



# Investor Relations Presentation June 2013

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

QNB at a Glance



# QNB at a Glance: Overview

## Overview

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

## Credit Rating

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

## Presence

- QNB Group, subsidiaries and associate companies operate in 26 countries around the world, through more than 570 branches and offices, supported by more than 1,180 ATMs, and employing almost 13,500 staff

## Stock Info

(Share Price as at 30/06/2013; ratios based on year-end 2012 financials)

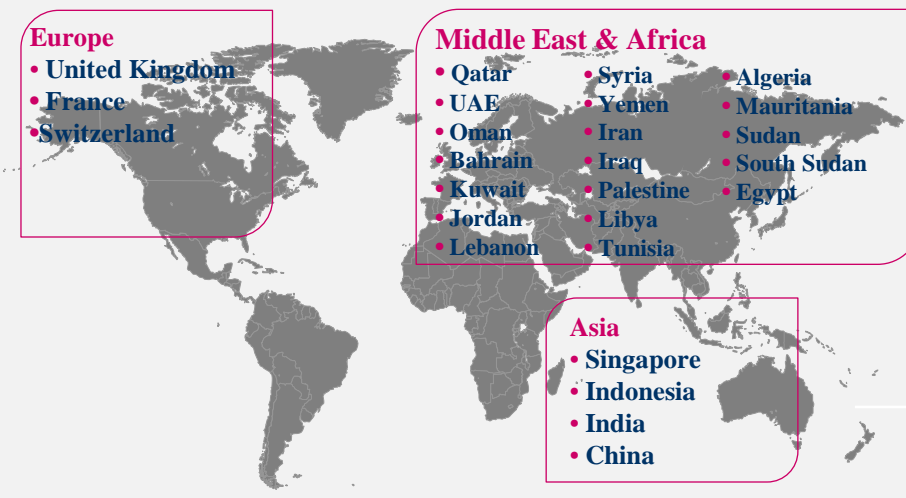
|                        |             |
|------------------------|-------------|
| Market Cap             | US\$30.3 bn |
| (Share Price: QR157.4) |             |
| Price/Earnings         | 11.0        |
| Price/Book             | 2.1         |



## June 2013 Financials (in US\$)

















































|                  | 2013     | 2012    | 5yr CAGR |
|------------------|----------|---------|----------|
| Total Assets     | 118.5 bn | 90.9 bn | 23%      |
| Loans & Advances | 81.4 bn  | 64.5 bn | 29%      |
| Operating Income | 2.00 bn  | 1.55 bn | 25%      |
| Profit           | 1.30 bn  | 1.13 bn | 21%      |
| Coverage Ratio   | 118%     | 123%    |          |

## Global Presence



# Overview of QNB's International Network

## Branches, Subsidiaries and Associates

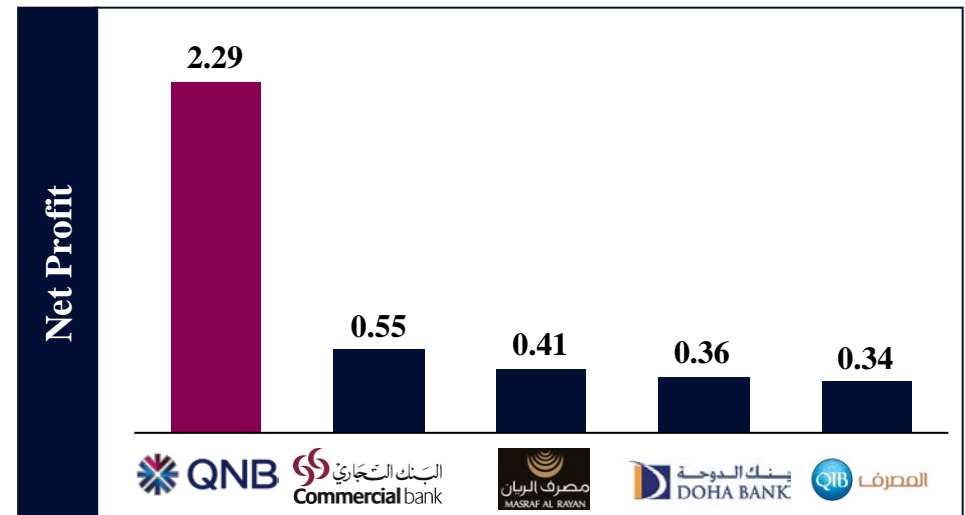
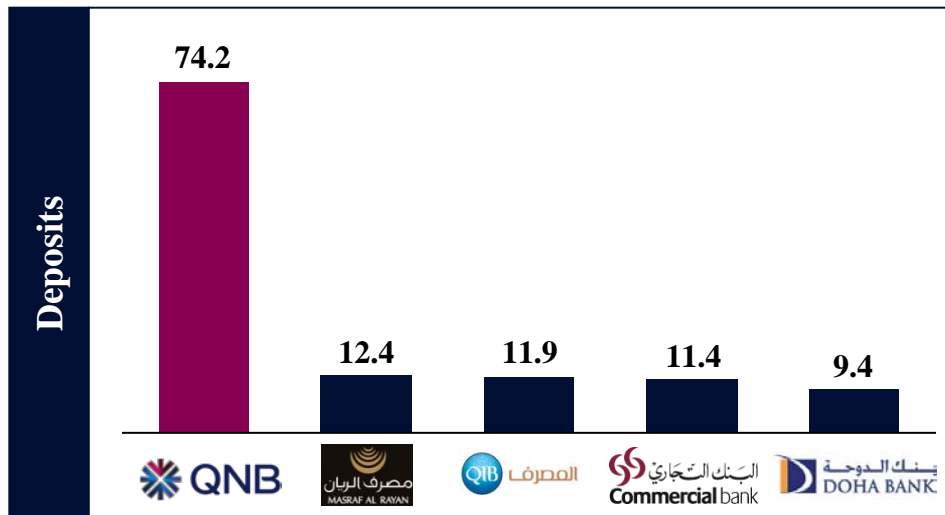
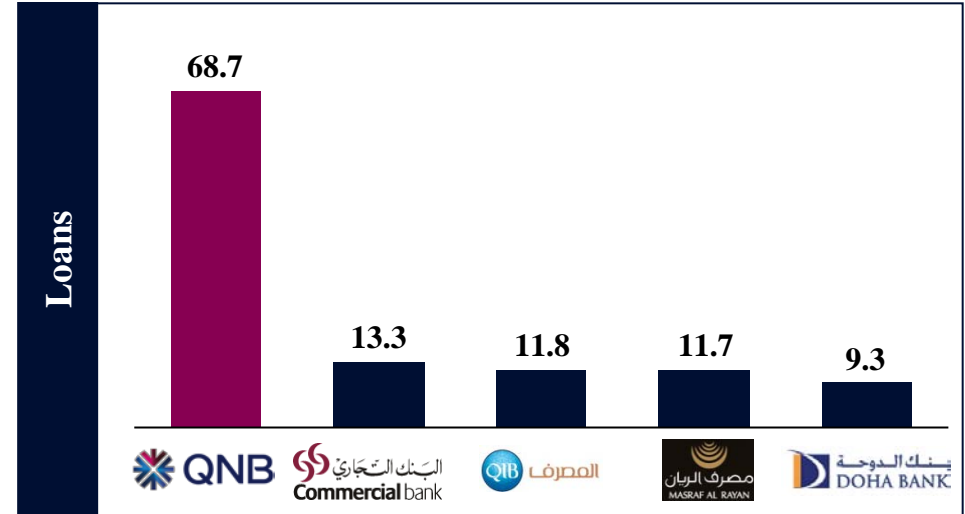
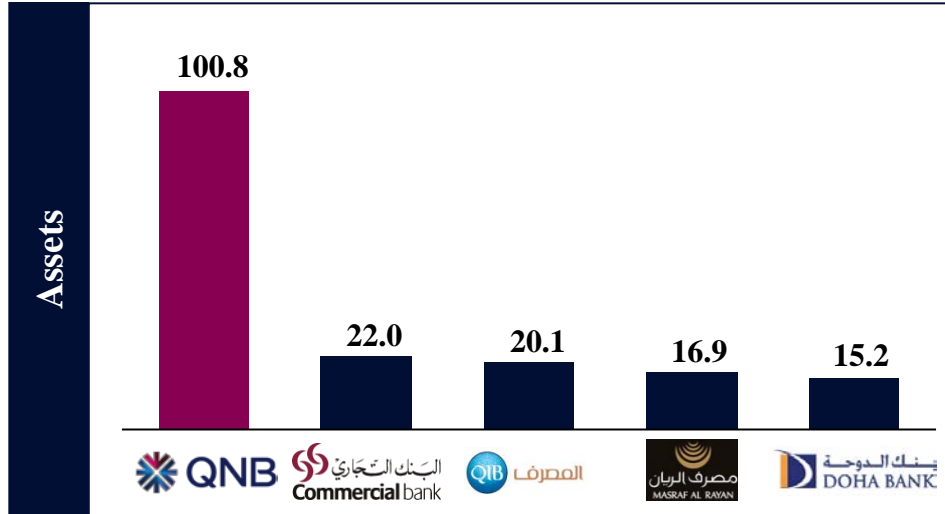
| Type of Operation by Geography |   |   |   | Subsidiaries and Associates   | Country                          | Ownership   |        |
|--------------------------------|---|---|---|---|----------------------------------|-------------|--------|
| Subsidiaries and Associates    |    |    |    |    | QNB Capital                      | Qatar       | 100%   |
|                                |    |    |    |    | QNB Switzerland                  | Switzerland | 100%   |
|                                |    |    |    |    | QNB Financial Services           | Qatar       | 100%   |
|                                |    |    |    |    | QNB Tunis                        | Tunisia     | 99.96% |
|                                |    |    |    |    | NSGB                             | Egypt       | 97.12% |
| Branches                       |    |    |    |    | 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

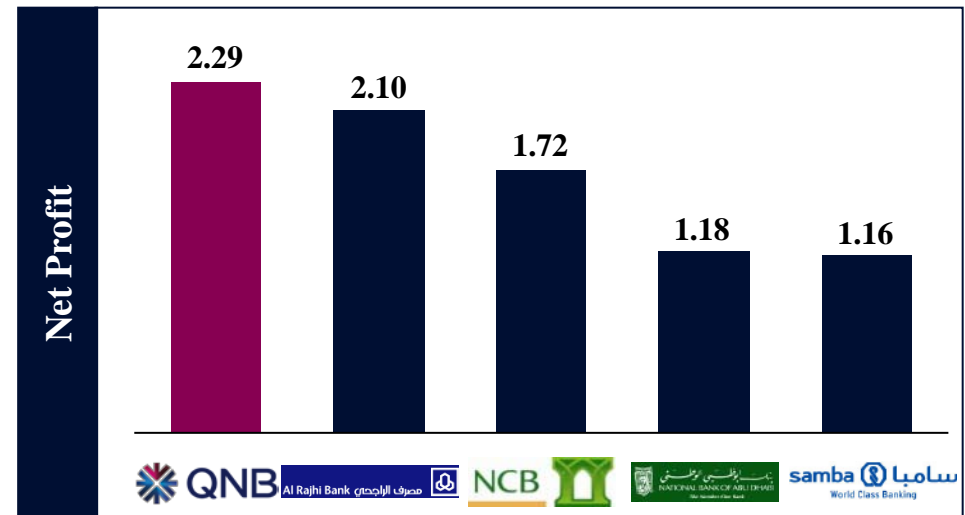
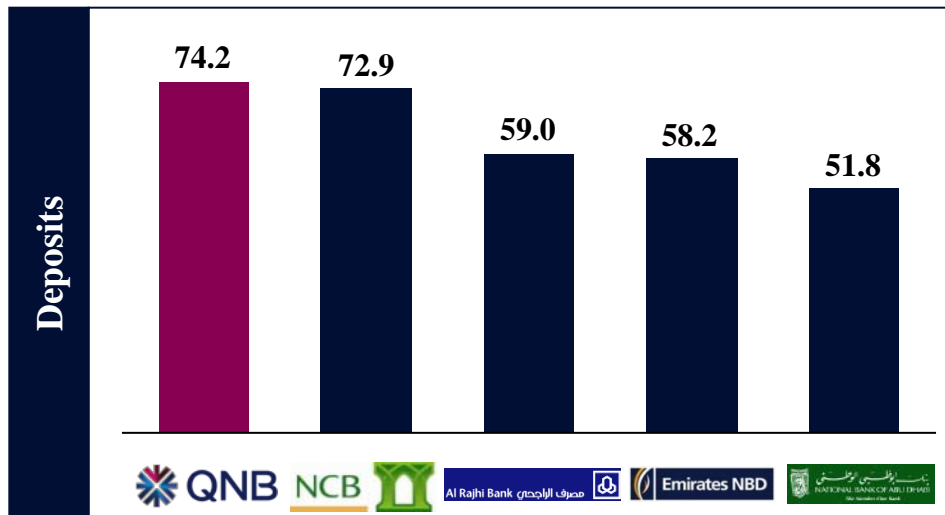
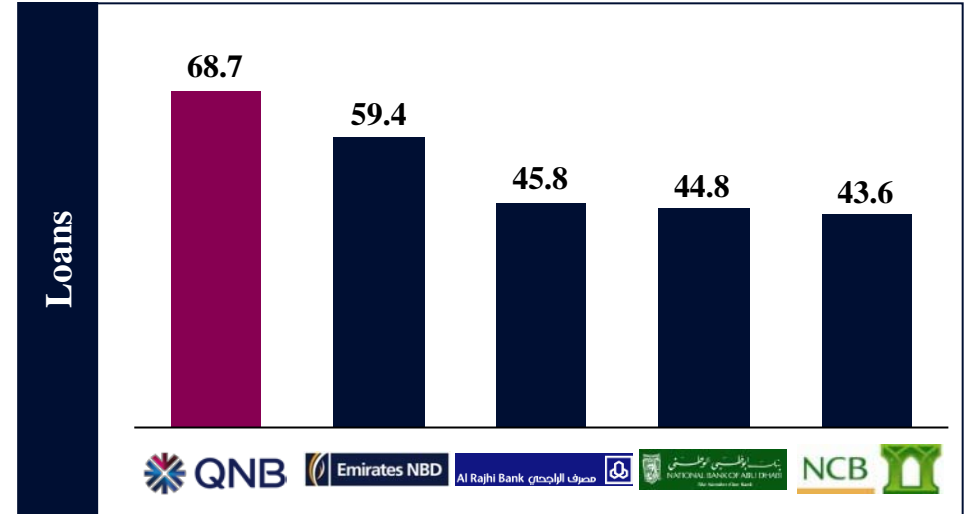
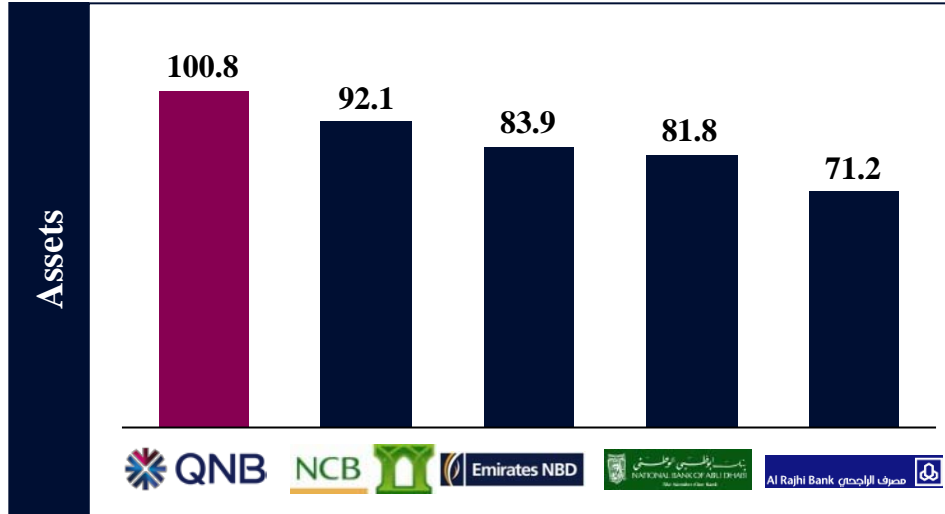
# Top 5 Domestic Banks

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 – June 2013

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

# QNB continues to demonstrate sustainable profitable growth

June 2013 Highlights





Growth vs. June 2012  
(unless stated)

**Profit**

- USD 1.30 Bn net profit  +15%

**Assets**

- USD 118.5 Bn assets  +30% since Jun-12  
+13% since Mar-13
- USD 81.4 Bn loans  +26% since Jun-12  
+14% since Mar-13

**Funding**

- USD 89.6 Bn deposits  +33% since Jun-12  
+17% since Mar-13

**Equity**

- USD 13.3 Bn equity  +10%

- Net interest margin (NIM): 2.88%
- Efficiency ratio: 20.5%

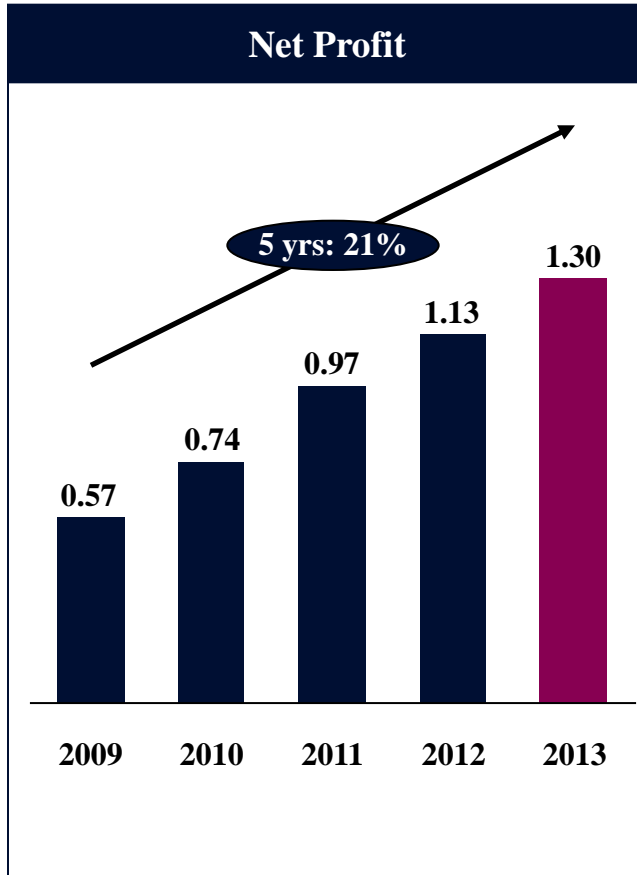
- NPL (% of gross loans): 1.5%
- Coverage ratio: 118%

- Loans to deposits ratio: 90.9%

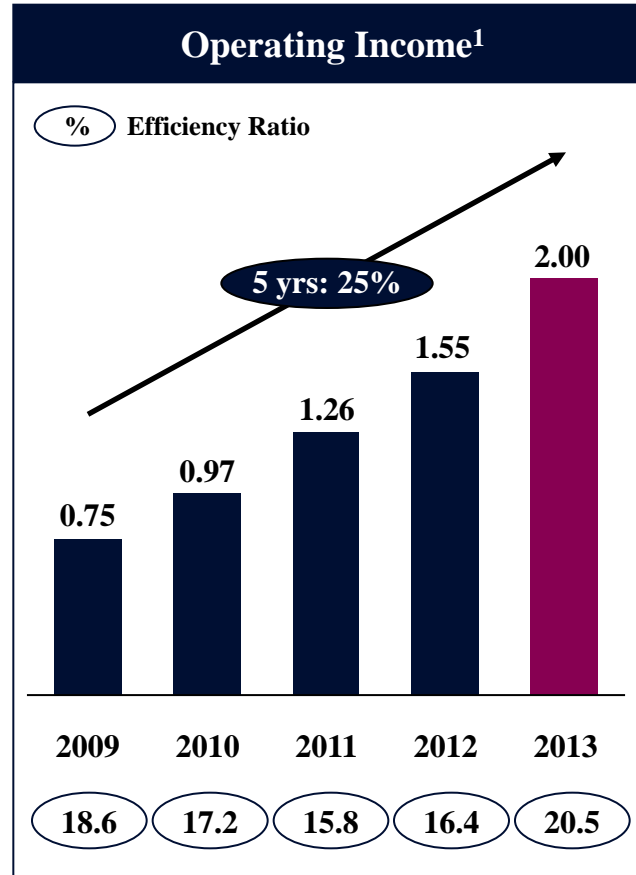
- Capital adequacy ratio: 15.0%

# Strong profitability growth

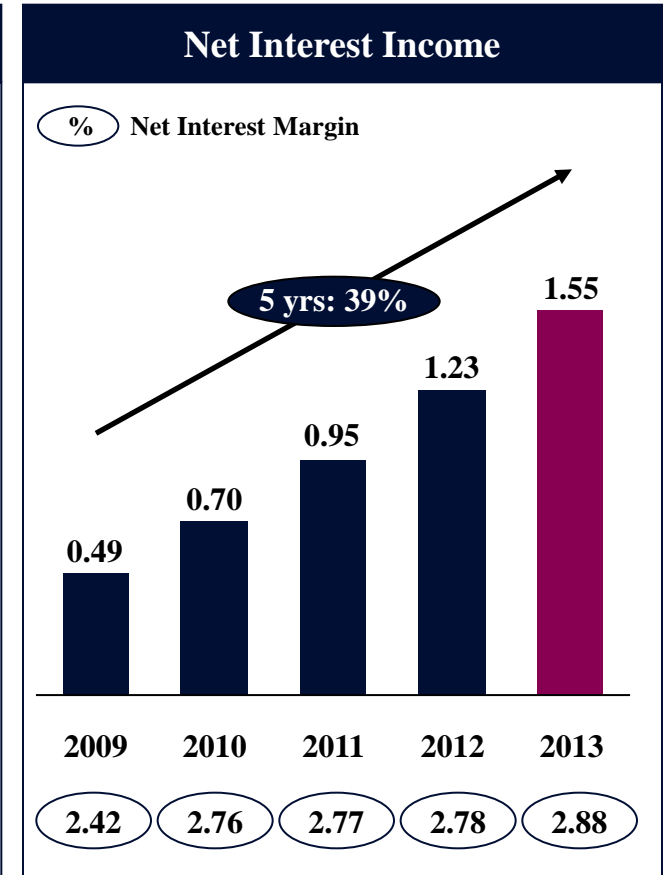
Income Statement Breakdown (USD Bn as at June)



- Net profit increased 15% from 2012
- 2008-2013 CAGR of 21%



- Operating income increased 29% from 2012
- 2008-2013 CAGR of 25%



- NII increased 26% from 2012
- NIM expanded by 46bps since 2009
- 2008-2013 CAGR of 39%

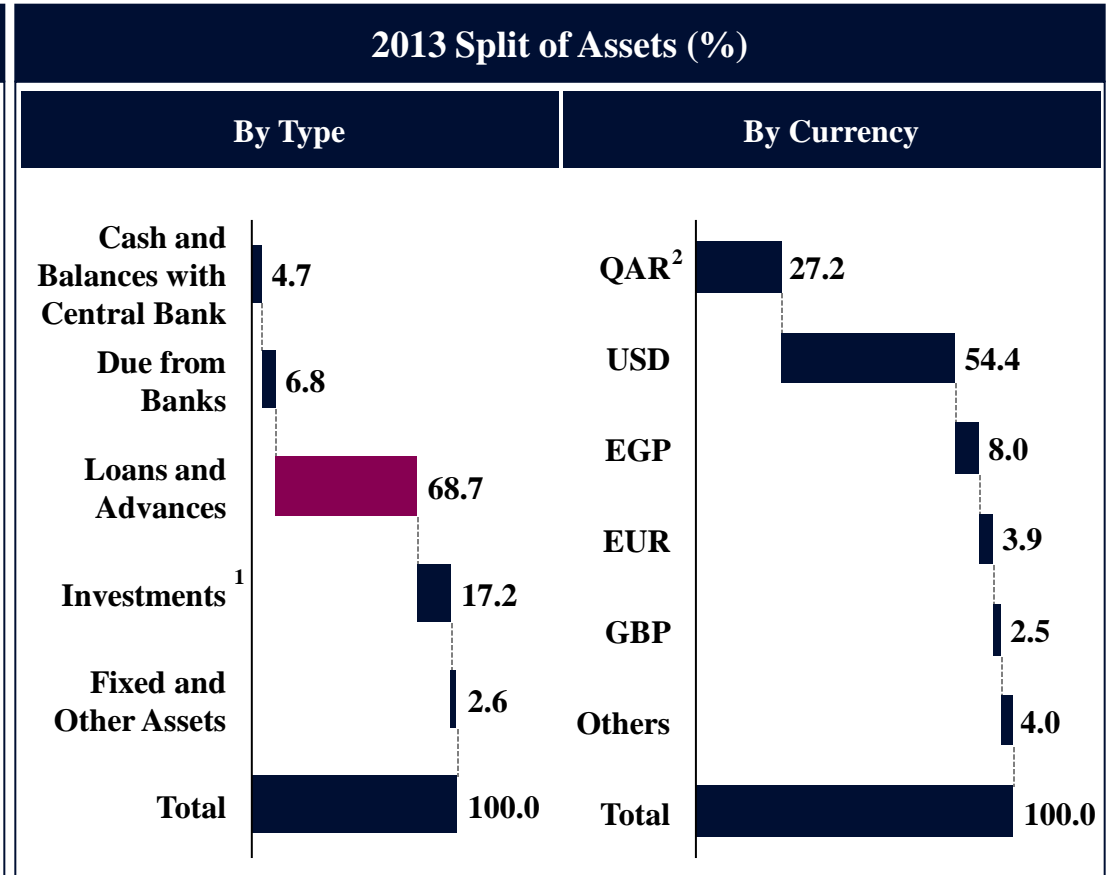
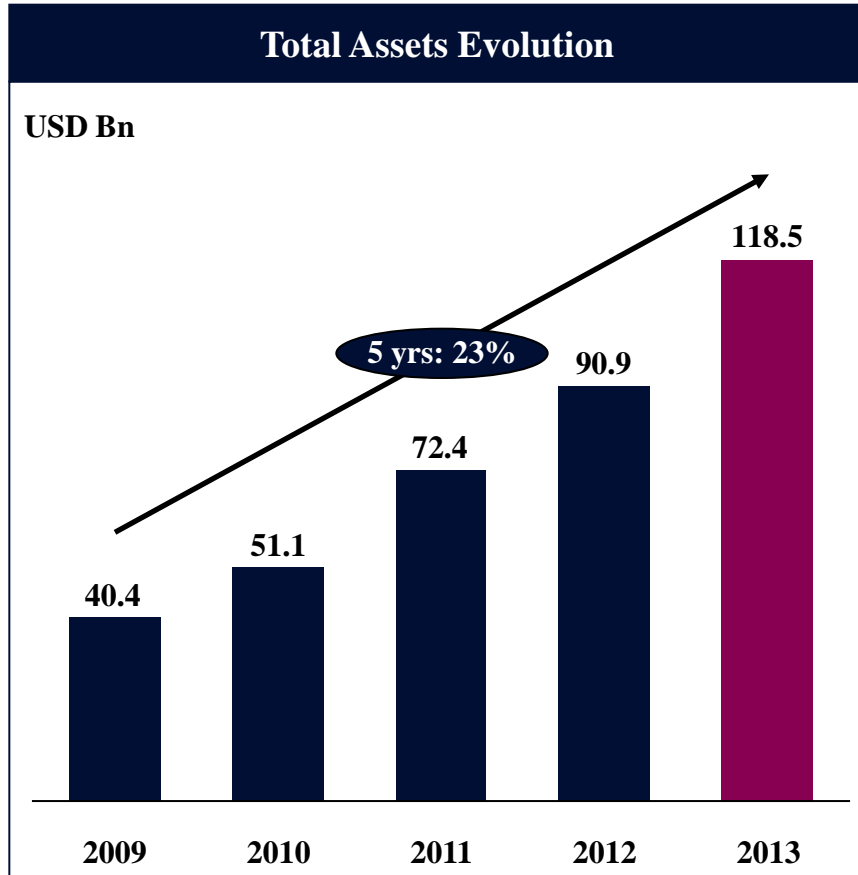
# Robust quarterly growth has been consistently delivered

## Quarterly Income Statement

| Income Statement                 |                |                |                |                |                      |
|----------------------------------|----------------|----------------|----------------|----------------|----------------------|
| USD 000s                         | Q2 2012        | Q3 2012        | Q4 2012        | Q1 2013        | Q2 2013 <sup>1</sup> |
| • Net Interest Income            | 615,340        | 623,109        | 657,770        | 645,996        | 901,464              |
| – FX Gain                        | 41,709         | 37,854         | 39,972         | 47,355         | 73,406               |
| – Fees and Commissions           | 88,646         | 84,663         | 92,472         | 96,202         | 169,870              |
| – Investment Income              | 20,876         | 7,024          | 14,951         | 4,308          | 18,750               |
| – Other Income                   | 826            | 582            | 708            | 833            | 1,608                |
| • Total Other Income             | 152,057        | 130,123        | 148,103        | 148,698        | 263,634              |
| • <b>Total Operating Income</b>  | <b>767,397</b> | <b>753,232</b> | <b>805,873</b> | <b>794,694</b> | <b>1,165,098</b>     |
| • G&A Expenses                   | (132,175)      | (131,598)      | (143,638)      | (144,579)      | (264,751)            |
| • <b>Total Operating Profit</b>  | <b>635,222</b> | <b>621,634</b> | <b>662,235</b> | <b>650,115</b> | <b>900,347</b>       |
| • Investment Income - Associates | 16,698         | 21,067         | 21,587         | 18,554         | 22,058               |
| • Loan Loss Provisions           | (70,392)       | (65,370)       | (81,041)       | (66,601)       | (122,204)            |
| • Other Provisions & Taxes       | (1,473)        | 2,440          | (22,633)       | (14,728)       | (86,277)             |
| • <b>Net Profit</b>              | <b>580,055</b> | <b>579,771</b> | <b>580,148</b> | <b>587,340</b> | <b>713,924</b>       |

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

Assets Analysis (as at June)

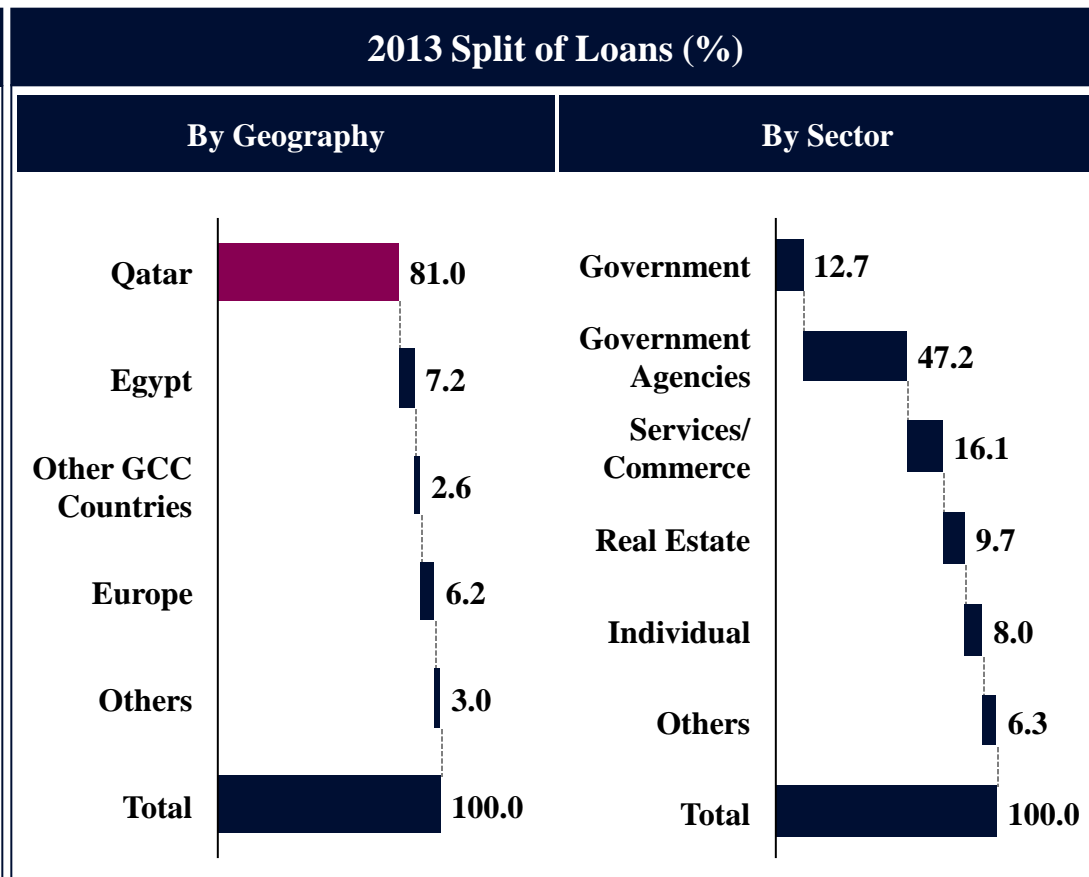
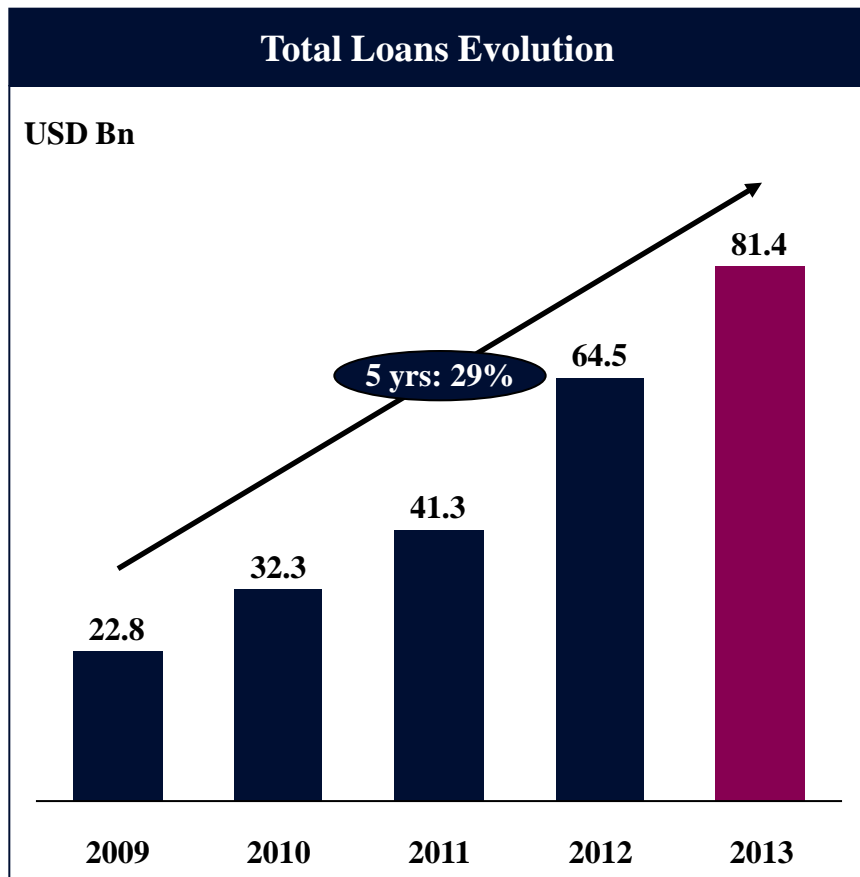


- Assets increased 30% from June 2012
- Assets increased 13% from March 2013

- Loans and advances represent 69% of total assets
- USD and QAR currencies account for 82% of total assets

# Strong loan growth fueled by domestic economic tailwinds

Loans Analysis (as at June)

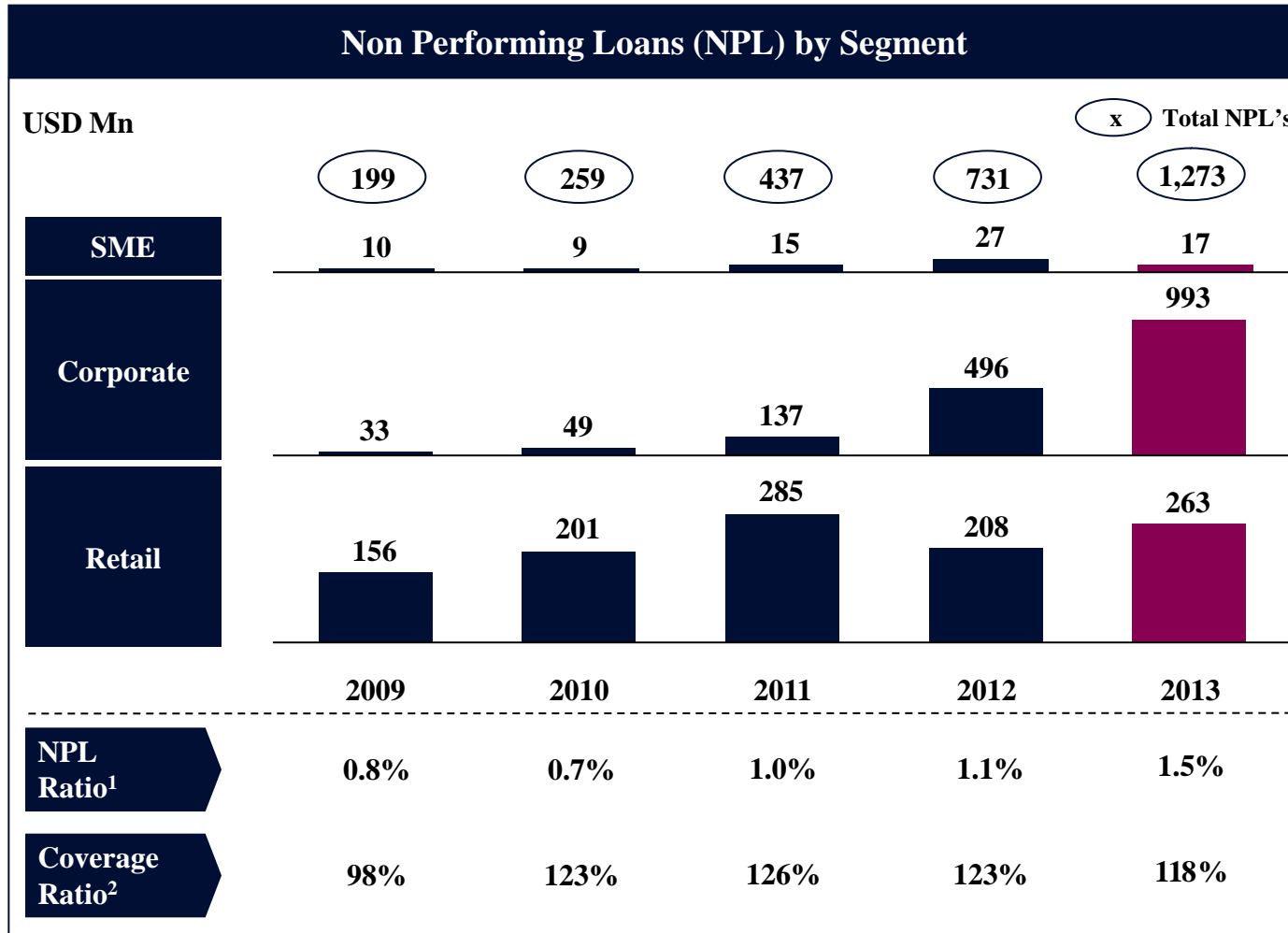


- Loans increased 26% from June 2012
- Loans increased 14% from March 2013

- Loans denominated in USD represent 63% of total loans
- Loan exposures are of high quality with 60% concentration to the public sector entities

# High quality lending portfolio is highlighted by low NPL ratios

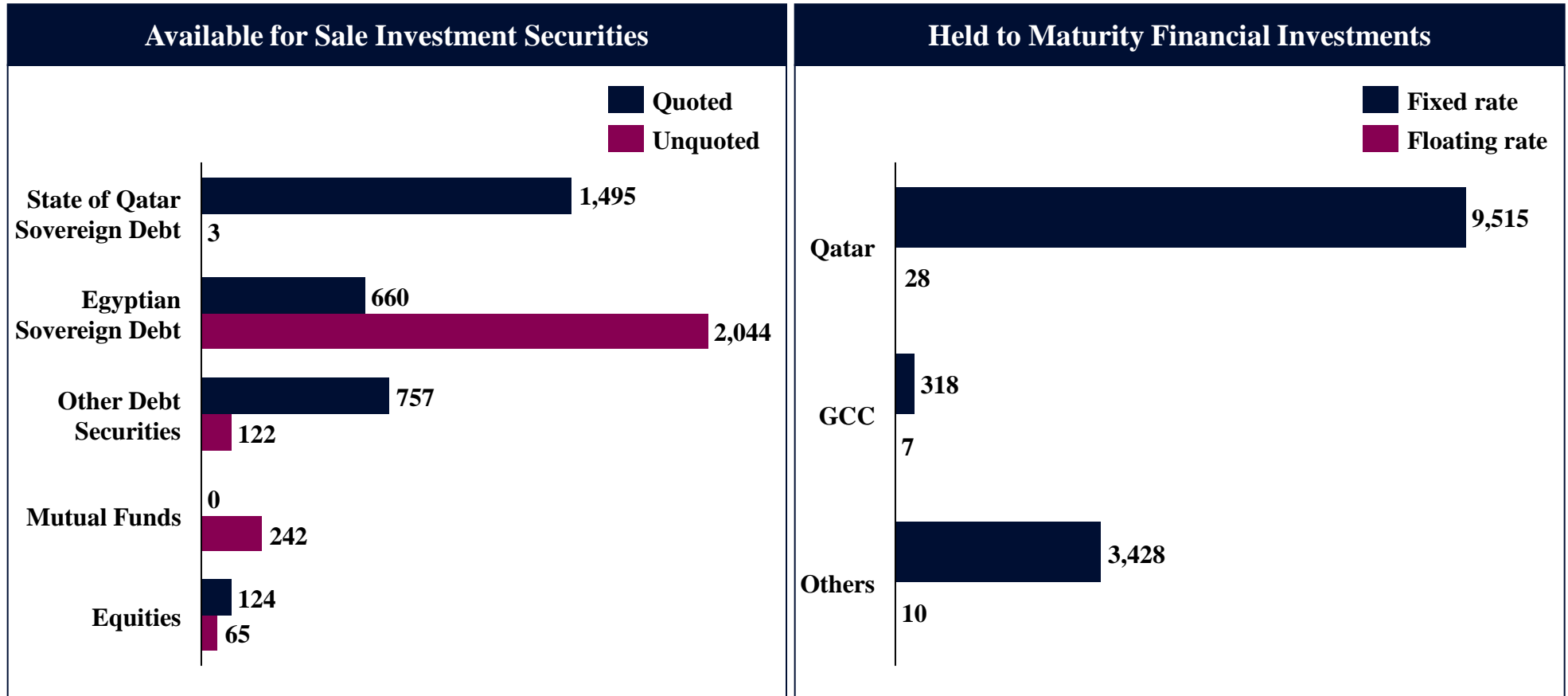
Asset Quality Analysis (as at June)



- One of the lowest NPL ratios among MENA banks
- QNB has continued to increase its provisions in response to the global economic situation
- The bank's coverage ratio has remained strong amidst the economic slowdown, with a coverage of 118% as at June 2013
- An additional risk reserve of USD 41.2 Mn was taken in 2012 to bring the total balance to USD 481 Mn representing nearly 3.5% of private lending versus a QCB requirement of only 2.00%

# High quality investment portfolio with 60% of securities rated AA or better

Investments Analysis (USD Mn as at June 2013)



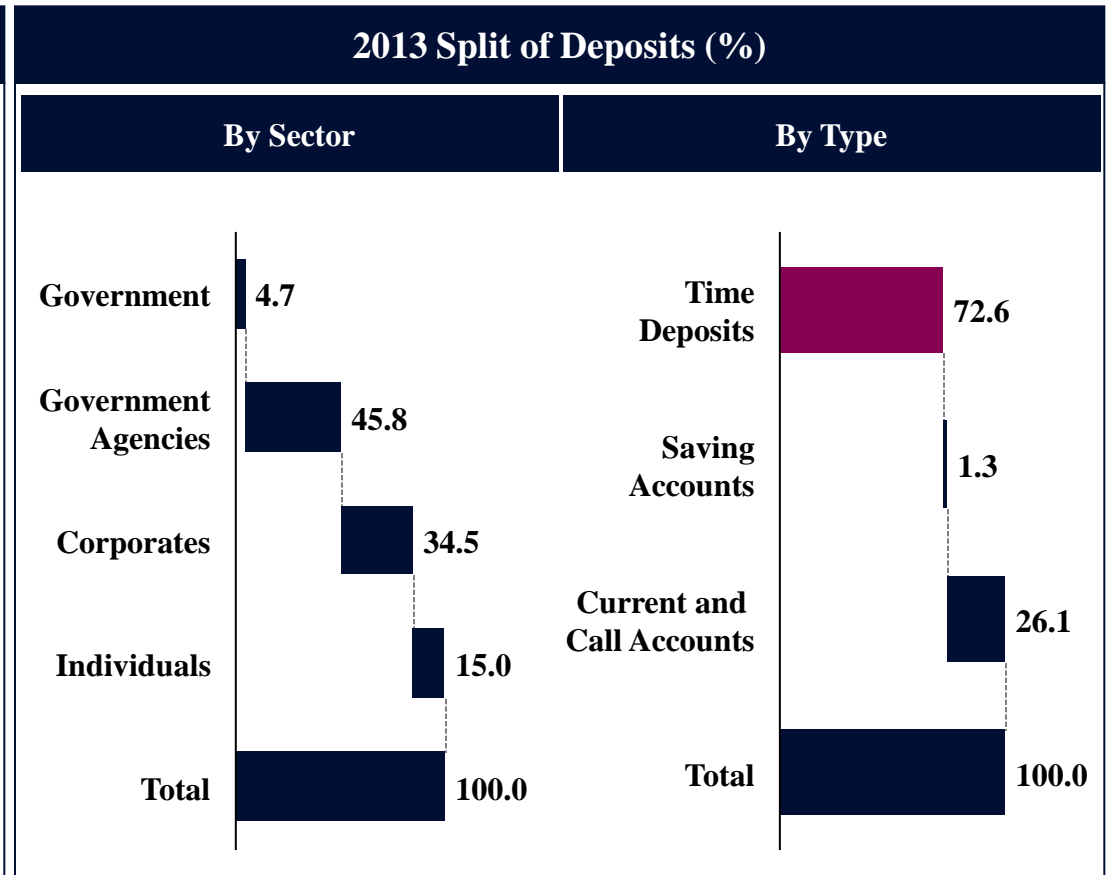
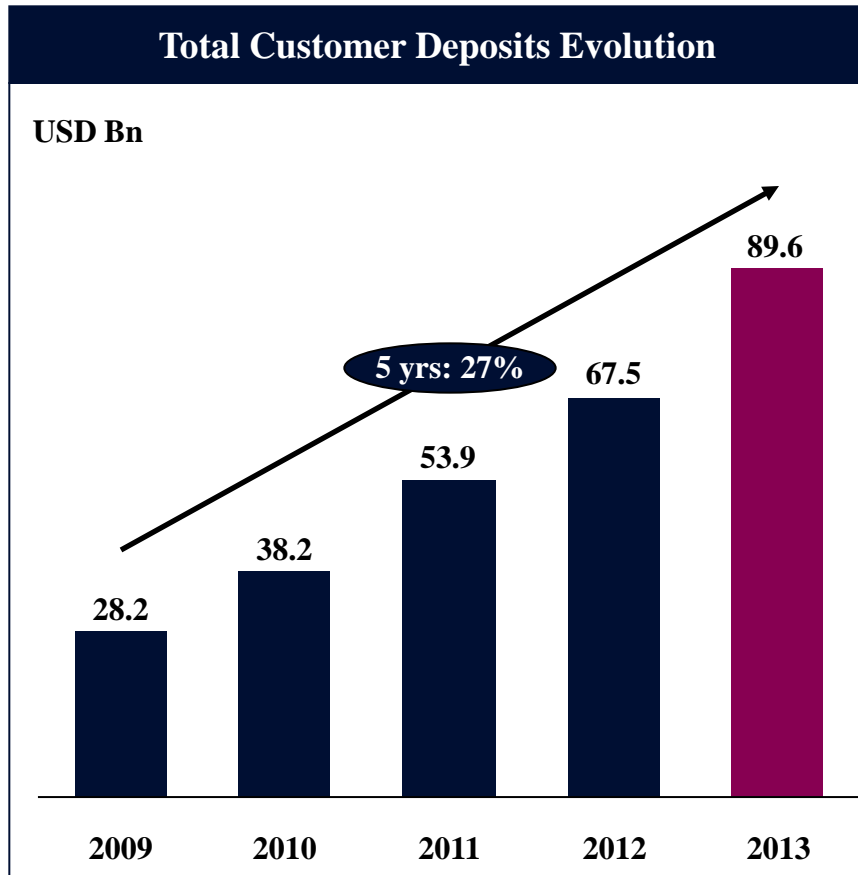
• Quoted securities account for 55% of available for sale investment securities

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



# Robust growth in customer deposits and funding

Funding Analysis (as at June 2013)

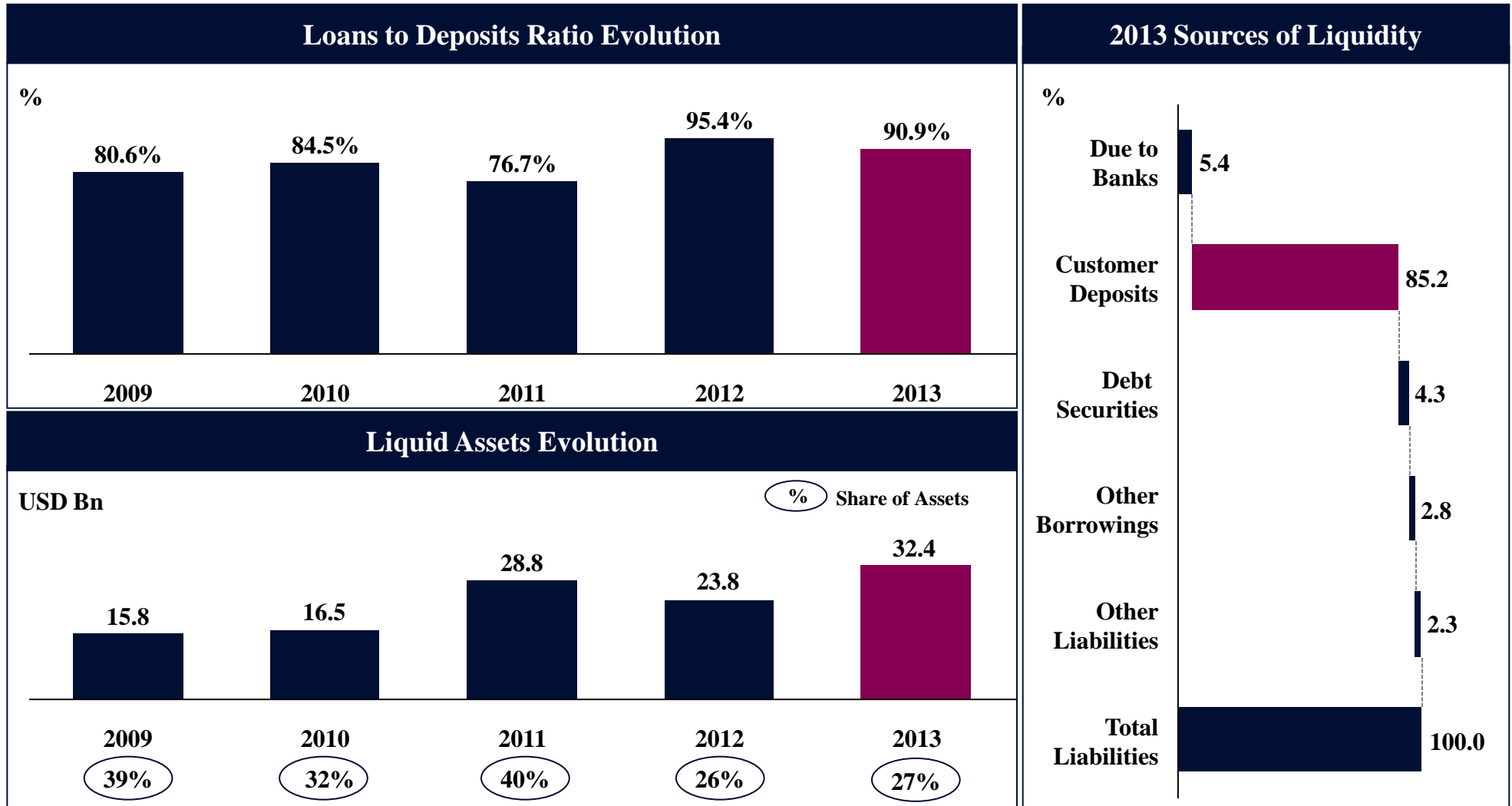


- Deposits increased 33% from June 2012
- Deposits increased 17% from March 2013

- QNB remains the public sector's preferred bank
- USD denominated deposits represent 51% of total deposits
- EGP denominated deposits represent 7% of total deposits

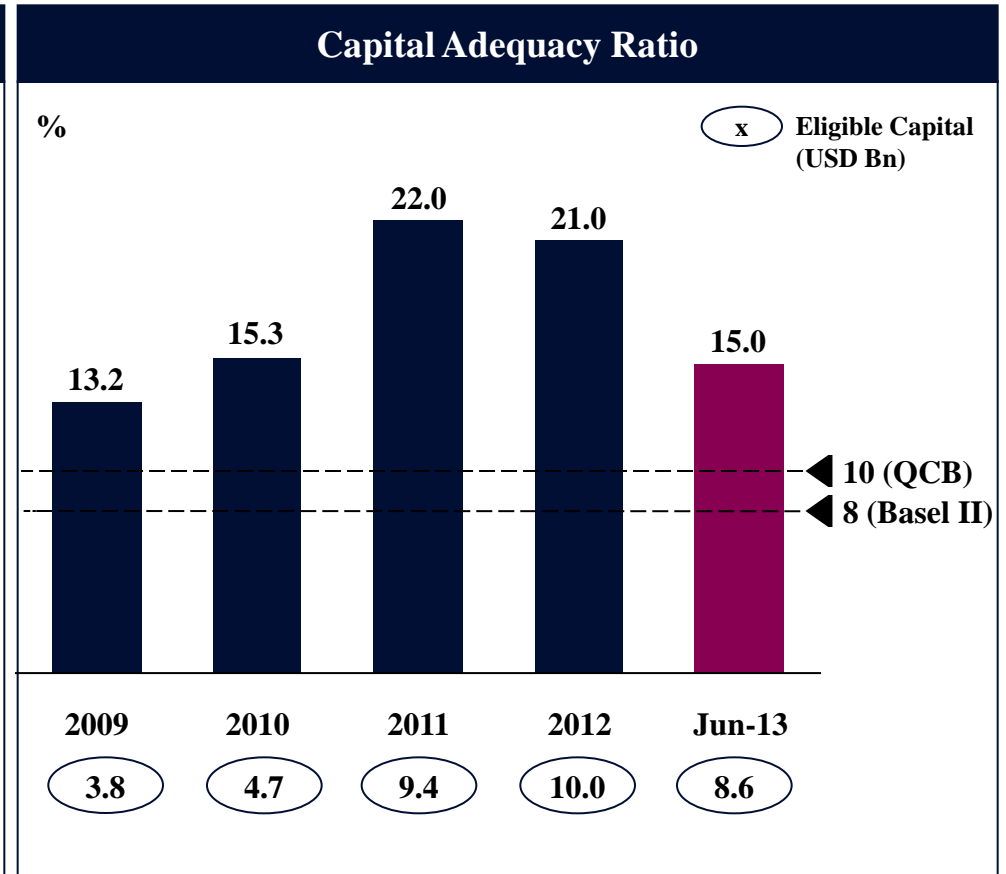
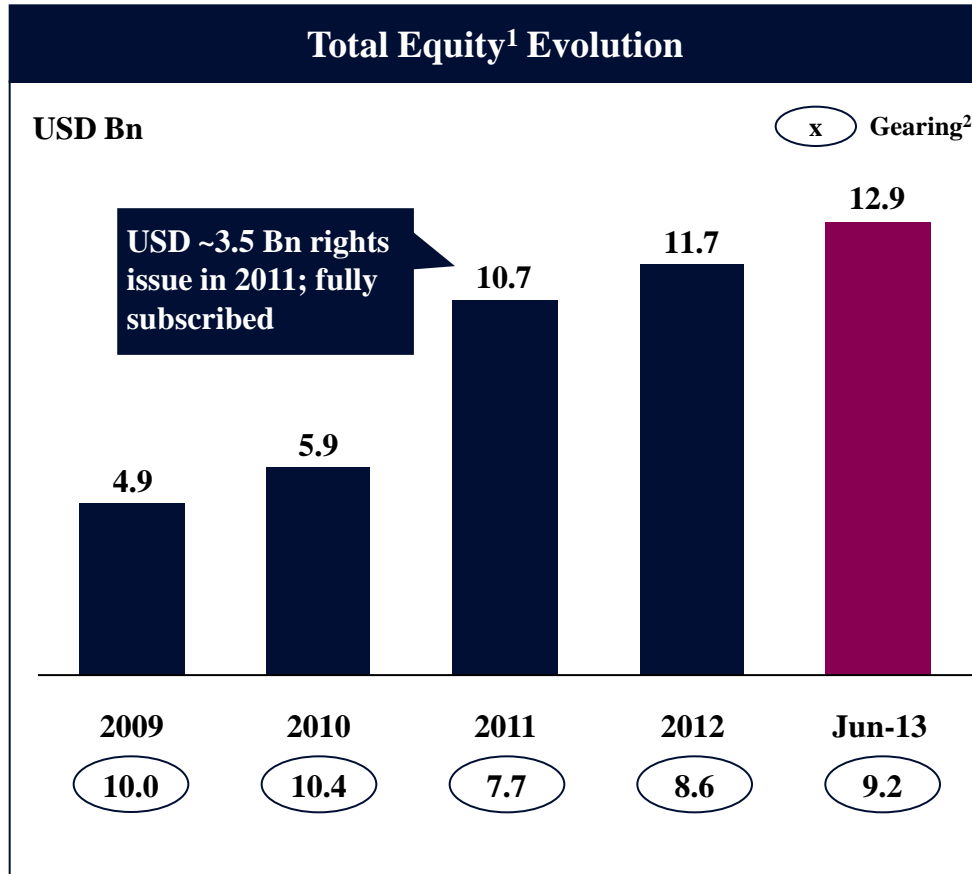
# Solid liquidity profile with loans to deposit ratio consistently below 96%

Liquidity Analysis (as at June)



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

Capital Analysis (as at December unless otherwise stated)



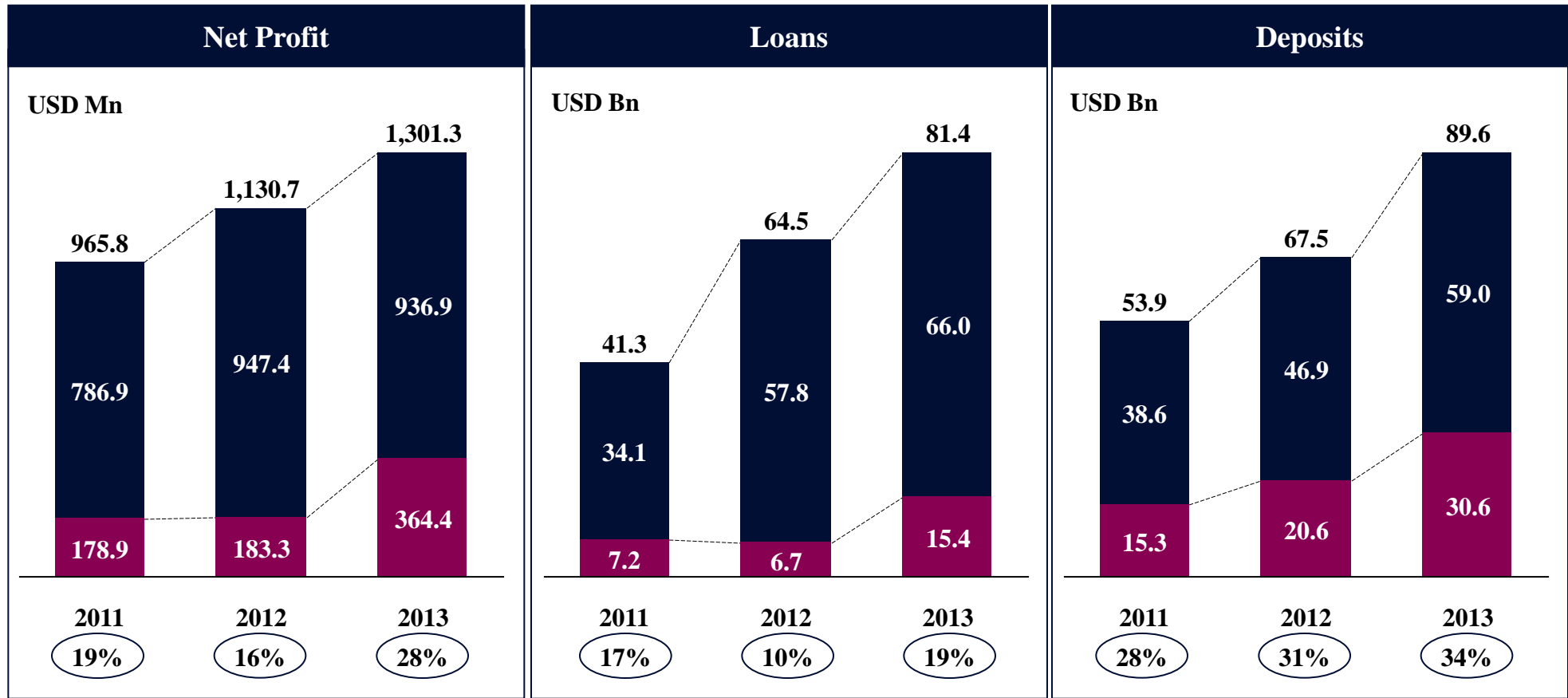
- Capital base has been regularly increased in line with the strong surge in QNB's balance sheet

- 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 June)

■ Domestic 
 ■ International 
 % Share of International

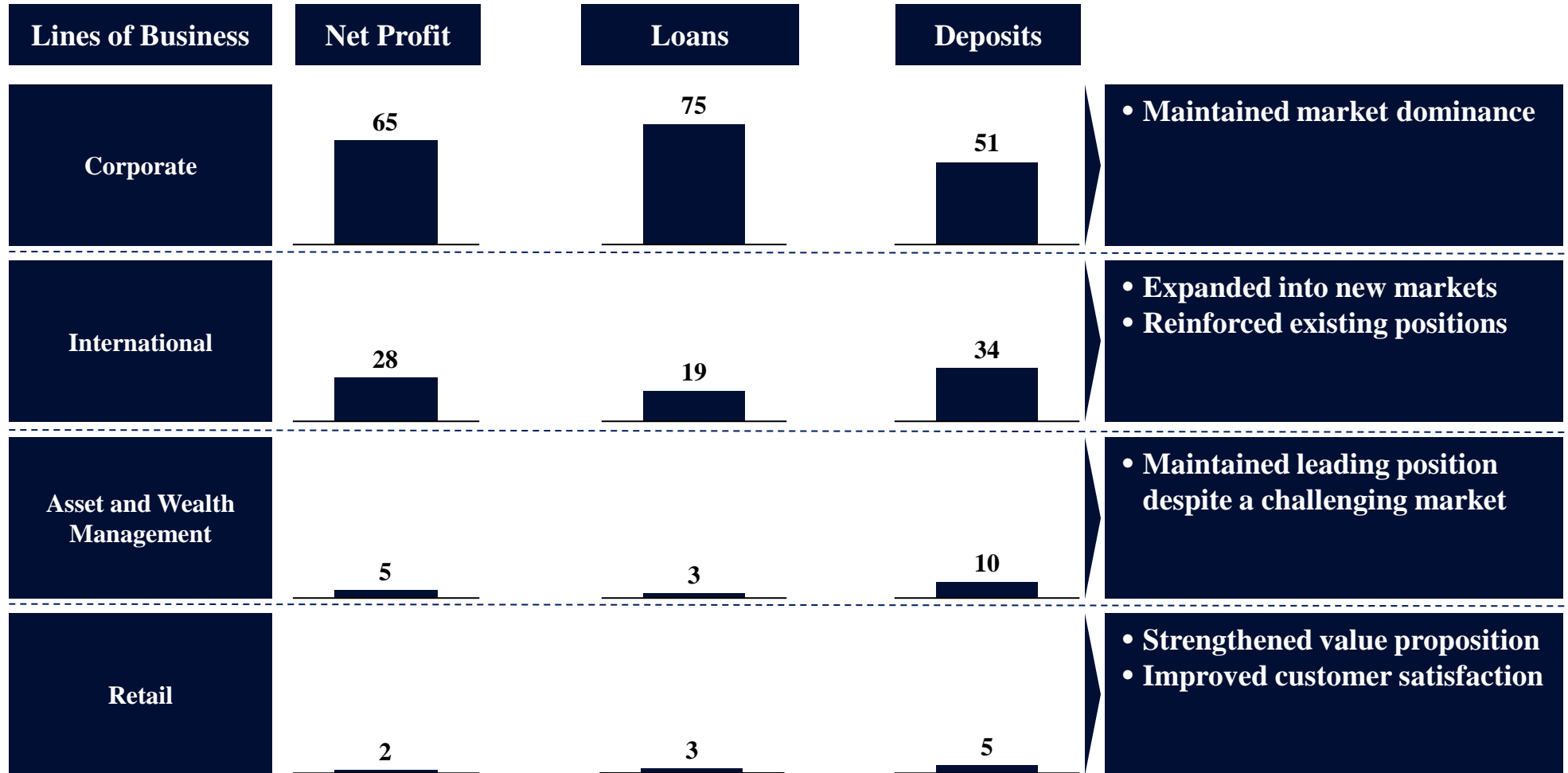


- Profit from international operations increased by USD 185.5 Mn (+104%) from 2011 to 2013

- Loans and deposits from international operations increased by USD 8.2 Bn (+116%) and USD 15.3 Bn (+101%) respectively, from 2011 to 2013

# Diversifying business mix will bolster sustainable growth

Business Mix Contribution (% share as at June 2013)



# QNB continues to demonstrate sustainable profitable growth

June 2013 Highlights (Excluding NSGB)





Growth vs. June 2012  
(unless stated)


**Profit**

- USD 1.19 Bn net profit  +5%


**Assets**

- USD 108.8 Bn assets  +20% since Jun-12  
+4% since Mar-13
- USD 75.6 Bn loans  +17% since Jun-12  
+6% since Mar-13

**Funding**

- USD 80.9 Bn deposits  +20% since Jun-12  
+5% since Mar-13

**Equity**

- USD 13.2 Bn equity  +9%

• Net interest margin (NIM): 2.71%

• Efficiency ratio: 17.5%

• NPL (% of gross loans): 1.4%

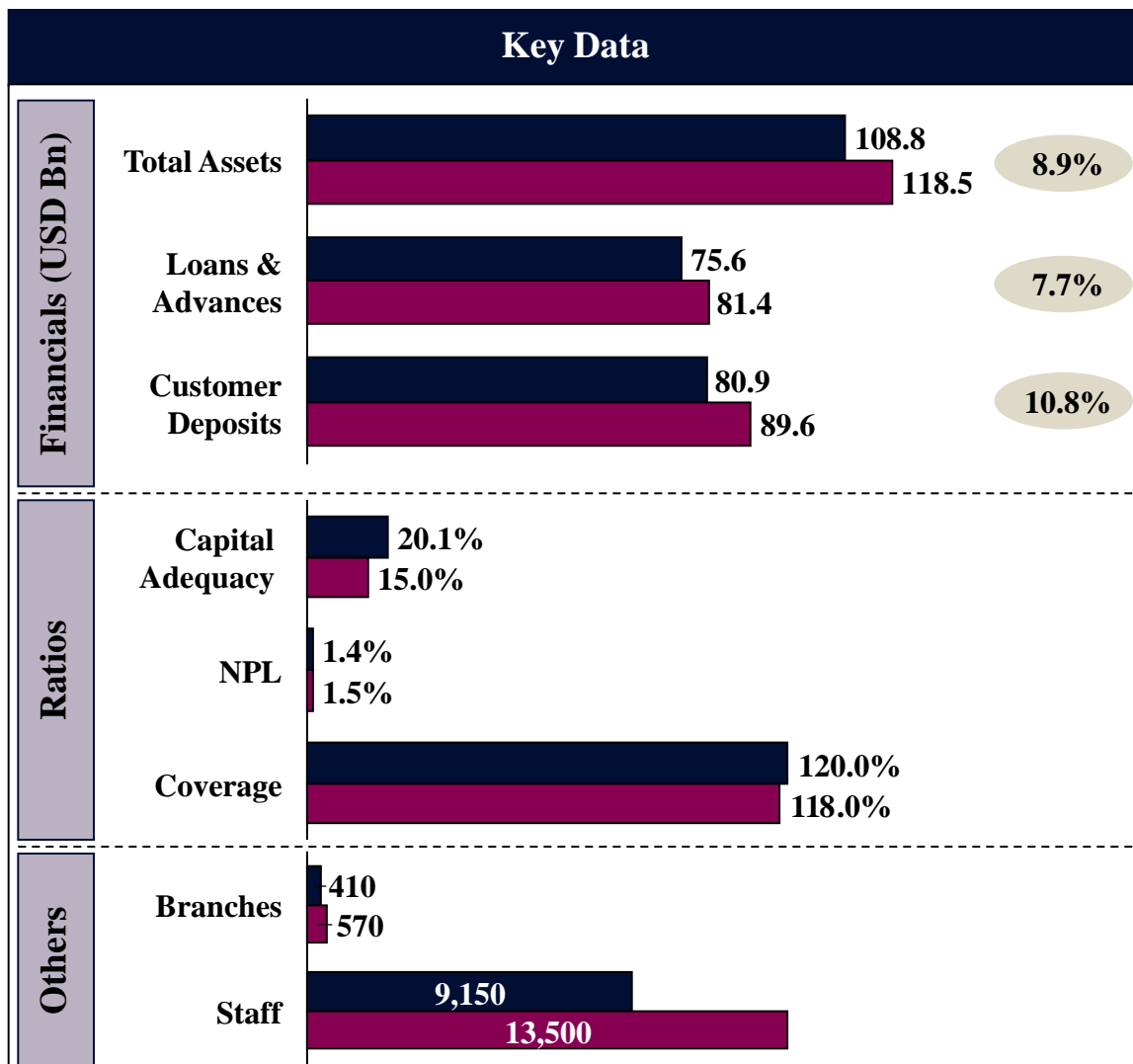
• Coverage ratio: 120%

• Loans to deposits ratio: 93.5%

• Capital adequacy ratio: 20.1%

# QNB Group Financials

Key data (as at end June 2013)



xxx

Growth

■ QNB

■ QNB incl. NSGB

## Highlights

- QNB Group finalised incorporation of the financial results of NSGB during the second quarter of 2013
- Results finalised under International Financial Reporting Standards (IFRS)
- Capital Adequacy on consolidation 15.0%

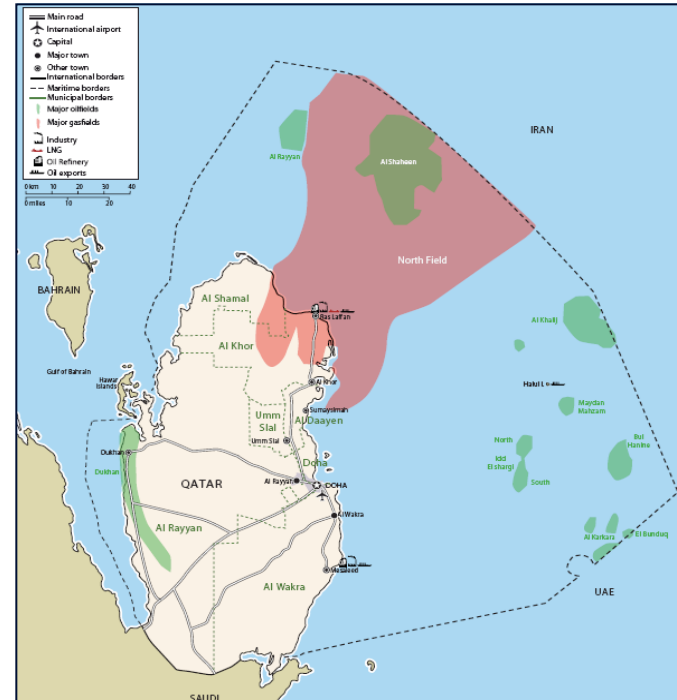
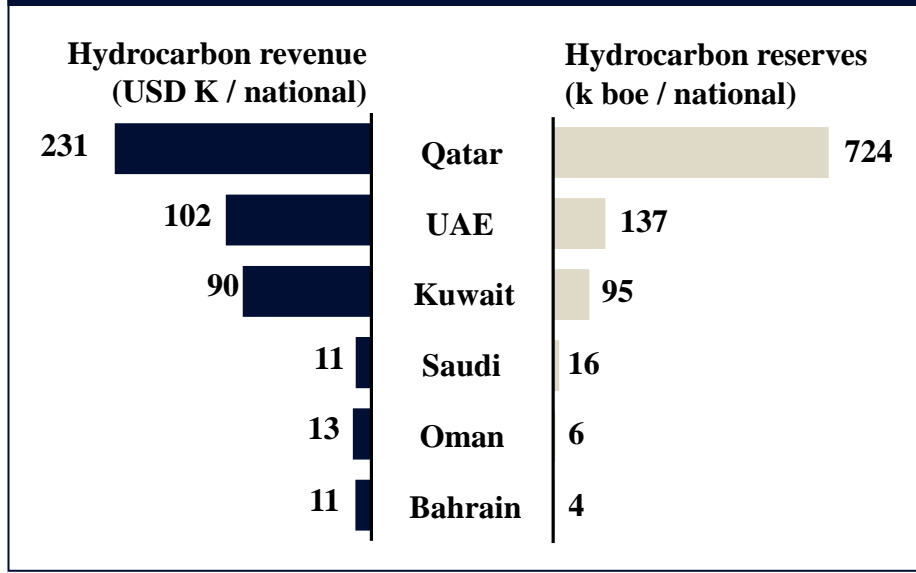


# Economic Overview



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

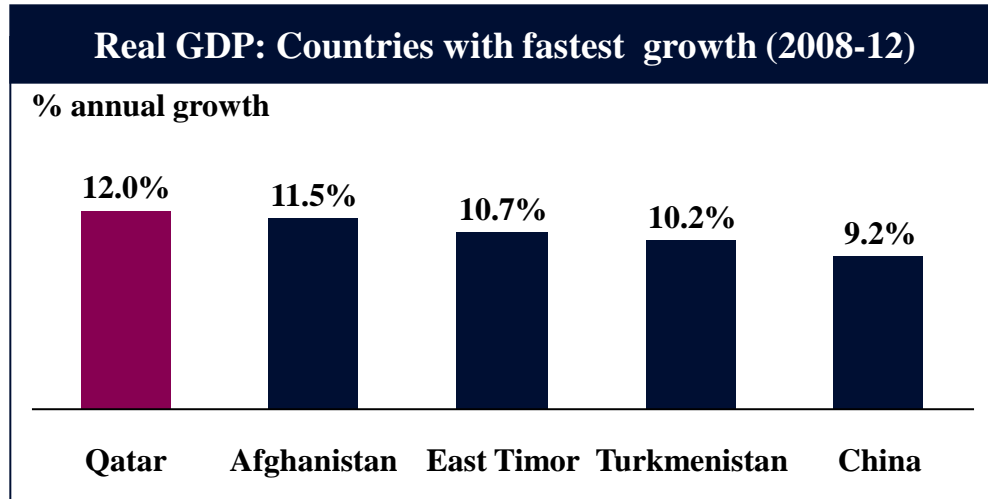
## GCC oil & gas wealth (2012)



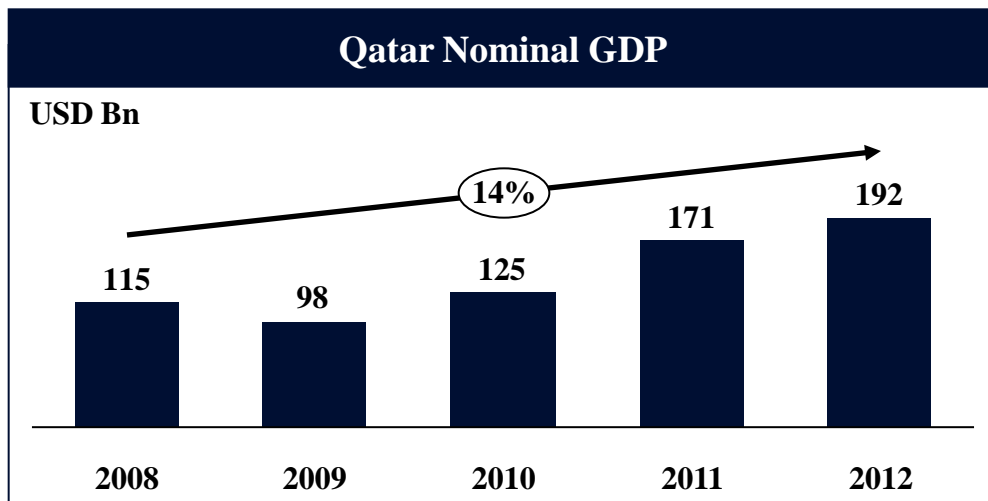
- Qatar has the world's highest reserves per national
- Qatar also has the world's highest state revenue per national

- 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
- Qatar could produce at 2012 levels for 140 years
- Qatar also has 26bn barrels of crude oil and condensate reserves (5% of GCC and 1.9% of global reserves)

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

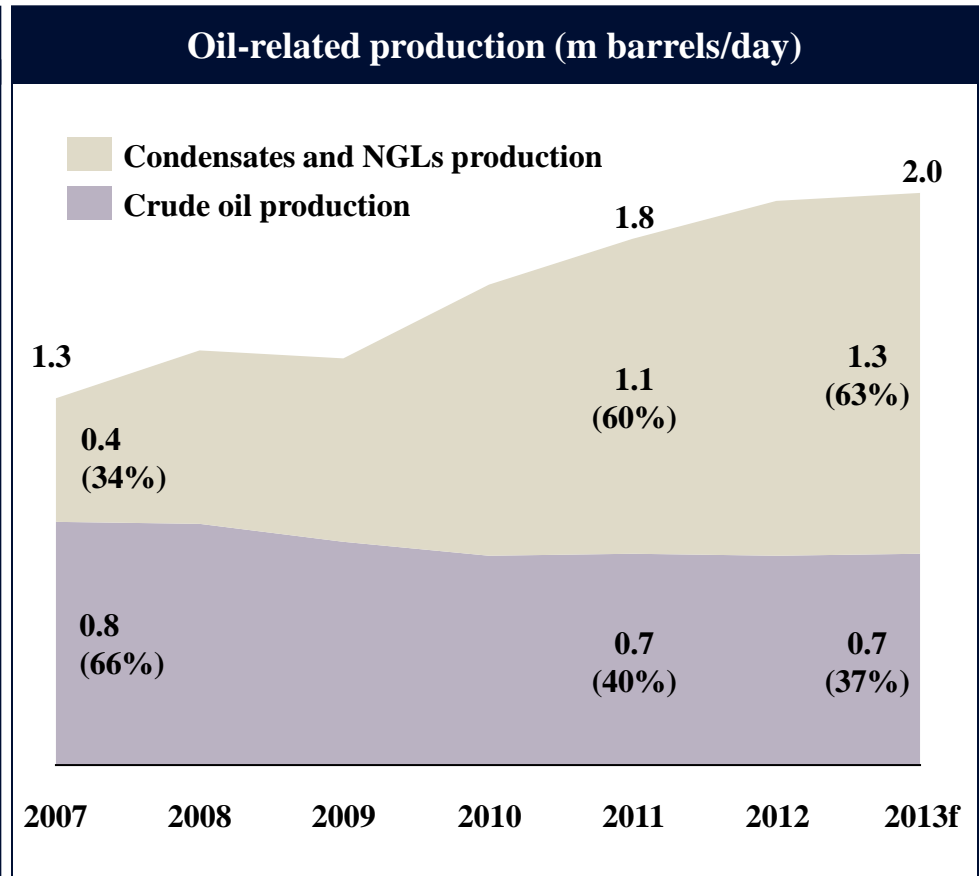
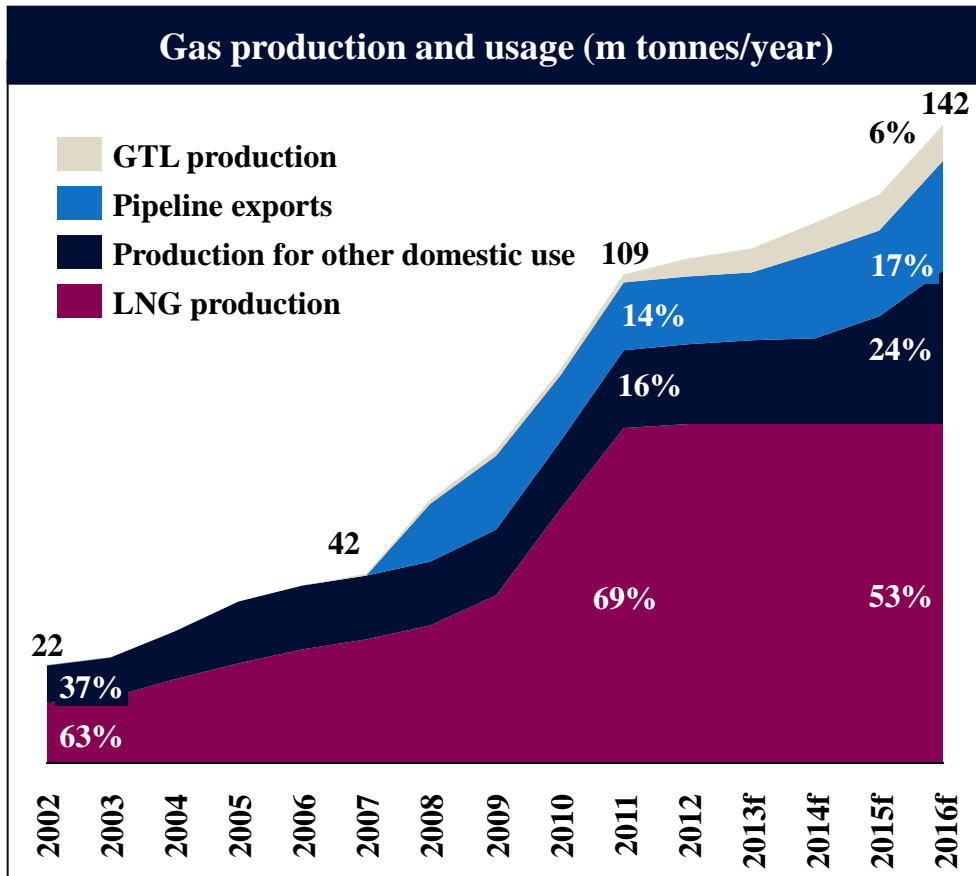


- Qatar's annual real growth of 12.0% during 2008-12 was the world's fastest, reflecting the expansion in LNG production
- Growth eased to 6.6% in 2012, still strong by global standards



- Nominal growth was 14%, tracking changes in oil prices
- GDP per capita was USD 102 K in 2012 (Purchasing Power Parity), the highest globally

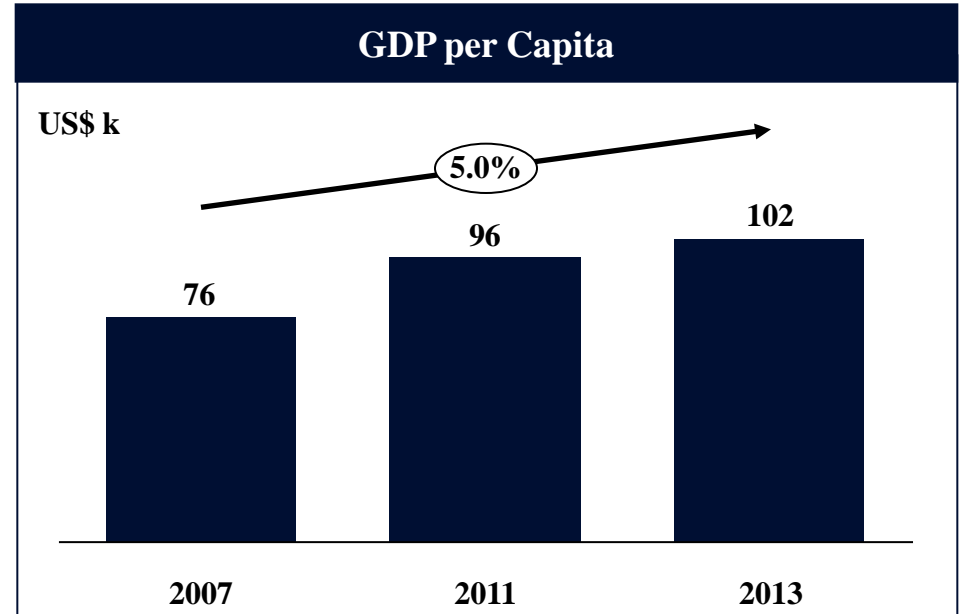
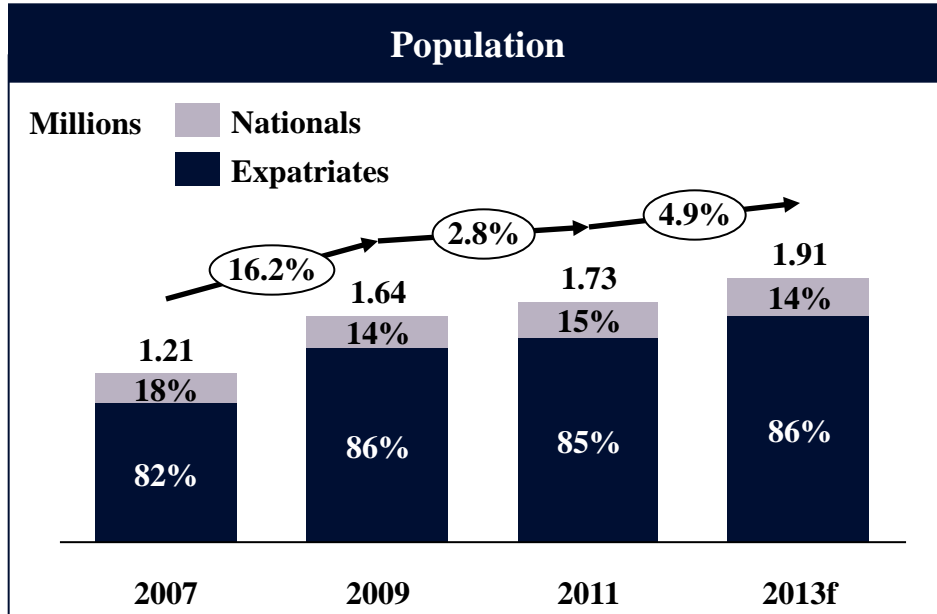
# Growth has been driven by a dramatic expansion in gas production



- 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

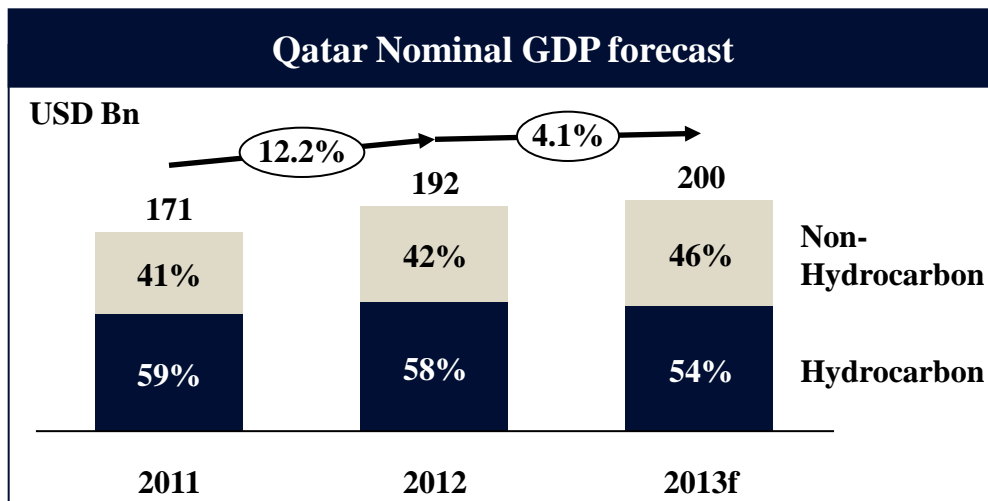
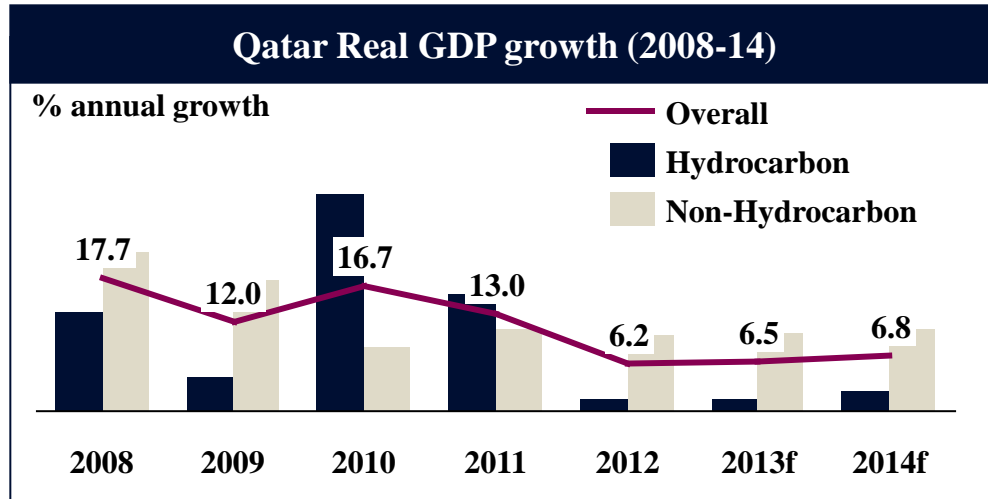
# Expansion has driven population growth and created significant wealth



- Population growth was the highest in the world in 2007-09, largely due to inflows of construction workers
- Population growth picked up to 8.0% in June 2013 (based on a 12 month rolling average)

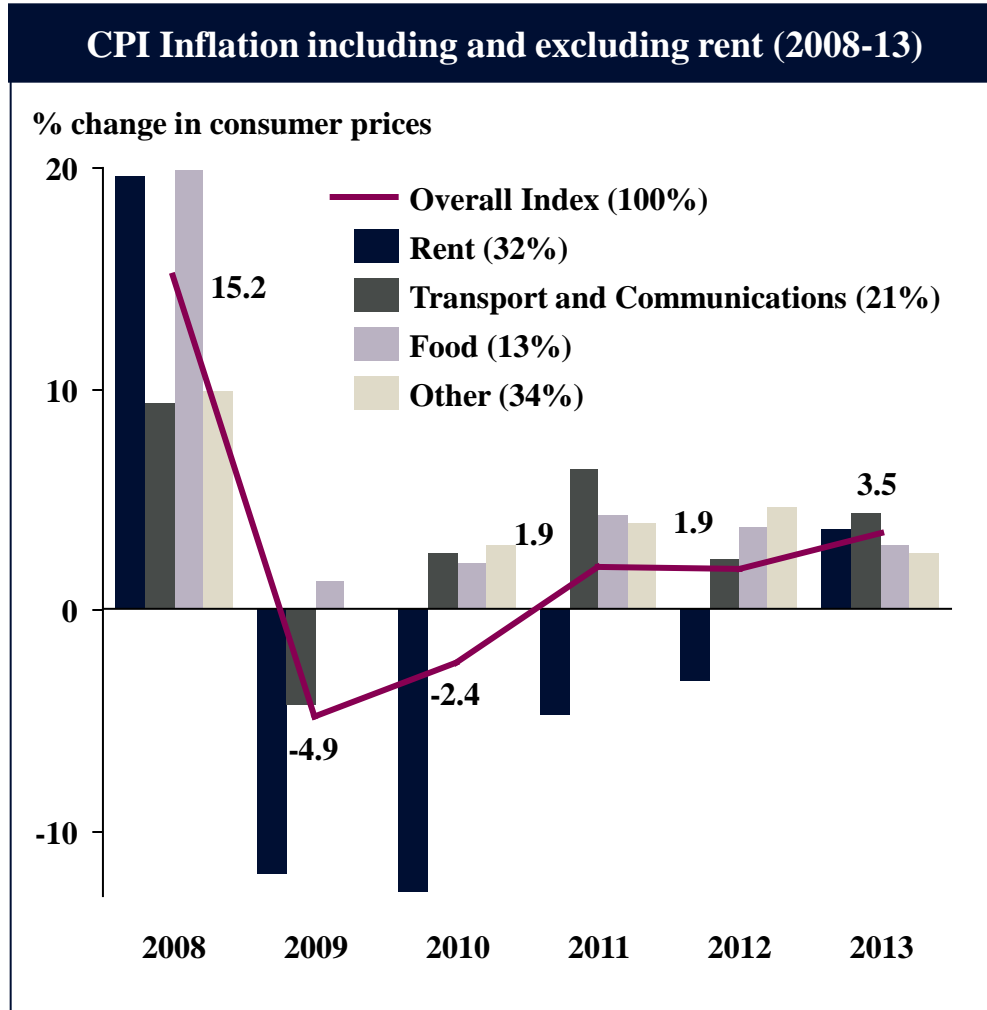
- GDP per capita is amongst the highest in the world
- The outlook for growth in the high-income segment is strong

# Increased non-hydrocarbon contribution to GDP growth



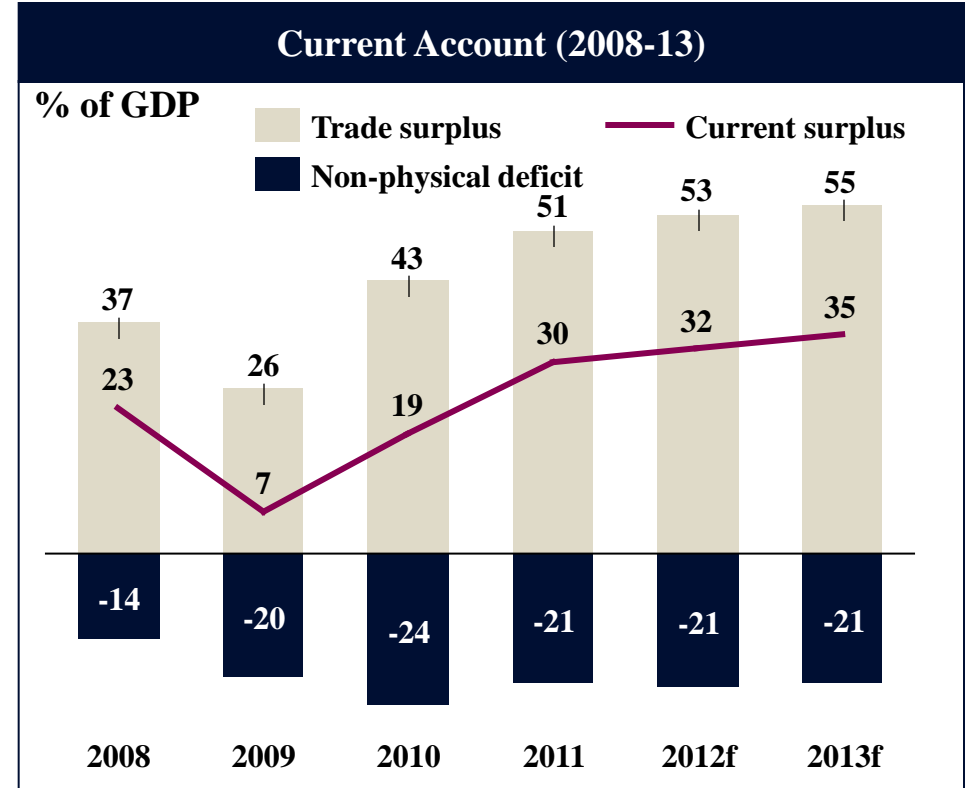
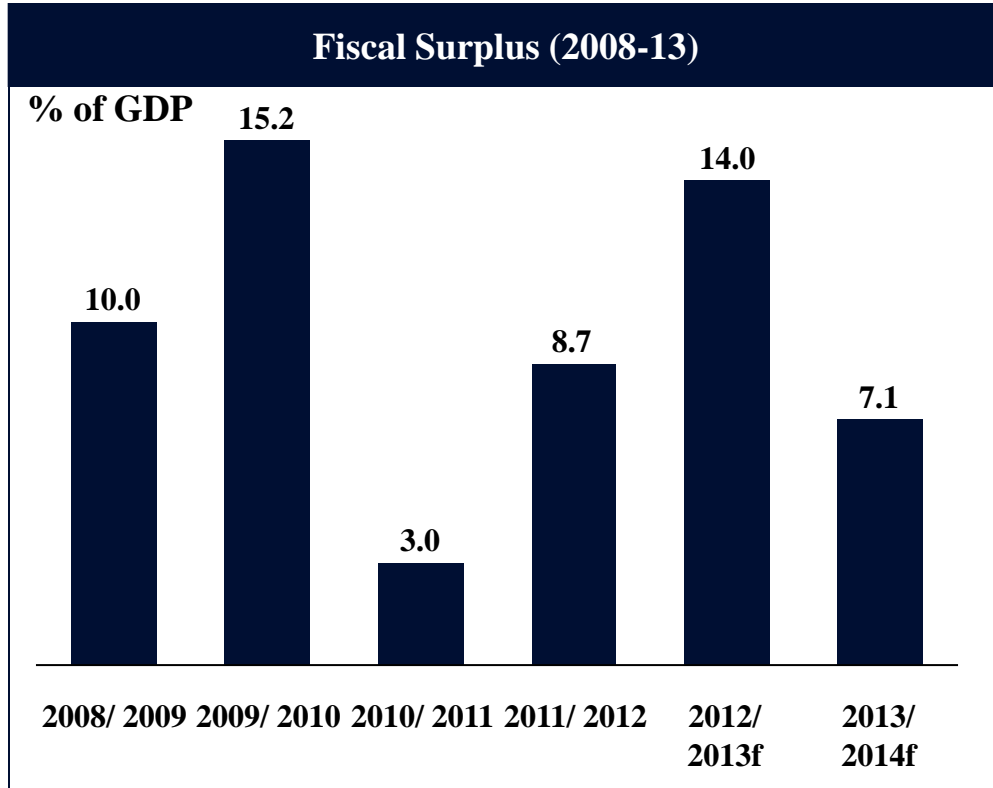
- Expansion plans in the oil and gas sector are now limited and real hydrocarbon growth is expected to slow to around 1% in 2013-14
- However, QNB Economics expects the non-hydrocarbon sector to expand at over 10%, driving an acceleration in overall real GDP growth to 6.5% in 2013 and 6.8% in 2014
- Nominal growth is forecast to be 4.1% in 2013, assuming Brent slipping slightly to USD108/barrel
- The share of non-hydrocarbons in nominal GDP is forecast to rise from 41% in 2011 to 46% in 2013

# Inflation remains moderate notwithstanding a recovery in rents



- Inflation picked up to 3.5% YoY in May 2013
- Rents account 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 May 2013 were up 6.5% YoY
- We expect rents to continue rising at modest rates in 2013 while non-rent inflation moderates

# Hydrocarbon receipts ensure fiscal and current account surpluses



- Expenditure plans are based on conservative oil price assumptions (currently USD65/barrel)

- The trade surplus is offset by deficits in the non-physical balance (income, services and transfers)

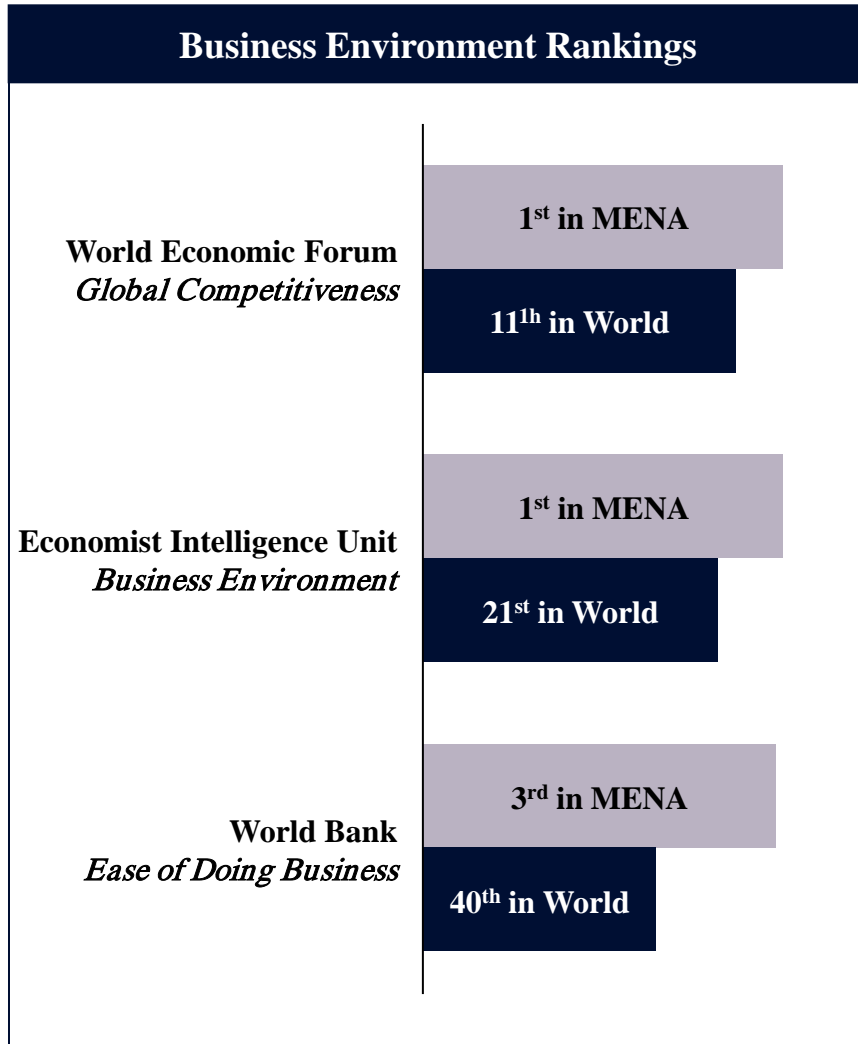
# International reserves are rising and provide ample import cover



- International reserves have risen since December 2011, reaching record levels
- They currently provide 16 months of import cover, well above the IMF recommended minimum level of 3 months for pegged exchange rates



# The business environment remains very strong



## Contributing factors

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

# Disclaimer

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