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News Headlines

Economic

- Qatar to launch rating firm for domestic debt issuers
- QCB Comfortable with low interest rates
- GSDP forecasts double-digit current account surpluses
- QCB: Qatar banks will comply with Basel III by year-end
- QFC Regulatory Authority proposes to strengthen regulatory regime
- Qatar tops GCC rail investments with \$41.8bn plans
- Moody's reaffirms Qatar's Aa2 rating
- Remittances declined by 3% in 2011
- Qatari firms, Indian trade team discuss joint ventures
- QCB warns global economic problems could hit Qatar energy revenue
- Qatar T-bill yields rise in September

Public companies

- Qatar Holding denies AUX stake talks
- QP issues \$1bn samurai bond
- QP plans up to \$13bn in projects in 2014
- Qatargas signs long-term agreement with Japan's KEPCO
- Qatar to set up national reinsurance company

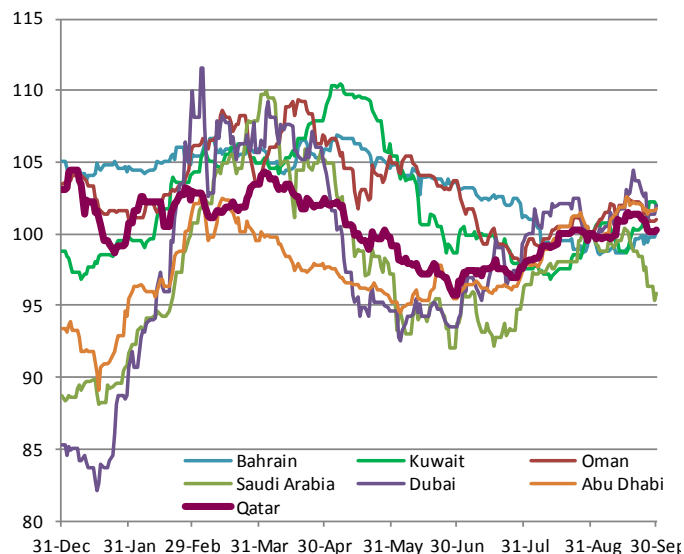
QNB Group

- QNB must make offer on the French/Egyptian bank NSGB within 60 days
- QNB to release 3Q12 financial statements on October 7

Private Sector

- QE Index adds KHCD & MRDS and removes MERS & QATI
- QE will remove listings when trading interrupted or suspended for 30 days
- QIB plans to issue US\$1.5bn sukuk
- Barwa Bank launches Brazil real estate fund
- Barwa Bank extends QR900m Islamic facility to Al-Meera
- Doha Bank may raise QR5.8bn from a share sale
- Ahli Bank announces \$123m rights issue
- EFG Hermes' shareholders approve QInvest deal
- Ezdan to transform into a holding company
- Gulf Warehousing Company to build trade hub in Nigeria
- QTEL receives positive response to Wataniya all-share offer
- QTEL begins test phase of 4G mobile network
- Morgan Stanley ceases to be bookrunner on Asiacell's IPO
- Mannai, QTEL sign partnership accord
- Al-Meera launches plans to expand in Qatar
- Al Meera plans to set up branches in Egypt, Libya
- Mawashi announces long-term strategy for expansion

Stockmarket Indices (rebased with 31 Aug 2012 = 100)



Following gains in August, the Qatar Exchange Index ended September up just 0.3%. Despite relatively weak international oil prices, Industries Qatar (IQCD) was the top contributor to the QE Index (up 1.6% MoM) in the month. The stock has bucked the trend on expectations of relatively solid 3Q2012 results and the expected uptick in earnings from the new QAFCO 5 & 6 fertilizer plants.

Three regional markets, Kuwait, Dubai and Abu Dhabi outperformed Qatar during the month, each for different reasons. The Kuwaiti index rallied on speculation of potential intervention by the Kuwait Investment Authority, while in Dubai, the improving real estate market is attracting investor interest in real estate stocks. In Abu Dhabi, the market expected a positive outcome from negotiations between the Emirates Banks Association and the UAE Central Bank in regards to implementation of new limits on loans to the public sector.

UAE Economic Insight 2012 Published



QNB's latest report forecasts that real GDP in the UAE will grow at a rate of 2.7% in 2012-13. Most of this growth will come from the non-oil sector.

Inflation is forecast to be low over this period, at 1.1%, and the budget will return an average surplus of 1.2% of GDP.

The printed report is available on request and is [here](#) on QNB's website

National Accounts

Nominal GDP (QR bn)	2008	2009	2010	2011	Q2-12	QoQ%	YoY%
Total	419.6	356.0	463.5	630.9	173.4	-1.1%	11.9%
Oil & Gas	230.3	159.5	239.7	364.5	96.8	-6.4%	8.2%
Non-oil	189.3	196.5	223.7	265.6	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	88.6	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	23.3	7.1	9.6%	17.0%
Services	111.1	132.1	143.8	172.9	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	-12.1	-2.8	4.1%	-5.0%
Import Duties	3.5	3.1	4.0	3.5	1.0	11.6%	13.0%

Source: QSA

Q2 GDP data has just been released by QSA, and came in slightly above our expectations.

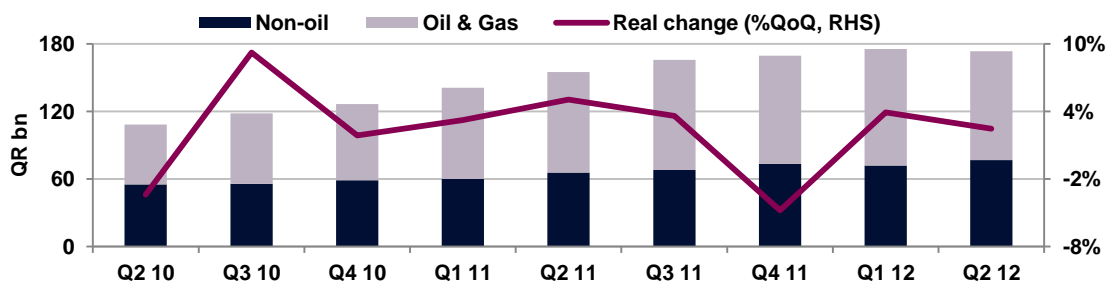
Government services is up 39% YoY due to the rise in salaries for Qatari nationals, by contrast in real terms the sector grew only 1.6%

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

Source: QSA

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	Q1-12	QoQ%	YoY%
Current Account Balance	26.6	6.4	23.8	52.0	9.9	-21.8%	-5.1%
Trade Balance	42.2	25.6	53.9	87.4	19.8	-11.5%	5.0%
Exports	67.3	48.0	74.8	114.3	27.6	-8.1%	10.8%
Imports	-25.1	-22.5	-20.9	-26.9	-7.8	1.8%	29.1%
Invisibles	-15.6	-19.2	-30.1	-35.4	-9.9	2.0%	17.4%
Services	-3.8	-3.9	-5.8	-9.5	-2.7	22.4%	4.7%
Income	-6.8	-9.4	-12.9	-13.3	-3.6	-5.1%	12.3%
Transfers	-5.0	-5.8	-11.4	-12.7	-3.7	-2.9%	35.3%
Capital & Financial Account Balance	-24.0	0.6	-10.7	-62.6	-3.8	-69%	-76%
Capital Account	-1.4	-1.8	-2.1	-3.6	-1.2	32%	32%
Financial Account	-22.6	2.4	-8.6	-59.0	-2.6	-77%	-83%
Direct Investment (outwards)	-3.7	-3.2	-1.9	-6.0	1.9	-178%	-527%
Direct Investment (into Qatar)	3.8	8.1	4.7	-0.1	-0.1	-80%	-121%
Portfolio investment (net)	-	-	-	-18.9	4.1	-148%	-267%

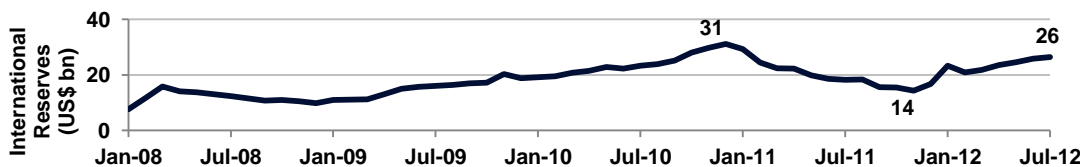
Source: QCB, UNCTAD for Direct Investment prior to 2011; Note: this is a simplified table and does not show all Balance of Payment lines

The fall in exports in Q1 is somewhat surprising. Although crude oil production volumes fell by 5% prices were up about 9%. The shortfall therefore may have come from LNG, perhaps due to maintenance downtime in some trains

Reserves declined during most of 2011 due to massive outwards investment flows, however they have now largely recovered, reaching US\$26bn in July

Exports to Japan surged 52% YoY as additional LNG cargoes were dispatched to assist with its energy crisis following the closure of its nuclear plants

Crude production has been falling as maintenance work is required at some mature fields

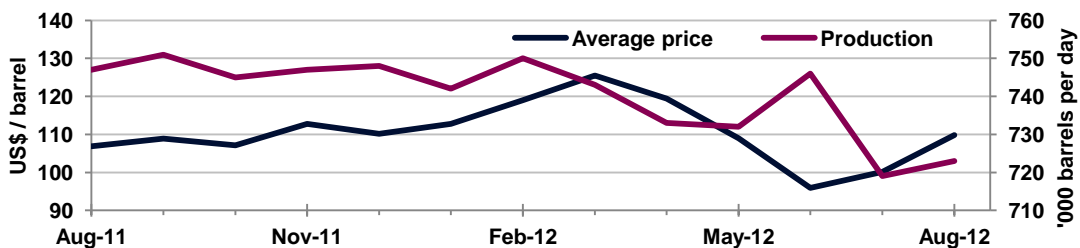


Top 5 Export Destinations (US\$ bn)	2008	2009	2010	2011	Q1-12	QoQ%	YoY%
Japan	18.8	14.5	19.7	27.4	8.8	10.0%	52.0%
South Korea	12.0	7.6	10.8	18.9	5.8	8.5%	38.2%
European Union	3.1	4.0	9.1	16.9	3.4	-11.9%	-11.8%
India	2.9	3.7	5.6	10.3	1.9	-25.4%	7.0%
Singapore	6.4	4.2	5.0	6.8	1.7	9.1%	3.2%

Top 5 Import Sources (US\$ bn)	2008	2009	2010	2011	Q1-12	QoQ%	YoY%
European Union	9.3	8.1	7.1	6.6	2.1	31.0%	4.7%
United States	2.5	3.1	3.5	3.1	0.9	-8.6%	32.9%
United Arab Emirates	1.8	1.8	2.3	3.0	0.8	3.0%	3.0%
Saudi Arabia	1.4	1.3	1.7	2.2	0.6	3.0%	3.0%
Japan	2.7	1.8	1.3	1.1	0.5	46.2%	91.9%

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	Aug-12	MoM%	YoY%
Oil production ('000 bpd)	842.8	781.0	733.0	734.0	723.0	0.6%	-3.2%
Qatar average price	94.8	62.0	77.7	108.4	109.5	9.5%	3.0%
Dukhan	96.9	62.6	78.4	109.7	110.4	9.8%	2.1%
Marine	93.5	61.6	77.2	107.5	109.2	9.4%	3.4%



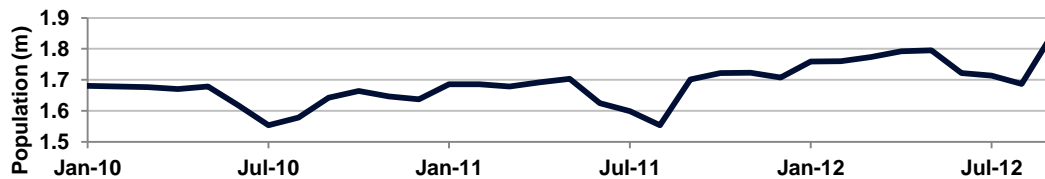
Source: OPEC (Direct communications), Reuters; Note: Monthly figures for 2011 have estimated based on downward revisions in OPEC annual figures

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%

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%

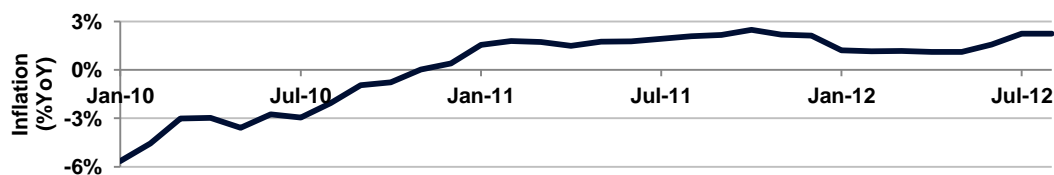
Source: QSA; Monthly data is based on those physically in Qatar, based on entries and exits over the borders, while the annual series relates to residency



The number of people physically in Qatar in September was up 9.3% MoM in September due to people returning from holiday. The YoY growth is more significant, although it slightly exaggerates the average annual growth rate (a still high 5.7% during the previous 12 months) due to the different timings of the main Eid al Fitr holiday in 2012 compared to 2011

Inflation and Money Supply

Inflation (% change YoY)	2008	2009	2010	2011	Aug-12	MoM%	Weight
Overall	15.2	-4.9	-2.4	1.9	2.2	0.2	100%
Food, beverages and tobacco	19.9	1.3	2.1	4.3	5.5	-0.1	13.2%
Clothing and footwear	11.8	-4.5	-1.3	7.5	1.6	0.4	5.8%
Rents, water and maintenance	19.7	-12.0	-12.8	-4.8	-3.4	0.1	32.2%
Furniture, textiles and home appliances	7.7	-2.0	4.1	2.9	7.1	0.1	8.2%
Health care	4.2	1.7	3.5	2.6	1.4	0.0	2.0%
Transport and communication	9.3	-4.4	2.6	6.4	3.1	0.2	20.5%
Entertainment, recreation and culture	9.9	-1.2	2.9	2.0	7.0	0.8	10.9%
Miscellaneous goods and services	12.4	7.3	4.7	5.6	1.9	0.8	7.2%



Although rents are still down on an annual basis, moderating overall inflation, they recorded their first monthly increases in over two years in July and August, although only by 0.4% and 0.1% respectively.

The increases may be partly because a pick up in the immigration rate has increased demand pressure in a few desirable locations, such as West Bay, although there remains substantial supply in other areas

Money Supply (QR bn)	2008	2009	2010	2011	Jul-12	MoM%	YoY%
Broad money (M2)	184.0	215.1	264.7	310.0	378.2	1.6%	5.3%
M1	50.9	53.1	68.3	81.8	85.6	5.7%	14.4%
Quasi-money	133.1	162.0	196.4	228.1	292.7	0.2%	2.3%

Interest rates (% end period)	2008	2009	2010	2011	Jul-12	MoM bp	YoY bp
QCB deposit	2.0	2.0	1.5	0.8	0.8	0	-25
QCB lending	5.5	5.5	5.5	4.5	4.5	0	-50
Interbank overnight	2.0	2.0	1.4	0.7	0.8	-1	47
Demand deposit	1.8	2.0	1.3	0.6	0.7	1	-27
Overdraft	8.8	8.8	8.2	7.4	7.3	79	-68
Credit card	20.7	20.0	19.9	10.7	9.1	12	-419

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

Feature analysis: Qatar's banking sector continues its growth momentum

While the banking sector in several countries across the globe continues to face difficulties, Qatar's banking sector continues to maintain its growth momentum across a range of performance indicators, while at the same time maintaining good asset quality, according to QNB group analysis.

The overall assets of banks in Qatar grew by 10.7% during the year up to August 2012 to reach QR772.6 bn (US\$212.2 bn), compared to QR698.0 bn (US\$191.8 bn) as at year-end 2011, according to the latest data by the Qatar Central Bank. Asset growth was driven mainly by the increasing loans that grew by 18.5% to QR479.7 bn (US\$131.8 bn) for the sector.

be a joint initiative along with Qatar Holding. While the initiative is primarily aimed at debt issuance and further developing the capital markets, it will also improve the availability of information for banking sector credit assessments.

On the funding side – Qatar's banking sector deposits grew by 15.7% during the year up to August 2012, to reach QR420.6 bn. Public Sector deposits increased by 17.3% during the year and accounted for 35% of overall deposits, while Private Sector deposits went up by 17.2% for the year and accounted for 61% of overall deposits.

While the funding profiles of banks remain largely derived from customer deposits, increasingly banks are turning to the capital market issuing long-term debt instruments. A recent example is QNB's US\$1.8bn syndicated facility with a three year maturity that was completed in August. Given the preference of customers in Qatar and the region of placing deposits on relatively short maturity, accessing the capital market benefits financial institutions in several ways through widening and diversifying their investor base and lengthening the maturity profile of their liabilities, thus better matching the maturity profile of their loans.

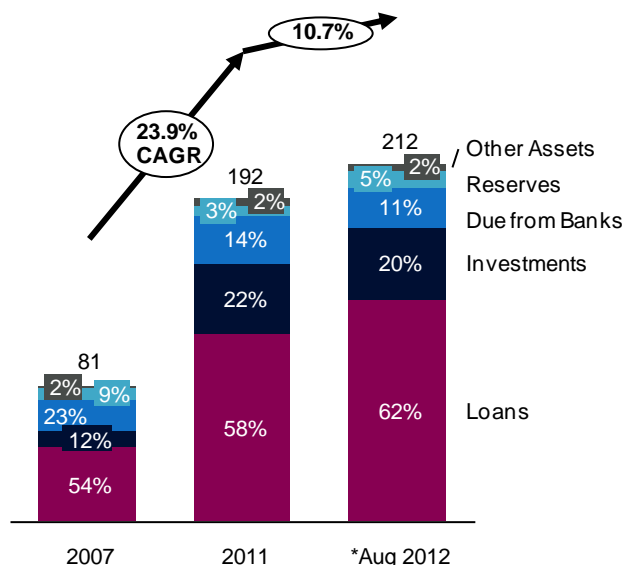
A key measure of the performance of the banking system is the quality of its assets, given the impact on the bottom line stemming from impairments on the loans and investment portfolios. In this regard, the Qatari banking system is well positioned with the overall NPL ratio declining to 1.7% in 2011, from 2.0% in 2010, which is among the lowest in the region. Meanwhile, a look at Qatar Exchange listed banks profitability data for the first half of 2012 shows a growth by 12.9%, over the same period in 2011.

The state and prospectus of banking system is attested with the views of the rating agencies. The stable outlook for Qatar's banking system has been reiterated by ratings agency Moody's, when it recently confirmed the outlook in April 2012. Moody's mentioned that the outlook reflected:

- Qatar's strong macro environment that will provide opportunities for lending
- The banks' solid capitalisation levels and strong earnings
- A stable funding base and good liquidity buffers

All the indicators point to ongoing strong growth in Qatar's banking sector with a firm basis of high asset quality and strong capitalisation.

Qatar Banking Sector Assets 2007-Aug 12 (US\$ bn)



Source: QCB and QNB Group analysis

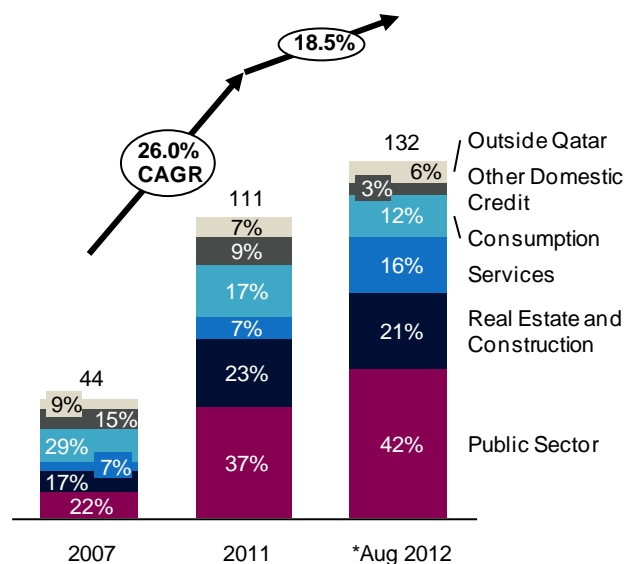
The Public Sector, and principally government agencies and semi-agencies, was the main driver of loan growth, increasing by 35% in the year to August 2012, to QR201.3 bn (US\$55.3 bn). It accounts for the majority of loans in Qatar, and its share has grown from 22% (QR35.9 bn) in 2007 to 42% (QR201.3 bn) as at August 2012. Financing of large capital investments in developing the country's infrastructure has been the key driver of public sector loan growth. Government agencies, semi agencies and large corporate, which are engaged across economic sectors, are expected to continue to be the main driver of loan growth given the large development program and infrastructure projects underway and to be implemented in the short to medium term. Government spending will at the same time provide additional opportunities for the private sector and contribute to a rising consumer demand.

Loans to the real estate and construction sectors increased by 10.2% during the year up to August 2012, as activity in this sector continues to pick up. The services sector has witnessed the most rapid increase during the year 2012, and has more than doubled its outstanding loan amount from QR30.3 bn as at year-end 2011, to QR74.5 bn as at August 2012. The main borrowers in the services sector have been air transportation, sea transportation and hotels.

Consumption or retail loans declined by 18.0% during the year up to August 2012. The QCB regulation issued in April 2011 on retail lending caps have been one of the key factors limiting loans to this segment.

As well as the retail lending caps, QCB has also established a credit bureau. Although the retail lending caps may have restricted lending, they have been effective in keeping the NPL ratio low and will support long-term sustainable growth. The QCB has also recently announced plans to establish a credit rating agency for domestic non-government entities, which will

Qatar Banking Sector Loans 2007-Aug 12 (US\$ bn)



Source: QCB and QNB Group analysis

Economic News

- **Qatar to launch rating firm for domestic debt issuers –** Qatar Central Bank (QCB) Governor Sheikh Abdullah bin Saud al-Thani said Qatar will establish an assessment and rating agency for domestic non-government debt issuers and institutions. He said the entity would be launched in 2013 as a joint venture between QCB and Qatar Holding. He mentioned that this is a part of QCB's efforts to supervise the valuation of domestic debt. Further, Qatar will also form a committee to encourage the development of its capital markets. (Reuters)
- **QCB: Comfortable with interest rates –** QCB Governor Sheikh Abdullah bin Saud al-Thani said QCB is very comfortable with the current interest rates, keeping them low to support lending to the real economy. He estimated inflation in 2012 will be in the range of 2-3%. (Reuters)
- **GSDP: Qatar current account surpluses to stay in double digits –** The General Secretariat for Development Planning (GSDP) said Qatar's external balance of payments surpluses will be 22% of the nominal GDP this year and slightly decline to 20.6% in 2013. GSDP said the growth rate of export revenue will slow down as the oil & gas production has plateaued while import demand will rise steadily. (GulfBase.com)
- **QCB: Qatar banks to comply with Basel III by year-end –** According to a Qatar Central Bank study, Qatar's banks are in a position to meet the Basel III norms on common equity capital ratios by 2012-end. QCB said that assuming a static scenario of capital (i.e., capital remains at December 2011 levels while there is a 10% asset growth), only one Qatari bank's total capital ratio would likely fall below the prescribed ratio of 10.625% by end-2015. (Gulf-Times.com)
- **QFC Regulatory Authority proposes to strengthen regulatory regime –** QFC Regulatory Authority has proposed changes in rules to strengthen the current Controls Rulebook. It seeks to promote compliance with recently revised principles established by the International Association of Insurance Supervisors and the Basel Committee on Banking Supervision. The draft rules require the governing body of a QFC authorized firm to establish a framework for formal governance, risk management, internal controls and remuneration policy. (AME Info)
- **Qatar tops GCC rail investments with \$41.8bn plans –** According to a Zawya report, Qatar's railway plans lead the GCC countries rail plans, with an estimated \$41.8bn worth of projects in the pipeline. The report said rail projects worth as much as \$149bn are in the planning or construction stages across the GCC region over the next decade. (Qatar Tribune)
- **Remittances declined by 3% in 2011 –** According to QCB's Financial Stability Review, total outward remittance sent through the exchange houses in Qatar declined by 3% YoY and amounted to QR32.3bn in 2011. This was the equivalent to 5% of Qatar's GDP in 2011. (Gulf-Times.com)
- **Qatari firms, Indian trade team discuss joint ventures –** A business delegation from the Federation of Indian Chambers of Commerce and Industry (FICCI) met with over 105 Qatari companies. The delegation consisted of representatives from 16 leading Indian companies from various sectors, including software, real estate, plastics, chemicals, waste water treatment and companies dealing in innovative technologies. They were here to discuss potential strategic partnership with Qatari companies. (Zawya.com)
- **QCB: European debt crisis, slowing growth in EMs could hit Qatar energy revenue –** According to QCB's financial stability review of 2011, Europe's debt crisis and slowing growth in emerging markets could reduce demand for oil & gas and erode state revenue in 2012. The QCB also warned of increased global geopolitical tensions causing potential disruptions to the shipment of liquefied natural gas (LNG). (Gulf-Times.com)
- **Qatar T-bill yields rise on all maturities in September –** Qatar Central Bank's three, six and nine-month Treasury bill yields increased in September for the first time in four months. The yield on the three-month bills rose six basis points to 1.25%. The yield on six-month bills climbed to 1.49% from 1.41% at last month's sale, while the yield for nine-month bills inched up one basis point to 1.68%. The Central Bank issued QR2bn of three-month treasuries this month and QR1bn each of six-month and nine-month bills. The yield on Qatar's 4.5% dollar bonds due in January 2022 has risen eight basis points to 2.99% since the beginning of August. (Bloomberg)

Public Companies News

- **Qatar Holding denies AUX stake talks –** Qatar Holding has denied that it is in talks to buy a minority stake in the Brazilian gold company AUX, owned by billionaire Eike Batista. Qatar Holding has made it clear that it has never been involved in discussions on acquiring any stake in AUX. (GulfBase.com)
- **QP issues \$1bn samurai bond –** Qatar Petroleum (QP) has privately issued a 10-year, JPY85bn (\$1bn) bond. The so-called samurai bond, referring to yen-denominated debt sold by non-Japanese companies, is guaranteed by the Japan Bank for International Cooperation. (Gulf-Times.com)
- **Qatar Petroleum plans up to \$13bn in projects in 2014 –** QP is planning to finance projects worth around \$10-13bn in 2014. The projects may include two petrochemical plants and an aromatics complex. As part of its financing plan, the company seeks to approach banks, capital markets and export credit agencies. Further, QP plans to spend nearly \$25bn over the next five years on different projects. These include a \$6.4bn petrochemical plant to be established in partnership with Royal Dutch Shell and a \$5.5bn plant in partnership with QAPCO, a unit of Industries Qatar. (Bloomberg)
- **Qatargas signs long-term agreement with KEPCO –** Qatargas has signed a new long-term sales and purchase agreement to supply Liquefied Natural Gas (LNG) to the Kansai Electric Power Company (KEPCO) of Japan. Under the agreement, Qatargas 3 will deliver 0.5m tons of LNG per year during 2013-2027. (AME Info)
- **Qatar to set up national reinsurance company –** Qatar is planning to set up a national reinsurance company, which will be majority-owned by the government with the participation of local insurance companies. (Bloomberg)

Private Sector News

QNB Group

- **QNB must make NSGB offer to Egyptian authority within 60 days –** QNB must submit a tender offer to the Egyptian Financial Supervisory Authority to buy National Société Générale Bank (NSGB) within 60 days of its expression of interest, announced on August 30, 2012. If the offer is not made, or QNB withdraws its expression of interest, the law prevents the potential buyer from making any further bids for the next six months. (Bloomberg)
- **QNB to release 3Q12 financial statements –** QNB will disclose its financial statements for the period ending September 30, 2012 on October 7.

Other companies

- **QE Index conducts semi-annual review, adds KHCD & MRDS and removes MERS & QATI** – As of October 1st, Qatar Exchange has removed Al Meera (MERS) and Qatar Insurance (QATI), 2012, from the 20 stock index following the semi-annual review of QE Index constituents. The Qatari Investors Group (KHCD) and Mazaya (MRDS) will become constituents of the index. The scheduled review of qualifying stocks for the QE All Share has also taken place. There is one change with Al Ahli Bank joining the Index. (QE)
- **Qatar Exchange unveils change in methodology** – Qatar Exchange (QE) said a listed company would be taken off the index if its share trading remains interrupted or suspended for 30 days, effective from October 1 this year. (Gulf-Times.com)
- **QIB plans to issue dollar-denominated sukuk issue** – Qatar Islamic Bank (QIB) plans to issue a dollar-denominated sukuk under its recently approved \$1.5bn sukuk issuance program. Deutsche Bank, HSBC, Standard Chartered and QInvest are mandated for the sukuk. Its existing sukuk, maturing in 2015, currently yields 2.4%. It has held Investor meetings in Kuala Lumpur, Singapore, Abu Dhabi, Dubai and London. (GulfBase.com)
- **Barwa Bank launches Brazil real estate fund** – Barwa Bank has launched a new fund to target the Brazilian market through real estate investments. (Bloomberg)
- **Barwa Bank extends QR900m Islamic banking facilities to Al-Meera** – Barwa Bank has extended Islamic banking facilities worth QR900m to Al Meera Consumer Goods Company. The facility will be used to refinance all existing bank debts and finance future expansion and acquisition plans of Al Meera and its subsidiaries. (QE)
- **Doha Bank may raise QR5.8bn from a share sale** – Doha Bank may raise QR5.8bn by selling shares as it seeks to boost lending and expand in foreign markets. The bank's CEO Raghavan Seetharaman said this capital would help the bank to participate in Qatar's major infrastructure projects and expand overseas, which includes opening a branch in Abu Dhabi in the next two months. (Bloomberg)
- **Ahli Bank announces \$123m capital hike** – Ahli Bank plans to raise its capital by 20% through a rights issue. Existing shareholders can buy one new share for every five shares they hold. The offer will be open from September 30 to October 14. The offer price is QR30 per share (QR10 nominal value plus QR20 premium). (QE)
- **EFG Hermes' shareholders approve QInvest deal** – Shareholders of EFG Hermes has reaffirmed their approval for a planned tie-up with QInvest after demands by the regulator for more information on the deal were met. The Egyptian Financial Supervisory Authority (EFSA) had earlier rejected decisions approved by EFG shareholders in June because the firm had not clarified on points including minority rights. (Reuters)
- **Ezdan gets holding company nod** – Ezdan Real Estate will soon transform into a holding company and diversify its investments by purchasing 15 companies from Tadawul Holding Group. These decisions were approved by shareholders, who also authorized the board to obtain the required funds from banks to complete the purchase of targeted properties and companies. Further, the shareholders also agreed to sell Ezdan Trading & Contracting Company to Sakk Real Estate Group Company, and authorized the board to complete the sale process. (Gulf-Times.com)
- **Gulf Warehousing Company to aid creation of trade hub in Nigeria** – The government of the State of Osun in Nigeria has entered a public-private partnership initiative with Qatar's Gulf Warehousing Company (GWC) in a bid to create an industrial and trade hub in the State capital Oshogbo. The project with the GWC will be a hub for storing and distributing agricultural products. (Gulf-Times.com)
- **QTEL receives positive response to Wataniya all-share offer** – Qatar Telecom (QTEL) has had a positive response thus far to its offer to acquire all of the issued share capital it does not currently own in Kuwait's Wataniya Telecom, which expires on October 4th. (QE)
- **QTEL begins test phase of new ultrafast 4G mobile network** – QTEL has started test phase of the new ultrafast 4G mobile network. QTEL began to rollout its 4G Long-Term-Evolution (LTE) network before Eid al Adha. The company is confident the 4G LTE will integrate smoothly with the existing 3G network. (AME Info)
- **Morgan Stanley ceases to be bookrunner on Asiacell's IPO** – Morgan Stanley has ceased to be a bookrunner on Iraqi telecommunications firm Asiacell's IPO of shares, signaling the IPO will increasingly rely on local investors. Morgan Stanley will advise Asiacell's parent firm QTEL on the share sale, leaving HSBC and Baghdad-based broker Rabee Securities to manage the IPO as joint bookrunners. (Bloomberg)
- **Mannai, QTEL sign partnership accord** – Mannai Corp. and QTEL have signed a partnership agreement aimed at providing small and medium-sized businesses with information and computer technology products. Small and medium-sized businesses apply through the Mannai Corporation to access QTEL's full range of products and services. (Gulf-Times.com)
- **Al-Meera announces plans to expand in Qatar** – Al Meera Consumer Goods Company announced that it will rebrand the four Giant Stores it acquired last year as Al Meera supermarkets by the end of December. Additionally, new convenience stores will be opened at the Sealine resort, Beverly Hills Tower in West Bay, and the Beverly Hills 3 compound during 4Q2012. It will also be opening bookstores in the Ezdan and Nuaja malls before end-2012. Moreover, it announced that over 60,000 square meter of new community and neighborhood supermarkets are expected to open sometime during the next 3 years. The community-based model is a large-scale supermarket that, in addition to traditional groceries, will include additional services such as banks, food courts and laundromats. The neighborhood model is a convenience store, catering to the immediate vicinity with groceries and basic services, such as dry cleaners and pharmacies. (QE, Gulf-Times.com)
- **Al Meera plans to set up branches in Egypt, Libya** – The Al Meera is planning to set up branches abroad, initially in Egypt and Libya. Al Meera stores Deputy Board Chairman Dr Saif Saeed al-Suweidi said the company is studying the feasibility of entering into the Egyptian and Libyan markets in co-operation with local developers and international retail traders. He added that the possibility of setting up branches in Jordan and Tunisia is also being explored. (Gulf-Times.com)
- **Mawashi announces long-term strategy for expansion in Qatar** – Qatar Meat and Livestock Company (Mawashi) has announced a long-term strategy which relies on investment in industrial agriculture to serve the vision and objectives of the Qatar National Food Security Program. The strategy also includes investment in food sources outside Qatar and future investments in value-added food manufacturing chains and renewable energy industry processes in order to support the country's food security endeavors. (AME Info)

Banking Sector Snapshot – end-August 2012

Review and Outlook

Solid loan book growth continued in August 2012, with total loans for the sector growing to QR479.7bn, up 1.4% MoM. However, deposits were down 1.6% MoM. Hence, the sector's loan-to-deposit ratio jumped to 114% at the end of August vs. 111% at the end of July. Furthermore, the domiciled loan-to-deposit ratio for the sector stood at 107% vs. 104% at the end of July. The growth in loans should have positive implications for the banking sector, which should be reflected in 3Q2012 results. For the full year (2012), we maintain our forecast of 15% to 20% loan growth and expect NIMs to contract by 5bps to 10bps.

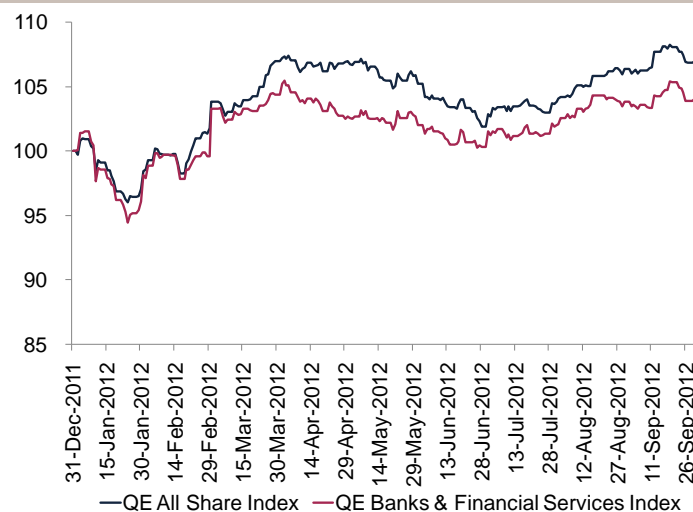
The domestic public sector loan book improved by 1.5% MoM. The government was the primary driver, with a 14.0% MoM increase (-13.2% YTD). Government institutions' loan book declined by 0.8% MoM (+56.1% YTD) and semi-government institutions also declined, by 1.3% MoM (+30.1% YTD).

The domestic private sector posted a 1.2% MoM growth in loan book. Services and trading segments were the primary contributors to this. The services sector loan book increased to QR35.4bn, up 8.1% MoM and 19.3% YTD. The trading segment loan book grew to QR32.3bn, up 7.9% MoM and 20.2% YTD.

The monthly growth in private sector loans since May is reducing the skewed nature of domestic loan growth seen YTD. The public sector has contributed 69% (71% at the end of July 2012) to YTD domestic loan growth versus a 31% (29% at the end of July 2012) contribution by the private sector. Going forward, we expect this ratio to become less skewed by year end. Specific loan-loss provisions stood at 1.3% (1.3% in July 2012) of the average trailing 12-months' loans. We expect provisions for 2012 to be in the range of 1.3% to 1.5%.

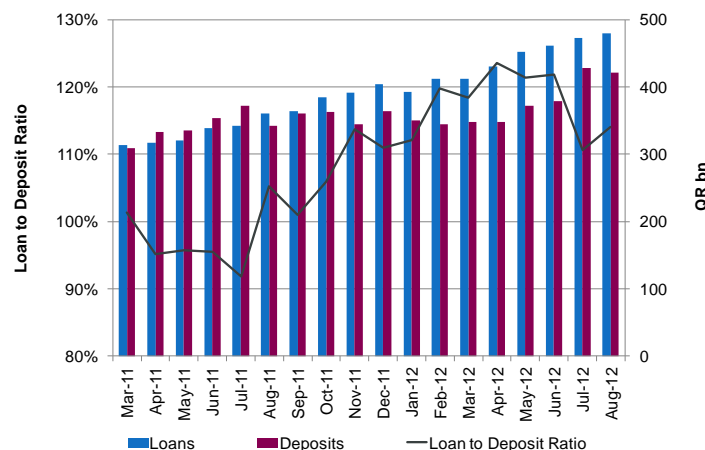
So far, QTD, sector loan growth has been a solid 4.1%. The growth has been fairly equally split between public and private sector. The growth in loans should improve the operating profit of the sector by 5% to 15% QoQ, given some of the loan growth seen in 2Q2012 was skewed toward the end of the quarter.

Banking Sector Index vs. QE All Share Index



Source: Bloomberg

Banking Sector - Loan to Deposit (LTD)



Source: Qatar Central Bank (QCB)

(In QR mn)	2010	2011	1Q-12	2Q-12	Jul-12	Aug-12	Change MoM	Change YTD
Total Assets	567,482	694,301	700,546	742,817	771,358	772,617	0.2%	11.3%
Total Credit (Loans)	314,481	403,563	412,247	460,946	472,918	479,694	1.4%	18.9%
Total Deposits	306,788	363,612	348,356	378,254	427,484	420,563	-1.6%	15.7%
Loan to Deposit Ratio	103%	111%	118%	122%	111%	114%	3.1%	2.8%

Credit Facilities (Geographic)

Total Domestic Credit	293,920	376,695	384,622	432,472	444,449	450,190	1.3%	19.5%
Total International Credit	20,561	26,867	27,625	28,475	28,469	29,504	3.6%	9.8%

Domestic Credit Facilities - Public Sector

Government	36,303	40,801	32,235	31,967	31,079	35,424	14.0%	-13.2%
Government Institutions	50,452	90,619	105,268	136,992	142,579	141,413	-0.8%	56.1%
Semi-Government Institutions	16,303	17,750	15,100	23,199	23,397	23,098	-1.3%	30.1%
Total Domestic Public Sector Credit	103,058	149,170	152,603	192,158	197,055	199,936	1.5%	34.0%

Domestic Credit Facilities - Private Sector

General Trade	24,875	26,855	27,590	29,610	29,918	32,272	7.9%	20.2%
Industry	6,648	6,534	5,755	6,883	6,870	7,292	6.1%	11.6%
Contractors	18,411	16,220	16,532	15,195	15,556	16,333	5.0%	0.7%
Real Estate	51,042	76,220	80,113	81,976	82,610	82,151	-0.6%	7.8%
Consumption & Others	60,345	71,986	76,386	79,210	79,661	76,769	-3.6%	6.6%
Services	29,541	29,709	25,643	27,439	32,779	35,436	8.1%	19.3%
Total Domestic Private Sector Credit	190,862	227,525	232,019	240,314	247,394	250,254	1.2%	10.0%

Deposit Details (Geographic)

Resident Deposits	277,107	343,777	327,183	351,575	398,311	391,100	-1.8%	13.8%
Non-resident Deposits	29,681	19,835	21,174	26,679	29,173	29,463	1.0%	48.5%

Qatar Exchange Market Performance

Company Name	Price (October 04)	% Change Weekly	% Change Monthly	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	135.60	0.07	(0.15)	94,883	11.3	2.2	2.7
Qatar Islamic Bank	76.80	(0.65)	(0.26)	18,171	12.7	1.7	5.9
Commercial Bank of Qatar	73.00	(2.01)	(2.01)	18,064	9.3	1.3	8.2
Doha Bank	54.40	(0.55)	(1.63)	11,244	8.8	1.6	8.3
Al Ahli Bank	58.50	(12.56)	(2.99)	7,434	14.7	2.4	N/A
Qatar International Islamic Bank	52.30	0.19	0.19	7,917	11.8	1.7	6.7
Masraf Al Rayan	26.95	(0.19)	(0.37)	20,213	14.0	2.3	1.9
Al Khaliji Bank	17.15	(0.41)	(0.29)	6,174	12.4	1.2	5.8
National Leasing	45.95	(3.26)	(4.07)	2,274	8.4	1.8	6.7
Dlala Holding	40.60	(3.45)	(1.22)	812	22.5	3.5	2.5
Qatar & Oman Investment	12.19	2.35	2.35	384	26.2	1.2	4.1
Islamic Holding Group	37.35	(2.23)	(1.06)	149	26.3	3.5	2.7
Banking and Financial Services				187,718			
Zad Holding	58.00	0.35	0.87	759	7.8	0.6	N/A
Qatar German Co. for Medical Devices	16.15	13.57	9.49	187	N/M	0.9	N/A
Salam International Investment	13.90	2.81	2.66	1,589	13.7	1.0	6.5
Medicare Group	38.15	(2.18)	(1.68)	1,074	23.5	1.4	2.9
Qatar Cinema & Film Distribution	62.30	0.00	0.00	356	20.8	2.7	2.2
Qatar Fuel	284.50	(0.59)	(0.52)	14,787	13.2	3.0	2.8
Qatar Meat and Livestock	76.70	5.79	6.53	1,381	15.8	4.8	3.9
Al Meera Consumer Goods	164.00	0.00	0.12	1,640	18.2	6.8	4.3
Consumer Goods and Services				21,771			
Qatar Industrial Manufacturing	55.20	(2.99)	(0.54)	2,186	9.6	1.8	5.4
Qatar National Cement	104.50	(0.48)	(0.48)	5,131	11.3	2.3	5.7
Industries Qatar	141.40	0.93	0.50	77,495	10.0	3.0	5.3
Qatari Investors Group	25.10	(0.20)	0.00	3,121	29.5	1.6	2.0
Qatar Electricity and Water	132.30	(0.15)	(0.90)	13,300	10.4	4.7	4.9
Mannai Corp.	100.00	1.01	1.01	3,421	10.5	2.5	5.5
Aamal	15.68	(1.63)	(1.51)	8,538	17.6	1.4	N/A
Gulf International Services	28.60	5.34	1.60	4,252	12.6	1.8	4.1
Industrials				117,444			
Qatar Insurance	69.90	0.00	(0.14)	6,234	11.3	1.9	4.8
Doha Insurance	31.40	2.61	2.61	735	10.5	1.6	N/A
Qatar General Insurance & Reinsurance	54.80	0.00	0.00	2,747	17.0	1.1	2.1
Al Khaleej Takaful Insurance	45.80	0.77	0.00	652	10.0	1.2	6.6
Qatar Islamic Insurance	56.50	(1.05)	0.00	848	18.3	3.6	5.3
Insurance				11,215			
United Development	18.26	0.16	0.33	6,158	1.1	0.6	N/A
Barwa Real Estate	29.40	(0.17)	(0.34)	11,440	10.5	0.9	3.4
Ezdan Real Estate	19.50	(2.35)	(1.02)	51,724	56.4	1.9	0.8
Mazaya Qatar Real Estate Development	12.01	1.44	1.78	1,201	24.8	1.1	N/A
Real Estate				70,523			
Qatar Telecom	103.90	(1.98)	(1.52)	33,281	13.7	1.3	1.6
Vodafone Qatar	9.02	(0.33)	(0.88)	7,617	N/M	1.2	N/A
Telecoms				40,898			
Qatar Navigation (Milaha)	60.70	0.17	0.00	6,952	9.5	0.7	5.8
Gulf Warehousing	39.95	(0.99)	(0.50)	1,585	22.1	2.4	3.8
Qatar Gas Transport (Nakilat)	15.76	(0.32)	0.06	8,837	10.5	7.3	5.4
Transportation				17,374			
Qatar Exchange	8,478.35	(0.06)	1.75	466,245	9.0	1.7	4.30

Source: Bloomberg, * Trailing Twelve Months

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