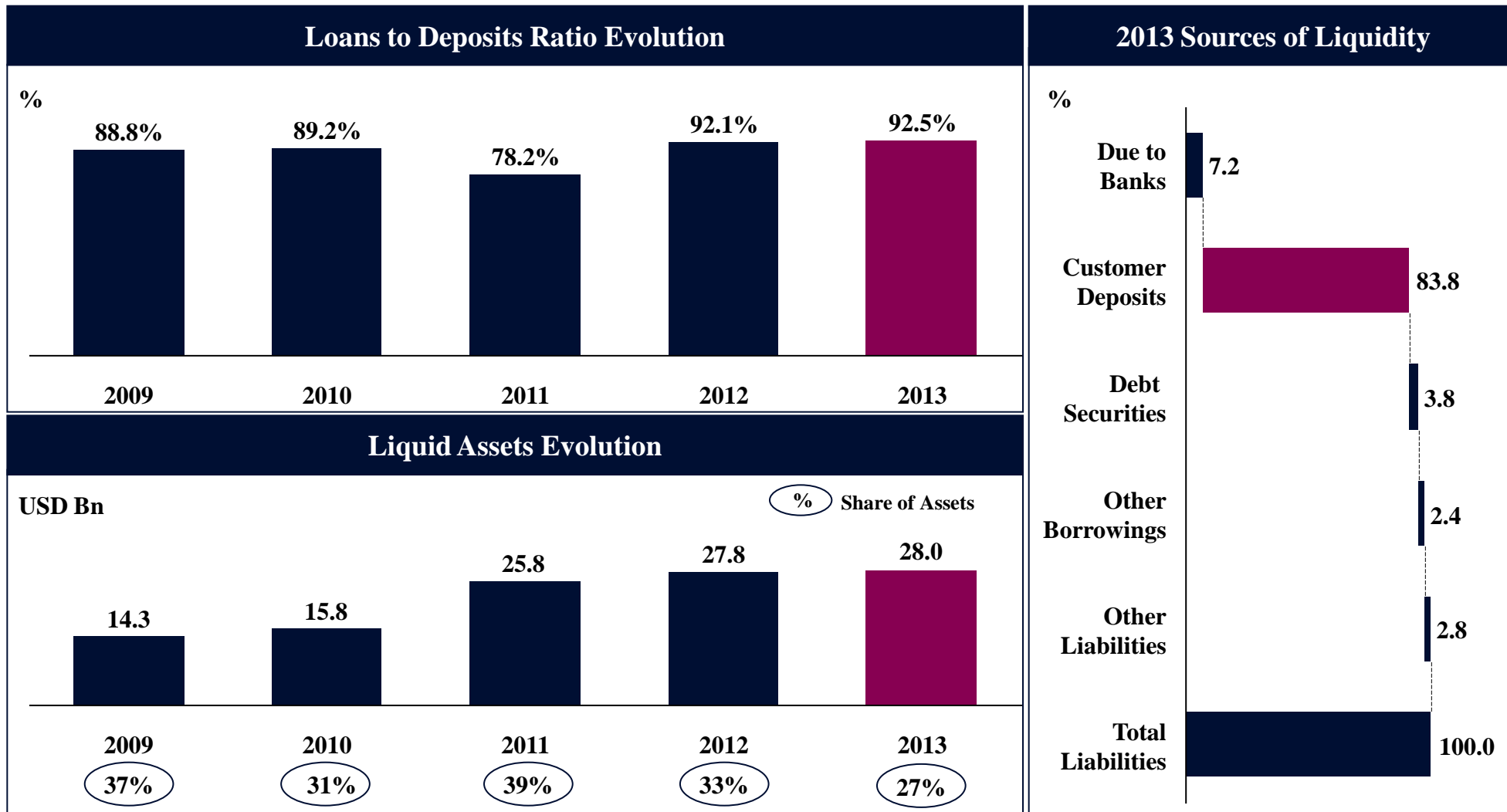


- Deposits increased 28% from March 2012
- Deposits increased 4% from December 2012

- QNB remains the public sector's preferred bank
- Time deposits account for 69% of deposits
- USD denominated deposits represent 54% of total deposits

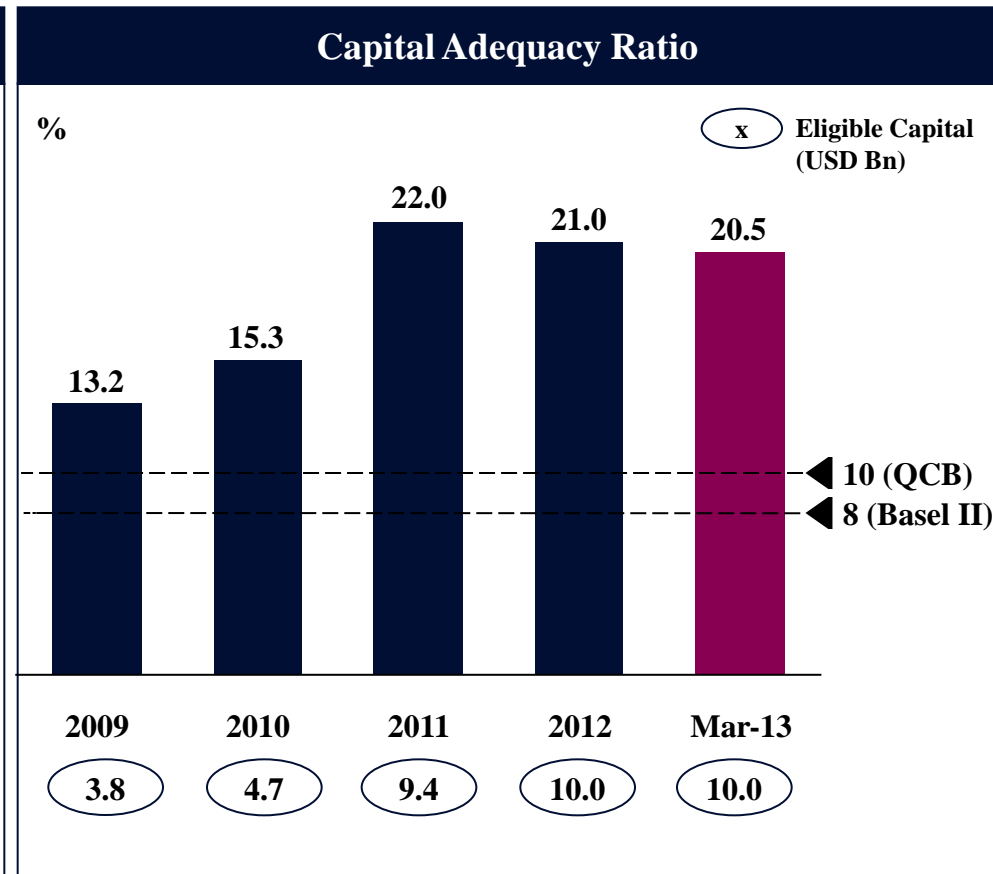
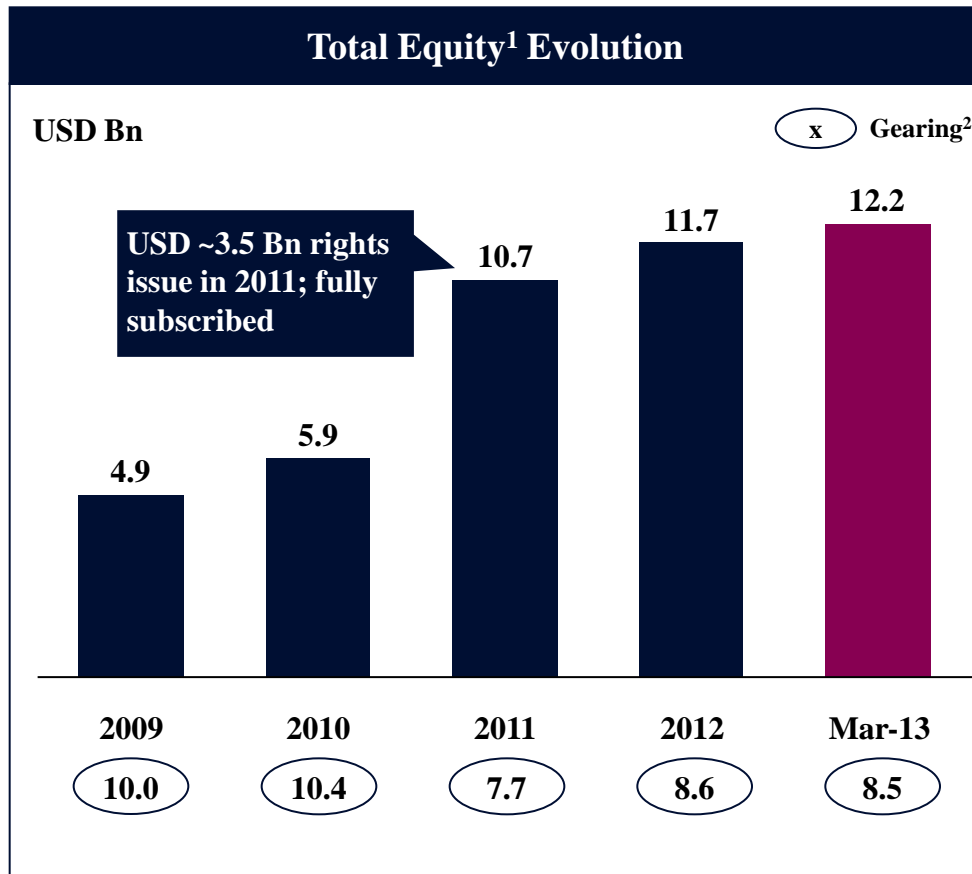
# Solid liquidity profile with loans to deposit ratio consistently below 95%

Liquidity Analysis (as at March)



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

Capital Analysis (as at December unless otherwise stated)



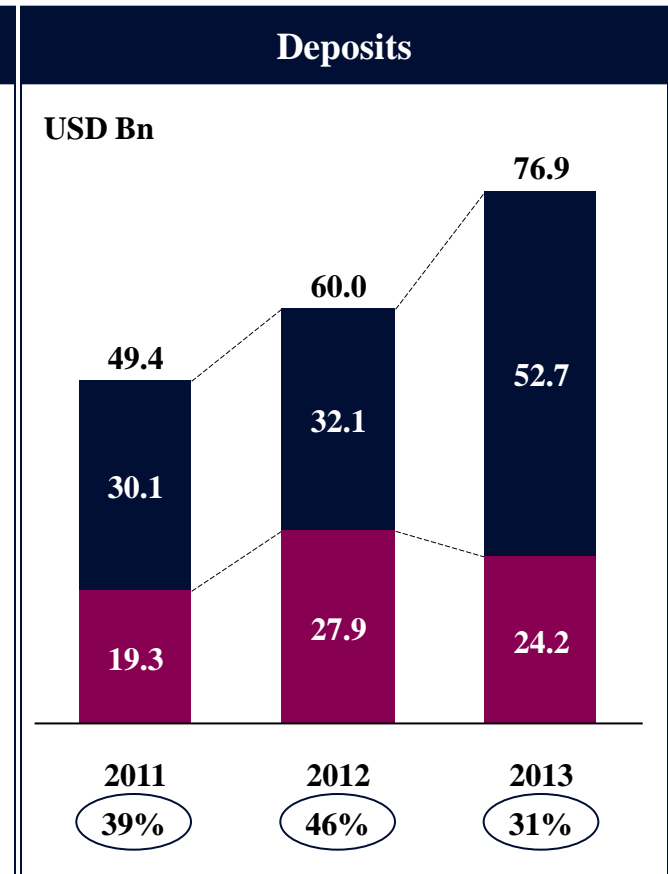
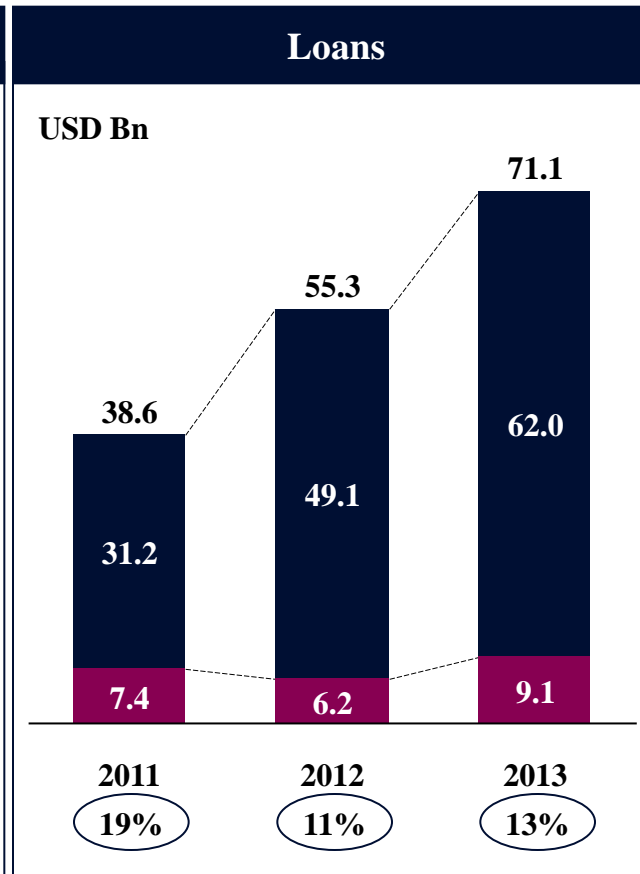
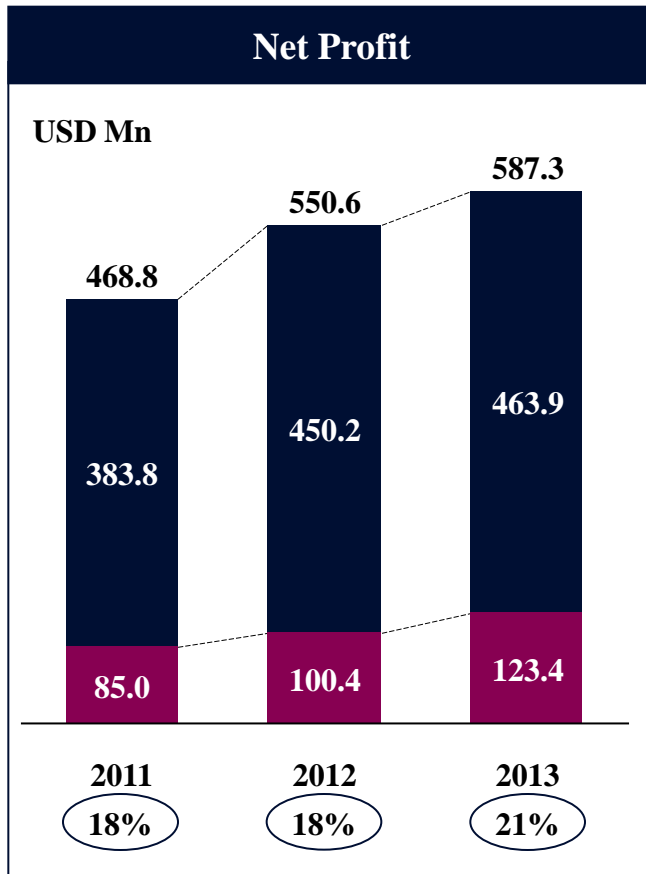
- Capital base has been regularly increased in line with the strong surge in QNB's balance sheet

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

# Growing geographical diversification positively contributes to growth

## Geographical Contribution (as at March)

■ Domestic ■ International (%) Share of International

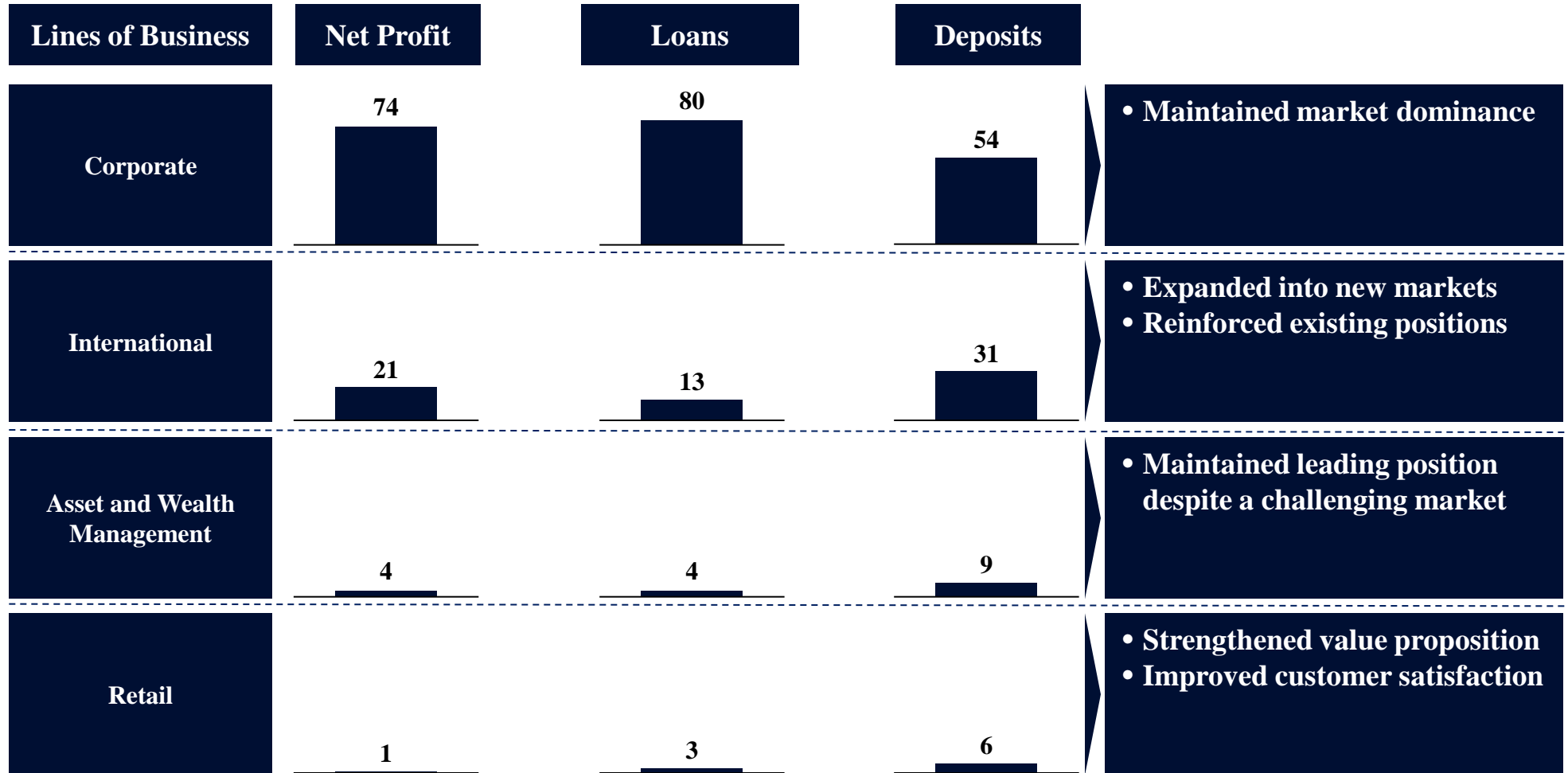


- Profit from international operations increased by USD 38 Mn (+45%) from 2011 to 2013

- Loans and deposits from international operations increased by USD 1.7 Bn (+23%) and USD 4.9 Bn (+25%) respectively, from 2011 to 2013

# Diversifying business mix will bolster sustainable growth

Business Mix Contribution (% share as at March 2013)



# Post Acquisition QNB Group Financials including NSGB

Key data (as at end March 2013)

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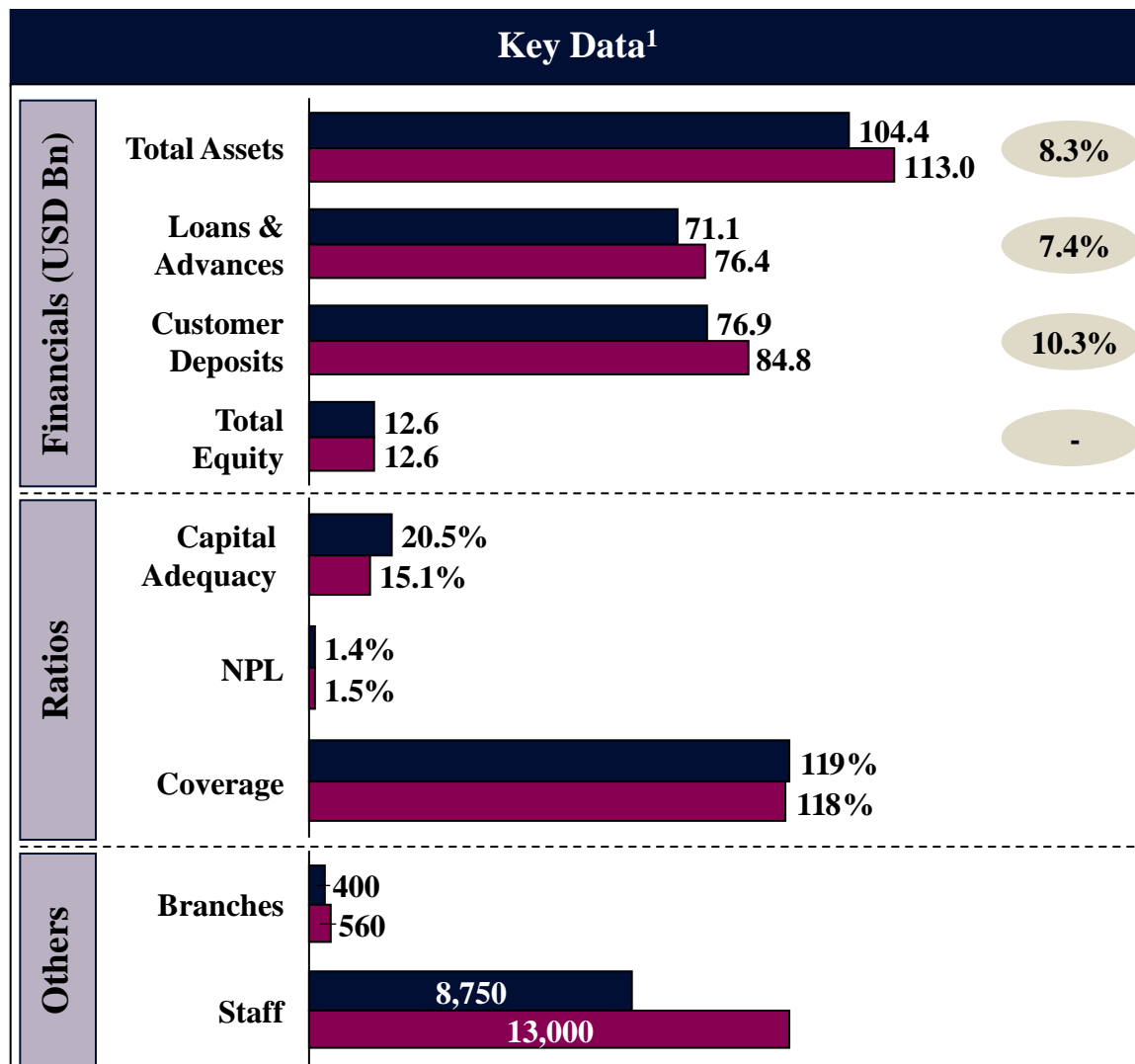
Growth



QNB



QNB incl. NSGB



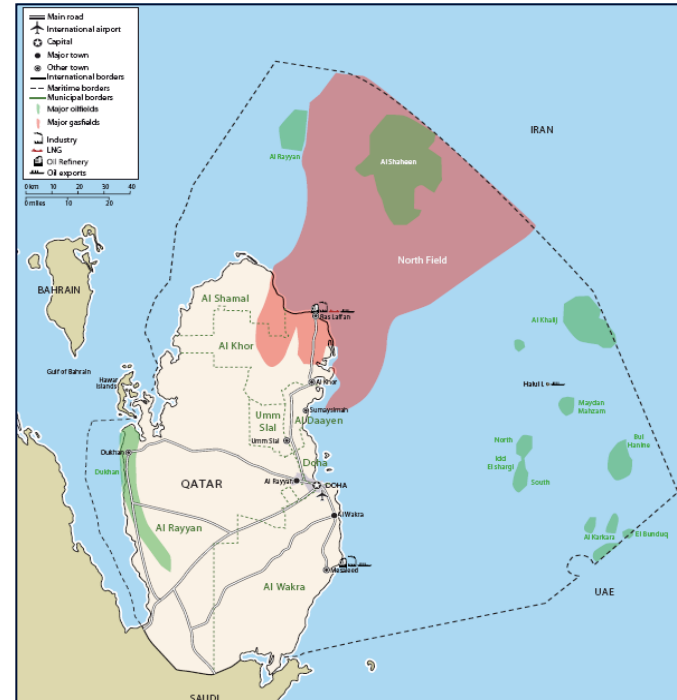
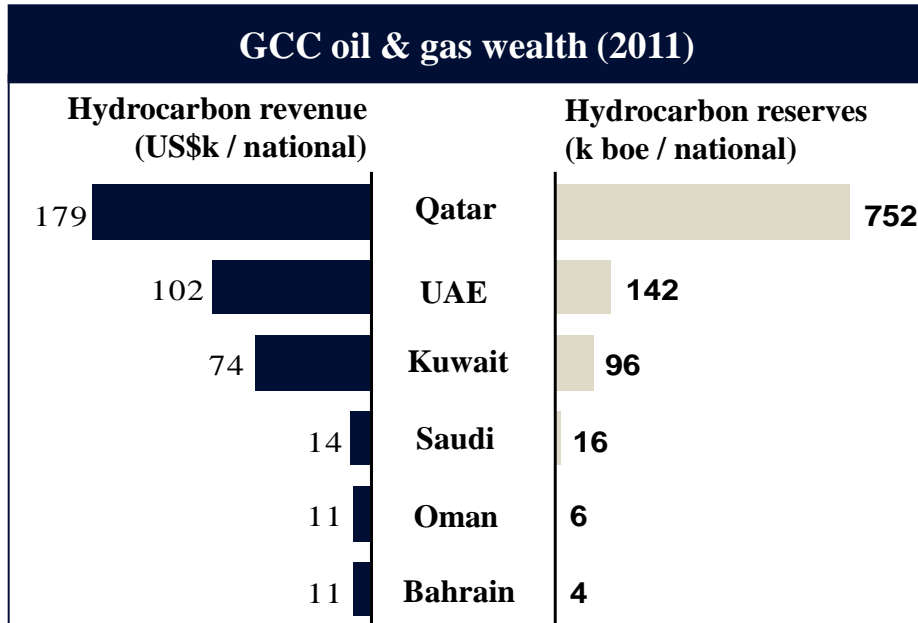
## Highlights

- Mandatory Tender Offer closed on 25<sup>th</sup> March with 77.17% from Société Générale and 19.95% of remaining shares
- Capital Adequacy on consolidation 15.1%
- USD 1.3 Bn of Goodwill assumed in purchase of 97.12%
- QNB Group expects to finalize incorporation of the financial results of NSGB during the second quarter of 2013



# Economic Overview

# Qatar has the world's greatest hydrocarbon wealth per national and its reserves are sustainable

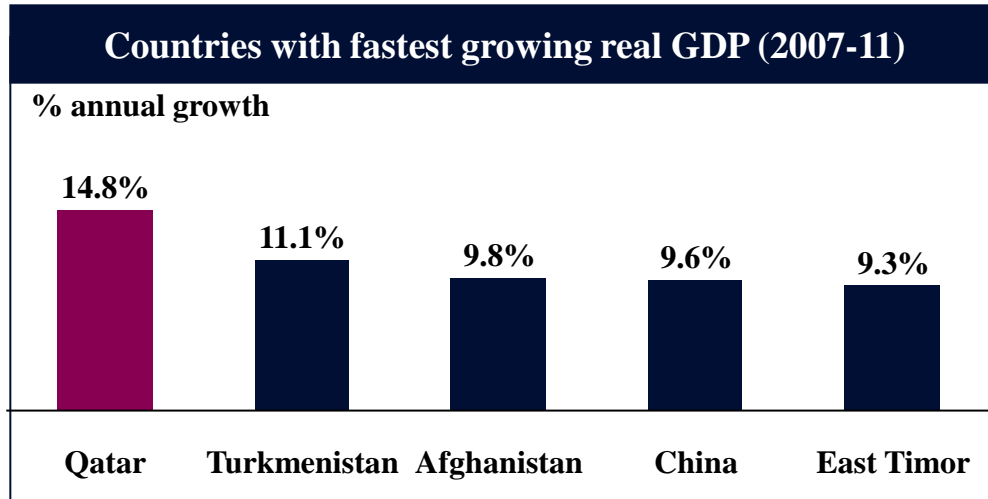


- Qatar has the highest reserves per national in the world
- It also has the highest state revenue per national in the world

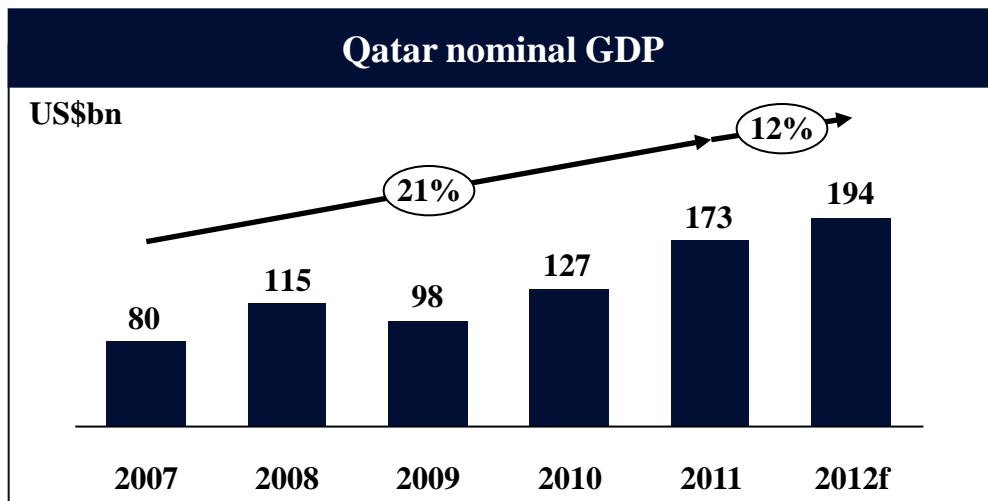
- Most of Qatar's hydrocarbons reserves are held in the North Field, which contains 60% of GCC gas reserves and 14% of global gas reserves
- It could produce at 2012 rates for 140 years
- Qatar also has 26bn barrels of crude oil and condensates, 5% of GCC reserves and 1.9% of global reserves



# Qatar has been the world's fastest growing economy 2007-11

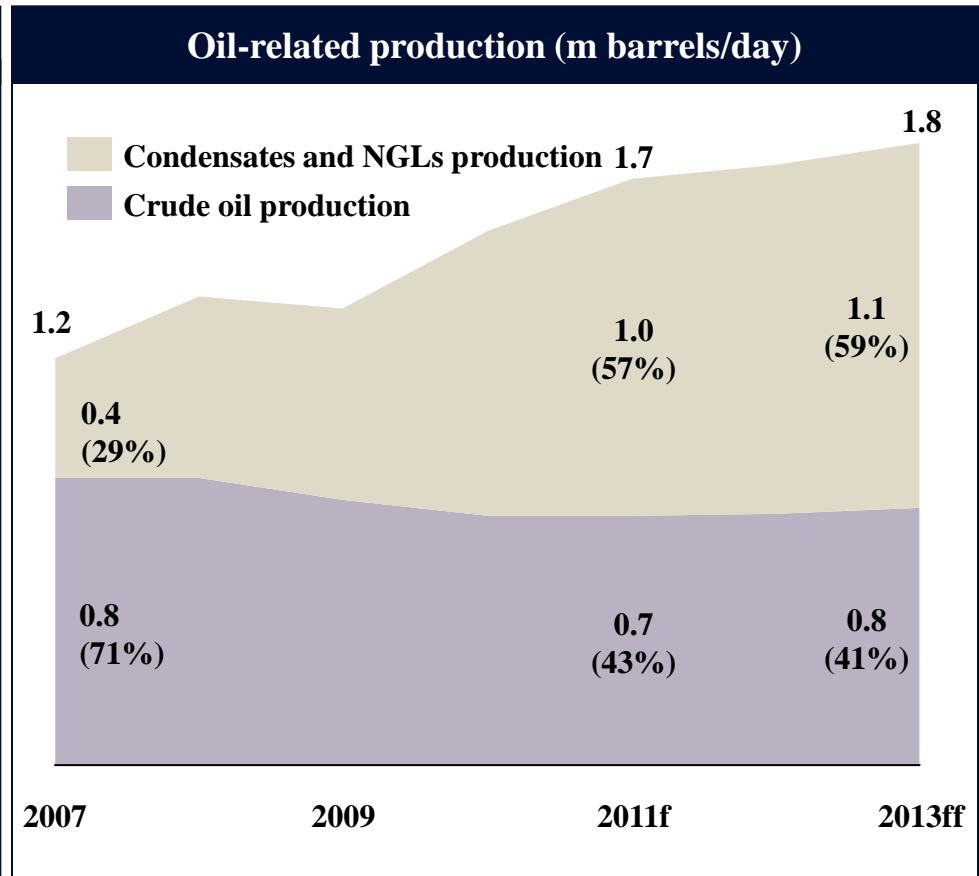
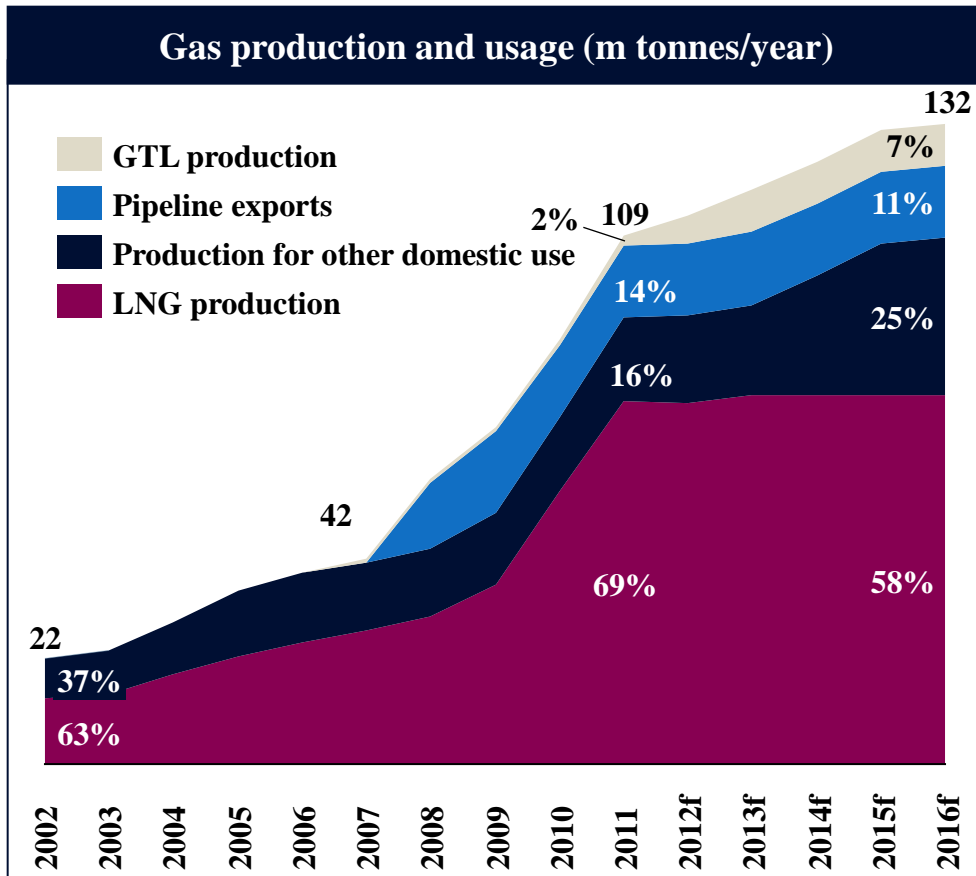


- Qatar's annual real growth of 14.8% from 2007-11 was by far the world's highest, mainly due to the expansion in LNG production
- Growth eased to an estimated 6.1% in 2012, still strong by global standards



- Nominal growth was even higher, at 21%, due to rising oil prices
- GDP per capita was an estimated US\$106k in 2012, the highest globally

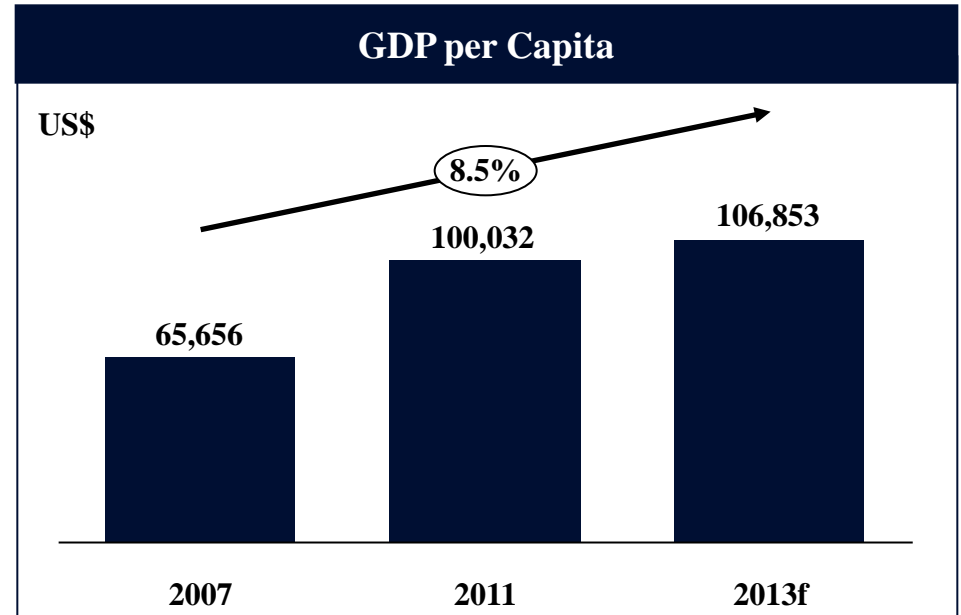
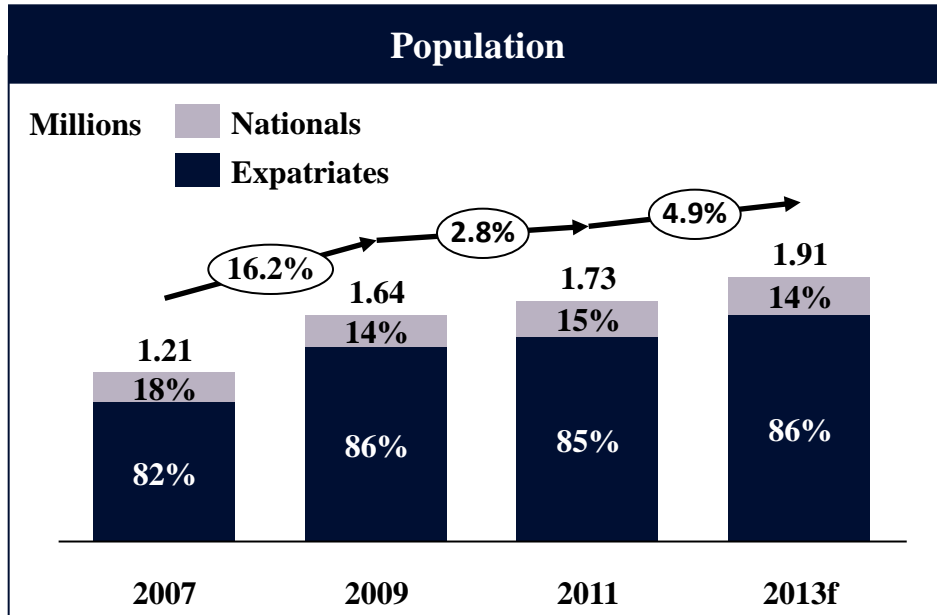
# Growth has been driven by a dramatic expansion in gas production



- Gas production has increased 2.5x since 2007
- LNG production has reached planned capacity of 77m t/yr
- Only 12% of total gas was used domestically in 2013

- The volume of condensates and NGLs now exceeds crude oil production

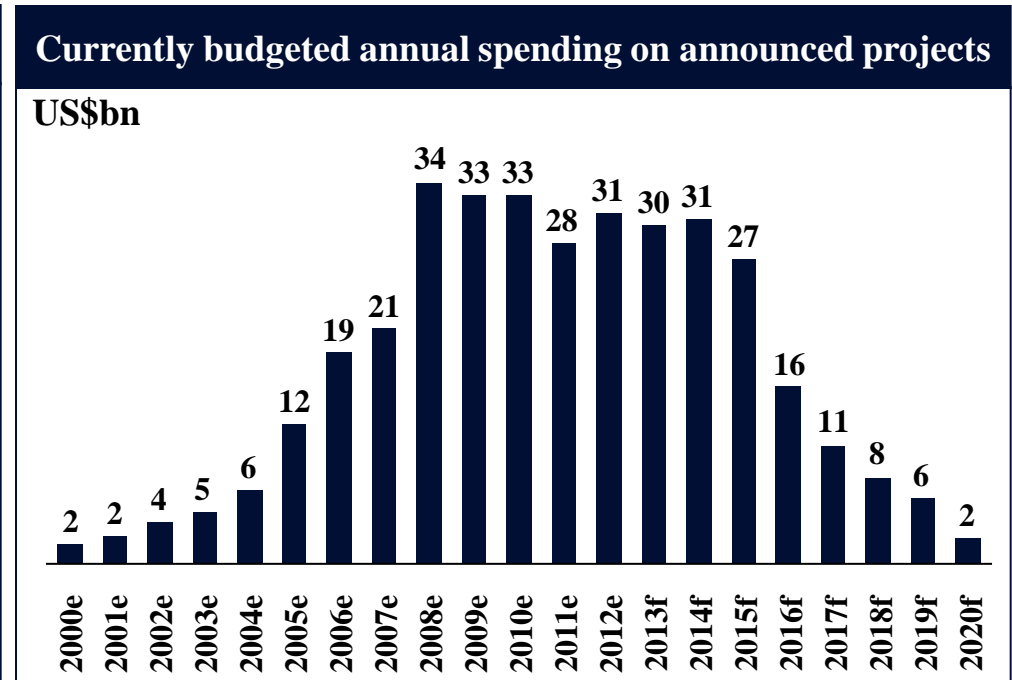
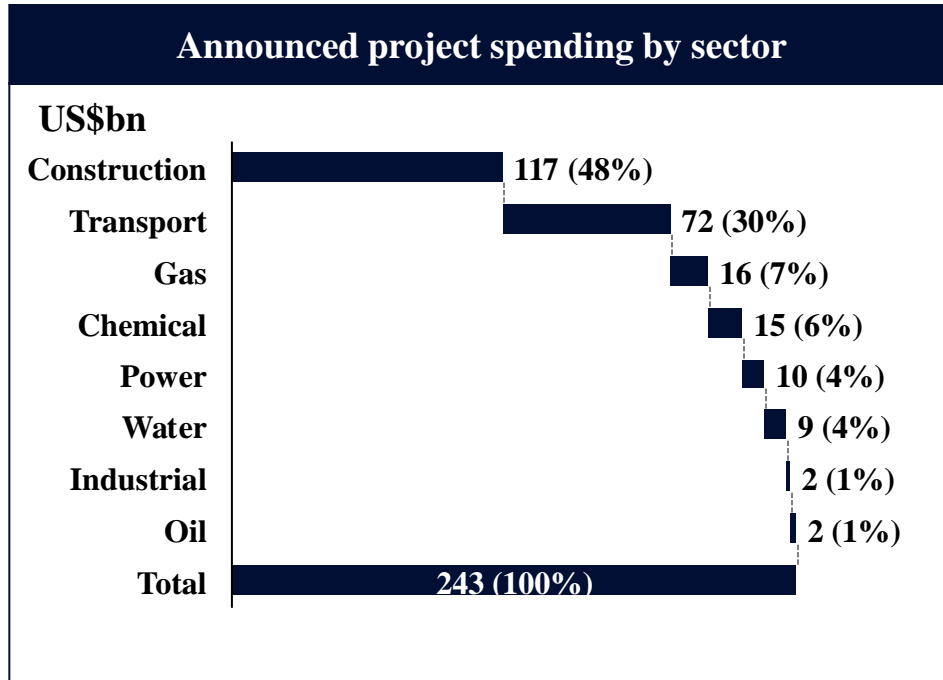
# The economic expansion has driven immigration and rapid growth in the size and wealth of the population



- Population growth was the highest in the world in 2007-09, largely due to inflows of construction workers
- Population growth picked up to 6.4% in January 2013 (based on a 12 month rolling average), the highest rate since 2009

- GDP per capita is amongst the highest in the world and rising fast
- QNB Group estimates:
  - 40,000 employees earn over US\$10,000 / month
  - 80,000 earn over US\$5,000 / month
- The outlook for growth in the high-income segment is strong as development shifts to increasingly more sophisticated sectors

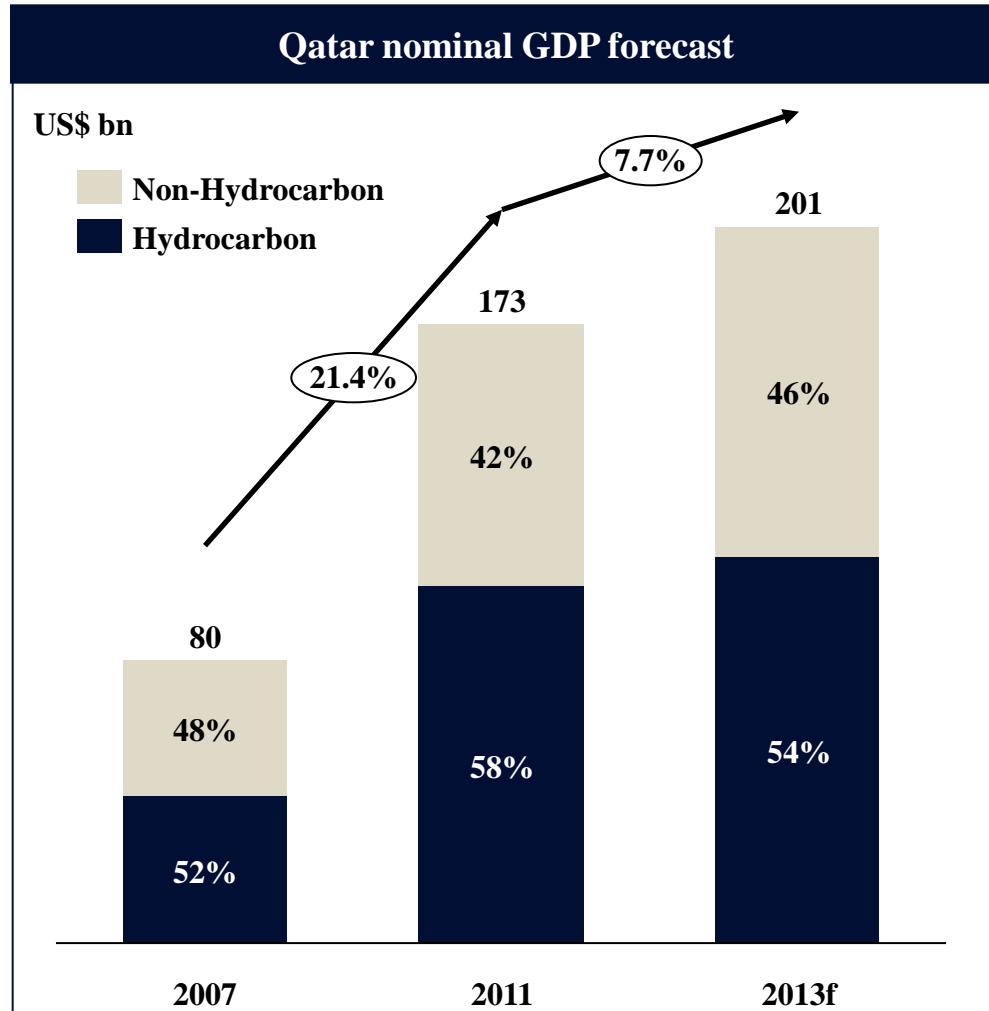
# We estimate that over US\$250bn will be spent on projects in 2013-20



- Government spending aims to attract private investment
- Infrastructure and real estate account for 78% of currently announced project spending
- 2022 World Cup spending
  - US\$5bn on stadiums
  - Hotels and tourism (value not published)

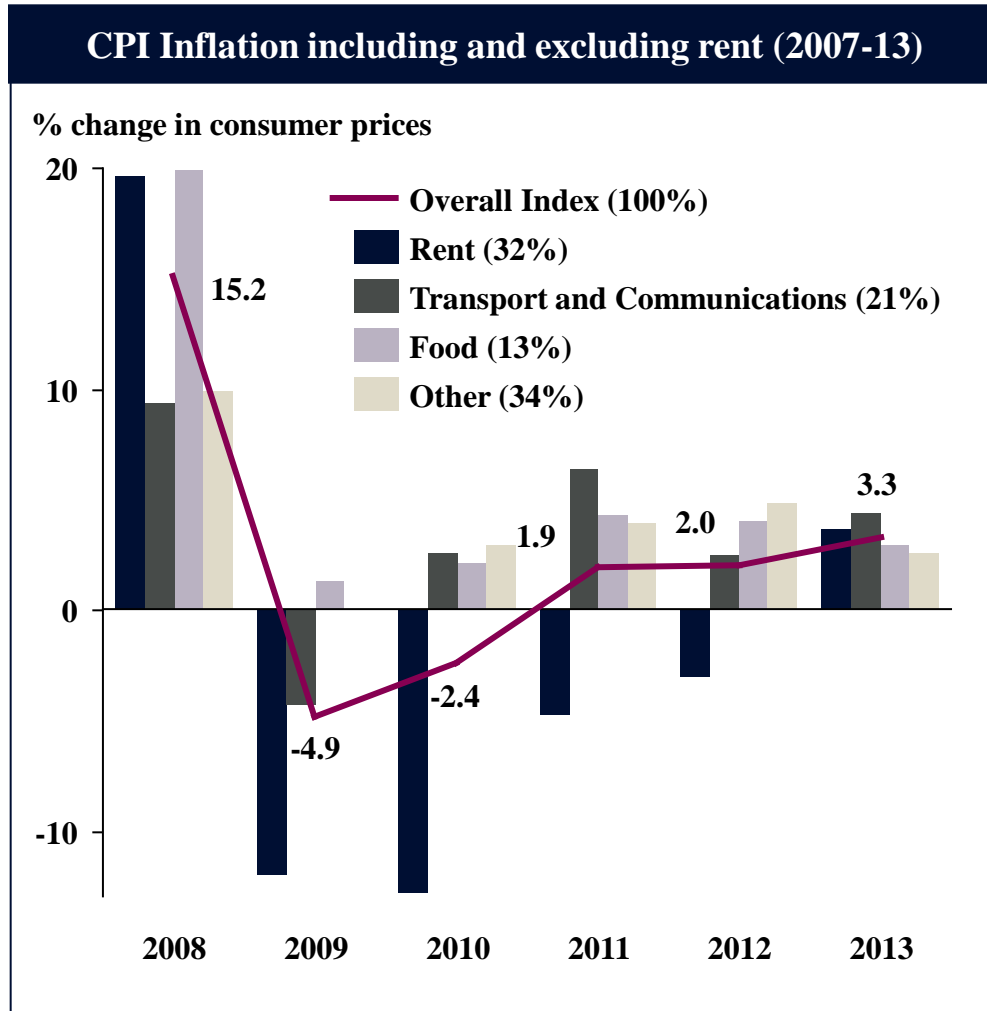
- Key projects include:
  - Transport: new airport (2013) , port (2016), roads and railways
  - Industry: Power plant and refinery expansion
- On top of spending on already announced projects, new projects are likely to be unveiled lifting spending to over US\$250bn in 2013-20

# Strong growth will continue with non-oil increasing in importance supported by government efforts to diversify the economy



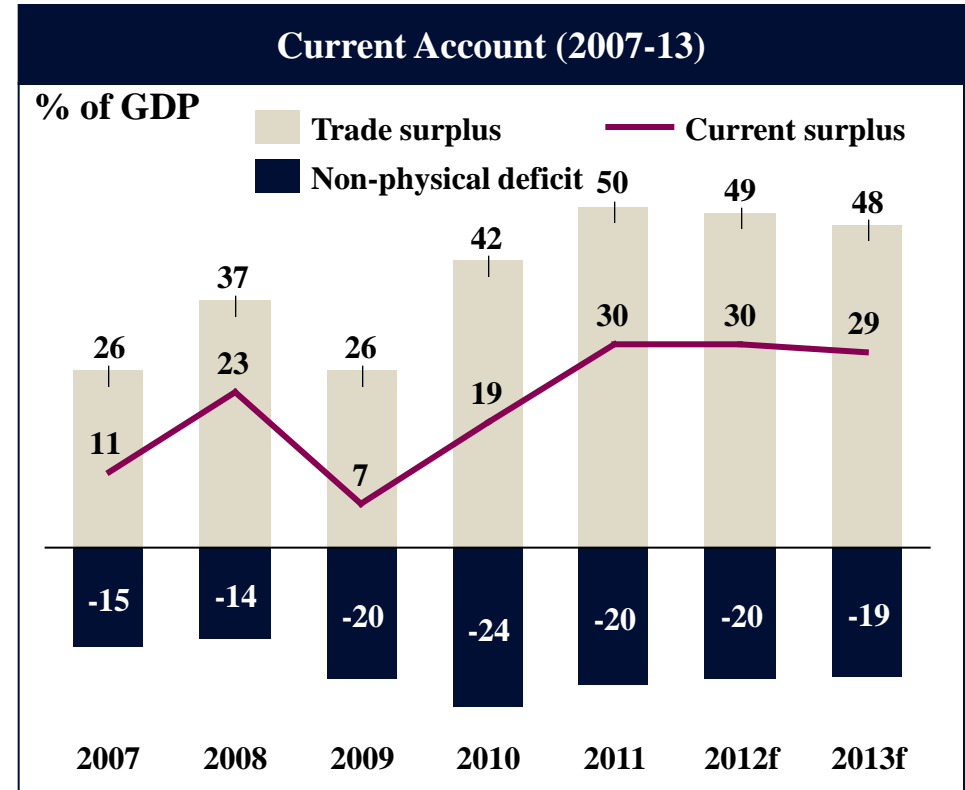
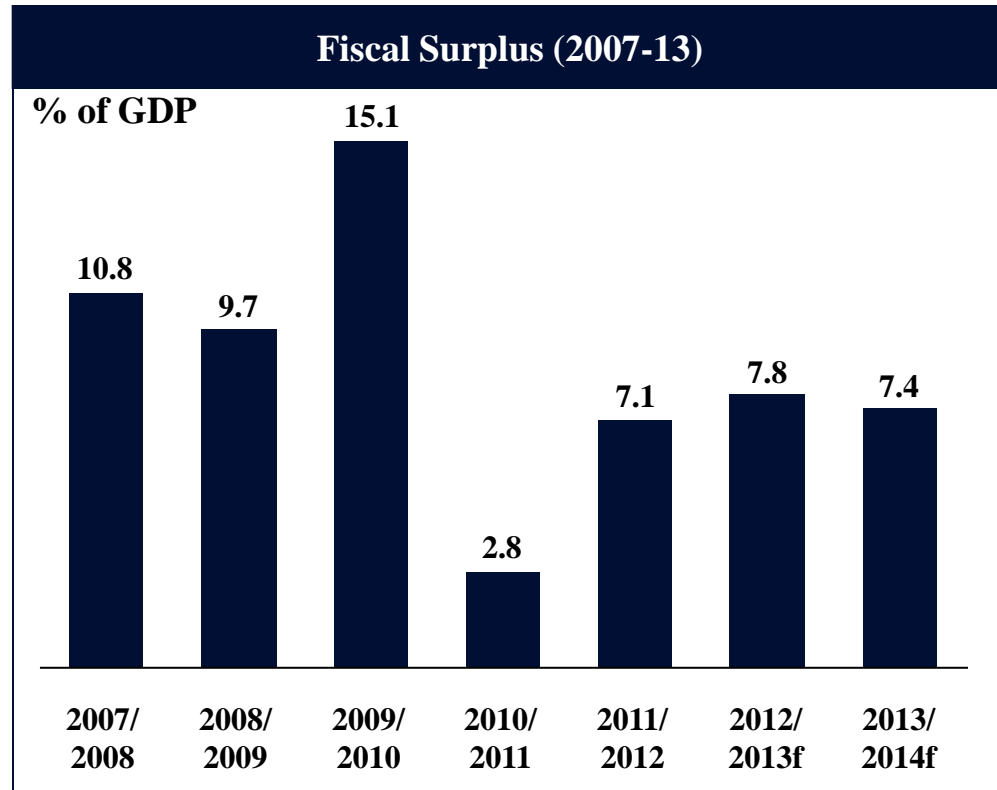
- Nominal growth is forecast to be 3.9% in 2013, assuming Brent slipping slightly to US\$108/barrel
- Growth is slower than in the period up to 2012, because little further hydrocarbon expansion is planned
- The non-oil sector will drive growth and it's share is forecast to rise from 42% of GDP in 2011 to 46% in 2013

# Inflation has been contained by falling rent prices and is forecast to moderate



- YoY inflation was 1.8% in November 2012
- A key domestic inflationary factor is the impact on spending of a 60% increase in the salaries of Qatari nationals in 2011-12
- Rent accounts for 32% of the CPI basket and fell during 2009-12, holding down overall inflation
- After four years in decline, rents began increasing in July 2012 and by December were up 2.8% YoY
- We expect rents to continue rising in 2013 along with a pickup in other parts of the CPI basket

# Hydrocarbon receipts ensure fiscal and current-account surpluses



- Expenditure plans are based on conservative oil price assumptions (currently US\$65/barrel)

- The trade surplus is offset by deficits in income, services and transfers

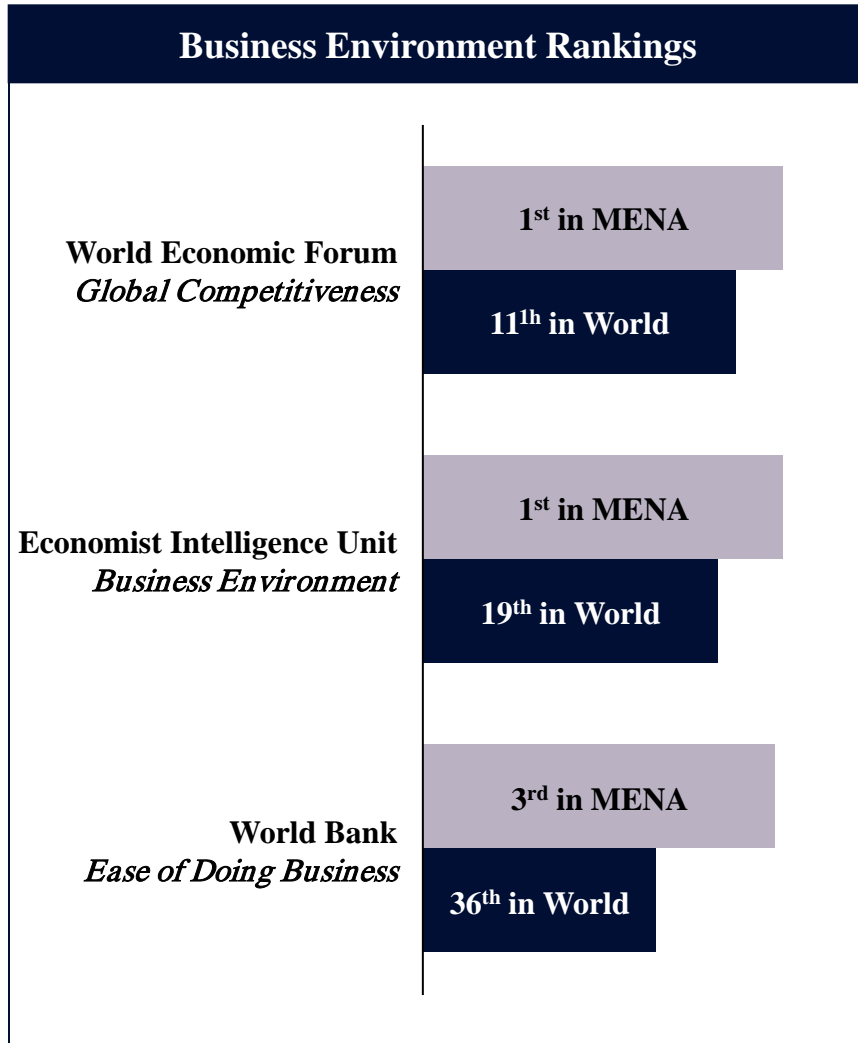
# International reserves are rising and provide ample import cover



- Investment abroad can lead to a deficit on the capital account and falls in international reserves, as happened in 2011
- International reserves rose through 2012, reaching record levels
- They provide about 13 months of import cover currently, well above the IMF recommended minimum of three months



# The business environment is extremely strong



## Contributing factors

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

# Disclaimer

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