

Contents

- 2 National accounts
- 3 Balance of payments and trade
- 4 Budget and population
- 4 Money and prices
- 5 Feature analysis: Qatar Economic Performance 2012
- 6 Economic news
- 6 Public companies news
- 6 Private sector news
- 8 Banking sector data and snapshot
- 10 Qatar Exchange market data

News Headlines

Economic News

- QNB Group, Barclays and EIU: Non-hydrocarbon sectors to drive strong GDP growth
- 2013-14 projected budget surplus of US\$10bn
- QCB Governor: Still backs riyal-dollar peg
- Standard & Poor's Ratings (S&P) affirmed its Qatar ratings at "AA/A-1+" with a Stable outlook
- Impregilo-led group wins €1.7bn metro contract

Private Sector (finance)

- QNB Group acquires top spot as world's strongest bank
- QNB Group gets approval to start India operations
- QNB Group forecasts banking sector loan growth of 15%-20% in 2013
- Banks to gain from public sector spending boost
- EFG Hermes & QInvest terminate venture

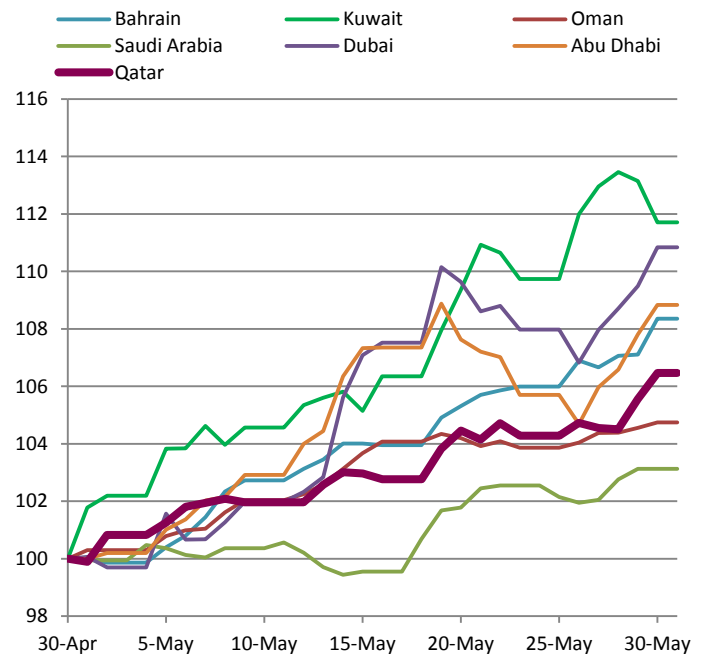
Private Sector (other)

- QE listed companies report QR10.2bn net profit in 1Q2013
- QEWS, QPI, Qatar Holding to set up US\$1bn energy infrastructure company
- PM urges private companies to go public
- QP plans US\$50bn IPOs
- Ashghal to invest QR100bn in next 5 years
- Ooredoo eyes Myanmar for new business, raises US\$12bn to buy Maroc Telecom

QNB Economic Commentary

- [Europe Faces a Vicious Cycle of Austerity and Unemployment](#)
- [The US could become energy independent by 2030](#)
- [Qatar's Banking System is Robust with Good Asset Quality](#)
- [A Free Trade Agreement Could Further Boost Inter-Arab Trade](#)
- [QNB tops the World's Strongest Banks on Bloomberg's Markets' list](#)
- [Sub-Saharan Africa boom creates opportunities for GCC investors](#)
- [IMF Outlook may be Optimistic and MENA Growth Bucks Global Trends](#)

Stockmarket Indices (rebased with 30 Apr 2013 = 100)



GCC markets posted positive returns across the board during May 2013 with Kuwait leading the pack. The benchmark Kuwaiti index gained 11.7% (+39.9% YTD). The second best performing market was Dubai with a gain of 10.8% (+45.9% YTD) followed closely by Abu Dhabi with a gain of 8.8% (+35.4% YTD). Other regional indices also posted decent gains (in the range of 3.1% to 8.4%) for the month of May 2013.

Qatar's equity market also enjoyed strong gains with the QE Index ascending by 6.5% in May 2013 (+10.5% YTD). QNB Group was the biggest contributor (up 24% YTD) to the index gains; the stock gained 10.67% in the month of May 2013. We continue to expect a pickup in domestic retail interest and believe improved liquidity in the banking sector will be a positive for the market.

Kuwait Economic Insight 2013



QNB will shortly be publishing the Kuwait Economic Insight 2013, providing an overview of Kuwait's economy, with historical data, in-depth analysis and forecasts.

The report will be available on the [QNB website](#).

National Accounts

Nominal GDP (QR bn)	2009	2010	2011	2012	Q4-12	YoY%	QoQ%
Total	356.0	455.4	624.2	700.3	180.9	10.1%	3.9%
Oil & Gas	159.5	239.7	370.2	404.7	101.6	5.1%	3.6%
Non-Oil	196.5	215.7	254.0	295.6	79.3	17.1%	4.3%
Agriculture and Fishing	0.4	0.5	0.6	0.6	0.2	10.3%	3.1%
Industry	60.9	70.4	87.4	102.5	28.2	23.5%	7.6%
Manufacturing	33.6	40.8	56.7	68.9	19.5	31.7%	10.5%
Electricity, Gas and Water	1.8	2.1	2.4	2.6	0.6	20.6%	-17.1%
Construction	25.5	27.5	28.3	31.0	7.9	7.6%	3.4%
Services	132.1	140.9	162.1	188.1	50.0	14.2%	2.6%
Trade, Restaurants and Hotels	29.8	31.5	35.6	39.5	10.8	11.8%	-0.6%
Transport and Communications	16.2	18.1	21.0	23.4	6.0	11.4%	-4.7%
Financial and Business Services	58.1	60.3	65.6	71.2	18.6	10.5%	7.6%
Social Services	4.1	4.5	5.0	5.7	1.5	13.2%	3.1%
Government Services	32.1	37.4	46.2	60.9	16.4	20.0%	3.6%
Household Services	1.8	1.9	2.0	2.3	0.6	11.3%	2.9%
Imputed Bank Service Charges	-10.2	-12.7	-13.4	-14.8	-3.9	7.5%	9.2%
Import Duties	3.1	3.8	3.9	4.3	1.1	-1.3%	2.1%

Source: QSA

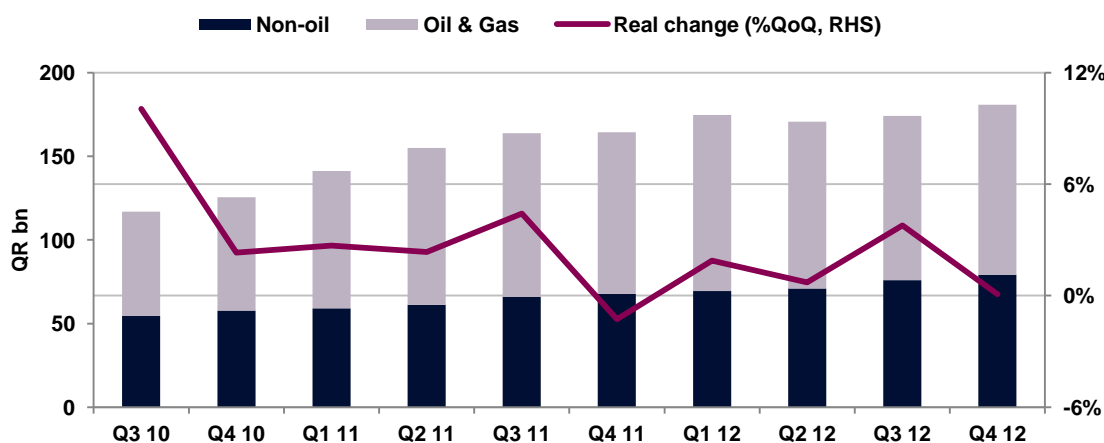
The non-oil sector is currently driving growth, particularly manufacturing and government services.

The share of the non-oil and gas sector in the overall economy increased to 42.2% in 2012 from 40.7% in 2011.

Real GDP (% change, YoY)	2008	2009	2010	2011	2012	Q4-12	QoQ%
Total	17.7	12.0	16.7	13.0	6.2	6.6	0.1
Oil & Gas	13.2	4.5	28.9	15.7	1.7	0.1	-2.1
Non-Oil	21.3	17.6	8.6	10.8	10.0	11.8	1.7
Agriculture and Fishing	36.7	-17.0	19.7	5.4	4.5	7.2	3.4
Industry	45.8	9.3	13.0	10.3	11.1	14.3	1.3
Manufacturing	18.9	13.7	17.6	10.4	11.8	18.0	1.0
Electricity, Gas and Water	12.3	-0.4	13.5	7.9	10.5	12.5	-24.2
Construction	79.2	6.9	9.5	10.5	10.6	11.5	3.9
Services	13.2	21.9	6.9	10.3	9.2	10.6	1.9
Trade, Restaurants and Hotels	6.4	15.7	2.5	12.9	7.7	8.9	-0.9
Transport and Communications	51.0	22.7	10.2	12.4	12.1	14.2	0.5
Financial and Business Services	8.9	25.8	7.4	6.3	6.7	7.2	3.9
Social Services	4.5	21.5	1.9	3.0	7.9	9.0	2.2
Government Services	8.9	23.6	8.7	13.1	11.5	11.9	3.2
Household Services	3.8	4.3	2.2	0.8	6.0	5.6	2.9
Imputed Bank Service Charges	35.6	1.0	3.3	16.4	8.0	4.5	2.3
Import Duties	-21.4	-11.3	17.8	-1.1	13.7	4.1	1.7

Source: QSA and QNB Group Forecasts for 2012

The manufacturing sector performed strongly in the second half of 2012 as a result of higher production coming especially from the ramp up in GTL production from Pearts 2nd train



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

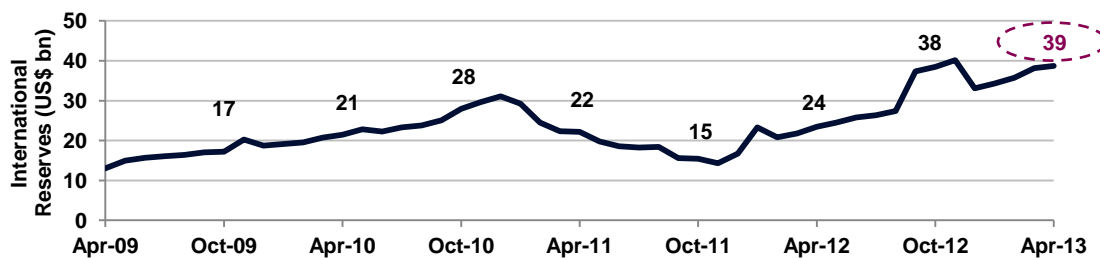
Balance of Payments

Balance of Payments (US\$ bn)	2009	2010	2011	2012	Q4 12	QoQ%	YoY%
Current Account Balance	6.4	23.8	52.0	62.3	13.7	-25.5%	7.8%
Trade Balance (Goods)	25.6	53.9	87.4	102.9	25.5	-6.3%	13.7%
Exports	48.0	74.8	114.3	133.7	33.1	-1.8%	10.2%
Imports	-22.5	-20.9	-26.9	-30.8	-7.7	17.1%	-0.3%
Invisibles	-19.2	-30.1	-35.4	-40.6	-11.8	36.7%	21.4%
Services	-3.9	-5.8	-9.5	-14.0	-4.0	25.6%	83.7%
Income	-9.4	-12.9	-13.3	-12.1	-3.5	31.4%	-5.2%
Transfers	-5.8	-11.4	-12.7	-14.5	-4.2	55.2%	11.8%
Capital & Financial Account Balance	0.6	-10.7	-62.6	-44.5	-17.6	135%	44%
Capital Account	-1.8	-2.1	-3.6	-6.2	-2.0	103%	124%
Financial Account	2.4	-8.6	-59.0	-38.3	-15.6	150%	37%
Direct Investment (outwards)	-3.2	-1.9	-6.0	-4.4	-2.4	-429%	-3%
Direct Investment (into Qatar)	8.1	4.7	-0.1	4.2	-0.5	-147%	81%
Portfolio investment (net)	-	-	-	0.0	-2.3	-158%	-73%

The newly-released balance of payments data for 2012 show that the current-account surplus has grown to US\$62bn, or 32% of GDP, as high hydrocarbon prices supported exports.

On the capital account, the pace of investment outflows slowed, leading to a smaller deficit.

International reserves rose from US\$33bn at end 2012 to US\$39bn by end April 2013, suggesting that current account surpluses continue to outpace investment outflows in the first four months of 2013.



Source: QCB, plus QSA for some trade figures and UNCTAD for FDI prior to 2011; Note: Not all Balance of Payment lines are shown in the table

Top 5 Export Destinations (US\$ bn)	2009	2010	2011	2012	Q4 12	QoQ%	YoY%
Japan	14.5	19.7	27.4	32.6	7.1	-19.3%	-12.0%
South Korea	7.6	10.8	18.9	23.2	5.5	-7.5%	3.7%
India	3.7	5.6	10.3	14.7	4.1	24.9%	59.0%
European Economic Community (EEC)	4.0	9.1	16.9	11.8	2.6	0.1%	-34.3%
China	1.2	2.2	4.3	7.0	1.5	-28.5%	-2.5%

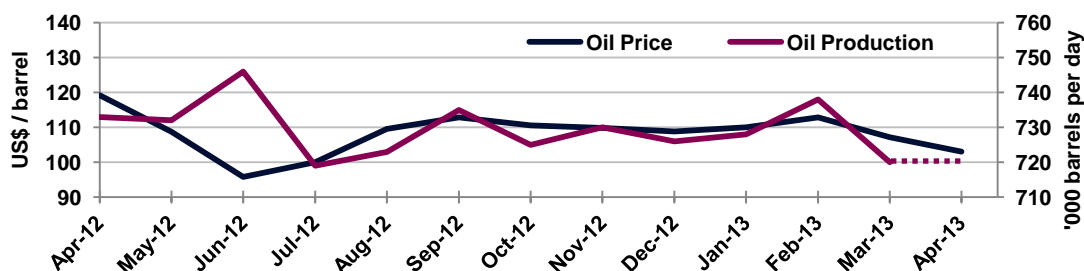
New LNG terminals led to rapid growth in exports to India in 2012, replacing weak demand from Europe.

Top 5 Import Sources (US\$ bn)	2009	2010	2011	2012	Q4 12	QoQ%	YoY%
European Economic Community (EEC)	8.1	7.1	6.6	7.4	2.1	21.1%	31.8%
United States	3.1	3.5	3.1	3.9	1.8	159.2%	85.4%
United Arab Emirates	1.8	2.3	3.0	3.2	0.8	0.0%	6.3%
Saudi Arabia	1.3	1.7	2.2	2.4	0.6	0.0%	6.3%
United Kingdom	1.1	1.4	1.5	1.8	0.4	6.5%	67.6%

Source: IMF Direction of Trade Statistics; Note: the IMF's trade figures can differ from QSA figures and are sometimes based on estimates

Crude oil (US\$ / barrel)	2009	2010	2011	2012	Apr-13	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	720.0*	-2.4%	-3.1%
Qatar average price	62.0	77.7	108.4	111.2	103.1	-3.8%	-13.5%
Dukhan	62.6	78.4	109.7	111.8	104.4	-3.9%	-13.1%
Marine	61.6	77.2	107.5	110.6	102.5	-3.8%	-13.7%

Crude production fell somewhat in April, but is expected to recover by end 2014 as redevelopment plans are implemented.



Source: OPEC (Direct communications), Reuters, *Preliminary Estimate

Other Macroeconomic Statistics

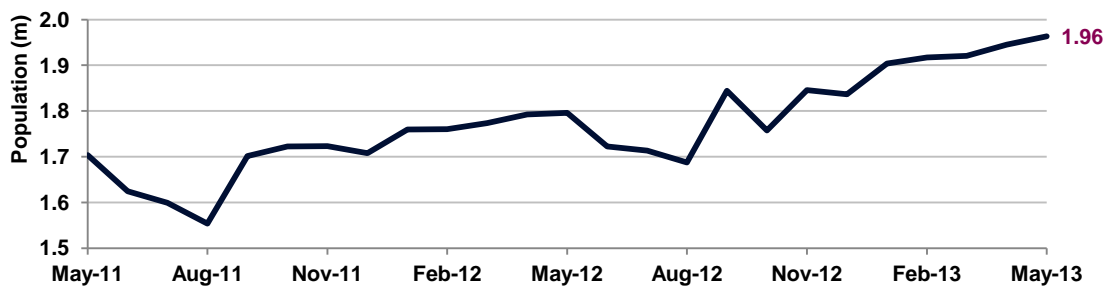
Government Budget (QR bn)	2008/09	2009/10	2010/11	2011/12	Q3-12	QoQ%	YoY%
Balance	41.3	53.7	13.2	37.6	94.6		
% of GDP	10.0%	15.2%	3.0%	8.7%	54.3%		
Revenue	140.6	168.8	155.5	203.4	135.3	1128%	73.5%
Expenditure	99.2	115.0	142.4	165.8	40.8	38.1%	13.7%

The rise in quarterly revenue and expenditure in Q3-2012 mainly reflects seasonal variations.

Population (m people in Qatar)	2009	2010	2011	2012	May-13	MoM%	YoY%
Total	1.64	1.72	1.73	1.83	1.96	0.9%	9.3%
Male	1.27	1.30	1.30	1.37	1.45	1.0%	9.1%
Female	0.37	0.42	0.43	0.46	0.51	0.8%	9.9%

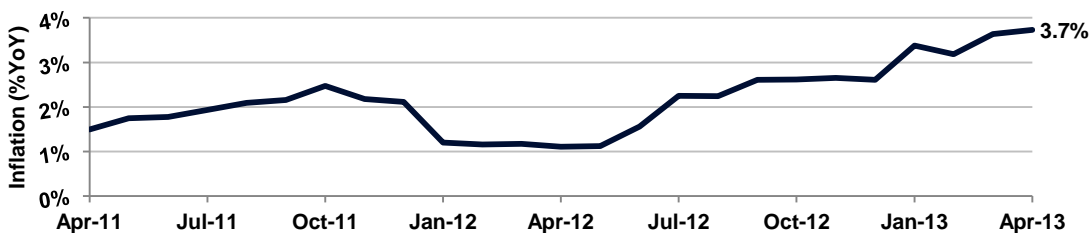
Population continued to accelerate as expatriates move to Qatar to work on new infrastructure projects; the YoY growth in May 2013 was the highest since monthly records began in 2009

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



Inflation (% ch, 12mth average YoY)	2009	2010	2011	2012	Apr-13	MoM%	YoY%
Overall (weights shown below)	-4.9	-2.4	1.9	1.9	2.6	0.1	3.7
Food, beverages & tobacco (13.2%)	1.3	2.1	4.3	3.7	3.5	0.0	2.3
Clothing & footwear (5.8%)	-4.5	-1.3	7.5	2.8	1.5	-0.2	0.3
Rents, water & maintenance (32.2%)	-12.0	-12.8	-4.8	-3.3	0.5	0.2	6.2
Furniture, textiles & appliances (8.2%)	-2.0	4.1	2.9	4.9	4.8	-0.6	3.1
Health care (2.0%)	1.7	3.5	2.6	1.5	1.6	0.8	2.5
Transport & communication (20.5%)	-4.4	2.6	6.4	2.2	2.1	0.6	2.5
Entertainment, leisure & culture (10.9%)	-1.2	2.9	2.0	6.0	6.8	0.0	8.2
Miscellaneous goods & services (7.2%)	7.3	4.7	5.6	4.8	2.4	-0.7	-0.6

Population growth is driving rents higher. Rental inflation picked up to 6.2% in April. Non-rent inflation is more stable at 2.9% YoY.



Source: QSA

Money Supply (QR bn)	2009	2010	2011	2012	Apr-13	MoM%	YoY%
Broad money (M2)	215.1	264.7	310.0	381.1	439.6	5.4%	44.3%
M1	53.1	68.3	81.8	90.9	103.6	4.3%	16.4%
Quasi-money	162.0	196.4	228.1	290.1	336.0	5.8%	55.9%

The money supply continues to expand rapidly in line with increased demand for public sector credit.

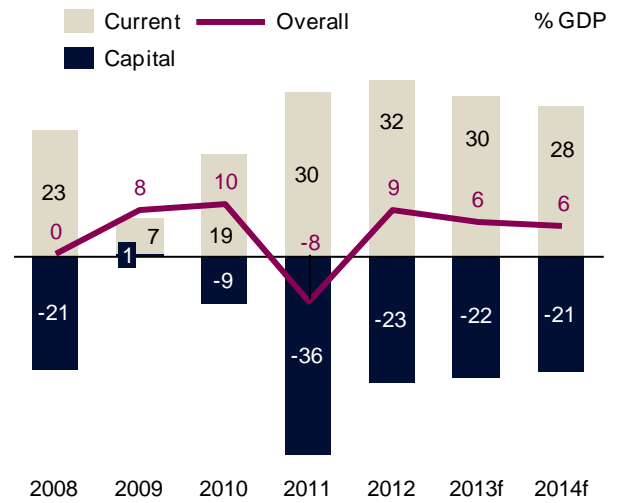
Interest rates (% end period)	2009	2010	2011	2012	Apr-13	MoM bp	YoY bp
QCB deposit	2.00	1.50	0.75	0.75	0.75	0.0	0.0
QCB lending	5.50	5.50	4.50	4.50	4.50	0.0	0.0
Interbank overnight	2.01	1.39	0.74	0.77	0.70	-8.2	-4.7
Demand deposit	1.99	1.34	0.62	0.65	0.67	5.1	5.0
Overdraft	8.75	8.19	7.42	6.63	6.56	8.7	-40.6
Credit card	20.00	19.92	10.69	9.11	8.36	-8.9	-39.9

Lending rates have continued to fall due to QCB policies, market competition and ample domestic liquidity. Rising deposit rates and lower lending rates are putting pressure on bank margins.

Feature analysis: Balance of Payments – Investment outflows expected to slow from 2013

Qatar’s current-account surplus was 32% of GDP in 2012. QNB Group expects that this surplus will narrow in 2013-14 to 28 % of GDP. High exports of oil and gas (US\$89bn, or 46% of GDP in 2012) underpin the current-account surplus. We expect prices for oil and gas to fall slightly in 2013 and 2014 with Brent oil averaging US\$108 and US\$102/barrel versus US\$112/b in 2012. Although, this will be partly offset by rising exports in 2013, as Shell’s second GTL facility operates for its first full year, it will still lead to a small decline in the current-account surplus to 28% of GDP in 2014 due to higher infrastructure-related imports.

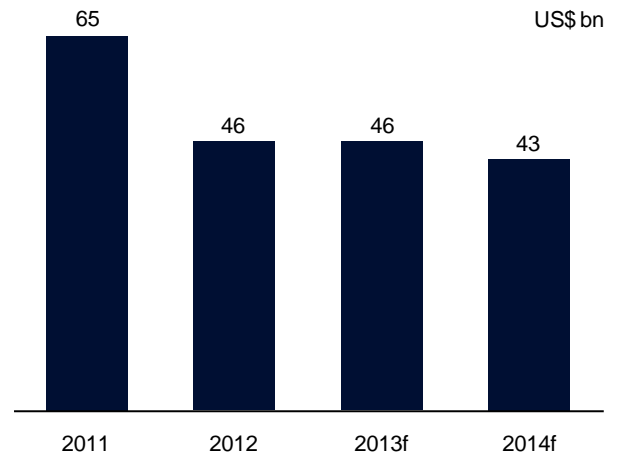
Current-Account surplus expected to narrow



Source: QCB and QNB Group forecasts

Much of the current-account surplus is invested abroad by the State of Qatar through the Qatar Investment Authority and by Qatari companies and individuals. Investment outflows were particularly high in 2011, possibly as Qatari investors saw an opportunity to take advantage of low global asset prices. Outflows slowed sharply in 2012. We expect them to continue to slow in line with the slightly lower current-account surpluses and as the focus for major Qatari investors shifts towards the roll out of domestic infrastructure projects in the run-up to the 2022 World Cup. The steady increase in international reserves for far this year from US\$33bn in December to US\$39bn in April is consistent with our forecast of a small overall surplus in the balance of payments.

Investment outflows expected to slow (US\$ bn)



Source: QCB and QNB Group forecasts

Economic News

- QNB Group, Barclays and EIU: Non-hydrocarbon sectors to drive strong GDP growth** – According to a report by QNB Group, enhanced private sector activity stimulated by higher government spending and steady growth in the non-oil & gas sectors will drive Qatar's real GDP growth to 6.5% in 2013 and 6.8% in 2014. As the country's oil & gas production remains flat, major growth drivers will come from the large scale infrastructure development program initiated by the government, which will stimulate economic activity in construction (13% growth), financial (8%) and services sectors (9%) in 2013-14. Barclays released a report citing growth of 5%-6% for the next five years with growth of 9%-10% in non-hydrocarbon sectors. The Economist Intelligence Unit (EIU) said that it expects real economic growth will remain high, averaging 5.4% during 2013-2017 and 5.7% during 2012-2030, with potential bursts of stronger growth if further gas export projects are approved by the government after its moratorium on new deals expires. The EIU said diversification of the country's services sector, funded by its hydrocarbon wealth, will provide opportunities for growth. The report also said that population will continue to grow, largely through influx of foreign workers, from 1.94mn to around 4.3mn in 2030. (Gulf-Times.com)
- 2013-14 projected budget surplus of US\$10bn** – According to a report by QNB Group, Qatar's 2013-14 budget may see a five-fold increase in the projected surplus to US\$10bn. The group said the budgeted surplus for 2013-14 stood at US\$2bn, which was based on a conservative oil price assumption of US\$65 a barrel. The government announced a record state budget for 2013-14, with overall expenditures set to increase by 18% to US\$57bn and revenues expected to increase by 6% to US\$60bn. The budget surplus is expected to expand even as overall spending is estimated to be 11% higher than budgeted, due to the ramp up in infrastructure development to meet the time frame requirements for the 2022 FIFA World Cup. (Gulf-Times.com)
- QCB Governor: Still backs riyal-dollar peg** – The Qatar Central Bank's (QCB) Governor said Qatar has not changed its stance on pegging the riyal to the US dollar after Reuters reported that the bank's Director of Research urged for a more flexible exchange rate. However, the Governor also said during the month that the peg may change in the longer term, once the economy was less dependent on hydrocarbons and local financial markets deepen. He said, with increasing integration in international trade and asset markets, a higher degree of exchange rate flexibility may become more desirable to ensure external stability and competitiveness of Qatar's exports. (Bloomberg & Reuters)
- Standard & Poor's Ratings (S&P) affirmed its Qatar ratings at "AA/A-1+" with a Stable outlook** – S&P also said that its ratings affirmation and the Stable outlook apply to other ratings viewed as equivalent to the sovereign credit rating, including bonds issued by Qatari Diar Finance and the senior unsecured debt rating on SoQ Sukuk. S&P said ratings on Qatar reflect its high economic wealth and strong fiscal balance sheets. (GulfBase.com)
- Impregilo-led group wins €1.7bn metro contract** – A consortium led by Italian builder, Impregilo has won a contract worth €1.7bn to build a metro rail line in Doha, Qatar. Impregilo has a 41.3% stake in the consortium. (Reuters)

Private Sector News

Finance

- QNB Group acquires top spot as world's strongest bank** – Bloomberg's annual ranking of the World's Strongest Banks, placed QNB Group in the top spot, taking the position from OCBC of Singapore. For the rankings, Bloomberg Markets Magazine evaluated 78 banks with total assets of at least US\$100bn at mid-March, and took into consideration: Tier-1 capital to risk-weighted assets; non-performing assets to total assets; reserves for loan losses to non-performing assets; deposits to funding; and efficiency (costs to revenue). (BusinessTimes.com)
- QNB Group gets approval to start India operations** – QNB Group has received all the regulatory approvals to establish a fully-owned subsidiary under the name, "QNB (India) Private Limited", which is expected to commence operations during 3Q2013. QNB (India) will take the role of extending consultancy and advisory services in the field of investment and finance for the Middle East companies establishing businesses and/ or investing in India. (QNB Press Release)
- QNB Group forecasts banking sector loan growth of 15%-20% in 2013** – Deposits expanded by 7.4% MoM (+14.2% YTD) while loans increased by 2.7% MoM (+4.2% YTD) in the month of April 2013. Hence, the sector loan to deposit ratio dropped to 102% in April 2013 vs. 106% at the end of March 2013 (111% in December 2012 and a high of 124% in April 2012). QNB Group forecasts loan growth of about 15-20% for 2013. However, we expect NIMs to remain under some pressure throughout 1H2013. (QCB & QNB Group)
- Banks to gain from public sector spending boost** – Fitch Ratings said it expects the Qatari economy to provide a strong operating environment for Qatari banks in 2013. The ratings agency expects Qatar's GDP growth to be healthy at around 7% for 2013, with the public sector driving credit growth through its planned infrastructure spending. Fitch also expects

Qatari banks to remain well capitalized, benefitting from their high Tier 1 ratios, which are assisted by capital injections by the Qatari authorities. (Bloomberg)

- EFG Hermes & QInvest terminate venture** – EFG Hermes and QInvest have confirmed the expiration of a joint venture (JV) agreement between the two companies. The long-stop date for the satisfaction of the conditions precedent for their JV agreement to proceed had been reached without receiving the necessary regulatory approvals from the Egyptian Financial Supervisory Authority. As a result of this, the joint venture agreement will automatically terminate. (Peninsula Qatar)

Other sectors

- QE listed companies report QR10.2bn net profit in 1Q2013** – The companies listed on the Qatar Exchange (QE) (excluding Vodafone Qatar) have reported a combined net profit of QR10.2bn for 1Q2013 versus QR9.2bn in 1Q2012, indicating a YoY increase of 11.36%. In terms of net profit growth, the industrials sector has reported a 23.65% jump to QR3.24bn in 1Q2013, while the insurance sector reported 25.53% surge to QR0.38bn, the transport sector recorded a 13.29% gain to QR0.54bn, the real estate segment reported a 6.43% growth to QR0.62bn. The banks & financial services segment reported a 3.80% gain to QR4.26bn, while the consumer goods & services sector recorded a 2.36% decline in net profit to QR0.37bn. (QE, Gulf-Times.com)
- QEWS, QPI, Qatar Holding to set up US\$1bn energy infrastructure company** – Qatar Electricity & Water Company (QEWS) has signed a partnership agreement with Qatar Petroleum International (QPI) and Qatar Holding to establish a new US\$1bn shareholding company. The company will carry out overseas investment in the fields of power generation, water desalination & treatment, heating & cooling systems, provision of fuel as well as fuel loading and

unloading equipment. The new company will be named "Nebras Power" in which 60% stake will be owned by QEWS, with QPI and Qatar Holding having 20% stake each. (QE) (Reuters)

- **PM urges private companies to go public** – HE the Prime Minister and Foreign Minister Sheikh Hamad bin Jassim bin Jabor al-Thani said the country's private sector contribution to the national exchequer is yet to reach the desired level and that the present capitalization of listed companies in the country's bourse does not reflect the size of the economy. He stated that with Qatar spending US\$200bn on infrastructure over the next decade, ample opportunities exist for private companies, who should consider going public not only to have a significant positive impact on the economy, but also to help government attract foreign investment. (Gulf-Times.com)
- **QP plans US\$50bn IPOs** – Qatar Holding Executive Board Member Hussain Al Abdulla said Qatar Petroleum (QP) is planning to offer shares in four of its units over the coming years. He added that there are four companies worth US\$50bn under QP, which are ready to be listed on Qatar Exchange over the next few years. (Bloomberg)
- **Ashghal to invest QR100bn in next 5 years** – The Public Works Authority (Ashghal) is set to invest QR100bn on infrastructure development projects in Qatar over the next five years. Ashghal added that its national expressway program would deliver 900 kilometers of new roads with a number of underpasses, flyovers and multilevel interchanges. This involves 32 projects and 240 intersections that are expected to be completed by 2017. The Lusail Expressway would be costing US\$1bn, which will have eight lanes with three major intersections and two canal roads. Similarly, the Doha Bay Crossing will be another landmark in the country that is set to be completed by 2019-2020. (Gulf-Times.com)
- **Ooredoo eyes Myanmar for new business, raises US\$12bn to buy Maroc Telecom** – Ooredoo (formerly QTEL) CEO Nasser Marafih said the company is planning to bid for a telecom license in Myanmar next month since it is one of the last untapped markets as the country's mobile phone penetration is just about 5%. He also said that Ooredoo is in talks with regulators in Iraq and Algeria for acquiring 3G mobile phone licenses, and hopes they will issue the licenses in 2013. Meanwhile, the company has also raised US\$12bn to finance its bid for a majority stake in Maroc Telecom as it seeks to expand through acquisitions. The company mentioned that it is also planning to focus on buying telecom operators overseas after expanding its holding in various companies in Kuwait, Iraq and Tunisia. (Bloomberg, Qatar Tribune)

Banking Sector Snapshot : April 2013

Review and Outlook

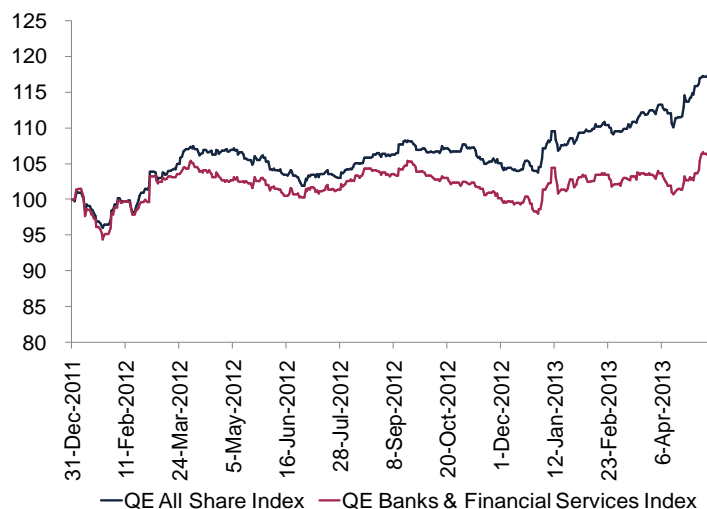
Deposits expanded by 7.4% MoM (+14.2% YTD) while loans increased by 2.7% MoM (+4.2% YTD) in the month of April 2013. Hence, the sector LDR dropped to 102% in April 2013 vs. 106% at the end of March 2013 (111% in December 2012). Furthermore, the domiciled loan-to-deposit ratio (LDR) for the sector followed suit and stood at 94% vs. 99% in March. Liquidity has materially improved from 2Q2012 (current LDR of 102% vs. the 2012 high of 124% in April). We forecast loan growth of about 15-20% for 2013. However, we expect NIMs to remain under some pressure throughout 1H2013.

The public sector witnessed a rebound in deposits in the month of April. Delving into segment details, public sector deposits expanded by 13.8% MoM (+16.3% YTD). The semi-government institutions segment increased by 15.4% MoM (-5.2% YTD). Moreover, the government segment witnessed a rebound of 36.3% MoM (+12.2% YTD). Further, the government institutions segment (represents 62% of public sector deposits) also grew by 6.8% MoM (+24.7% YTD). On the other hand, private sector deposits lagged the public sector and grew by only 3.9% MoM (+14.3% YTD). The consumer segment modestly grew by 3.2% MoM (+12.7% YTD), while the companies & institutions segment increased by 4.5% MoM (+15.8% YTD). Net-net, total deposits (including deposits outside of Qatar) expanded by 7.4% MoM (+14.2% YTD). Most of the growth in deposits during 2012 was realized in May and July.

The overall loan book ticked up by 2.7% MoM (+4.2% YTD). Total domestic public sector loans rebounded across the board by 6.9% MoM (+1.4% YTD). This growth was driven by all the public sector sub-segments. The semi-government institutions segment expanded by 16.3% MoM (-14.6% YTD). Also, the government institutions segment (represents 66% of public sector deposits) grew by 6.5% MoM (+4.8% YTD). We continue to expect growth in public sector loans to pick up in the coming months and then grow thereafter as project mobilizations pick up. Public sector loans expanded by 26% QoQ in 2Q2012. Private sector loans exhibited a flattish experience of -0.6% MoM (+4.3% YTD). **Consumption and others** (contributes 30.1% to private sector loans) and **real estate** loans contracted MoM; the former sub-segment receded by 6.4% MoM but was up 3.7% YTD, while the latter decreased by 8.4% MoM and 7.7% YTD. On the other hand, **services** expanded by 28.1% (+35.9% YTD) and **contractors** inched up 2.1% MoM (+7.6% YTD).

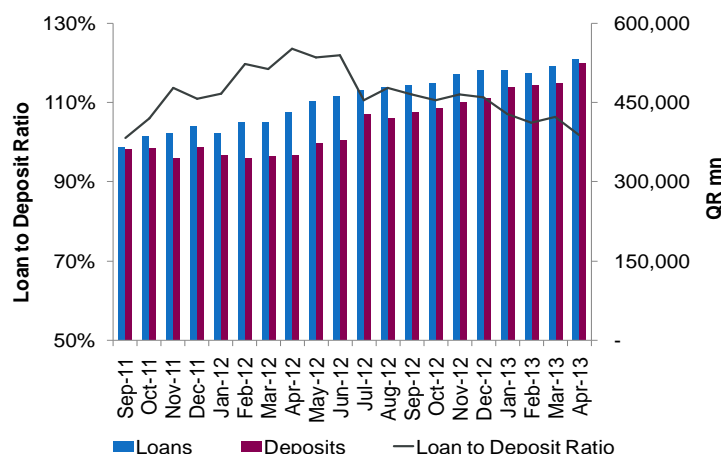
Specific loan-loss provisioning rested at 1.4% of average trailing 12-months loans (1.4% in March), indicating minimal growth in provisions.

Banking Sector Index vs. QE All Share Index



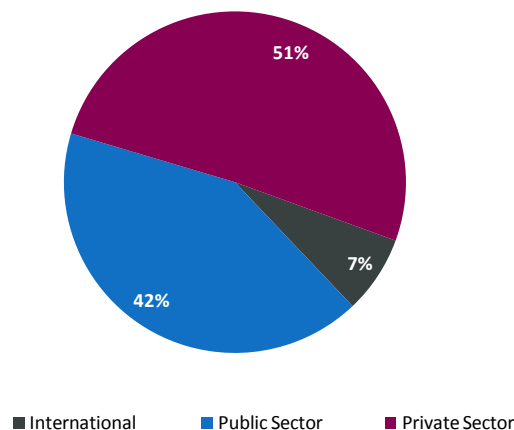
Source: Bloomberg

Banking Sector - Loan to Deposit (LTD)



Source: Qatar Central Bank (QCB)

Loan Pie (April 2013)



Source: QCB

Banking Sector Indicators

(In QR mn)	2010	2011	2012	Jan-13	Feb-13	Mar-13	Apr-13	Change MoM	Change YTD
Total Assets	567,482	694,301	820,512	828,418	826,556	848,293	865,125	2.0%	5.4%
Total Credit (Loans)	314,481	403,563	510,048	511,162	505,599	517,690	531,663	2.7%	4.2%
Total Deposits	306,788	363,612	458,066	477,512	481,987	486,662	522,883	7.4%	14.2%
Loan to Deposit Ratio	103%	111%	111%	107%	105%	106%	102%	N/A	N/A
Credit Facilities (Geographic)									
Total Domestic Credit	293,920	376,695	478,305	478,652	471,794	479,776	492,512	2.7%	3.0%
Total International Credit	20,561	26,867	31,743	32,510	33,805	37,914	39,151	3.3%	23.3%
Domestic Credit Facilities - Public Sector									
Government	36,303	40,801	51,746	55,203	48,021	49,964	52,143	4.4%	0.8%
Government Institutions	50,452	90,619	139,585	134,555	135,628	137,306	146,258	6.5%	4.8%
Semi-Government Institutions	16,303	17,750	27,222	26,762	26,490	20,004	23,259	16.3%	-14.6%
Total Domestic Public Sector Credit	103,058	149,170	218,553	216,520	210,139	207,274	221,660	6.9%	1.4%
Domestic Credit Facilities - Private Sector									
General Trade	24,875	26,855	33,280	34,052	33,971	33,337	33,330	0.0%	0.2%
Industry	6,648	6,534	9,339	9,332	10,128	9,703	9,679	-0.3%	3.6%
Contractors	18,411	16,220	16,546	16,877	17,531	17,434	17,806	2.1%	7.6%
Real Estate	51,042	76,220	85,562	87,615	86,732	86,245	78,984	-8.4%	-7.7%
Consumption & Others	60,345	71,986	78,587	76,850	78,278	87,127	81,532	-6.4%	3.7%
Services	29,541	29,709	36,438	37,407	35,014	38,657	49,520	28.1%	35.9%
Total Domestic Private Sector Credit	190,862	227,525	259,752	262,132	261,655	272,502	270,852	-0.6%	4.3%
Deposit Details (Geographic)									
Resident Deposits	277,107	343,777	417,337	435,269	437,644	444,944	480,701	8.0%	15.2%
Non-resident Deposits	29,681	19,835	40,729	42,243	44,343	41,718	42,183	1.1%	3.6%
Deposits - Public Sector (Domestic)									
Government	18,486	40,825	44,557	46,773	37,503	36,666	49,977	36.3%	12.2%
Government Institutions	32,277	57,351	104,378	112,029	120,391	121,899	130,148	6.8%	24.7%
Semi Government Institutions	21,309	27,700	31,794	31,763	32,710	26,123	30,142	15.4%	-5.2%
Total Public Sector Deposit	72,071	125,876	180,729	190,565	190,604	184,688	210,267	13.8%	16.3%
Deposits - Private Sector (Domestic)									
Personal	90,828	103,093	116,257	116,831	118,006	126,938	131,054	3.2%	12.7%
Companies & Institutions	114,207	114,809	120,350	127,873	129,035	133,317	139,379	4.5%	15.8%
Total Private Sector Deposit	205,036	217,902	236,607	244,704	247,040	260,255	270,434	3.9%	14.3%

Source: QCB

Qatar Exchange Market Performance

Company Name	Price (May 30)	% Change 5-Day	% Change Monthly	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	149.40	4.40	10.67	104,540	12.3	2.3	4.0
Qatar Islamic Bank	68.90	0.73	(0.14)	16,281	14.3	1.5	5.4
Commercial Bank of Qatar	69.90	1.30	7.54	17,297	8.5	1.2	8.6
Doha Bank	47.50	1.06	5.09	12,273	8.1	1.2	8.7
Al Ahli Bank	55.90	1.64	(3.62)	7,103	13.6	2.2	5.4
Qatar International Islamic Bank	53.80	1.13	4.06	8,144	11.8	1.7	6.5
Masraf Al Rayan	27.25	2.83	9.22	20,438	13.2	2.2	3.7
Al Khaliji Bank	17.00	(0.29)	2.72	6,120	11.7	1.2	5.9
National Leasing	36.50	2.10	7.35	1,806	8.8	1.4	5.5
Diala Holding	26.60	0.19	2.31	591	23.0	2.5	N/A
Qatar & Oman Investment	12.80	(1.77)	(0.78)	403	20.5	1.3	3.9
Islamic Holding Group	41.00	6.22	21.48	164	26.4	3.9	2.7
Banking and Financial Services				195,158			
Zad Holding	59.60	(0.33)	0.68	780	7.4	0.6	6.7
Qatar German Co. for Medical Devices	14.70	0.34	11.62	170	N/M	0.9	N/A
Salam International Investment	13.00	0.00	0.00	1,486	21.8	0.9	5.4
Medicare Group	41.05	0.12	1.99	1,155	25.0	1.5	2.7
Qatar Cinema & Film Distribution	58.50	1.74	(1.02)	334	29.3	2.6	3.4
Qatar Fuel	257.00	(1.15)	5.46	16,697	14.5	3.2	3.9
Qatar Meat and Livestock	63.20	6.94	6.58	1,138	15.1	3.9	6.3
Al Meera Consumer Goods	140.00	6.06	10.24	2,800	18.2	2.3	5.7
Consumer Goods and Services				24,559			
Qatar Industrial Manufacturing	51.30	0.59	4.69	2,031	10.3	1.7	5.8
Qatar National Cement	101.00	1.00	1.00	4,959	11.6	2.2	5.9
Industries Qatar	166.70	0.91	(3.08)	100,854	11.1	3.6	4.6
Qatari Investors Group	25.10	0.48	6.81	3,121	18.2	1.6	3.0
Qatar Electricity and Water	145.00	0.35	1.40	14,500	10.8	3.0	5.0
Mannai Corp.	85.00	0.00	2.41	3,878	8.2	1.8	5.5
Aamal	14.50	0.69	2.62	8,700	14.2	1.3	N/A
Gulf International Services	47.00	15.20	15.34	6,988	13.8	2.7	3.2
Industrials				145,030			
Qatar Insurance	64.00	2.40	16.36	8,220	9.4	1.2	3.1
Doha Insurance	25.55	(0.97)	4.29	658	10.9	1.4	3.6
Qatar General Insurance & Reinsurance	48.00	0.00	9.09	2,767	15.2	1.1	1.8
Al Khaleej Takaful Insurance	40.50	(2.41)	9.16	692	9.3	1.2	2.1
Qatar Islamic Insurance	58.00	(3.33)	11.11	870	14.7	3.7	6.0
Insurance				13,206			
United Development	21.50	0.00	21.81	7,250	9.0	0.7	4.7
Barwa Real Estate	26.50	3.11	12.53	10,312	12.6	0.8	5.7
Ezdan Real Estate	17.36	(1.87)	15.35	46,047	N/M	1.7	0.9
Mazaya Qatar Real Estate Development	11.06	1.19	2.12	1,106	20.2	1.0	5.4
Real Estate				64,715			
Qatar Telecom	121.70	1.42	5.83	38,983	13.5	1.6	1.4
Vodafone Qatar	9.37	0.21	0.54	7,921	N/M	1.3	N/A
Telecoms				46,904			
Qatar Navigation (Milaha)	73.00	(1.35)	17.17	8,360	9.3	0.8	5.1
Gulf Warehousing	41.85	2.07	4.63	1,990	22.8	2.7	N/A
Qatar Gas Transport (Nakilat)	17.95	2.63	14.33	10,052	13.0	5.9	5.6
Transportation				20,403			
Qatar Exchange				509,976			

Source: Bloomberg, * Trailing Twelve Months

This report is produced by QNB Group's Economics Team in collaboration with QNB Financial Services. Past issues are available online at <http://tinyurl.com/QatarMonitor>. For questions, or to receive it by email each month, please contact:

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