



# Investor Relations Presentation

June 2015

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*Notes:*

*All figures in US Dollars have been converted from Qatari Riyals based on the exchange rate of 1 US Dollar = 3.6405 Qatari Riyals*

*In certain cases, numbers may be rounded for presentation purposes*

# QNB at a Glance



# QNB at a Glance: Overview

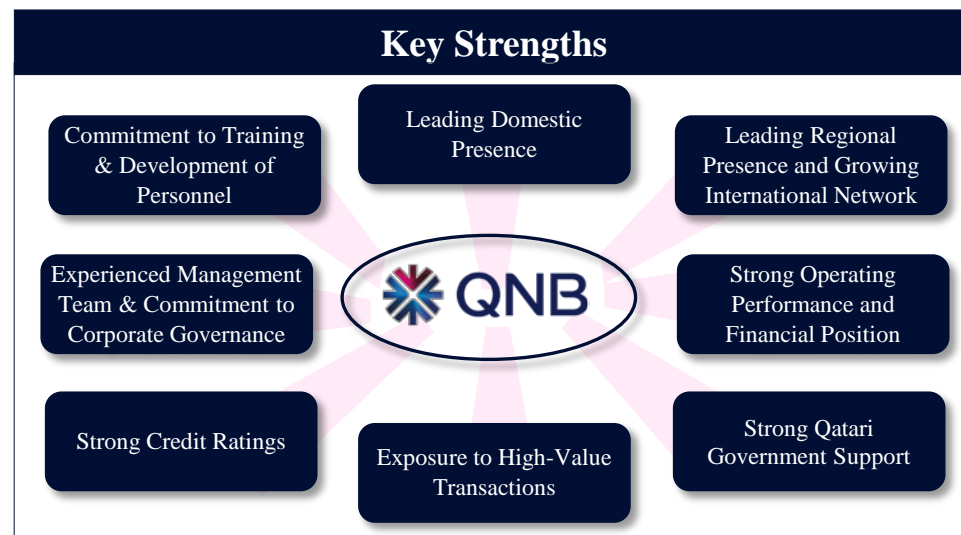
<b>Overview</b>	<ul style="list-style-type: none"> <li>Established in 1964 as the first Qatari owned bank</li> <li>Owned (50%) by the Government of Qatar via the Qatar Investment Authority (QIA)</li> <li>Largest bank in Qatar by market cap., assets, loans, deposits and profit.</li> <li>Largest bank in MENA by total assets, loans, deposits and profit.</li> </ul>
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<b>Credit Rating</b>		<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>Capital Intelligence</b>
	<b>LT</b>	Aa3	A+	AA-	AA-
	<b>ST</b>	P-1	A-1	F1+	A1+
	<b>Outlook</b>	Stable	Stable	Stable	Stable

<b>Presence</b>	<ul style="list-style-type: none"> <li>QNB Group, subsidiaries and associate companies operate in more than 27 countries around the world across 3 continents, through more than 630 locations, supported by more than 1,340 ATMs and employing more than 14,900 staff. <sup>1</sup></li> </ul>
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<b>Stock/Share Parameters</b>	<ul style="list-style-type: none"> <li>Listed on Qatar Exchange (QNBK)</li> <li>Market cap. of USD37.1bn</li> <li>Share price of USD52.99 per share</li> <li>Price to Book 2.9x (31-Dec-14)</li> <li>Price to Earnings 14.2x (31-Dec-14)</li> </ul>
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<b>Financials<sup>2</sup> (in USD billion)</b>			
	Jun-15	Jun-14	5yr CAGR
Total Assets	140.2	127.9	22%
Loans & Advances	97.8	89.6	25%
Deposits	104.7	94.8	22%
Operating Income <sup>3</sup>	2.26	2.10	18%
Profit <sup>4</sup>	1.53	1.39	16%
Coverage Ratio	133%	123%	-
NPL Ratio	1.5%	1.6%	-
Net Interest Margin	2.86%	2.85%	-






# QNB's International Footprint

## Sub-Saharan Africa

-  **South Sudan:** (1 Branch)
-  **Togo:** (1,265 Branches, 20.0% stake in Ecobank<sup>1</sup>)













## Asia

-  **Indonesia:** (49 Branches, 82.59% stake In QNB Indonesia)
-  **Singapore:** (1 Branch)
-  **India:** (1 Office, 100% stake)
-  **China:** (1 Representative office)
-  **Vietnam:** (1 Representative Office)

## North Africa

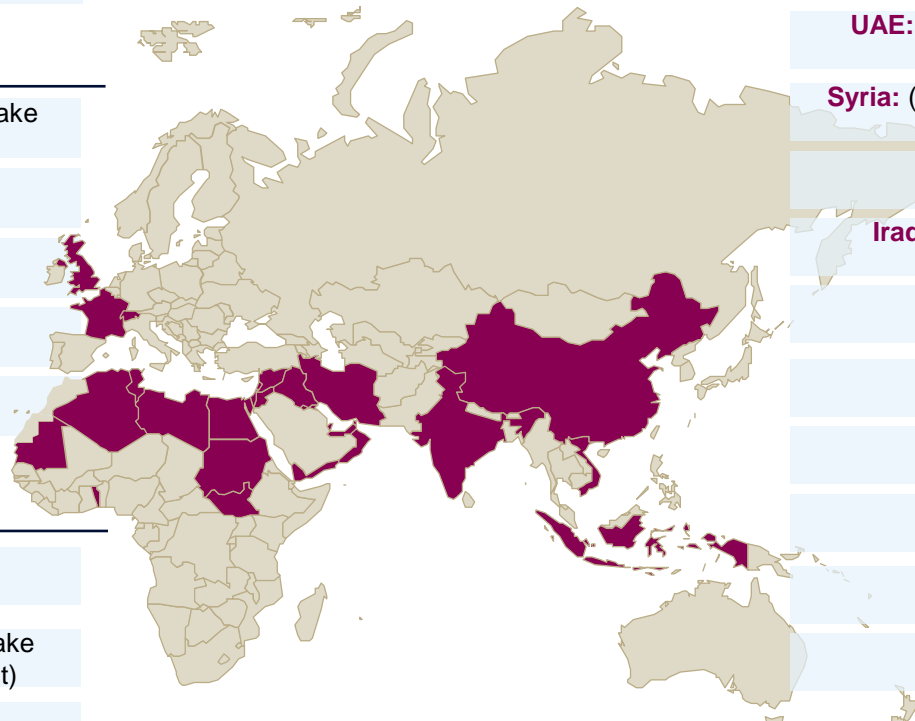
-  **Egypt:** (179 Branches, 97.1% stake in QNB ALAHLI)
-  **Libya:** (36<sup>2</sup> (+1) Branches, 49.0% stake in Bank of Commerce & Development)
-  **Tunisia:** (32 Branches, 99.9% stake in QNB Tunisia)
-  **Sudan:** (6 Branches)
-  **Algeria:** (6 Branches<sup>2</sup>)
-  **Mauritania:** (1 Branch)

## Middle East

- Qatar:** (80 Branches) 
- Jordan:** (155<sup>2</sup> (+3<sup>2</sup>) Branches, 34.5% stake in Housing Bank of Trade & Finance) 
- UAE:** (26 (+1<sup>2</sup>) Branches, 40.0% stake in CBI) 
- Syria:** (15 (+30<sup>2</sup>) Branches, 50.8% stake in QNB-Syria) 
- Palestine:** (13 Branches<sup>2</sup>) 
- Iraq:** (9 (+1<sup>2</sup>) Branches, 50.8% stake in Bank Mansour) 
- Oman:** (6 Branches) 
- Bahrain:** (1 Branch<sup>2</sup>) 
- Kuwait:** (1 Branch) 
- Lebanon:** (1 Branch) 
- Yemen:** (1 Branch) 
- Iran:** (1 Representative office<sup>3</sup>) 

## Europe

- United Kingdom:** (1 (+1<sup>2</sup>) Branch) 
- France:** (1 Branch) 
- Switzerland:** (1 Office, 100% stake in QNB Banque Privée) 



1: Ecobank share of 20.0%, as at 31 March 2015, includes ordinary shares and QNB's convertible preference shares. The branch data for Ecobank is as at 31 December 2014

2: Includes the branches / representative offices from subsidiaries and associates

3: Dormant

# Rating Excerpts



*“A+” with “Stable” outlook*

*“QNB benefits from a “very high” likelihood of support from Qatar’s government thanks to its “very important” economic role for and “very strong” link with the government...”*

*August 29<sup>th</sup>, 2014*

**MOODY’S**

*“Aa3” with “Stable” outlook*

*“QNB has one of the strongest asset quality metrics among its regional and global peers.”*

*September 10<sup>th</sup>, 2014*

**FitchRatings** *“AA-” with “Stable” outlook*

*“Fitch makes a distinction between QNB’s SRF (Support Rating Floor) and that of the other banks in Qatar, as a result of its status as the flagship bank in the sector, its role in the Qatari banking sector and close business links with the state.”*

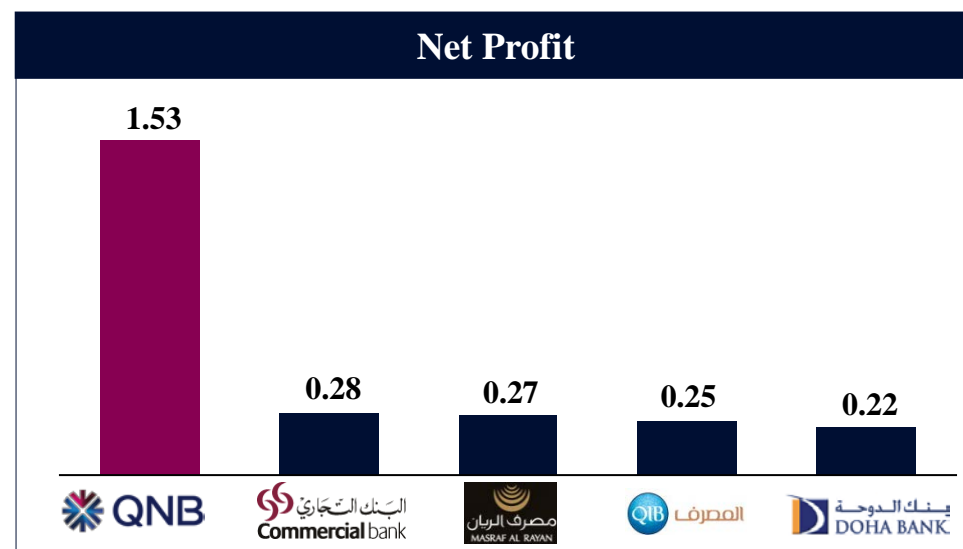
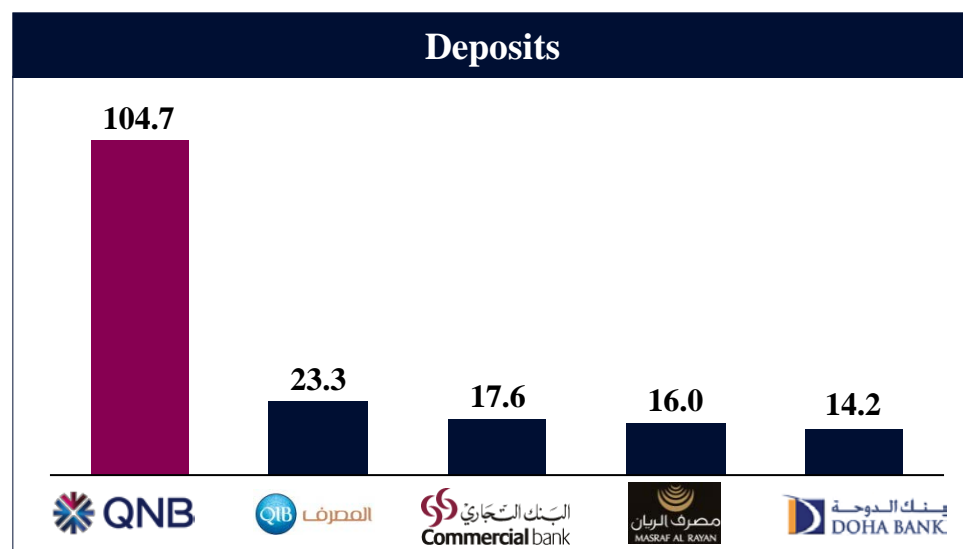
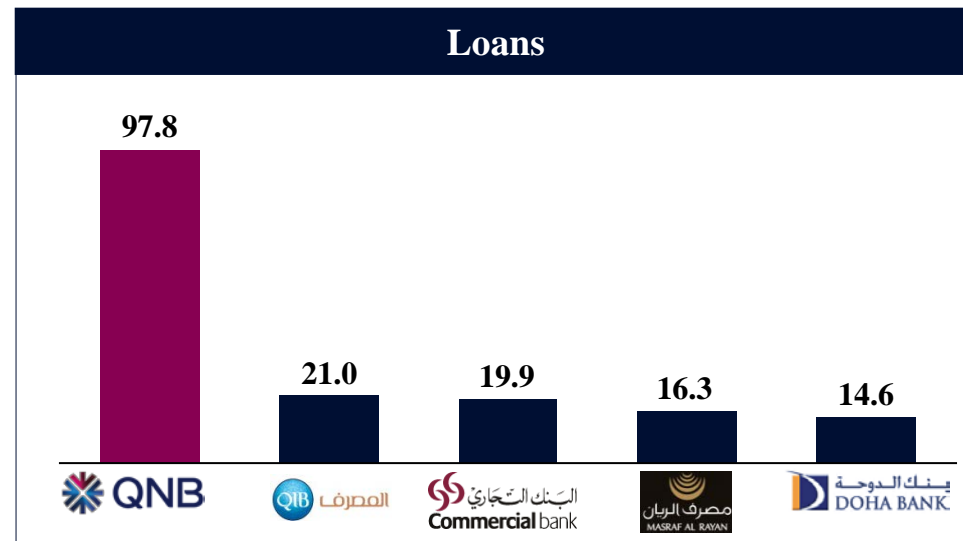
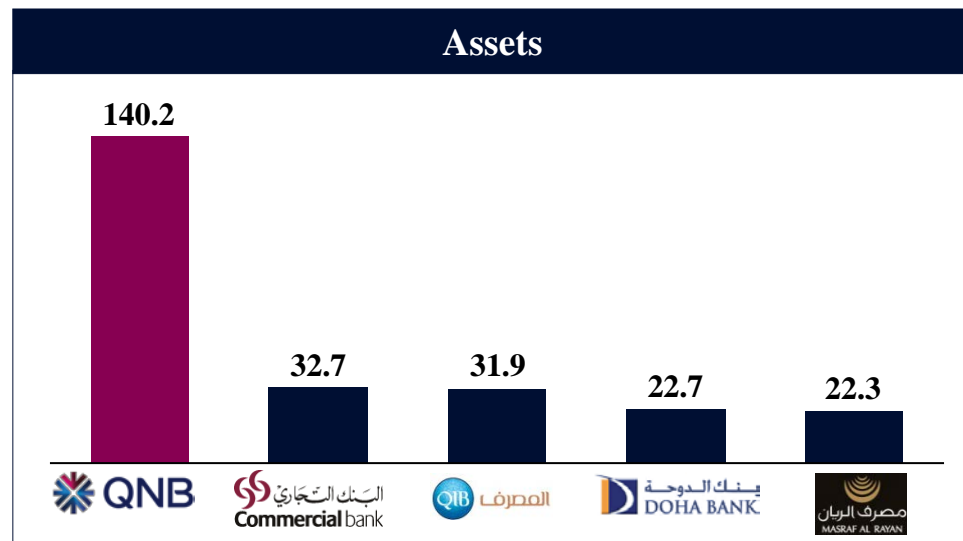
*March 11<sup>th</sup>, 2015*



## **QNB Comparative Positioning – Qatar and MENA**

# Top 5 Domestic Banks – June 2015

QNB continues to excel in the domestic market

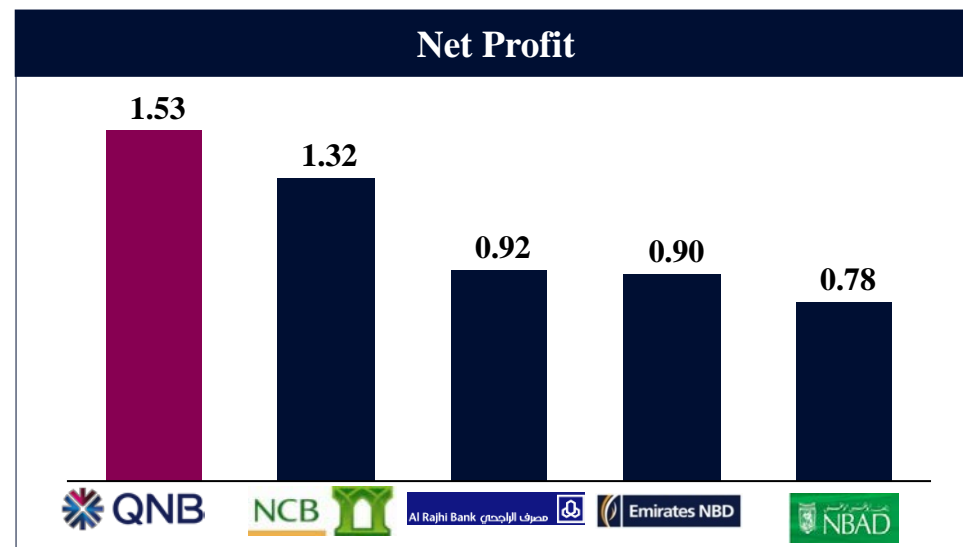
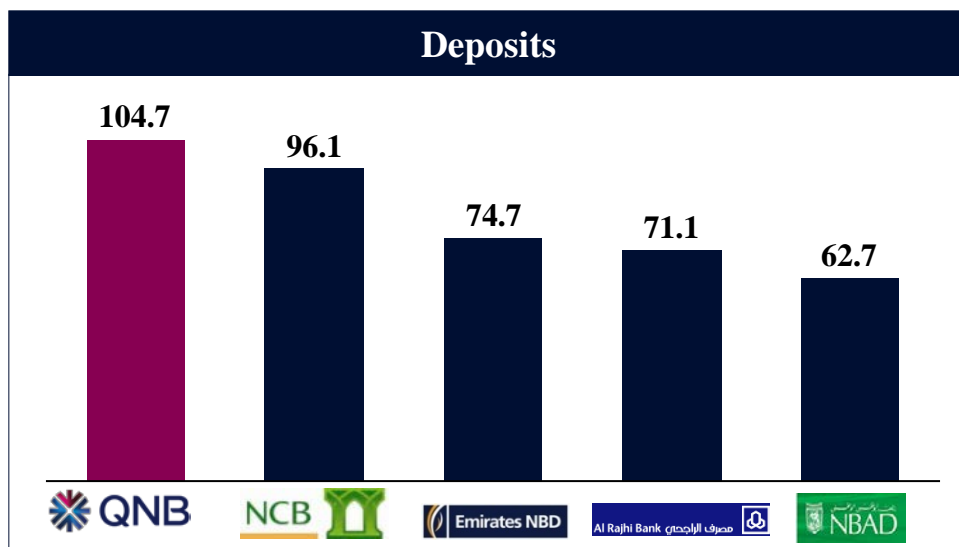
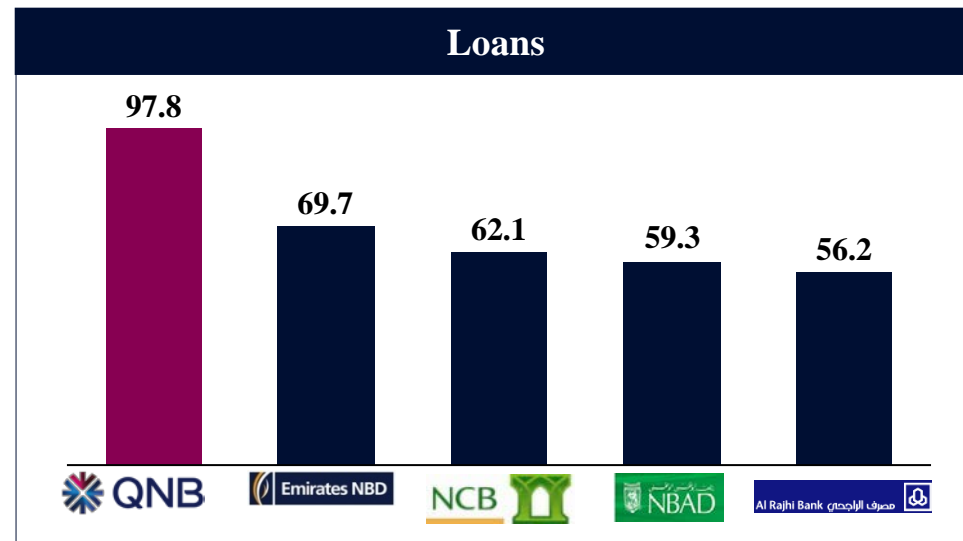
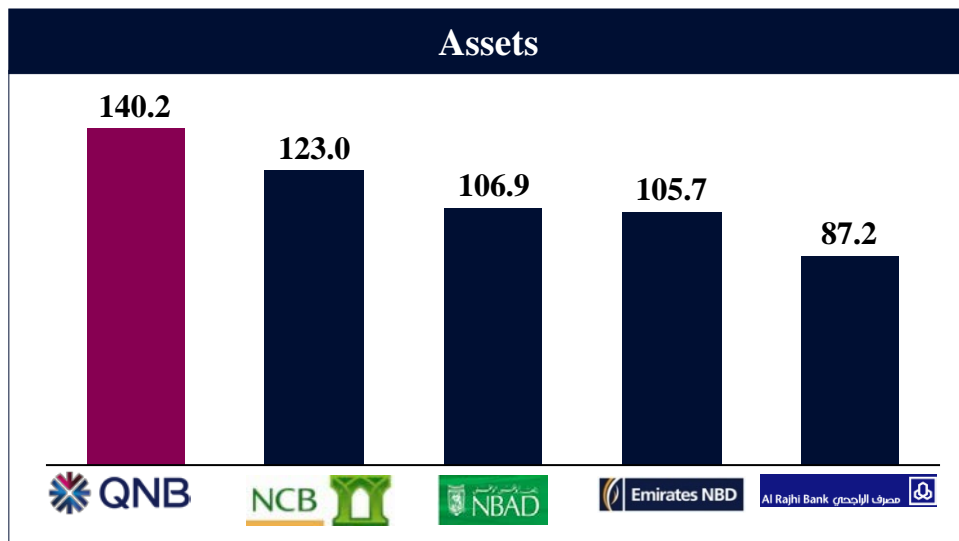


Note: All amounts are in USD billions  
Source: Companies' June 2015 Press Release or Financial Statements if available



# Top 5 Regional Banks – June 2015

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





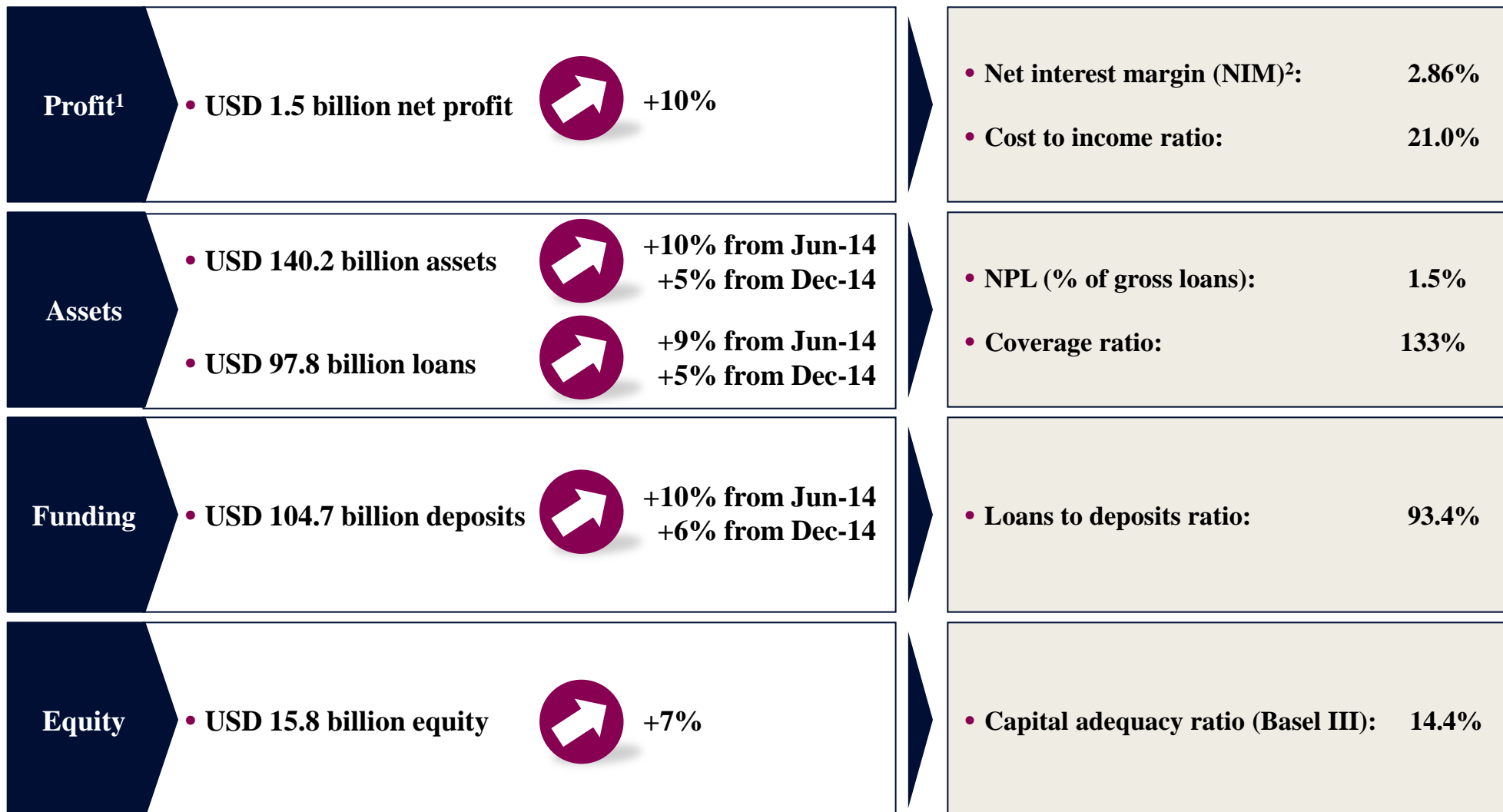
## **Financial Highlights – as at 30 June 2015**

# QNB continues to demonstrate sustainable profitable growth

Financial Highlights (as at 30 June 2015)

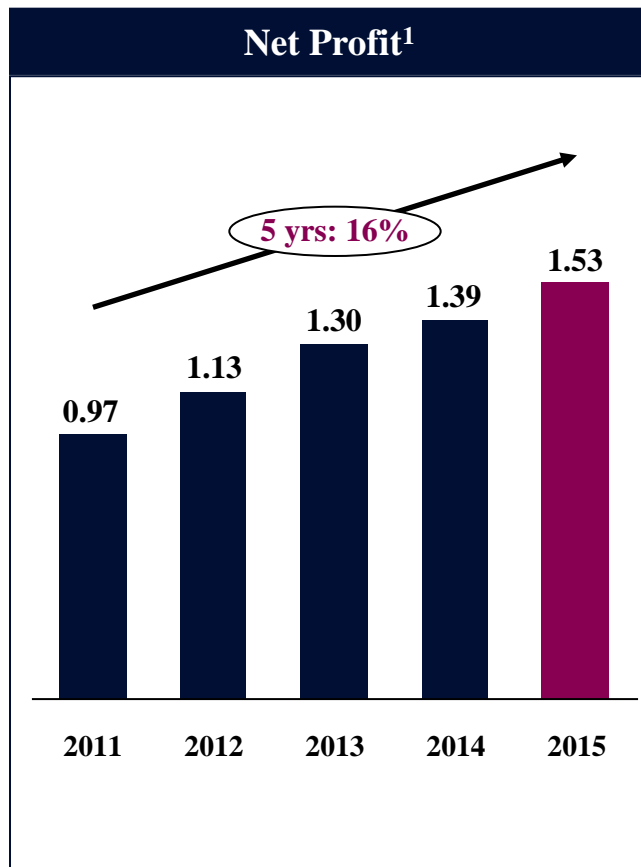


Growth vs. June 2014  
unless stated

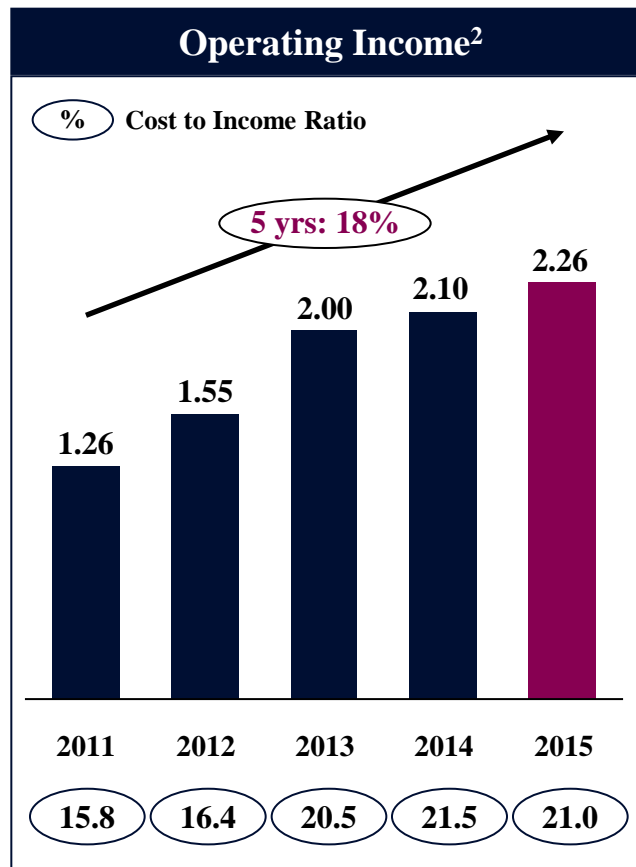


# Strong profitability growth

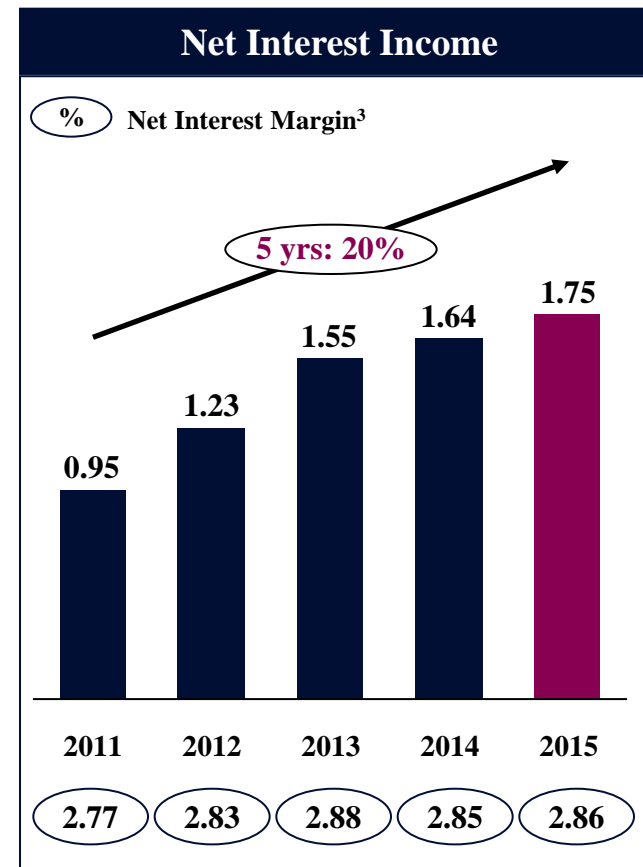
## Income Statement Breakdown (USD billion as at 30 June)



- Net profit increased 10% from June 2014
- 2010-2015 CAGR of 16%



- Operating income increased 7% from June 2014
- 2010-2015 CAGR of 18%



- NII increased 7% from June 2014
- NIM grew by 9bps since June 2011
- 2010-2015 CAGR of 20%

# Robust quarterly growth has been consistently delivered

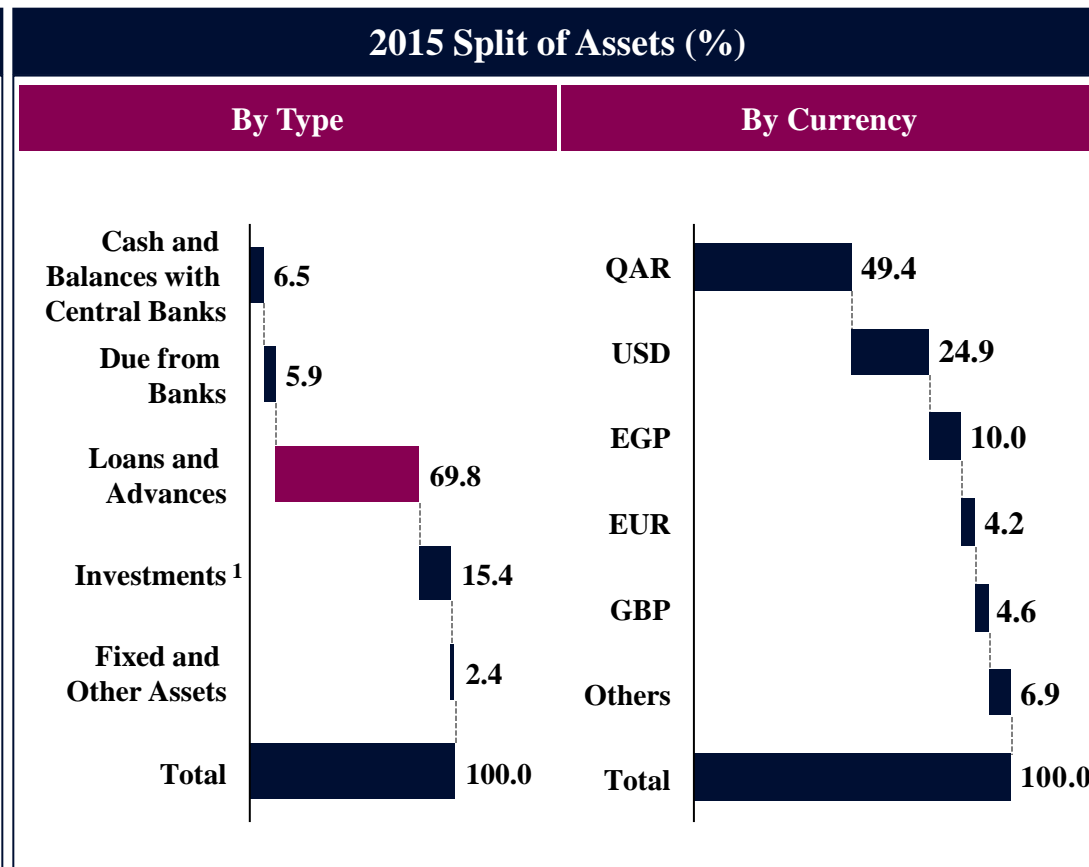
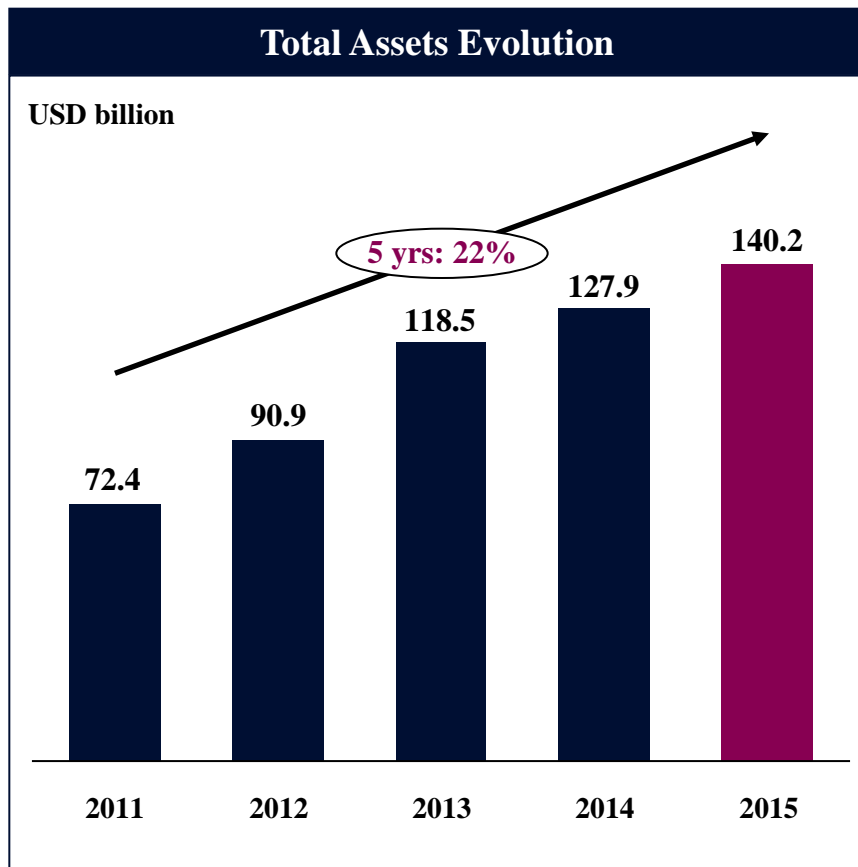
## Quarterly Income Statement

Income Statement					
USD 000s	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
• Net Interest Income	828,129	855,537	872,477	866,194	883,438
– FX Gain	54,550	65,223	54,716	57,015	54,771
– Fees and Commissions	140,685	150,685	154,119	151,666	159,912
– Investment Income	22,442	5,870	(7,930)	6,842	6,205
– Other Income	4,270	13,080	10,608	1,073	1,333
• Total Other Income	221,947	234,858	211,513	216,596	222,221
• <b>Total Operating Income</b>	<b>1,050,076</b>	<b>1,090,395</b>	<b>1,083,991</b>	<b>1,082,790</b>	<b>1,105,659</b>
• G&A Expenses	(227,958)	(219,403)	(230,104)	(238,261)	(236,783)
• <b>Total Operating Profit</b>	<b>822,118</b>	<b>870,992</b>	<b>853,887</b>	<b>844,529</b>	<b>868,876</b>
• Investment Income - Associates	24,243	17,739	43,701	13,222	56,300
• Loan Loss Provisions	(57,680)	(13,962)	(158,617)	(42,331)	(46,685)
• Other Provisions & Taxes	(63,859)	(68,955)	(65,351)	(80,580)	(78,682)
• <b>Net Profit</b>	<b>724,822</b>	<b>805,814</b>	<b>673,621</b>	<b>734,840</b>	<b>799,809</b>

- QNB Group results are produced in compliance with International Financial Reporting Standards
- For greater transparency, QNB Group is one of the earliest financial institutions in the region to publish its quarterly and year-end financial results

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

## Assets Analysis (as at 30 June)

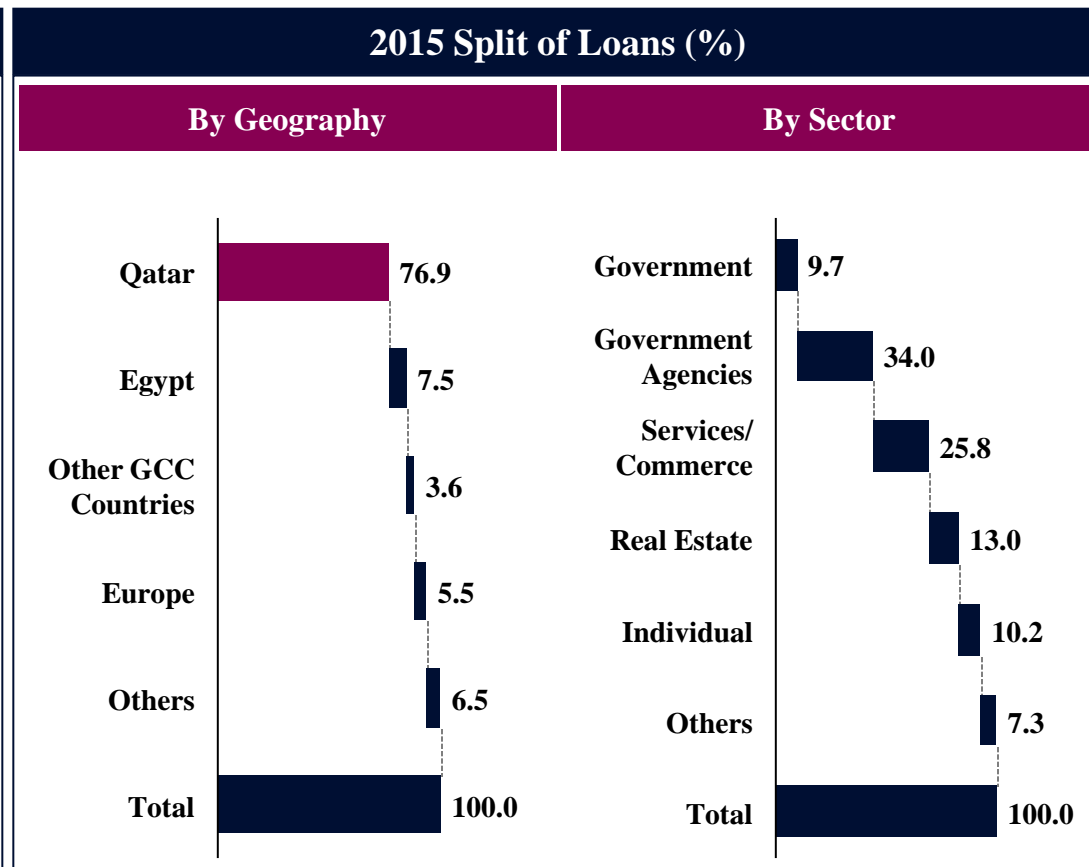
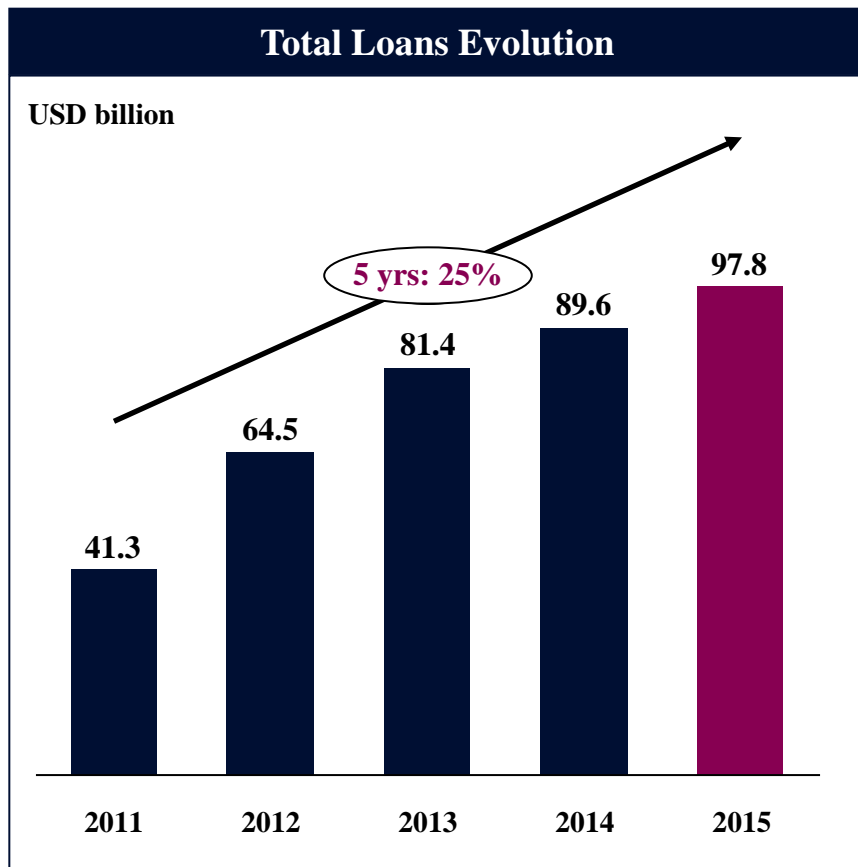


- Assets increased 10% from June 2014
- 2010-2015 CAGR of 22%

- Loans and advances represent 70% of total assets
- USD and QAR currencies account for 74% of total assets

# Strong, high quality loan growth

## Loans Analysis (as at 30 June)

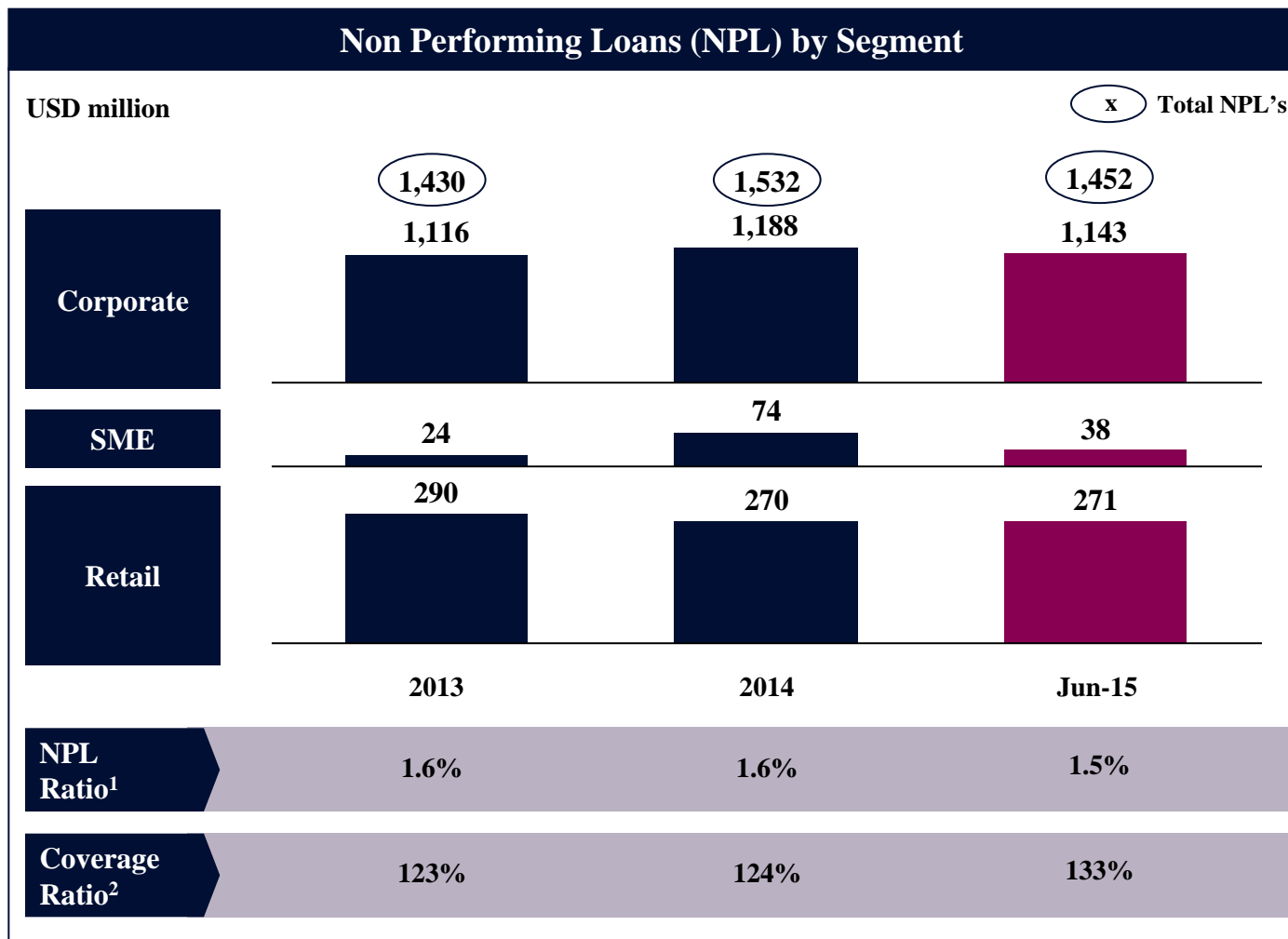


- Loans increased 9% from June 2014
- 2010-2015 CAGR of 25%

- Loans denominated in USD represent 26% of total loans
- Loan exposures are of a high quality with 44% concentration to the public sector entities

# High quality lending portfolio is highlighted by low NPL ratios

Asset Quality Analysis (as at December unless stated)

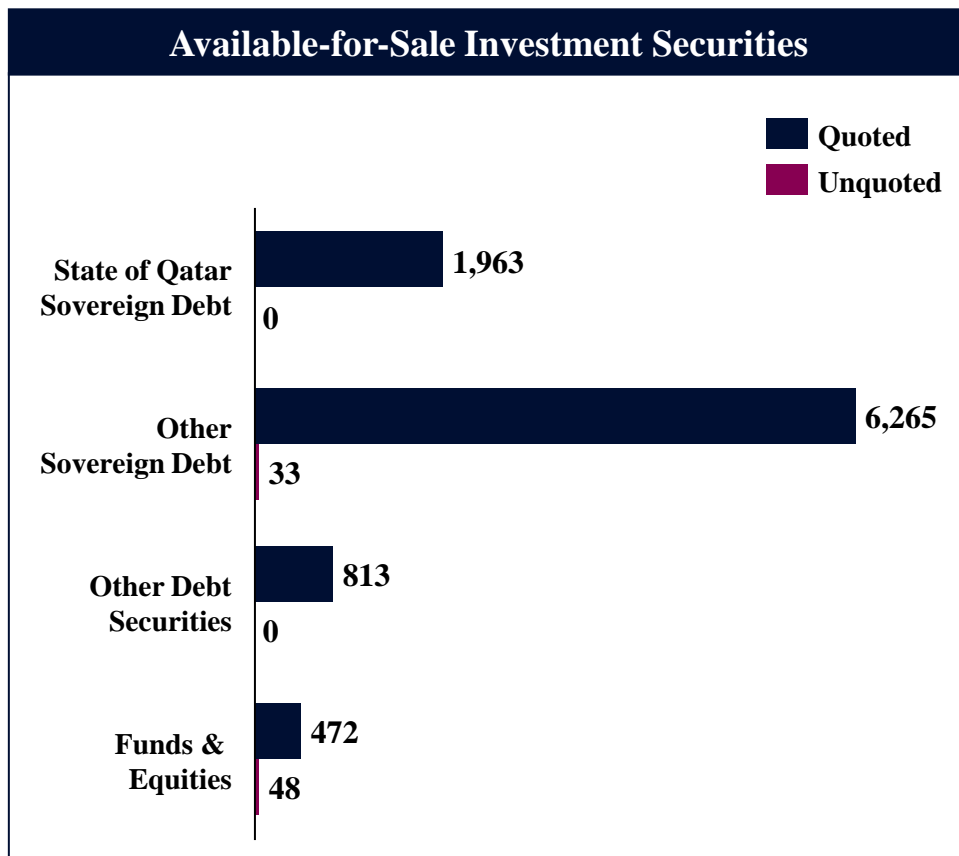


- QNB has continued to increase its provisions in response to the global economic situation
- The bank's coverage ratio has remained robust amidst the economic slowdown, with a coverage of 133% as at 30 June 2015
- Past dues are NPL after 90 days
- There is the additional security of a risk reserve of USD 961 Mn representing close to 3.00% of private lending (representing the QCB minimum requirement)

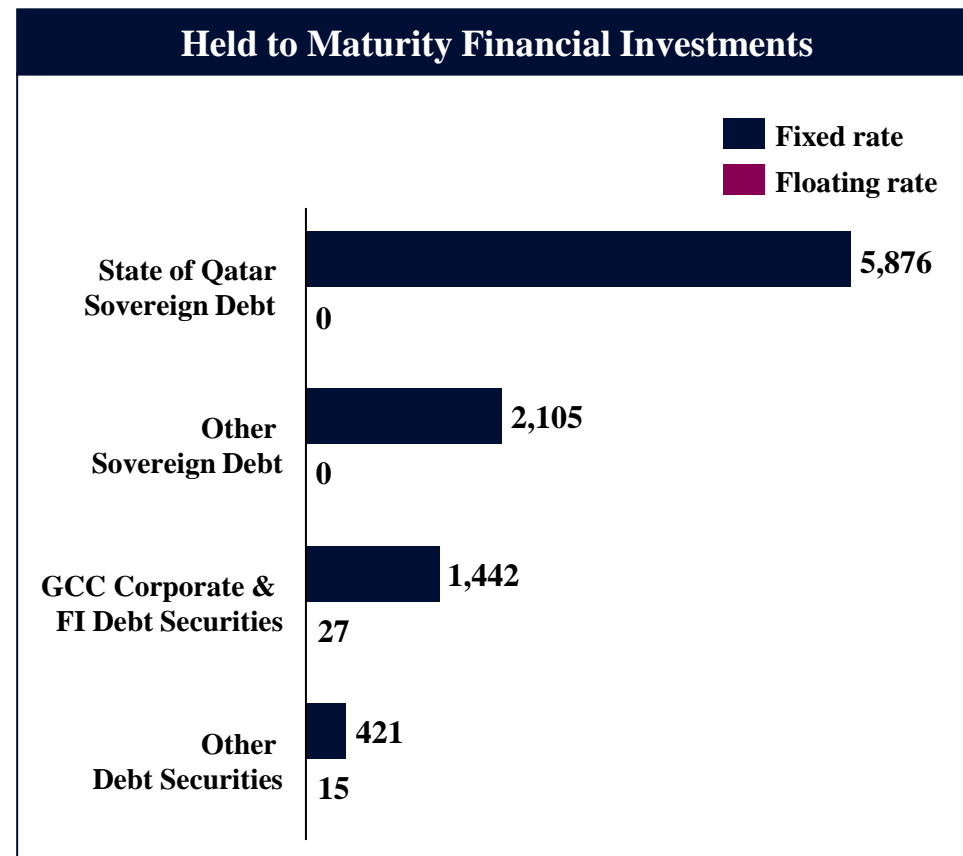


# Highly rated investment portfolio with 85% rated >AA or Sovereign

Investments Analysis (USD million as at 30 June 2015)



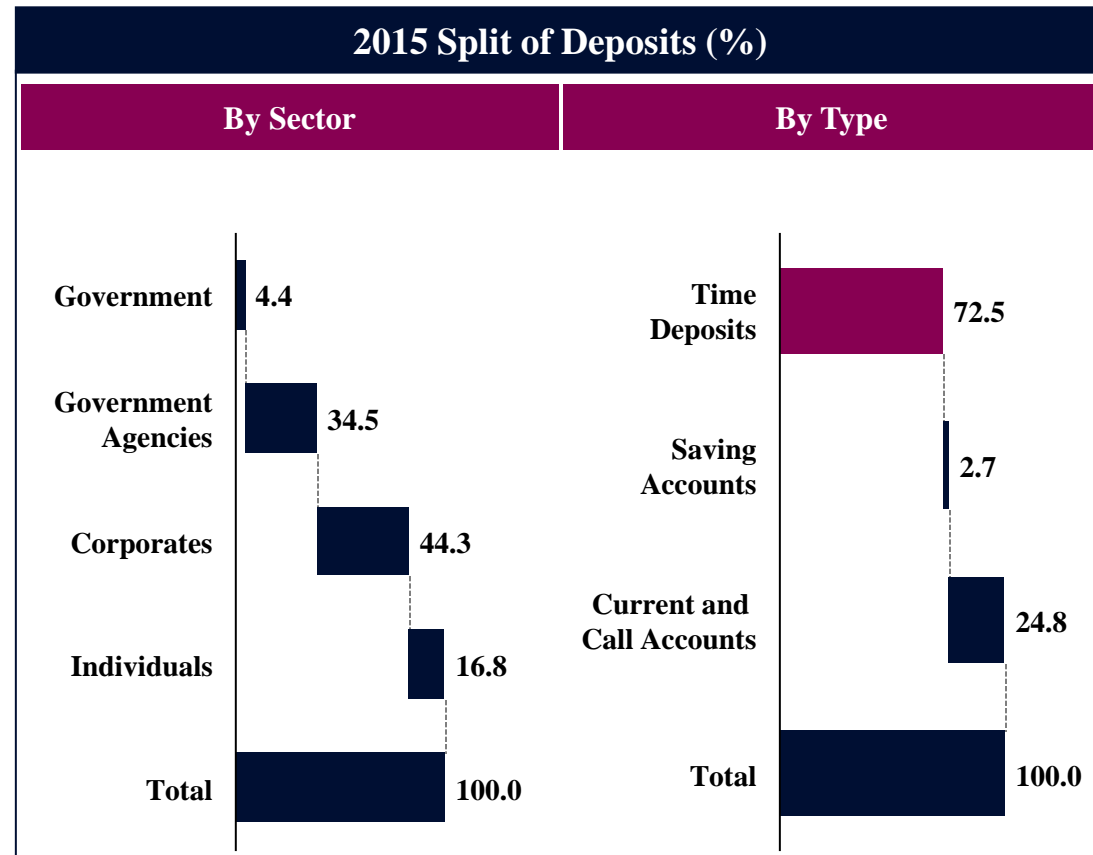
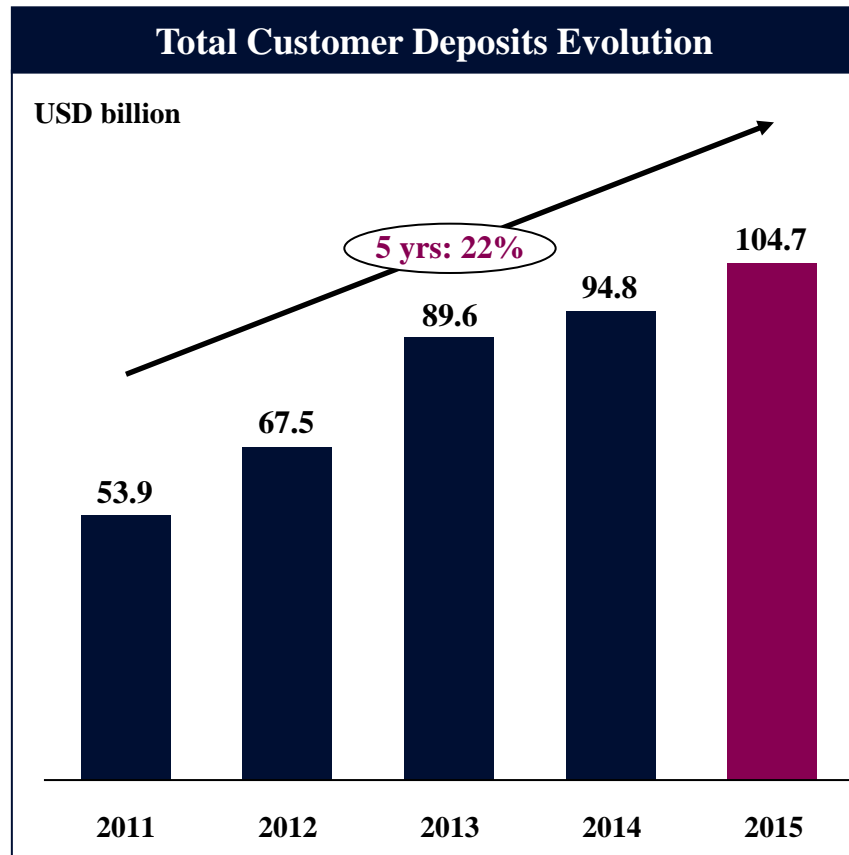
- Quoted Securities account for 99% of Available-for-Sale Investment Securities



- Majority of Other Sovereign Debt is Government Guaranteed

# Robust growth in customer deposits and funding

## Funding Analysis (as at 30 June)

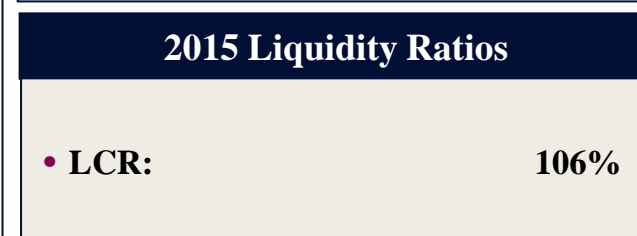
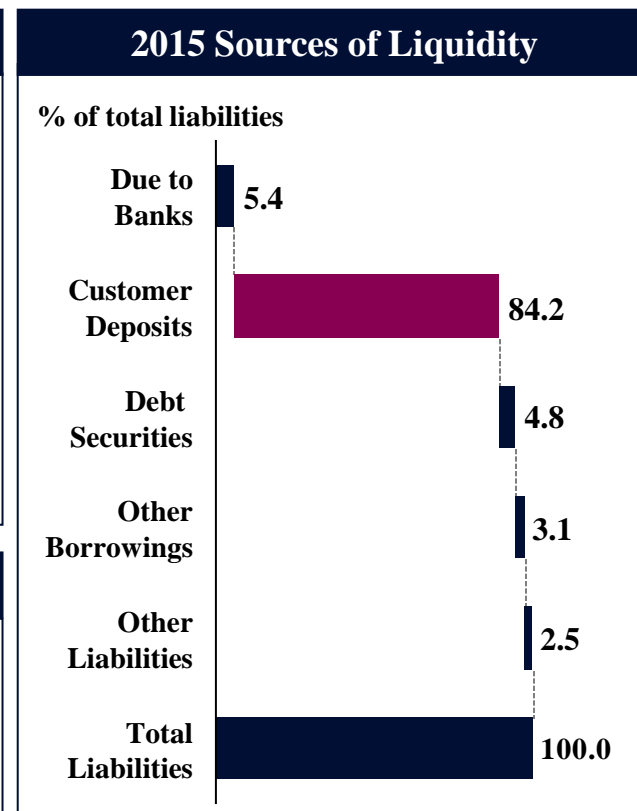
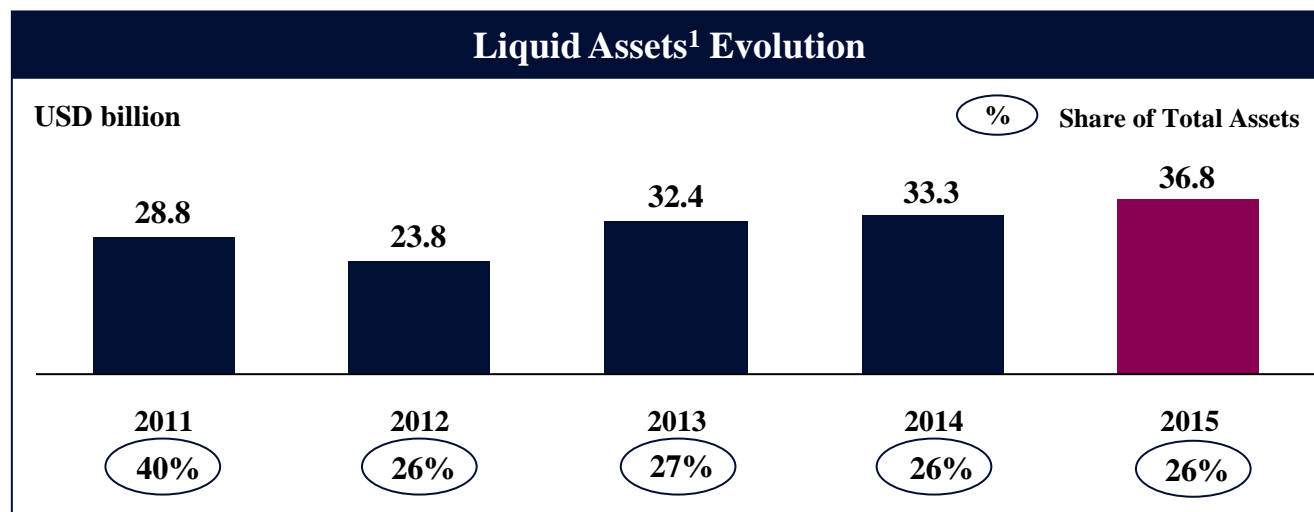
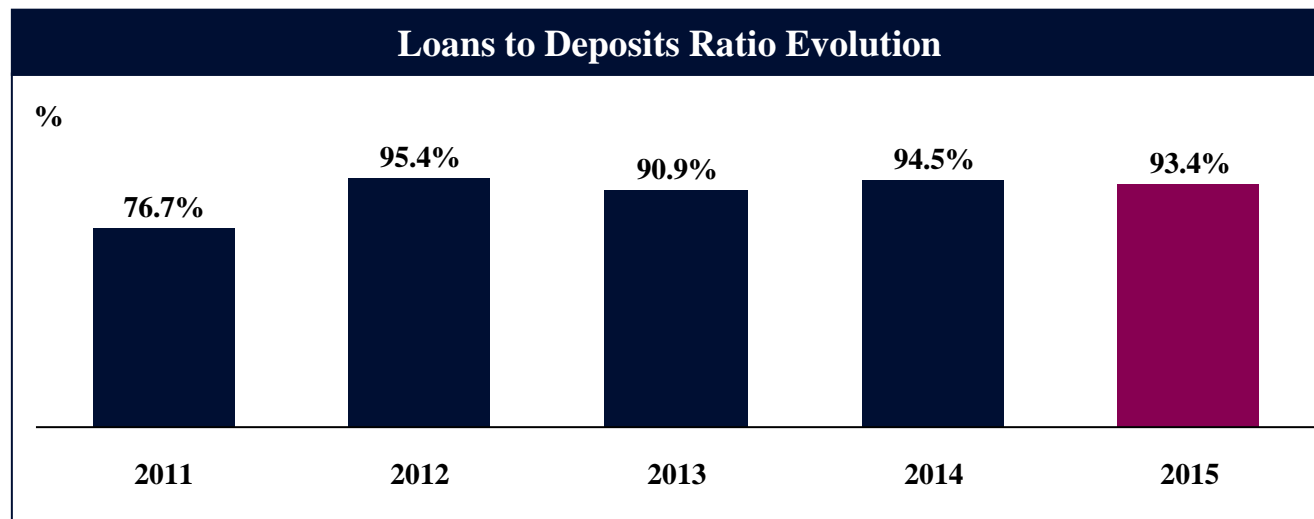


- Deposits increased 10% from June 2014
- 2010-2015 CAGR of 22%

- QNB remains the public sector's preferred bank
- USD denominated deposits represent 37% of total deposits
- EGP denominated deposits represent 10% of total deposits

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

## Liquidity Analysis (as at 30 June)



# Sources of Institutional Funding

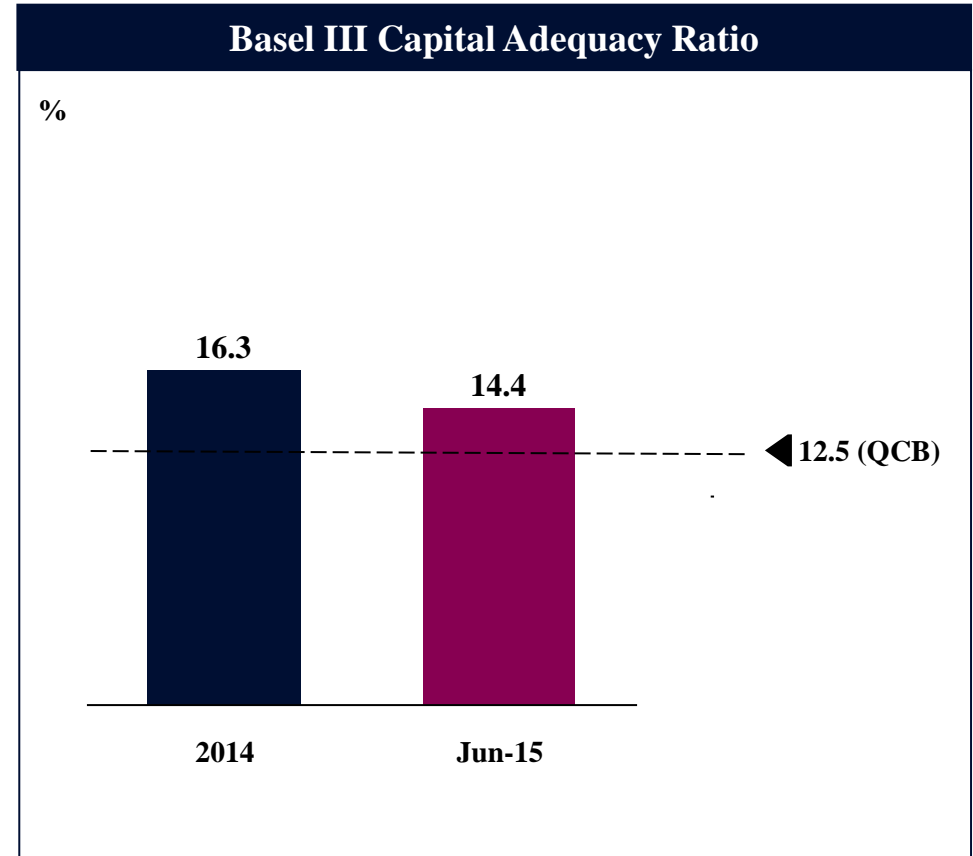
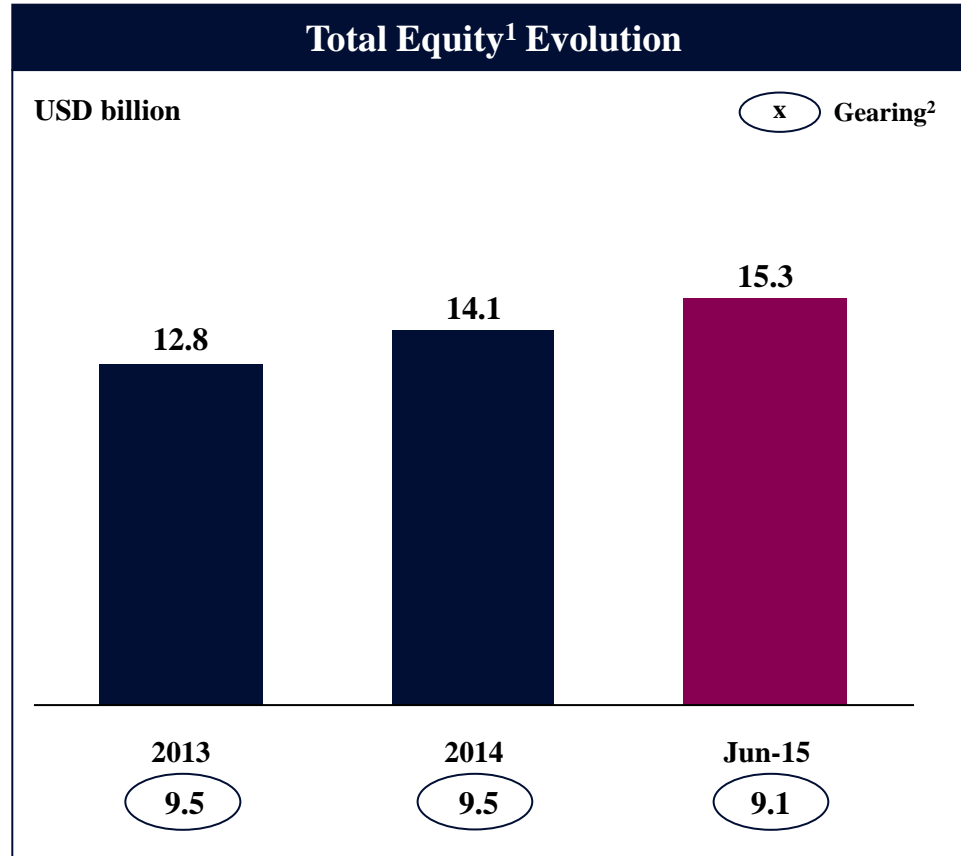
## EMTN and Certificate of Deposits

EMTN	
<b>Set-Up</b>	<ul style="list-style-type: none"> <li>November 2011 in Reg S format</li> </ul>
<b>Current Values</b>	<ul style="list-style-type: none"> <li>Programme limit USD 12.5 billion and outstanding is USD 5.9 billion</li> </ul>
<b>Currencies</b>	<ul style="list-style-type: none"> <li>Issued in CHF, CNY, EUR, HKD, JPY and USD</li> </ul>
<b>Daily Postings</b>	<ul style="list-style-type: none"> <li>Provided to the dealer group</li> </ul>
<b>Dealers</b>	<ul style="list-style-type: none"> <li>ANZ Banking Group, Barclays Bank plc, Citigroup Global Markets Limited, Commerzbank AG, Deutsche Bank AG (London Branch), HSBC Bank plc, J.P. Morgan Securities plc, Mitsubishi UFJ Securities International plc, Mizuho International plc, QNB Capital LLC, Standard Chartered Bank and The Royal Bank of Scotland plc</li> </ul>
<b>Market Awards</b>	<ul style="list-style-type: none"> <li>2013 mtn-i award for 'Accommodating International Investors'</li> </ul>
<b>Allocation from Last Issuance</b>	<ul style="list-style-type: none"> <li>Middle East: 40% / Europe: 42% / Asia 18%</li> </ul>

Certificate of Deposits	
<b>Set-Up</b>	<ul style="list-style-type: none"> <li>Issued by QNB London Branch and regulated by the FCA and the PRA</li> </ul>
<b>Establishment Date</b>	<ul style="list-style-type: none"> <li>Product launched in September 2012</li> </ul>
<b>Current Values</b>	<ul style="list-style-type: none"> <li>Outstanding is USD 7.2 billion</li> </ul>
<b>Average Life</b>	<ul style="list-style-type: none"> <li>Average residual life of 76 days</li> </ul>
<b>Currencies</b>	<ul style="list-style-type: none"> <li>Issuances in CHF, EUR, GBP, USD and other currencies available on request</li> </ul>
<b>Dealers</b>	<ul style="list-style-type: none"> <li>Bank of America Merrill Lynch, Barclays Bank plc, BNP Paribas, Citigroup Global Markets Limited, ING Bank NV and The Royal Bank of Scotland plc</li> </ul>

# Strong capital adequacy ratio maintained above both QCB and Basel III requirements

Capital Analysis (as at 31 December unless stated)



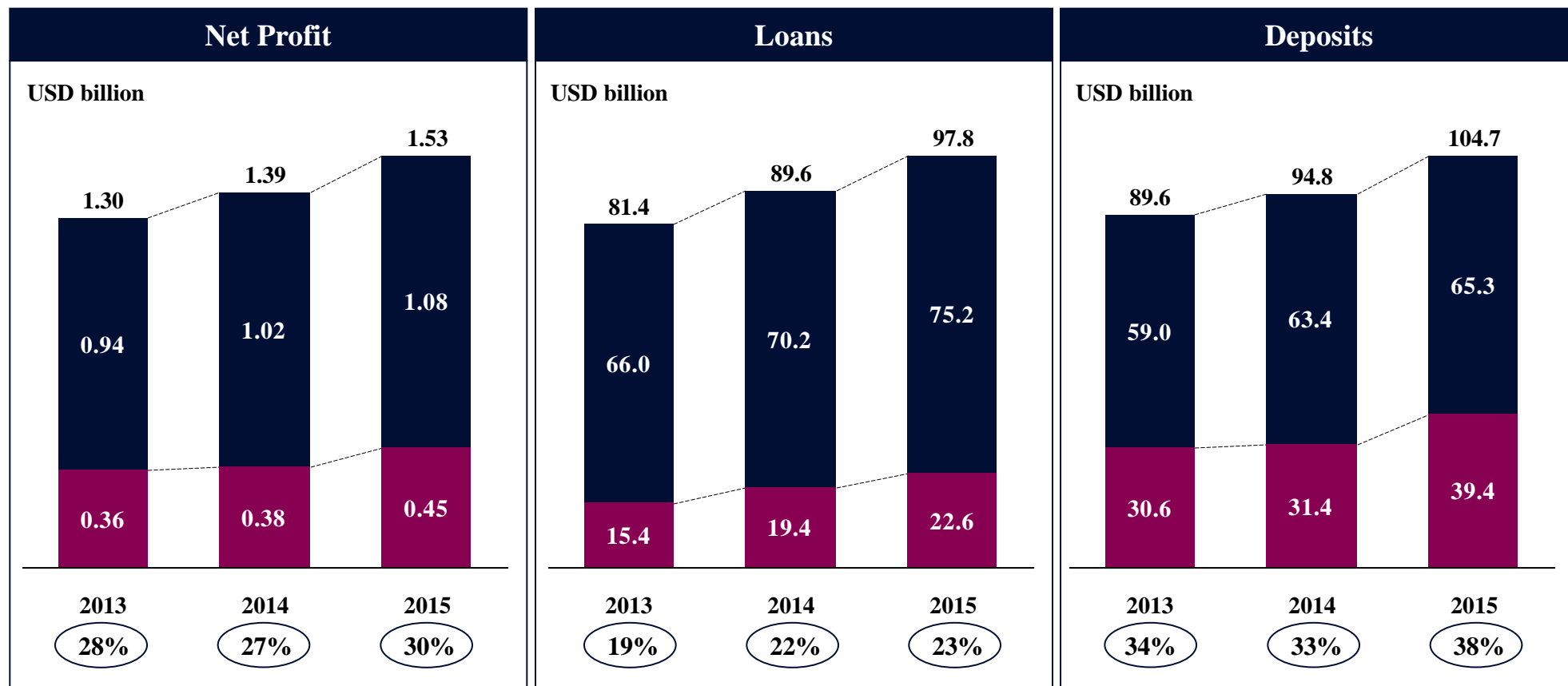
- Capital base has been regularly increased in line with the strong performance of QNB's balance sheet

- Capital adequacy ratio is above QCB and Basel III requirements

# Increasing geographical diversification positively contributes to growth

## Geographical Contribution (as at 30 June)

■ Domestic ■ International (%) Share of International as percentage of the total

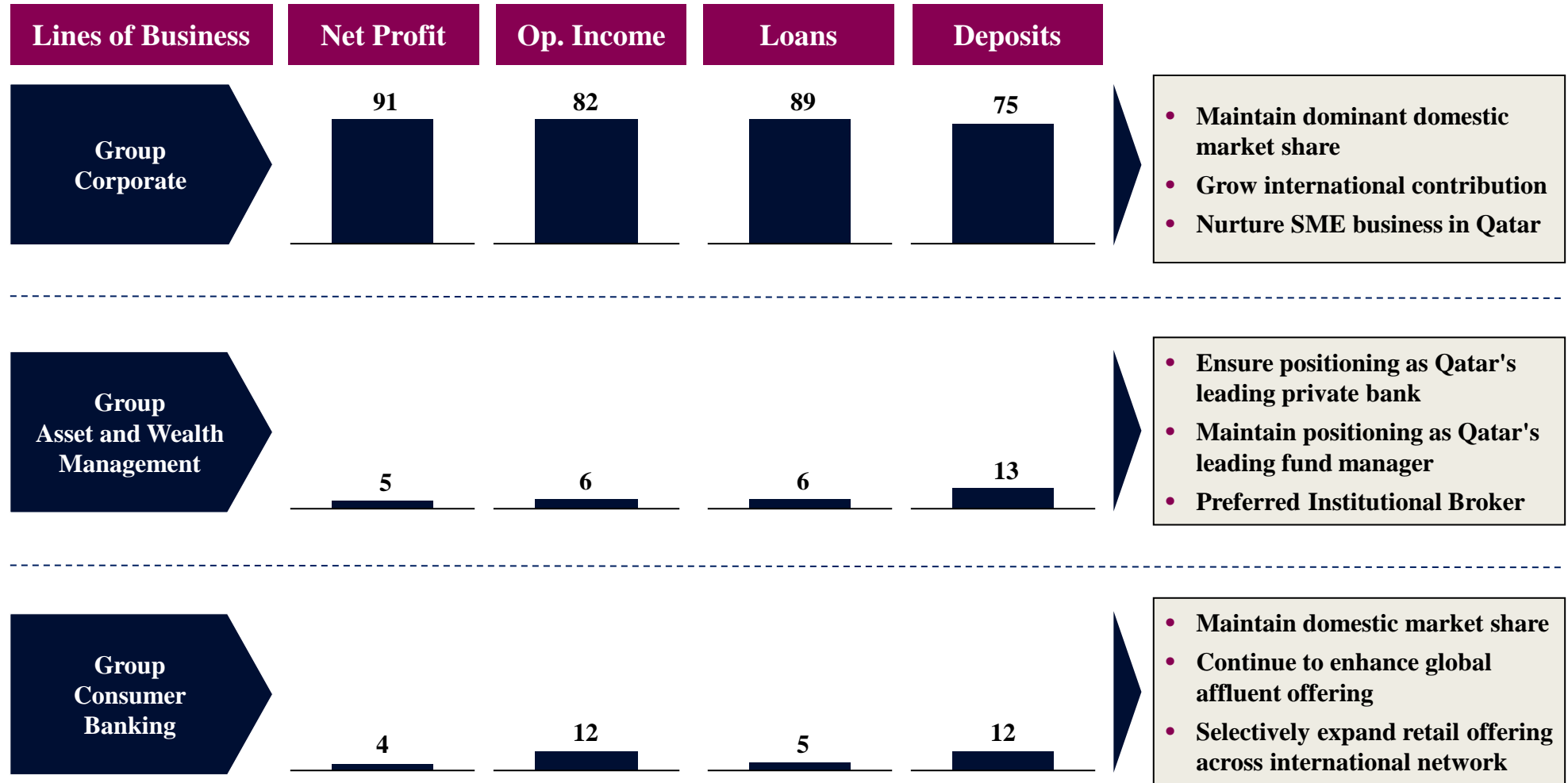


- Profit from international increased by USD 90 Mn (+25%) from 2013 to 2015
- Dec-14 Share of International profit: 28%

- Loans from international operations increased by USD 7.1 Bn (+46%) from 2013 to 2015
- Deposits from international operations by USD 8.8 Bn (+28%) from 2013 to 2015
- Dec-14 Share of International Loans: 22% / Share of International Deposits: 37%

# Diversifying business mix will bolster sustainable growth

Business Mix Contribution (% share as at 30 June 2015)








# QNB ALAHLI

## Highlights (as at 30 June 2015)



Growth vs. June 2014  
unless stated

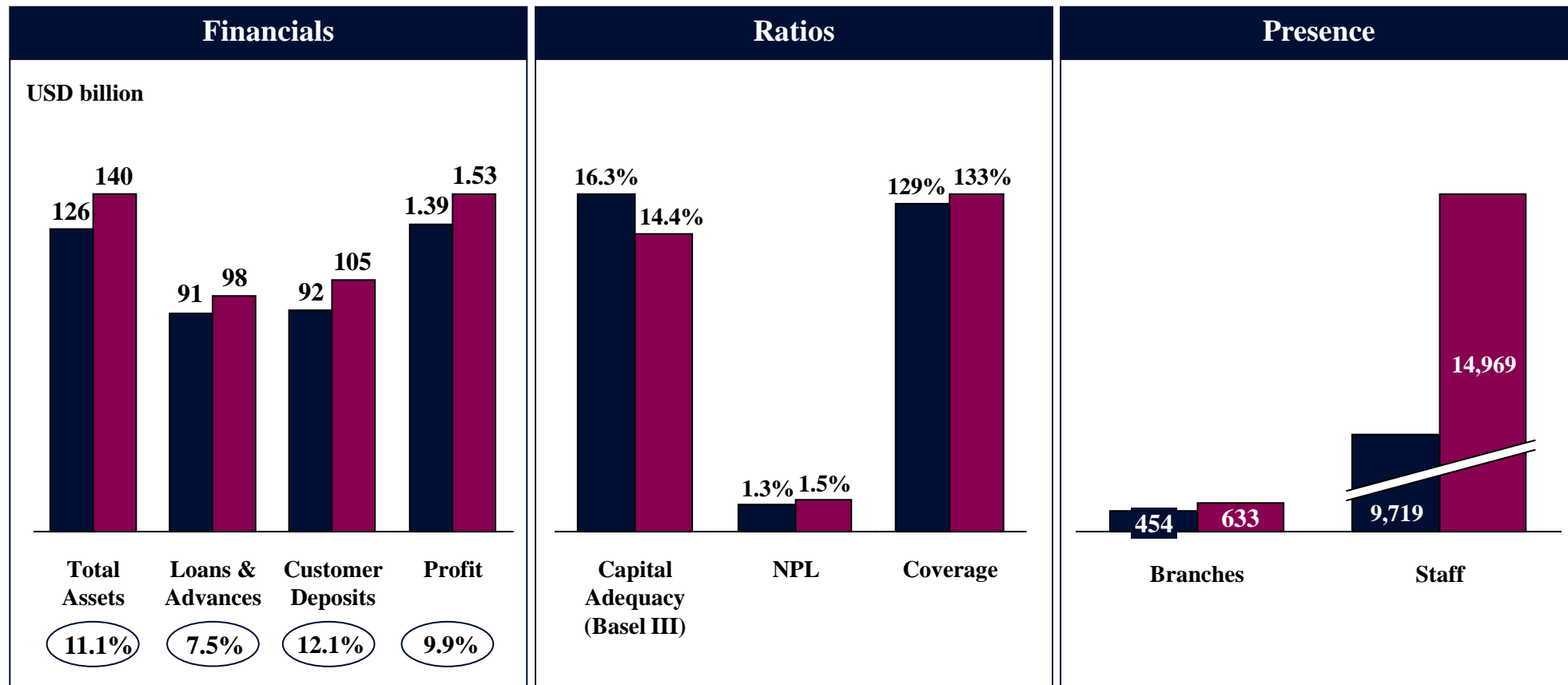
<b>Profit</b>	<ul style="list-style-type: none"> <li>• USD 151.5 Mn</li> </ul>  <b>+11%</b>	<ul style="list-style-type: none"> <li>• Net interest margin (NIM)<sup>1</sup>: <b>4.67%</b></li> <li>• Cost to income ratio: <b>30.5%</b></li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• USD 15.6 Bn assets</li> <li>• USD 7.4 Bn loans</li> </ul>  <b>+21% from Jun-14</b> <b>+4% from Dec-14</b>  <b>+13% from Jun-14</b> <b>+6% from Dec-14</b>	<ul style="list-style-type: none"> <li>• NPL (% of gross loans): <b>2.9%</b></li> <li>• Coverage ratio: <b>151%</b></li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>• USD 12.7 Bn deposits</li> </ul>  <b>+19% from Jun-14</b> <b>+6% from Dec-14</b>	<ul style="list-style-type: none"> <li>• Loans to deposits ratio: <b>58.0%</b></li> </ul>
<b>Equity</b>	<ul style="list-style-type: none"> <li>• USD 1.7 Bn equity</li> </ul>  <b>+14%</b>	<ul style="list-style-type: none"> <li>• Capital adequacy ratio (Basel II): <b>18.2%</b></li> </ul>



# QNB Group Financials

Key data (as at 30 June 2015)

■ QNB ■ QNB incl. QNB ALAHLI (○) Contribution

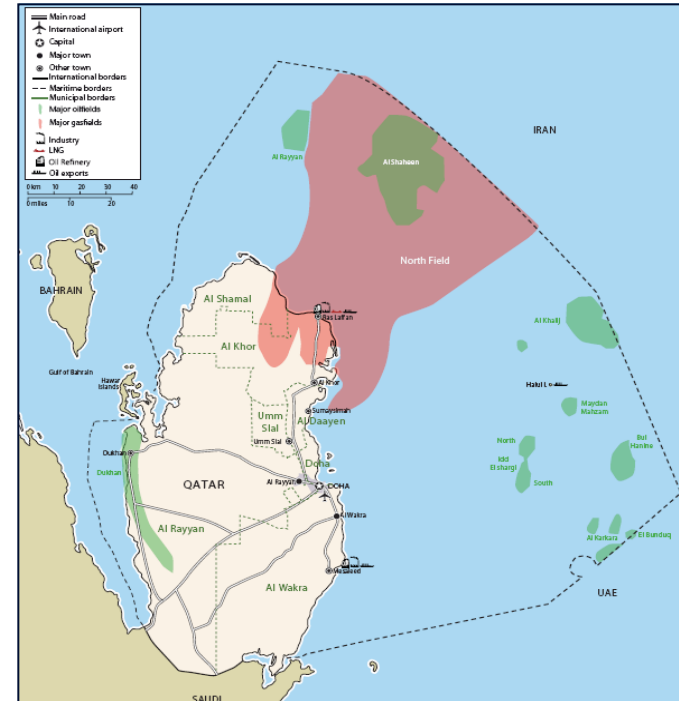
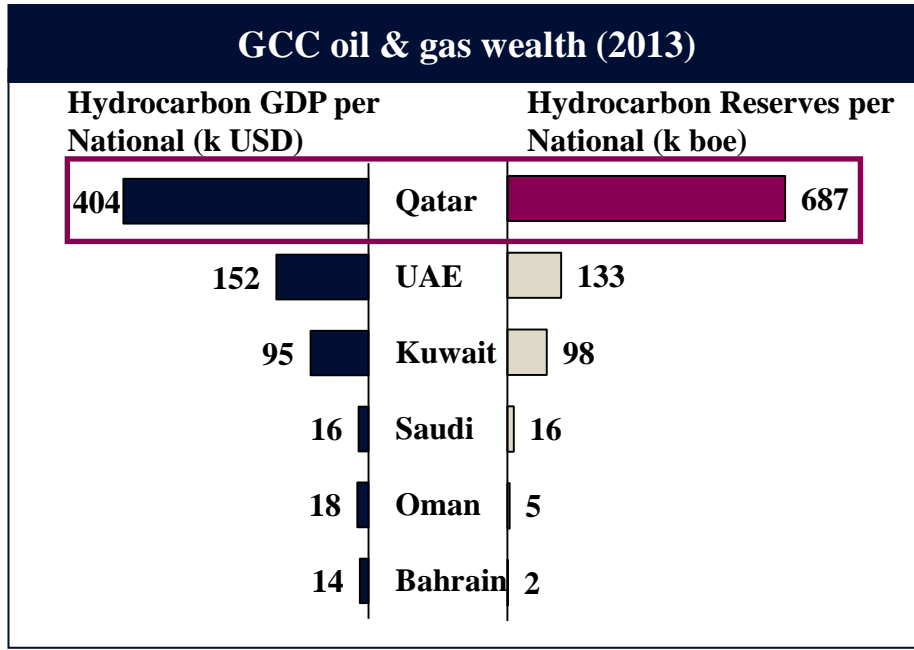


- Results finalised under International Financial Reporting Standards (IFRS)
- Capital Adequacy (Basel III) on consolidation is 14.4%

# Economic Overview



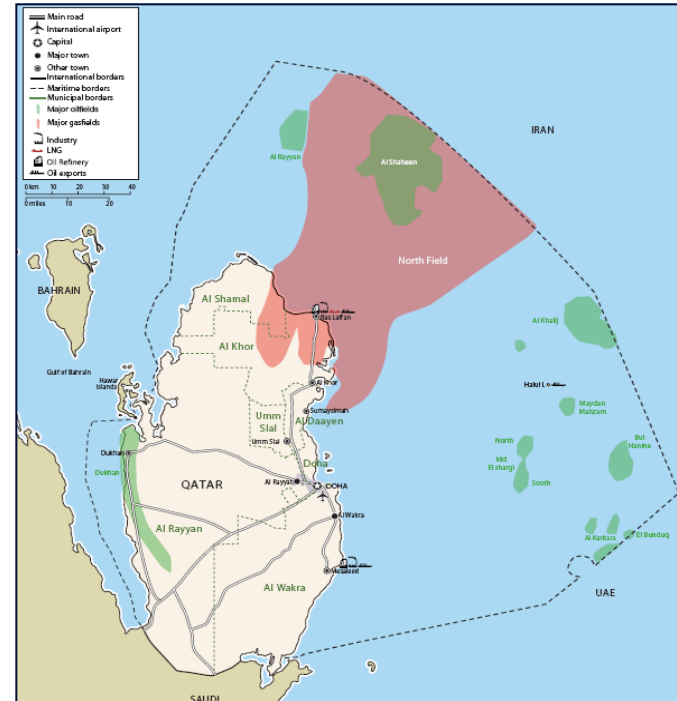
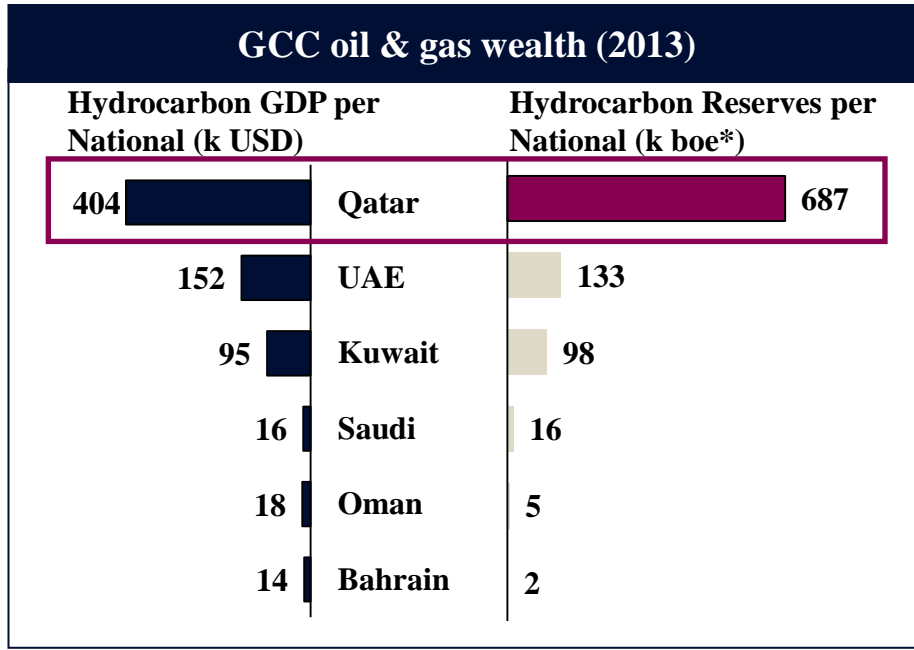
# Qatar has the world's highest hydrocarbon wealth per national...



- Qatar has the world's highest hydrocarbon GDP per national
- Qatar has the world's highest hydrocarbon reserves per national

- Qatar's hydrocarbons reserves are mostly held in the North Field, which contains 59% of GCC gas reserves and 13% of global gas reserves
- Qatar could produce at current levels for another 155 years
- Qatar has 25bn barrels of crude oil and condensate reserves (1.5% of global reserves)

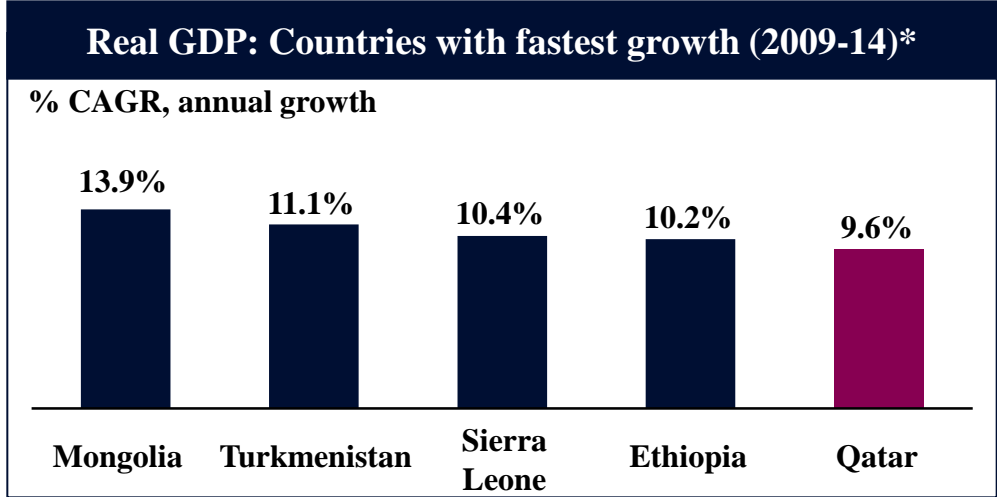
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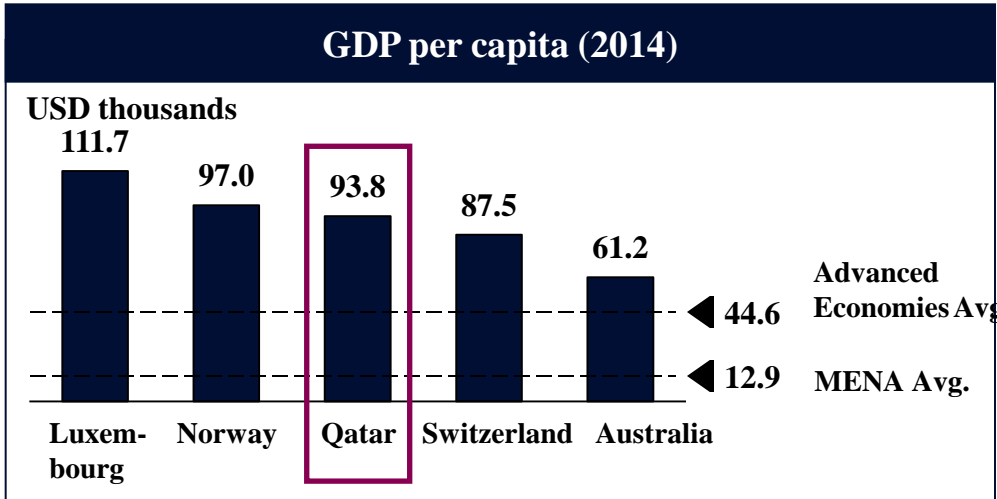
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- Qatar could produce at current levels for another 155 years
- Qatar has 25bn barrels of crude oil and condensate reserves (1.5% of global reserves)

# ... and was one of the world's fastest growing economies during 2009-14

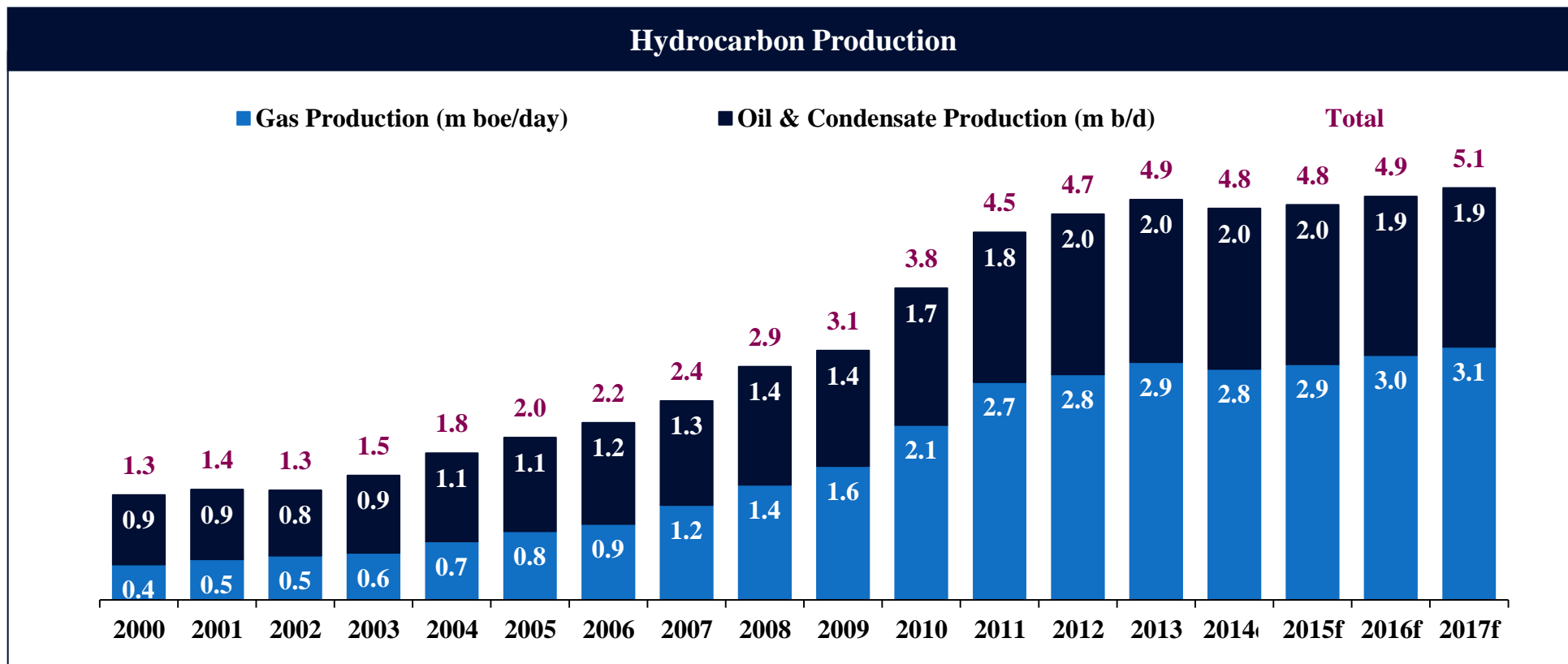


- Qatar's compound annual real growth (CAGR) of 9.6% during 2009-14 was one of the world's fastest, reflecting the expansion in LNG production
- In 2014, real GDP growth remained strong at 6.1% compared with 6.3% in 2013



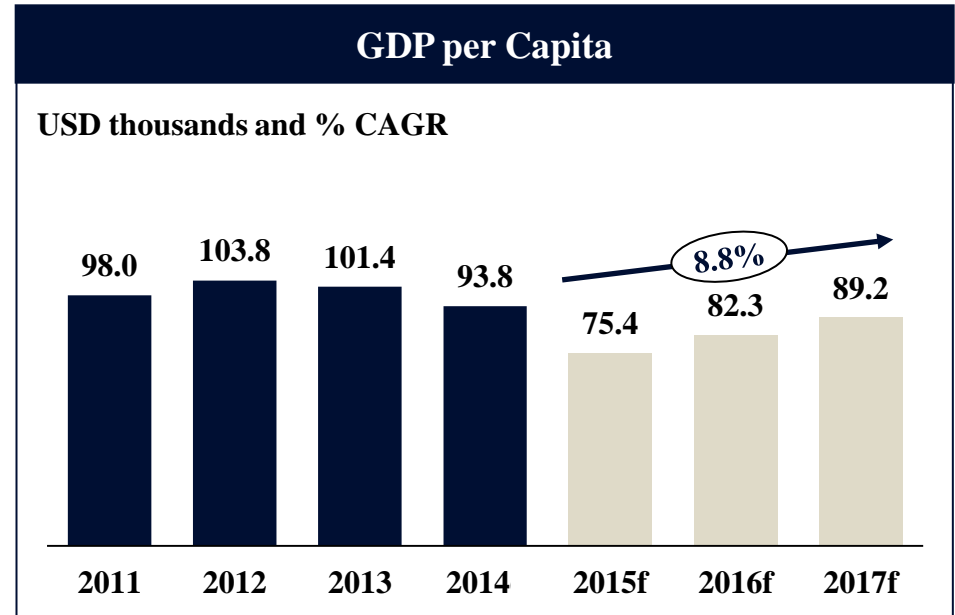
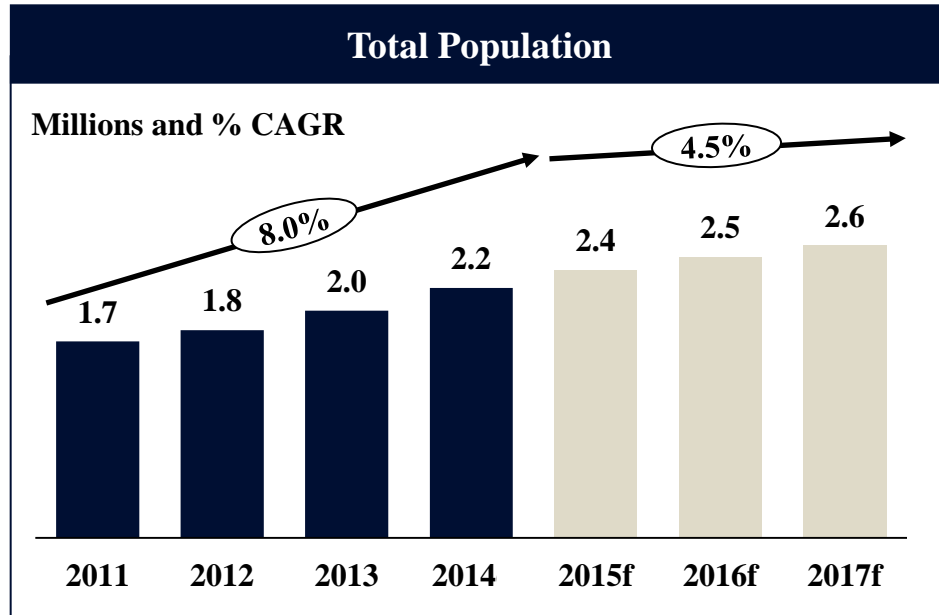
- GDP per capita was USD93.8k in 2014, amongst the highest globally
- Qatar had one of the highest percentage of millionaire households in the world (11.6%) in 2014

## Hydrocarbon growth has been driven by a large expansion in gas production; but has now plateaued given the authorities' moratorium on gas exploration



- Gas production has increased ~7x since 2000
- LNG production has reached near planned capacity of 77m t/yr (1.9m boe/d)
- At current extraction rates, proven gas reserves would last another 155 years and oil reserves another 33 years

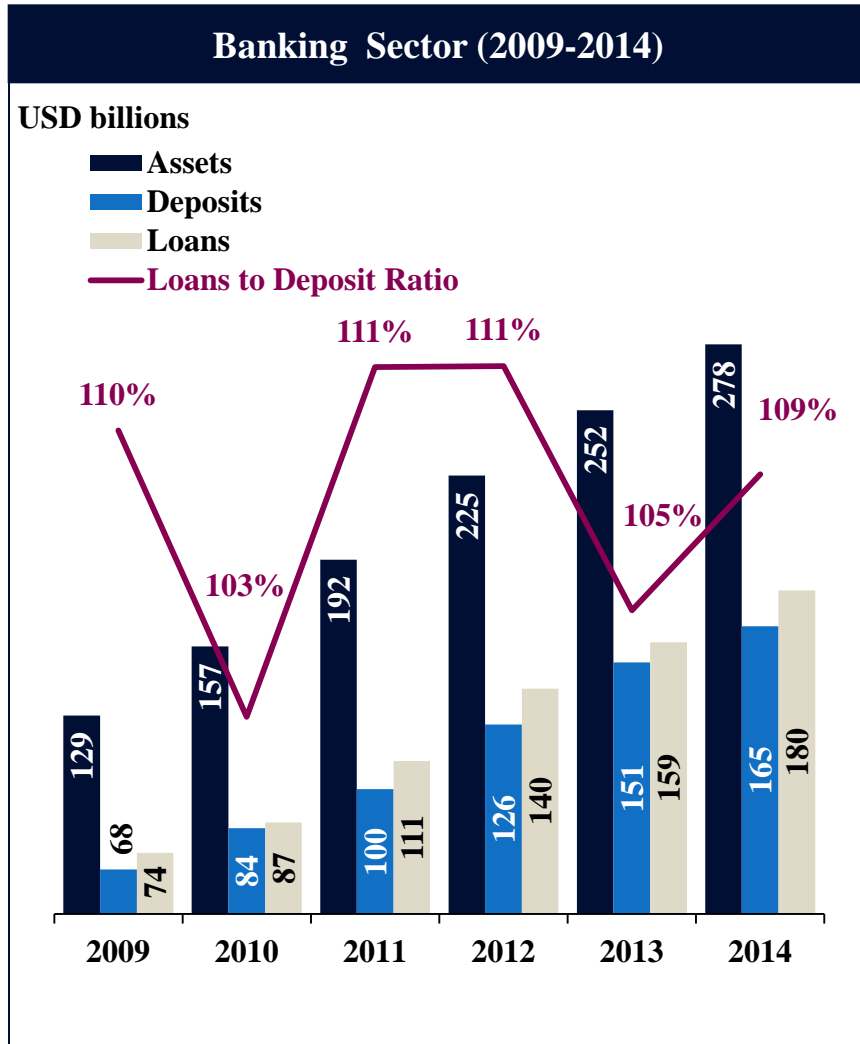
# The expansion has driven population growth and created significant wealth



- Population growth reached 9.3% in 2013 and 10.6% in 2014 on a large influx of expatriate workers to fill the jobs created by the surge in project spending
- Population is expected to reach 2.6m by 2017 as the government ramps up its infrastructure investments in preparation for the 2022 World Cup

- GDP per capita has grown rapidly in recent years, becoming one of the highest in the world, although it is expected to fall in 2015 in line with lower international oil prices
- GDP per capita is expected to recover to USD89k over the next few years, despite the rapid population growth

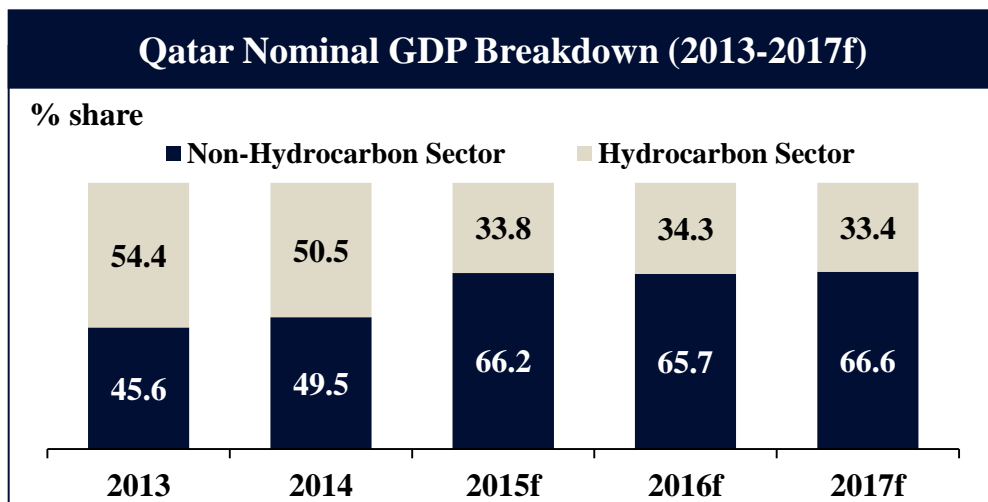
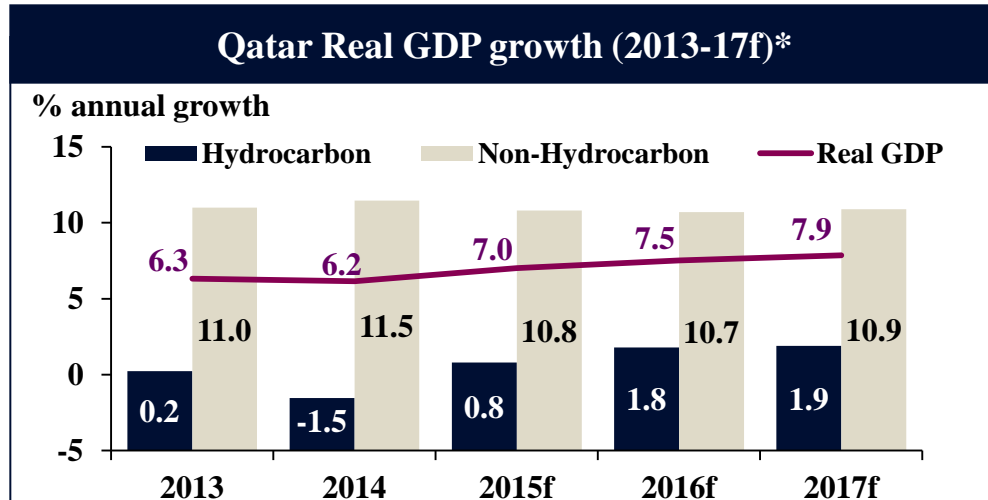
# Qatar's banking sector is growing rapidly and remains highly profitable



- Assets saw a healthy expansion over the period Dec-2009 to Dec-2014, growing by a CAGR of 16.5%
- Deposits grew strongly by a CAGR of 19.5% over Dec-2009 to Dec-2014, underpinned by large fiscal surpluses and rapid population growth
- Loans grew by a CAGR of 19.2% over Dec-2009 to Dec-2014 due to large project financing and growing consumer lending
- Average return on equity for the banking sector was 16.5% at end-2014
- Average non-performing loans remained low at 1.7% of total loans at end-2014

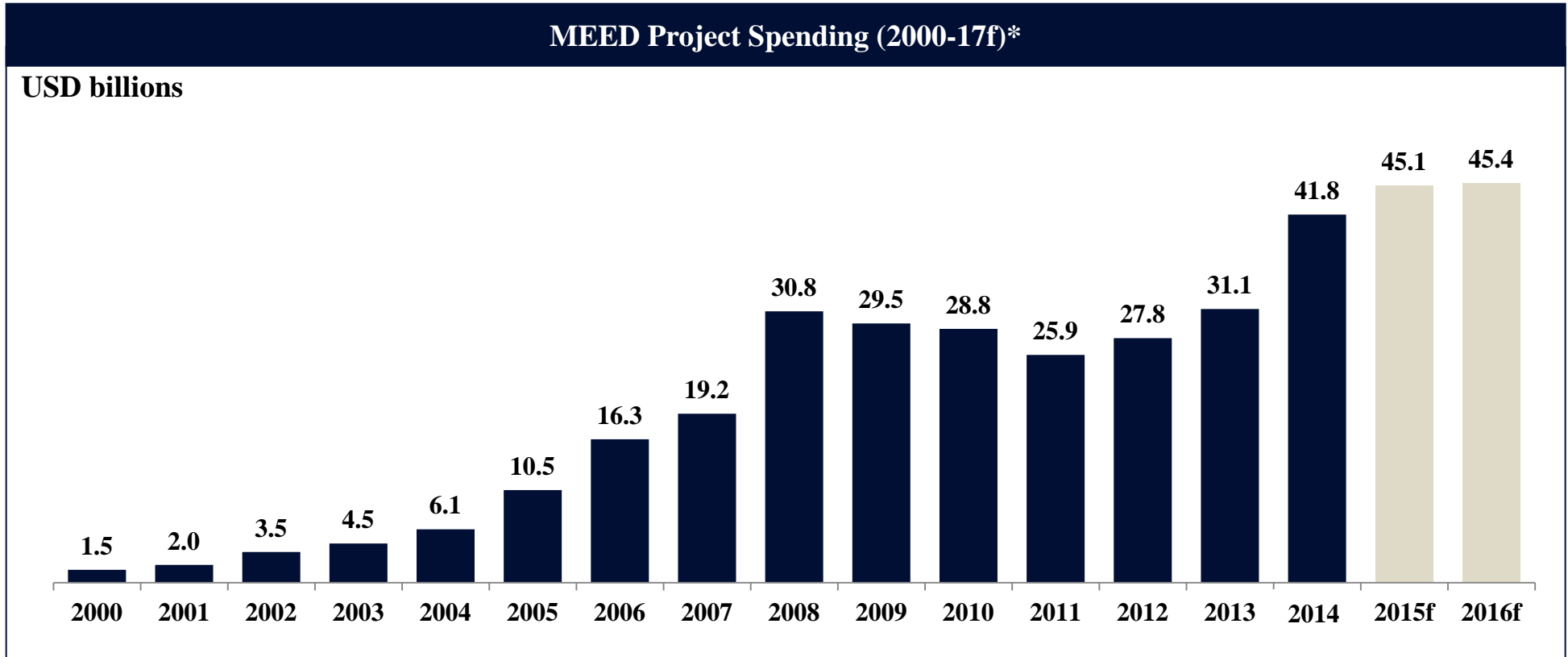


# The non-hydrocarbon sector will drive growth in the next few years



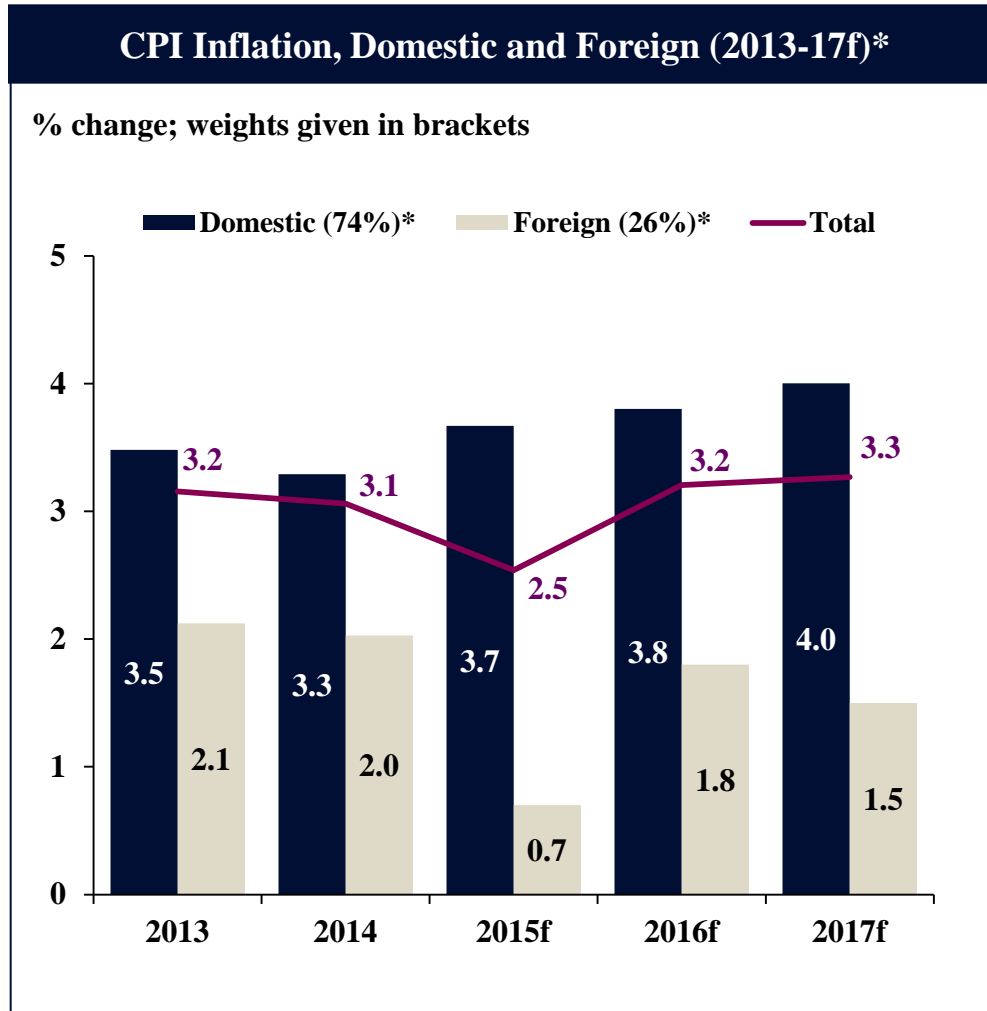
- Expansion plans in the oil and gas sector are now on hold and real hydrocarbon sector growth is expected to remain between 1-2% between 2015-2017
- QNB Group expects the non-hydrocarbon sector to grow in double digits, driving an acceleration in overall real GDP growth to 7.0% in 2015 , 7.5% in 2016 and 7.9% in 2017
- The share of the non-hydrocarbon sector in nominal GDP is forecast to rise from 49.5% in 2015 to 66.6% in 2017 as the economy becomes more diversified

# Growth in the non-hydrocarbon sector is driven by higher project spending



- Qatar's development is underpinned by an array of projects, which have been crucial to driving its economic growth in the last ten years
- Project spending is set to pick up over the medium term in preparation for the 2022 World Cup

# Inflation remains moderate notwithstanding higher rent inflation

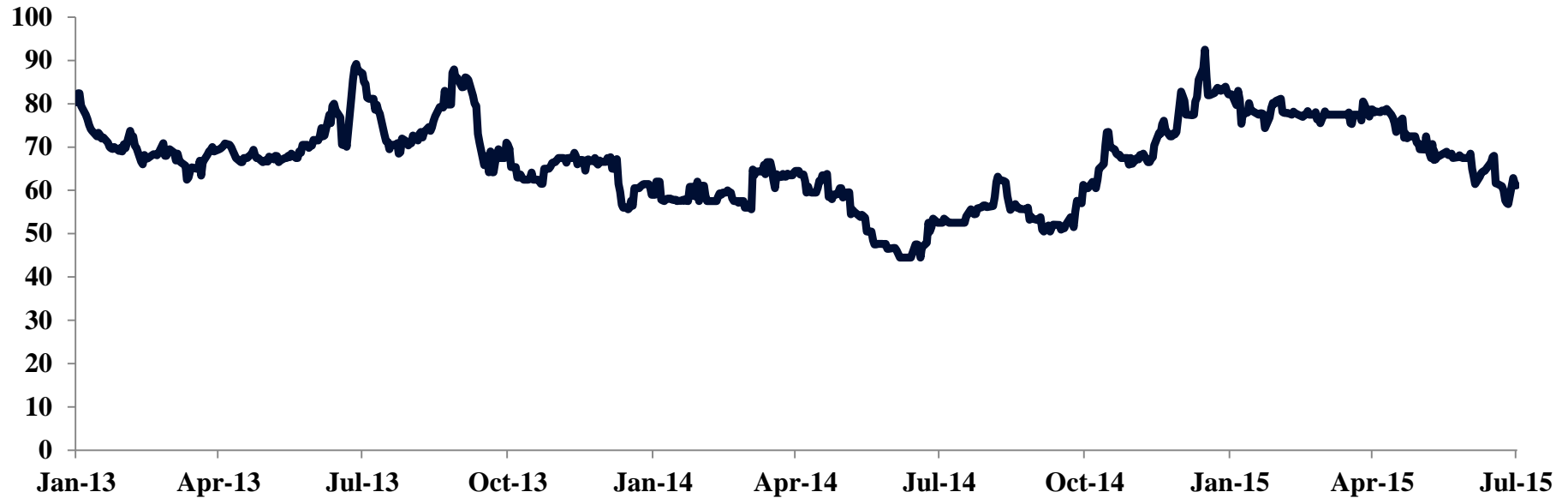


- The influx of expatriate workers will put moderate pressure on domestic prices, particularly rent inflation
- Inflation moderated to 3.1% in 2014, as rising domestic inflation (particularly rents) was partly offset by lower foreign inflation
- CPI weights were revised in January 2015, with the share of rents revised down, which should help keep overall inflation lower going forward

# Strong fundamentals have kept CDS spreads low

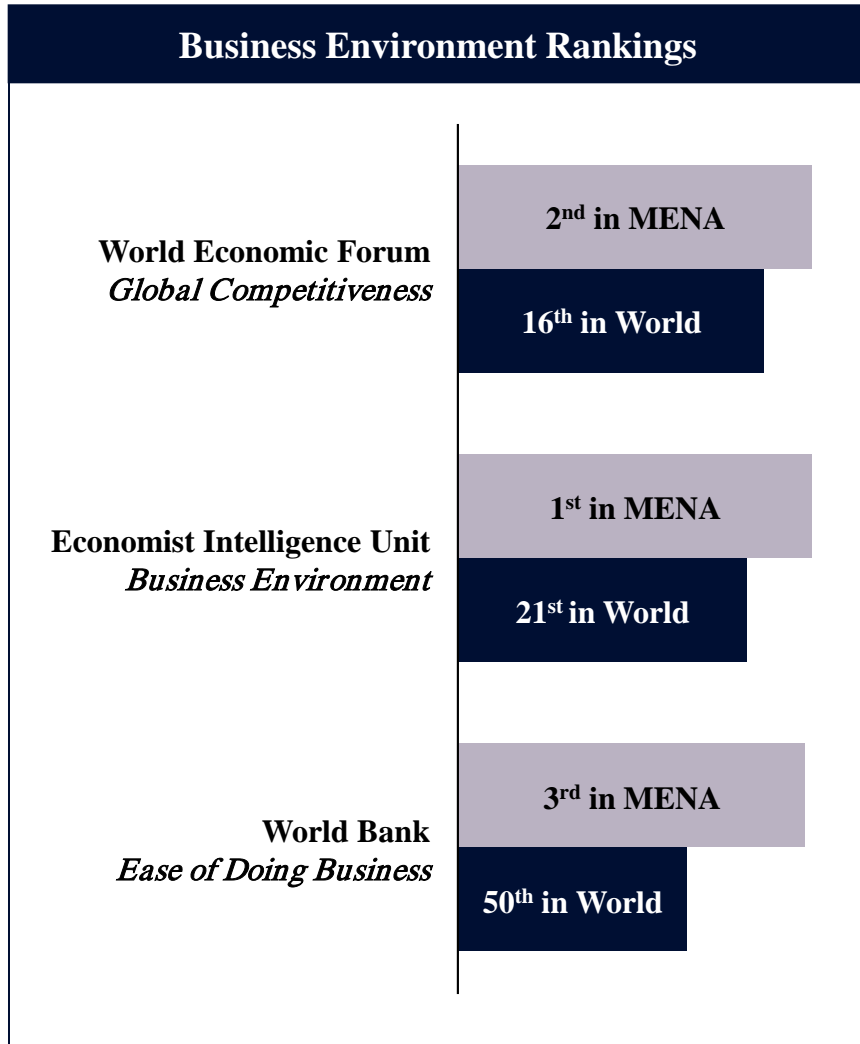
Qatar CDS Spread (Jan 2013 – Jul 2015)

Credit Default Swap spreads are the annual cost of insuring sovereign debt against default in basis points



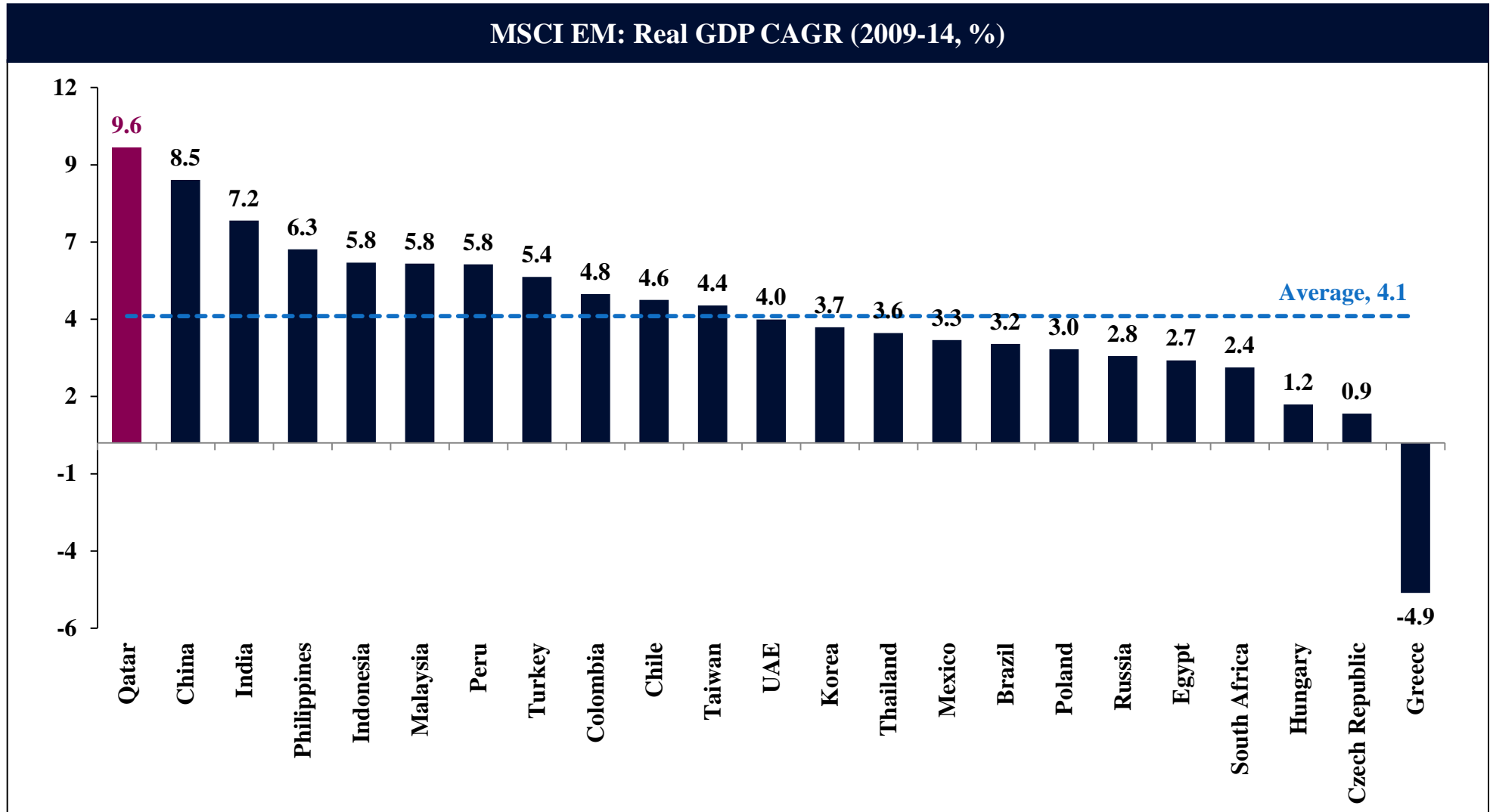
- Strong fiscal and economic fundamentals have kept Qatar's Credit Default Swap (CDS) spread low, notwithstanding the recent drop in oil prices
- Qatar's CDS spreads are amongst the lowest regionally as they are supported by the country's robust economic and resource-driven strengths as well as its strong fiscal and external balance sheets

# Qatar's business environment is one of the strongest in the MENA region

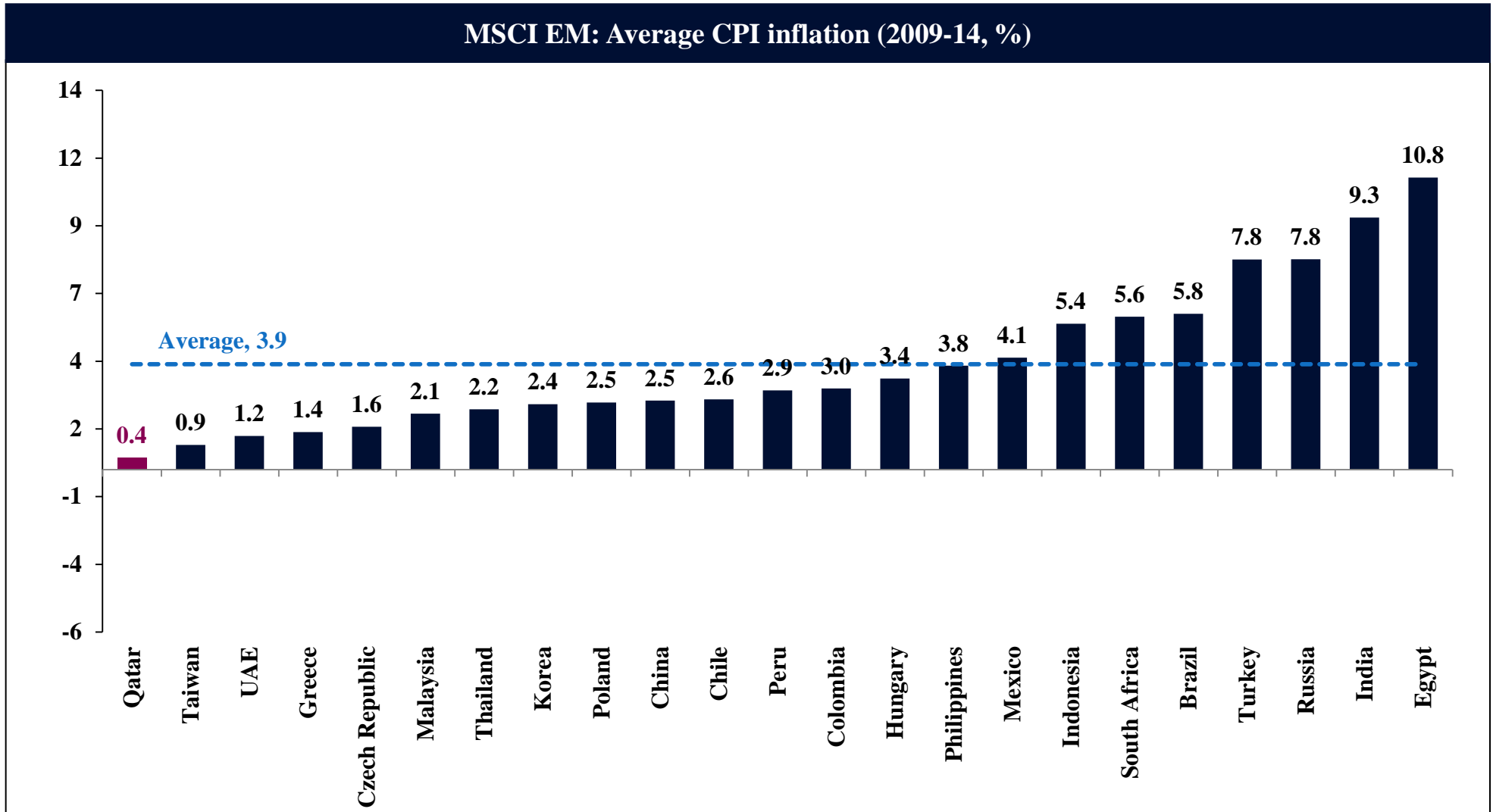


- ### Contributing factors
- **Strong economic fundamentals**
    - Strong growth and successful focus on diversification
    - High levels of government spending and personal consumption
    - Enabling infrastructure (power, transport, telecoms etc.)
    - Strong banking system
    - Stability provided by the currency peg to US dollar
  - **Low tax environment**
    - Low corporate taxes, e.g. 10% on foreign company profits (ex-hydrocarbons sector)
    - No personal or employment taxes
    - No VAT, low import duties
  - **Enabling regulation and favorable business environment**
    - Flexible labour laws
    - Strong institutional framework, low level of corruption, high efficiency of government institutions and strong security
    - Innovative structures – e.g. Qatar Financial Centre

# Qatar is the fastest growing economy in the MSCI Emerging Market group...

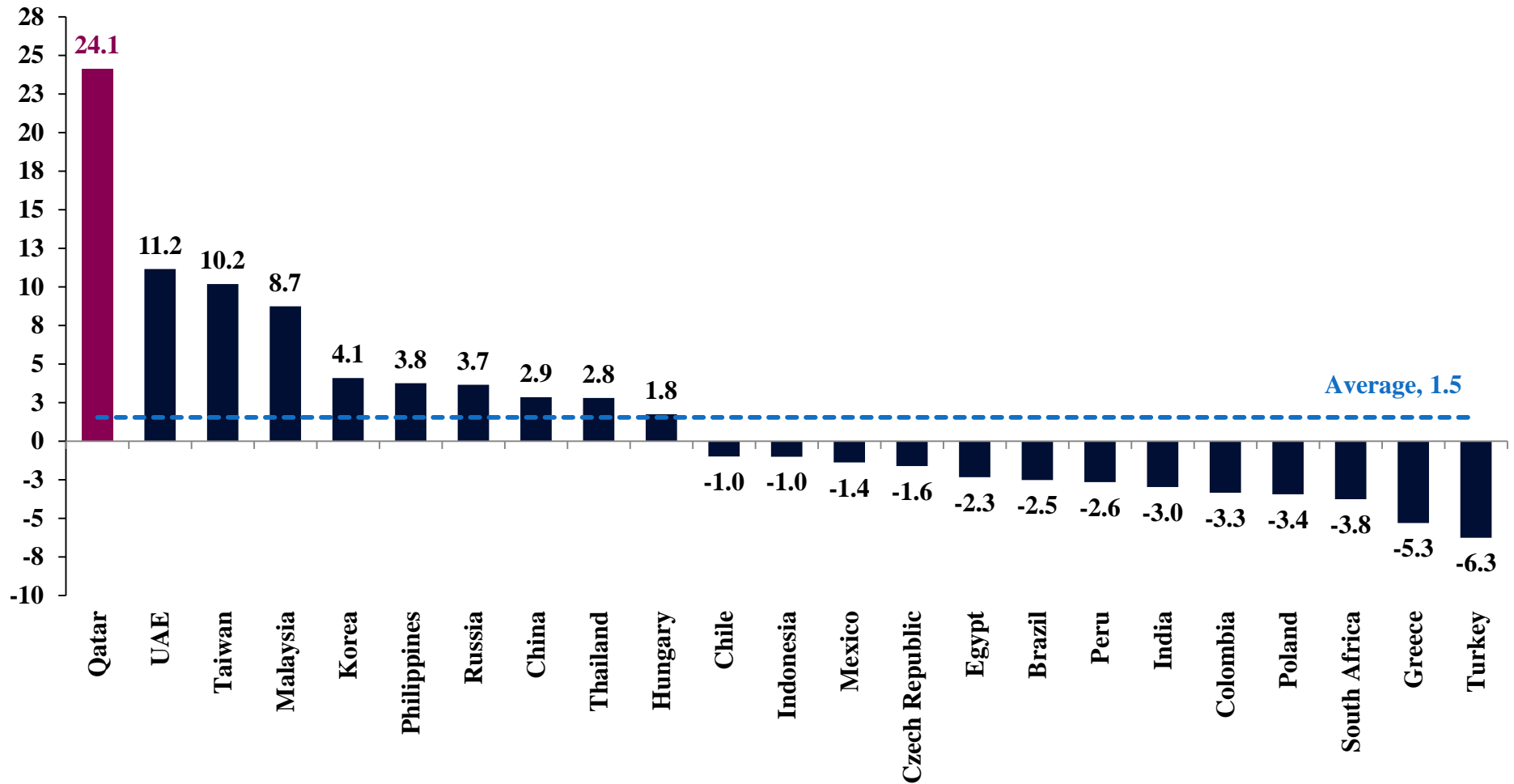


...with the lowest inflation rate...



# ...the highest current account surplus...

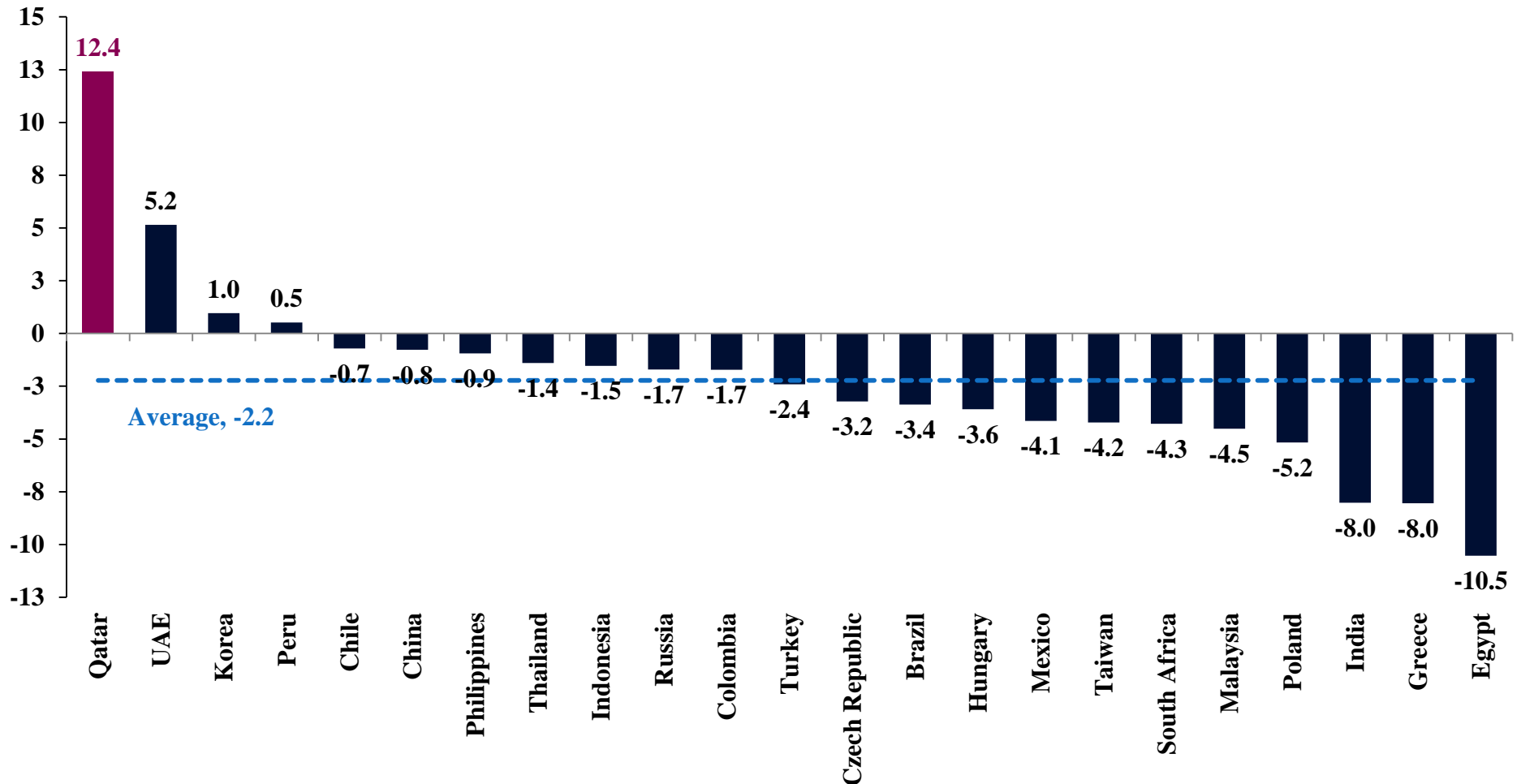
MSCI EM: Average Current Account Balances (2009-14, % of GDP)





# ...and the highest fiscal surplus

MSCI EM: Average General Government Fiscal Balance (2009-14, % of GDP)



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