

## a look at Qatar National Bank, Qatar and its culture



[www.qnb.com.qa](http://www.qnb.com.qa)

### Introducing... Qatar National Bank

Qatar National Bank (QNB) is the oldest and largest bank in Qatar. It was established in 1964 as the country's first Qatari-owned commercial bank. The Government of Qatar owns 50% of the bank and the other 50% is owned by private sector shareholders.

It has now grown to become the country's largest bank and controls assets that represent around 48% of the banking system in which 15 banks are represented (7 Qatari, 2 Arab and 6 foreign). The bank operates the most extensive domestic network in Qatar with 33 local branches and offices. QNB additionally has international branches in London and Paris.

During its last financial year, QNB further enhanced its reputation as the premier financial institution in Qatar and it now ranks 236th in the world in *The Banker* Top 1,000 Banks of 2003. Additionally, it ranks 50th in the world in terms of capital strength as measured by its equity to assets ratio and has a long-term credit rating of A-.

For the financial year ended 31 December 2003, QNB increased net profit by 10.5% to \$176million. Total shareholders' equity as at 31 December 2003 was \$1.5billion, supporting an asset base of some \$9.6billion.

QNB is chaired by His Excellency Yousef Hussain Kamal, the minister of Finance of Qatar. As Chief Executive of the Group since 2001, Saeed Al-Misnad has been instrumental in formulating and realising QNB's strategic objectives, which are:

- To retain its leading domestic position
- To become one of the largest and most profitable GCC (Gulf Cooperation Council) financial institutions
- To provide innovative products through a first-class service
- To be feared by its competitors and for its human resources to be respected for their professionalism and technical competence
- To continuously enhance shareholder value, and
- To promote the development of Qatari society

QNB is currently ranked 10th amongst all the Arab banks. Due to its size and ownership, QNB is the principal banker to the government. QNB offers a full range of treasury, retail banking, investment advisory and corporate banking services to serve both domestic and international clients.



**His Excellency  
Yousef Hussain Kamal  
Chairman, QNB Group**



**Saeed Al-Misnad  
Chief Executive,  
QNB Group**

## Introducing... Qatar



### Location

Qatar is less than seven hours flying time from London and occupies a peninsular which stretches northwards from Saudi Arabia into the Persian Gulf with Bahrain lying to the West. It is around 110 miles long and 50 miles wide at its widest point. The country is three hours ahead of Greenwich Mean Time and is the only country in the world beginning with Q.

### Background

Qatar was ruled by Bahrain from the 1700s until the mid 1880s when Great Britain and the Ottoman empire started to take an interest and struggled for control of the peninsular. In the first world war it became a British protectorate and remained so till 1971 when it followed Bahrain in declining to join the United Arab Emirates and declared its independence. Qatar has been ruled by the al-Thani family for the last 150 years. The current emir, Sheikh Hamad bin Khalifa al-Thani, came to power in 1995, since which time Qatar's economic fortunes have been transformed. The country's judiciary is independent and is divided into two court systems: the civil, commercial and criminal system and the Sharia Court system which administers Islamic laws.

### People

90 per cent of the population (around 840,000) live in cities and more than half of them are based in the capital Doha. The next largest cities are Ar Rayyan and Al Wakrah and both are located close to Doha. Mesaieed in the south is the site of Qatar's oil terminal and is a major industrial centre.

Qatar's population grew rapidly following the discovery of oil as very large numbers of foreign workers were needed for the oil fields, factories and infrastructure developments and today it is 50 times larger than it was in 1949. Qatari citizens only account for about 20 per cent of the population with the rest made up of other Arab groups, Indians, Pakistanis and Europeans. Arabic is the main language but English is widely spoken.

### The economy

The emirate was originally a relatively poor state with an income based primarily on pearl fishing, but this changed dramatically in the 1940's with the discovery of vast reserves of oil and natural gas. Qatar is now the richest of all Arab countries.

The economy has evolved rapidly over the past few years from being primarily oil based to one that includes other hydrocarbon products such as liquified natural gas (LNG), condensate, propane, butane and other natural gas liquids. The resulting economic windfalls have enabled Qatar to achieve one of the highest per capita incomes in the world at around \$30,000. This is expected to significantly increase as the government invests in a planned \$54billion in infrastructure development over the next six years. In addition, it is planning to spend a further \$5billion on the new Doha International Airport and \$20billion has been set aside for tourism-related projects. In furthering its aim of becoming a major sporting venue, Qatar is hosting the 2006 Asian Games.

Qatar is fully integrated into the world's free trade economic system and in 1996 the country became the 121st member of the World Trade Organisation. Standard & Poor's has very recently upgraded Qatar's credit outlook from stable to positive and affirmed it's A+ long-term sovereign debt rating.

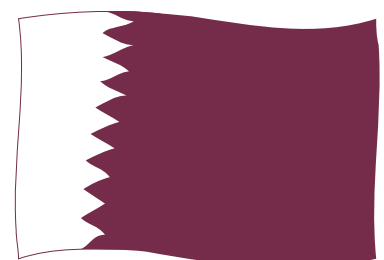
Qatar's currency is the Qatari rial which is divided into 100 dirhams and is fixed at QR3.64 to the US dollar.



Local geography



Emir Sheikh Hamad bin Khalifa al-Thani



The flag of Qatar

For more information about Qatar, please read a recently published article in *The Banker* reproduced below.

### **Qatar builds the dream**

Published on: 02 June, 2004  
Page 98, *The Banker*

**Qatar is on the verge of becoming the richest country in the world in terms of GDP per capita as it sees the fruits of its investments in extraction of huge liquefied natural gas reserves.**

*By Stephen Timewell in Doha.*

The Middle East may appear in chaos if you are only looking at Iraq but elsewhere in the region the picture is entirely different. In Qatar, the relatively small Gulf state of 740,000 people, the economy is booming, construction projects are abundant and prospects indicate that the country is on target to become the richest country in the world in terms of GDP per capita. While bankers may discuss the shortages in cement supplies, they also note the 81 high rise towers under construction in the West Bay area of Doha, the strong economic growth rate of 8.8% in 2003 and, most importantly, the huge export potential from the liquefied natural gas (LNG) facilities that are now becoming operational and will provide the backbone of Qatar's future.

While most of the oil-driven Gulf Cooperation Council (GCC) economies are experiencing boom conditions at present, Qatar can claim even more benefits as its long-awaited gas revenues begin to have an impact. At the end of the 1990s, Qatar's economy faced lean times as the government had to fund the investment in the North Field, the world's single largest non-associated natural gas field - with proven reserves estimated to be more than 900,000 billion cubic feet, which is 15.3% of the world total. Within the Middle East, Qatar has the highest proven gas reserves, followed by Iran, and the high cost of making these fields productive did lead to some cash flow problems. But, in recent years, as LNG sales agreements have come into force, Qatar has not only diversified its income out of hydrocarbons but considerably strengthened its income potential.

### **Government support**

As a result, Qatar is experiencing unprecedented growth and the booming economy, accompanied by active government support in developing complementary sectors to oil and gas. Doha Bank chairman Fahad bin Mohamed bin Jabor Al-Thani states that Qatar represents the "ideal business model". And while politicians in the West focus on the problems of Iraq, bankers and businessmen are focusing on the opportunities that are now available in Qatar.

Nominal GDP grew by 8.8% in 2003 to reach Qr70.8bn (\$19.5bn). The oil and gas sector is estimated by the Planning Council to have increased by 12.9% to reach Qr42.4bn compared with a 1.9% rise in 2002. And Qatar National Bank (QNB) estimates in its latest economic review that final GDP growth for 2003 may be as high as 10.5%. QNB reports that some of the main factors behind last year's growth spurt were:

- the price of Qatar's crude oil increased by 13.9% to \$27.9 per barrel from \$24.5p/b in 2002;
- Qatar's crude oil production increased by 11.6% to 714,000 barrels per day (bpd), up from 640,000 bpd in 2002;
- higher LNG exports, which increased by 7.4% to reach 14.5 million tons, from 13.5 million tons in 2002;
- improved performance from the non-oil sector, with a growth of 3.2% compared with a decline of 0.6% in 2002.

In addition, according to Qatar Petroleum, oil reserves have risen substantially in the past five years, from 3.7bn barrels in 1999 to 14.6bn barrels in 2003. QNB notes that, given an average production of 671,000bpd over the past five years, proven reserves would last approximately 60 years. But oil, which has been the mainstay of the economy until now, may in the future become secondary to the gas and other petrochemical developments that are coming onstream.

The North Field gas projects, Qatargas and Rasgas, offer enormous potential. QNB notes that the expansion of LNG facilities through RasGas II, Qatargas II, RasGas III and Qatargas III is being pursued to meet additional export opportunities. As the table shows, sales and purchase agreements (SPA) have been reached with a number of countries, which at their peak in 2009 will reach 25.9 million tons per annum (mtpa). Also, QNB notes, several heads of agreement (HoA) have been signed and should these turn into confirmed SPAs, total LNG exports would reach about 60mtpa by 2010. Another important aspect of this development is that Qatar petroleum has allocated Qr33bn in its five-year plan, starting this year, for LNG and piped natural gas projects.

### **Leading gas exporter**

QNB concludes: "With the various expansion projects currently under way and expected in the coming years, production capacity will increase to about 62.7mtpa by 2011. Qatar has established itself as the

## Continuing article from *The Banker*...

Gulf's leading gas exporter, delivering around 64 million tons of LNG to customers in the Far East, Europe and the US. In 2003, Qatar exported 14.4 million tons of LNG."

The importance of these figures lies in the extraordinary growth of LNG exports during the coming five to seven years. Given the huge demand for LNG from Japan and Korea, which are absorbing most of Qatar's current output, and the prospect of at least four times current export volumes over the next five year or more, it is no surprise that all eyes are focused on what can be done in Qatar. The country's ability to not only produce but also effectively market LNG sales to Asia giants and new markets, such as India, has been described as a breakthrough and creates an important growth platform for the economy. One banker says: "Qatar is a small player in Opec but gas is very different and the long-term contracts are the key."

### Prospects aplenty

But gas sales are not the only growth prospect. Qatar Fertiliser Company (Qafco) is now the largest producer of fertiliser in the Middle East with total production in 2003 reaching 1.44 million tons (mt) of ammonia and 1.78mt of urea. In 2003, Qafco's net profit rose by 154.4% to reach a record Qr599.2m and, with exports to 20 countries and access to cheap feedstock, fertiliser looks to be another high growth export area. "Qatar has the best fertiliser outlook in the world," says HSBC's Doha chief executive, Kevin Smorthwaite.

In other areas, projects abound. The \$2bn new Doha International Airport, the Qr1.5bn Hamad Medical City and 2400 acre multi-institutional 'education city' provide opportunities in new areas. Tourism is another important new area and a plethora of hotels are under construction to be ready for the Asian Games in Doha in 2006, which will be a catalyst for more infrastructure development. Qatar Airways, for example, is undergoing major expansion and, with food concessions now available to it along with cheap fuel, it represents a formidable competitor in the international airline market and a useful lending opportunity for banks.

The government is fully committed to a wide range of expansionary spending and genuinely appears to have the income to support its aggressive ambitions. Its 2004/05 budget calls for a 21.6% increase in expenditure to Qr28.4bn, which includes a 44.3% increase in spending on major public projects (up to Qr8.9bn). While the budget aims for a Qr2.2bn deficit, the revenue figures work on a assumption of an oil price of \$19 p/b, which seems bound to be far too low given current prices of about \$40 p/b. Hence the budget, despite more increases in spending, is

still likely to produce a healthy surplus, enabling the boom economy to continue unabated.

Is this booming economy a bubble waiting to burst? The index for the Doha Securities Market (DSM), like other GCC markets, performed brilliantly in 2003, rising by 69.3% with trading activities increasing threefold and a 264.6% rise in the value of shares traded to reach Qr11.7bn. Property prices are also soaring. But with the high oil price and low interest rate environment, it is no surprise that investors are looking to their home market where real opportunities exist.

### Vibrant picture

Although outsiders may consider that there are significant political risks in the region, and the political turmoil in Iraq and neighbouring Saudi Arabia is undeniable, the picture for Qatar looks very different from Doha than it does from London. Locals can see the vibrancy of the oil and gas sector and, as in other states in the GCC, funds are flowing back into the country partly as a reaction to the events of September 11, 2001 in the US and partly because of opportunities available.

The major rating agencies have also given their support, upgrading Qatar in 2003 citing strong projections for GDP growth, continued fiscal prudence and a decrease in the government's debt and debt service burdens. Moody's noted that in early 2003 Qatar's total direct government debt (internal and external) amounted to \$9.2bn (48.9% of GDP); the level of debt peaked in 1999 at 58% and is now expected to decline. Also bankers refer to the presence of the US military in the country as a stabilising force and another positive factor in terms of attracting foreign direct investment.

### Sound fundamentals

Although it is easy to be cynical about the boom in Qatar's economy in such a volatile part of the world, the fundamentals behind the surge are sound and not dependent entirely on the vagaries of the oil price. In what is a relatively small country in population terms, the possibilities of the gas sector are truly enormous and the government as well as the private sector seem well placed to take advantage of the opportunities there and also exploit associated developments.

Qatar is not a bubble about to burst; it is a lucky country blessed with considerable assets that appear to be well managed and provide considerable opportunities.

*To read this article in its original setting, please refer to:*  
[http://www.thebanker.com/news/fullstory.php/aid/1581/Qatar\\_builds\\_the\\_dream.html](http://www.thebanker.com/news/fullstory.php/aid/1581/Qatar_builds_the_dream.html)