

QATAR

The call from the desert

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Introduction

Qatar, the call from the desert

At the end of last October, Emilio Botin flew to Doha, capital of Qatar, to attend the opening ceremony of WISE, the World Innovation Summit on Education, an initiative sponsored by the Qatar Foundation, chaired by the glamorous Sheikha Mozah bint Nasser, second wife of the former Emir of Qatar for the last fifteen years and who recently handed down power to one of their common sons: Sheikh Tamim Bin Hamad Al Thani. Botin had been reserved a place of honour between the Sheikha, sitting to his left and the recently elected Prime Minister, Sheikh Abdullah Bin Nasser Bin Khalifa Al Thani, to his right. Not far from them were Mohammed Bin Saleh Al-Sada, Minister for Energy and Industry and Chairman of Qatar Petroleum (QP), the flagship of the booming economy of the emirate, which was a sponsor of the event together with Santander and Exxon Mobile. Botin, who was wearing a formal grey suit, blue shirt and red tie in the same red color of the Bank he chairs kept rising politely from his seat whenever the lean Sheikha, completely clad in black wearing the typical abaya of Qatar descended from the podium after addressing the attendants to take a seat beside him. Only a few hours after, the Chairman of Banco Santander signed a collaboration agreement to finance some of Qatar projects on education for the following four years. Nobody can resist the call from the desert!

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Credits

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With gas and at full speed

Qatar is a tiny country not much bigger than the region of Murcia. It is a peninsula within the Arabian Peninsula and its only land frontier is Saudi Arabia; the rest of its territory is surrounded by the waters of the Persian Gulf. In 2012 its national GDP reached €135 bn, the highest in all its history. It means that Qatar's economy is seven and a half times smaller than the Spanish economy. Its population of 2 million people though enjoy the highest GDP in the world: €68,000 compared to the €18,580 of the Spanish population. If we just take a look at the Qatar citizens, 250,000 people, that rate is directly tripled, since most of the foreigners, almost 1.75 million people, are immigrants with relatively low per capita income.

A close-up view at the foreigners shows that this community is mainly made up by men workers coming from Southeast Asia, who carry out the astonishing infrastructure works which the Qatar Government hope shall be completed by 2022 with a total investment of around 150 billion euros. That year Qatar will host the FIFA World Cup. The country is working at full speed taking no notice of the polemic surrounding the fact that the event should not take place in the warm season, where the temperatures may rise as far as 50 degree Celsius. Apart from that discussion the Qatari authorities have clearly stated that the infrastructure plan would have taken place exactly with the same zeal and dedication should Qatar have not been elected to host the 2022 World Cup. The reason is that it is badly and urgently needed. But also because the state coffers allow it.

As easy as that. And as complex as that, since presently the country lacks its own medium-sized business network capable of carrying out by its own means the ambitious infrastructure and engineering works required to take the big leap into the future that the country is currently taking. Qatar is fully aware of this need and has been therefore importing know-how and knowledge from abroad as well as creating joint-ventures with foreign firms, which, on the other side have discovered their goldmine, and although the process can be complex and slow-motion, it can also turn into a profitable and promising one.

When back in 2010 Qatar began showing a higher visibility in Spain –and in the world- after the sponsorship agreement signed between FC Barcelona and Qatar Sports Investments (QSI), a handful of Spanish companies were already working in the transformation of Qatar. It was that same year that the Spanish Business Council was created, an institution for both companies and individuals, who want to improve the relationship between both countries. Most of its already forty members are construction and engineering firms such as FCC, OHL, Ferrovial, Sacyr, Grupo Puentes, Ceinsa, Tyspa, etc. They all went to Qatar seeking their opportunity to build in the desert. Some of them are even involved in flagship projects; i.e. OHL is about to complete the Sidra Medical Research Center Hospital and last summer

this company was assigned the construction of two main underground stations in Doha: *Msheireb* and *Education City*. Iberdrola worked at the Mesaieed plant.

North Field, the treasure of all treasures

At different times of the day, but mainly during dusk, hundreds of small buses wait along half-built buildings and public works to pick up thousands of labourers clad in a blue overall, who work there. If you ask them about their nationality most of the answers will be: filipinos, indians, Nepalese and Indonesian. It is a fact that labourers coming from South East Asia are building Qatar. They do it at full-speed and thanks to the gas.

Gas indeed changed the destiny of Qatar. It is clearly explained in a corporate video of Qatar Petroleum (QP) where an elderly man tells the story of the country during the last ninety years to whom seems to be his grandson. Destiny changed the future of a humble fishermen town which in the thirties of the former century lived on the extraction of natural pearls and goat farming. “On the places where we looked for pearls we now look for a wealth that we would never have dreamt of” he says. 1939 in Dujan, 83 Km from the capital, the first oil reserve was found and ten years later they began exporting it, but it is not until 1971 that the country discovers its crown jewel under the sea, the North Field, the biggest individual natural gas reserve in the entire world. “What we thought to be useless at the time, is currently one of the most treasured commodities in the world”.

Qatar was in 2012 the biggest LNG producer in the world, 32% of the total, according to the Hydrocarbons Advisory Council of the National Energy Commission (CNE) and the second net exporter after the growth of the Australian exports.

QP was founded 1974. It is the biggest company in the country, it generates 50% of the GDP and is 100% public-owned. It is chaired by Mohammed Bin Saleh Al-Sada, the Minister of Industry and Energy, who curiously has his office in the headquarters of QP and not in the Ministry. Noteworthy is that the building is one of the smallest in the West Bay District, the most glamorous and cosmopolitan area of the capital. You could even say that it goes unnoticed among the dozens of buildings, some of them of astonishing beauty, scattered all around the area. But it's only an illusion since the District QP is being built just a few metres from there, a urban complex aimed to become the new headquarters of the company and with an extension more in line with the power exuded by a company which has managed to supply over 77.000 LNG tons yearly to countries all around the world, one of them being Spain.

Conquered, but not assured

According to CNE, Spain, with 11,60% of the total amount, was the European country with the highest rate of LNG imports during 2012 and Qatar was its third main supplier, after Argelia and Nigeria. Nevertheless, Qatar export rates have gone down 13% compared to 2011, because they are now focusing on other markets such as the english-speaking or the asian market. Quoting Minister Al Sada: “Spain is not a market to conquer, but rather a

market to maintain and to expand. Qatar is eager to maintain the high level of cooperation with Spain and to increase the level of trade between the two countries”.

QP deals with all aspects relating to Qatar’s gas and oil industry. Over seventy companies and joint-ventures are grouped under its umbrella. Its financial level places the company among the leading worldwide companies dealing in exploration, production and marketing of gas, oil and its derivatives. “We have implemented major LNG projects and develop infrastructure and logistics to export gas to consumer markets worldwide. We have also made investments in building giant LNG trains, a technologically advanced fleet of LNG tankers, and modern terminals in the markets we export to”, informs the Minister. And he doesn’t seem to be worried about the sustained price fall of hydrocarbons. “The markets are now comfortably balanced...and the international forecast shows that the share of natural gas in the global energy mix is growing, and with more than half of the growth in gas trade in the form of LNG, the room for additional LNG capacity will always be there”.

The unbearable volatility of gas

Ras Laffan and Mesaieed, two “industrial cities” where the logistics of the main part of the QP industrial activity is concentrated, depend on QP. The car drive from Doha to Mesaieed, the heart of Qatar’s economic power, takes barely 60 minutes. Desert, wind, a merciless sun in a cloud free sky, dust particles everywhere, small villages and neverending kilometres of wire fenced fields with posters forbidding to take pictures...within which you can see dozens of tanks and containers for oil, gas and oil derivatives which turn Qatar into one of the main energy suppliers worldwide. Really impressive.

Gas has made Qatar immensely wealthy. But Qatari authorities are highly conscious that the energy resources that have levered them into that position have an expiration date. And that certainty is very much present in their current development strategy, focused in diversifying their economy. And what is Qatar now aiming at? It is in fact easy to say, but difficult to carry out, at least at domestic level. Qatar wants its sources of income and wealth not to be based only in the oil fields discovered in the last century and in their inherent volatility. And to avoid it they are moving in two fronts: at home and away from home. At home, the Government has identified several sectors as strategic sectors: Finance, tourism, education and health, among others.

Away from home, it works through its Sovereign Wealth Fund. The investment operations are carried out by Qatar Holding, the investment arm from QIA (*Qatar Investment Authority*), the English acronym with which the fund is known. According to the SWF Institute, the Sovereign Wealth Fund from Qatar has assets amounting to €85 bn and is in the 11th position in the worldwide ranking. These figures are estimates since the Fund does not publish such information. The Fund owns interests in over thirty countries. In Spain, it is a strategic partner of Iberdrola and one of its largest shareholders, with 8.4% of the company. The Fund subscribed convertible bonds which grant it 5% of the Brazilian branch of Grupo Santander. It also holds 9.1% of Hochtief, a German company owned by Grupo ACS. Likewise, the Fund is the owner of Marina Tarraco, in Tarragona.

Yousef Hussain Kamal, Minister of Finance and Economic Affairs until last June, explains this in simple terms: “Part of our surplus is allocated to QIA. This is a one-way trip. The strategy consists of being able to finance the state budget with the dividends generated by the fund’s investments, so that by 2021 we are no longer dependent on income from hydrocarbons. This is a simple calculation. You have to accumulate assets that generate dividends of between 4% and 5%, in such a way that the government may depend on those revenues to support the budget.”

The English-speaking journalists tend to conspicuously describe Qatari people as investors, calling them “buyers of international prestige” or “business hunters”. Kamal has his own opinion: “Many of those describing them do so without knowing the details. Our investment strategy is not speculative. We invest in the long-term, trying to get profitability for our investment, and we are there to stay”. Also in Iberdrola and the Brazilian branch of Grupo Santander? “Also there”, he replied categorically.

The economic power elite in Qatar clearly recognised having taken advantage of the international crisis, with the resultant fall in prices, to buy assets and thus fatten its investment portfolio. Kamal’s successor and current Minister of Finance, Ali Shareef Al Emadi, who up until now was CEO of QNB, the largest Qatari bank, 50% state-owned, publicly recognised this a few weeks before his appointment as minister. Opportunities are to be exploited.

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Banking - Interview with the Governor of QCB, Sheikh Abdullah Saud Al-Thani

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“We reiterate our faith in the peg to the USD”

Qatar is building everything, and it’s doing it all at once. It can count on state coffers packed with record revenues, and on a well-capitalized and profitable banking sector. In the opinions of some of the main players in the banking industry, Qatar Central Bank, and particularly its governor Sheikh Abdullah Saud Al-Thani, has acted prudently and efficiently and is ensuring the financial stability that is responsible for the solid image of the sector both domestically and internationally. This is crucial for the ongoing development of the financial services market. The governor shared his opinions with us on some of the major issues of the moment in Qatar and we bring you additional insights from some of the key players in the Qatari banking industry.

Abdullah Saud Al-Thani, Governor of Qatar Central Bank

The advantages and perils of Qatar’s lightning growth

“Qatar’s GDP at constant prices (real GDP) grew by 5.8% through January-September 2012 – as compared with 15.1% in the corresponding period of the year before. The reduction in growth for 2012 is attributed to the self-imposed moratorium on hydrocarbon production

and lower international oil prices. According to an IMF report (published in January 2013) real GDP growth is projected to level out to 5.2% in 2013.

“A sustained high growth performance has benefited Qatar’s economy in four key respects. Most importantly Qatar’s one of the few Gulf countries which successfully withstood the global financial crisis. Secondly, it’s created confidence among the international community as evidenced from the successful raising of resources through sovereign bond issues. Thirdly, it’s created a strong financial system which is able to cope successfully with the challenges of managing a diversified economy. Finally, it’s provided significant breathing space for the government to pursue an expansionary fiscal policy, focussing on social and physical infrastructure.”

Purchases of real estate portfolios during the crisis of 2008

“The exposure of our banks on the real estate market had increased significantly in the run-up to the crisis. The authorities undertook a proactive measure by purchasing the real estate portfolio of domestic banks that they wished to sell (approximately USD 4 billion).”

The exchange rate pegged to the USD will be maintained (QAR 3.44 = USD1)

“The USD peg provides a credible anchor for our monetary policy since almost all of Qatar’s export contracts and invoicing are done in the USD. In this way a fixed exchange rate guarantees stability for our foreign export income, the main source of government revenues. Moreover, for most of the period in which the peg has been maintained, the Qatari economy has benefited from the stable economic environment in the US. For this reason we continue to reiterate our faith in the peg to the USD.”

Outlook for the banking system

“The total banking asset at the end of 2012 was QR 817 billion. This was roughly equivalent to 122% of that year’s estimated GDP of QA 672 billion – meaning that total assets registered a real growth of 21% during 2012. Credit grew by 29%, matching the growth in deposits (also 29%).

“Taking IMF GDP and inflation numbers into account, credit (in real terms) is roughly expected to grow by around 20% in 2013, and the growth in deposits would be of a similar magnitude. At end of 2012 the banking system was enjoying good health with RoA in excess of 2% capital, solvency ration well over 18% and banks’ NPL ratios below 2%.”

Role of banking sector in the context of FIFA World Cup 2022

“The credit demand is expected to grow considerably but the banking sector in Qatar is adequately capitalized to meet the additional credit demands. Additionally, banks have been issuing debt securities so as to reduce stress on their finances. At the same time, proactive steps are being taken to improve their risk management skills. In this context, it should also be mentioned that, with the growing emphasis on the diversification of the economy, credit demand would also arise from sectors like healthcare, education and services. Therefore, banks will have to carefully balance their funding to support not only big value projects but also sectors which are crucial to the interests of the economy in the long-run.”

QCB’s measures for developing a sound domestic debt market and reducing reliance on foreign funding.

“QCB implemented regular issuing of Treasury Bills in May 2011. In order to further extend the risk-free yield curve to longer maturities, medium term government bonds have been issued since March 2013. This would further facilitate the development of a debt market in Qatar. Liquid domestic debt markets bring important benefits, including raising funding for major infrastructure investment programs as Qatar maximises its diversification agenda, strengthening the monetary transmission mechanism and facilitating liquidity management. Moreover, broader market participation through institutional investors such as investment funds, pension funds and insurance companies facilitates secondary market development. Accordingly, it enhances options for domestic financing and reduces dependence on foreign funds.”

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Banking - Articles about Masraf Al Rayan

Masraf Al Rayan

Adel Mustafawi, CEO

“Spain should look more towards Qatar. This is one of the safest part of the world to invest. Our economy is real and our wealth is in our ground.”

Founded back in 2006, Masraf Al Rayan is one of the youngest banks in Qatar. 55% of its shares are listed at the Stock Exchange with over 260,000 shareholders. Initial price per share was QAR5 (€1) and today's share value is QAR25 (€5). Its business is Islamic banking and it counts on total assets amounting to €13,500 bn and profits of €242 million between January and September of 2013. In 2012 it ranked as Qatar's most profitable bank per employee. According to Mr Adel Mustafawi, CEO of the group (which recently acquired an Islamic bank in Great Britain), “the difference between Islamic and conventional banking is that our business is more secure for both the client and the banker. It's very transparent and more ethical. In Islamic banking you cannot sell something you don't have and this fact protects both the client and the bank. You don't have to worry about the small print here.”

A message for Spain? “I personally believe that Spain should look more towards Qatar. I don't think there's been another country in the world that's grown and invested as much as we've done to develop a solid economy in the last fifteen years. Financial and corporate institutions are solid and our companies are strong. The big Spanish construction companies are already here, but there are opportunities in real estate, in the upstream and downstream sectors, and in the tourist industry where Spaniards could, and should, take advantage”.

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Banking -Articles about Ahli Bank, Barwa Bank and Doha Bank

Ahli Bank

Salad Murad, CEO

“Qataris like Spaniards: this is an advantage that the Spanish should take advantage of.”

Ahli Bank was founded in 1983 and since then it has been closer to the private sector than to the public one. With €4.2 bn in assets it is a small bank that moves fast. Back in 2012 it enjoyed the largest profit of its history (€94 millions). It is a figure that appears modest when compared with the largest banks but it meant a 5.2% growth over the previous year. Between January and September of 2013 the group’s profits grew by 13% compared with the same period in 2012. Mr Salah Murad, a veteran banker, national of Bahrain and CEO of Ahli Bank Group claims that size favours them. “This bank doesn’t have ego, it doesn’t have a complicated structure and these facts allow us to advance rapidly. We focus on the local market. We know it in detail. If a Spanish company wants to know something about the needs of the Qatari private sector there’s probably nobody better than **Ahli Bank** to explain it to them.”

Mr Murad also says that the size of the bank ensures that small and medium enterprises (SMEs) are its natural business and he thinks that Qatari banks have, thus far, not done a good job to help develop the sector. “Small firms are much riskier than large ones and many banks run away from them, but SMEs are a pivotal part of any country’s economy and we must finance them whether we like it or not. It has to be done with intelligence and we are redesigning our strategy in regards to them. Let’s not forget that 33% of young Qataris have an ambition to start their own business.”

Any advice for Spanish investors in Qatar? “Qatar is the perfect place to invest. Choose the right partner – there are plenty of projects to embark upon. Qataris like Spaniards: this is an advantage that the Spanish should take advantage of.”

Barwa Bank Steve Troops, CEO

Barwa bank is the youngest Islamic bank in Qatar. Founded in 2008 it began operations in 2010 as a late entrant to a very crowded industry. “That was the reason why we planned a differentiation strategy that would help us shine in a congested market,” says Mr Steve Troops, the group’s CEO and a banker with vast experience in markets all over Asia Pacific, South America, Europe and Middle East. In this sense, despite its size and youth, the brand Barwa Bank is already associated with sukut issuance (a form of debt-management that has its roots in Sharia) as one of the main financial organisations in the region. The bank was the joint lead manager for the State of Qatar’s €3.29 bn dual tranche sukut in 2012 – the largest in Qatar’s history – while in 2013 it was co-lead manager on government of Dubai’s €540 million sukut issuance and co-lead manager on the Republic of Turkey’s debut sukut.

According to Mr Troops, a significant distinguishing feature is the bank’s ability to offer unique opportunities to its private clients. An example? “We work in a country with an abundance of capital: Barwa Bank has signed a fund with London-based Asprey Jewellery that invests in coloured diamonds.”

Barwa Bank has three subsidiaries First Investor, First Finance and First Leasing. In the first half of 2013 the bank's profits grew by 85% to €62 million, while its assets grew by 10% up to €5,6 bn.

Doha Bank Seetharaman, CEO

There was a time when Doha Bank was considered the sleepy and dormant bank of Qatar. But that was the past. Founded in 1978, today it is the 5th largest bank in assets (€12,8 bn) loan portfolio, deposits and profits. In the hall that leads to the CEO's office there is a shelf loaded with awards that leave the investor in no doubt as to the credentials of the organisation he has just entered.

In common with its Qatari peers, this bank has plenty of capital to participate in the development of infrastructure planned for this decade but the bank does not rule out large investments in businesses outside Qatar, especially in light of the capital increases of 2013. According to Mr Seetharaman, Doha Bank will support the diversification of Qatar's economy in the non-hydrocarbon sector. "SME is also a sector which will provide significant opportunities for lending," the CEO adds. "Infrastructure development will give further opportunities in the areas of project finance and syndication loans."

And what does he think about QCB's decision to force banks to hold capital equal to 2.5% of their assets within two years when up to now it has been 1,5%? "After the financial crisis, QCB has come up with various measures to strengthen the risk management of our banks and this is one of them. There will not be much impact on lending. On the contrary, it will help banks improve their provision coverage and strengthen our risk reserves."

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Banking - Article about QNB

An Arab bank with expansion mood

If you land by about 5:00 pm in Doha during the winter months it will be already dark. Ask a cab to take you Downtown and he will most likely drive you through the Southeast of the Corniche, the crescent-shaped path that runs parallel to the bay of Doha. One could bet with zero margin for error that it is at that particular location that any newcomer becomes self-absorbed gliding dreamily over the captivating sight one gets through the cab's right window: the beautiful building hosting the Museum of Islamic Art against a background of dozens of imposing skyscrapers with thousands of gleaming leds sparkling from West Bay at the other edge of the Corniche. That same gesture however will keep unnoticed three buildings that you won't see unless you are curious enough to turn your head and look through the cab's left window. This troika doesn't compete in architectural design, nor in glamorous lighting, neither in stature, but they concentrate significant decision-making

power in Qatar. They are the headquarters of QNB (Qatar National Bank), the Ministry of Finance and Qatar Central Bank.

Aligned in a row, the three buildings portrait a visual metaphor of their interdependence but above all a clear statement of intent in regards to the position and role that the State of Qatar grants and reserves for QNB: the largest bank in the country, the largest and most profitable bank in Middle East and North Africa, 50% owned by QIA (Qatar Investment Authority), the Sovereign Fund of Qatar, and with its other half listed at Qatar Stock Exchange as QNBK. However, a 2% stock ownership limit conveniently imposed by the bank's Article of Association.

The dominant position of QNB is crystal clear in any Excel sheet you might bump into comparing some of the main bank parameters of Qatar banking industry. The €90 bn in assets hold by QNB are higher to the sum of the assets of its next four domestic peers: Commercial Bank of Qatar, Qatar Islamic Bank, Masrafa Al Rayan and Doha Bank. The same assertion applies when comparing its loan portfolios (€62 bn), its level of deposits (€66,5 bn) and the figure of its last reported net profit (€967 million). On the other hand, there is unanimity and consensus among QNB's competitors that the bank is an extension of the State. A large portion of its deposits come from state-owned companies and a large portion of its flow of loans end up in the state-owned agencies and semi-agencies. Over decades QNB has therefore financed major state-owned projects at home, from industrial plans to cater for its massive hydrocarbon industry to mega infrastructure deals such as the new airport HIA (Hamad International Airport) coming on stream early next year. As its peak HIA "will be able to handle 50 million passengers" according to Qatar authorities. Just as a matter of comparison, Madrid Barajas Airport is designed to handle 70 million passengers annually and had its peak of 52.1 million back in 2007.

QNB is also financing projects overseas. A sample? Qatari-owned The Shard, the tallest building in Western Europe which transformed the London skyline forever. It was officially open a year and a-half-ago with a Qatari delegation attending the inauguration; among them the Governor of Qatar Central Bank, Sheikh Abdullah Saoud Al Thani, and Mr. Ali Shareef Al-Emadi, CEO of QNB until June when he was appointed as the new Minister of Finance of Qatar.

For European standards the Qatari banking sector is relatively young, although some of its managers may argue the contrary, explaining that there was always a tradition of Ottoman banks operating in the past. That observation made, QNB is not an exception of the youth of the modern banking industry; despite the fact of being the most veteran of its peers it is just about to turn half-century-old. Only!. From the outside, one could imagine that QNB is like the elder son of parents of means that -aware that richness and resources come and go-worry about their heir's future, back him up, nurture him and finally give him trust to spread its wings in search or new horizons because their own homeland is simply small. It worked out well for them. Prior to 1978 the bank had just opened two branches in London and Paris. Then it waited until 2004 to seek new opportunities in its regional market. But it was after

the world financial crisis in 2008 when QNB began its run for expansion. When the international banking industry started to wind down their assets globally QNB –strongly capitalized thanks to the buoyant Qatari economy which at that time was growing at double digit rates–, did right the opposite.

“Our goal was to expand the business regionally. During the post-crisis years QNB cashed in on Qatari growth and the opportunities derived from it. We were less impacted than most countries around the world. At the time of the financial crisis Qatar Central Bank injected capital through share capital increase to all banks, except QNB. We had resources, we had capital, we had the strategy and the ambition and we went for it. We had opportunities in front of us and took advantage of this –for us– conducive environment”, says Ali Al Kuwari Acting Group CEO.. He and Mr. Al-Emadi have been the men behind the wheel during what until now has been the most ambitious and expansive stage of the bank’s history Both men were responsible for the strategy of QNB and worked closely in its execution including the international expansion of the bank In the past five years, QNB has acquired stakes in a good number of banks in countries around the region; for instance, in Jordan, Egypt and Libya. In others, like Oman, Kuwait and Lebanon we have open branches. The option chosen depended upon the growth opportunities envisaged”.

Today QNB boasts physical presence in twenty six countries around the Middle East, Asia, Africa and Europe. In Europe it has branches in Great Britain, France and Switzerland. In Africa, its most recent bet and also the most aggressive one of all its history has been –not without controversy– the acquisition this year of the Egyptian bank National Société Générale Bank (NSGB). It has also been the largest purchase in Middle East.

With the Egyptian transaction, the assets of QNB in September grew by 24.5% compared to same period last year, and its net profit was 14.1% higher as shown in the consolidated report published by the bank in September.

If QNB has spent the last stage of its youth under the management of a man who, in his mid-forties, is just a few years younger than the bank itself, Mr. Al-Emadi, one would expect that the bank would not alter now the course of what has been its most ambitious roadmap. Especially because by

moving his office to the building next door, and taking on all the responsibilities as minister of Finance, he also assumes the position of Chairman of QNB. But most importantly because of the profile of his successor. Let’s not forget that Mr. Al Kuwari is not just another young executive. The new man in command is a veteran of QNB having worked at the bank for over 20 years with various positions, the latest being executive general manager and chief business officer. One could say that he knows intrinsically the anatomy of the bank. And one would be tempted to ask him too if in the future he would like to change the modern state of the art and flat panel TV walls of his effective ship for the large office but ministerial style of his neighbor next door.

Ali Al Kuwari, Acting Group CEO of *QNB*

“Leading investment banks call on QNB with a higher target price within the next twelve months”

Why would a Spanish investor pay attention to Qatar Stock Exchange within the next twelve months and in particular why should they look at QNB?

Medium and long-term serious investor typically have a diversified portfolio that includes stocks at home and stocks overseas. QNB has been among the ten preferred emerging markets stock pick by a number of leading investment banks. Our finances are solid; for instance our percentage of NPL is low (1.6%) and our capital adequacy ratio is high (14.6%). Besides, our market shows opportunities for growth.

Are QNB managers satisfied with the current value of your shares?

We are satisfied with the current share price and we do have reasons to believe that our stock price will do well in the next coming quarters because the fundamentals of the bank are strong and opportunities are strong too. Also, reports by leading investment banks such as HSBC, Deutsche Bank, Merrill Lynch and JP Moran call on QNB with a higher target price within the next twelve months.

However the markets were expecting better results.

By nature, markets, analysts and investors always want more. Objectively, a 14.1% increase in net profit for the first nine months of 2012 is an excellent result and it is in line with our budget assumptions.

Qatar has a highly capitalized banking sector but the need for financing is large. This is forcing the industry to raise money from foreign markets. QNB is not an exception; in fact you just had two debt issuance with a combined value of USD1.5 billion (€1,12 billion). To which degree QNB depends upon foreign markets? .

I would not think it is just for the need of foreign financing. There are other reasons why we went to the market. This time we have done it under the EMTN Program (Euro Medium Term Note Program) established two and a half years ago and under which the total amount of debt we can raise is USD7.5 bn (€5.6 bn). Until now we have issued a total of USD 4.5 bn (€ 3.35 bn). There are multiple reasons; one is to have an additional source of funding that you can subscribe. Another one is to widen your investors base. We don't want just local corporate and private investors as depositors. We favor a diversification of our funding sources.

What kind of depositor you got this time?.

They represent a combination of local, regional investors, European and Asian investors, with some US investors. By geography, it varies and this is very important for us, with a growing share from Asia as we do not want a heavy concentration from a particular region or from a particular class of investor as part of our EMTN program.

Will you have new debt issuance to complete the total amount you can raise under EMTN?.

We will when we see good opportunities in the market; if we see advantageous opportunities in terms of interest rates, in terms of investors demand, then we will take advantage of these opportunities as we have done previously.

Most of the 25 countries outside Qatar where QNB operates are developing markets where growth –if it comes– will be rapid and advantageous for the bank. On the other hand these are very risky economies too. How do you manage this equation?.

Many of these countries are in our region and they are markets more familiar to us than any other markets around the world. Sometimes they ask us if we will expand in Eastern and Central Europe, and our answer is that we will not do that, at least by now. The reason is that we don't understand those markets as well as our own regional markets where the Arab language is an advantage, where we feel a sense of familiarity, where we know some of the key players... Yes, there is a possibility that the economy or at political level things may take longer than your original plans, but we are long term investors. We don't look at the short term. We understand there are countries that are undergoing change but in all of them when you look at the long term they all represent growth opportunity. In the meantime how do we make sure that our risks are minimized? We do this through the corporate governance framework, credit policy, the risk framework, internal audits, and financial control. We have control and oversight through the Board and its committees, but day to day management is left for the bank's management. They know the market better than us and we give them freedom to continue doing business within our framework and policies.

What would be the ideal profile for QNB in 2022 at the time of the Football World Cup?.

We are now the largest bank in MENA. In nine years from now we want to be the leading bank in the Middle East and Africa (MEA) Region and beyond that by 2030, one of the 50 leading banks around the world.

Andrew Stevens – Group CEO of *Commercial Bank of Qatar*

“Every country in the world is eager to get into a trade relationship with Qatar”

On the busy and hectic Grand Hamad Street, also known as Bank Street in old downtown Doha, an enormous wall is camouflaged these days with a large advertising poster that encourages passers by, in Arabic and English, to apply for the Manchester United red and gold credit card offer by Commercial Bank of Qatar (CBQ), the second largest bank in the country in terms of assets (€17.30 bn), loans (€10.52 bn), deposits (€9.5 bn), and profits (€206 million). What motorists and pedestrians read is the bank’s latest incursion in the sports field, after becoming the official financial partner of the English soccer club for Qatar.

At a first glance, it would simply mean that one may now pay with the Old Trafford card, nevertheless, at just nine years before the 2022 FIFA World Cup, it does not go unnoticed that CBQ, founded in 1975 as the first private bank of Qatar, makes a ritual nod to the Qatar authorities’ support of soccer and of sport in general in order to turn this minuscule country into a key destination in international sports events. After all, it makes sense since CBQ’s major shareholder since 2008 is the state of Qatar through Qatar Holding which has a stake of 16%. The bank is also the title-sponsor of the Commercial Bank Qatar Masters and the Moto GP Commercial Bank Grand Prix of Qatar, both of which are broadcast globally giving the bank an international visibility and lustre that their competitors lack. And at home it gives it a distinctive mark as it is particularly difficult to find a sports event without the bank’s involvement.

At its top is Andrew Stevens, a Briton with a tranquil and close personality, who arrived in Qatar back in 1989 when the bank had just three branches. Since 2008 he holds the position of Group Chief Executive Officer and he is one of the witnesses of the impressive economic growth of Qatar as well as one of the designers of the Group’s regional strategy. Now as he sits in his iconic West Bay headquarters overseeing the bay, he remembers when the district, which is now chock-full of skyscrapers, barely had two buildings. The rest? A desert! “The growth in Qatar for many years had been spectacular and there had to come a time when we saw GDP growth slow down. We reached that point. But still we are talking about a 5% lift which, in any other part of the world, would be almost miraculous. “When I first came here the total GDP of Qatar amounted to €5.2 bn. Today it amounts to €148 bn.”

During those years of double-digit growth, CBQ was not immune to the impact of increasing competition. Today nobody questions that Qatar’s banking sector is overcrowded; CBQ saw it coming from the very beginning and this fact was key in setting the international strategy followed by the bank for the last eight years. “We made a decision in 2004. We saw more and more bank licences being granted and our forecast was going to be correct. The banking system today is very congested. We currently have twenty banks in this market, which means 60.000 to 80.000 clients per entity”, says Stevens.

That is why CBQ decided it had to diversify its business. “We embarked upon an strategy that was designed to identify banks of a similar nature to ourselves in neighbouring markets where we could take our entrepreneurial creativity and create economies of scale, share resources, reduce costs... This way, we could also embark on projects that we would not undertake individually and parallel to this would help us diversify both our risks and our flow of income. By 2016 we would like to have at least 30% of our net revenue coming out from our foreign business”.

As a result of this strategy, CBQ has today a network of affiliated banks in the region: United Arab Bank in the United Arab Emirates, where it controls 40%; National Bank of Oman where it holds 34.89%, and its recent purchase of 74.24% of Alternatifbank in Turkey. Stevens is not worried about last summer’s revolts in Turkey. “It is one of the most dynamic economies in the world that demonstrated fantastic development over the last decade, both economically and socially. There is no anarchy, no Arab Spring”.

And how does it feel to be the second biggest bank in the Qatari market after, QNB, which is five times larger? According to Stevens, it is normal for a government backed bank to be a dominant player in the market. “In emerging markets, it is not unusual to see a government backed bank grow at the same pace as the economy itself, and that is what has happened here. I believe that during the next five years we will see phases of consolidation, and I think we will see some mergers and acquisitions”.

Who will merge with whom? He does not know but until that happens, CBQ will continue striving to stay amongst the region’s banks with highest earning to share ratio. “Our shareholders have done very well. We had an IRR in excess of 20% between 1975 and 2010” declares the Group CEO.

According to Stevens, who assures that part of the success of Commercial Bank comes from running the business as if it was a family owned business and who shares the feeling of being inspired by an environment where everyone behaves as expected, “Qatar is in everybody’s mind. Every country in the world is eager to get into a trade relationship with Qatar”. That includes Spain. “I see a lot of Spanish businesses coming to Qatar, a lot of companies are here bidding for projects such as the metro and the rail. It’s worthwhile coming”.

Qatar, exotically Arab

Culture, art, heritage and sports are the pillars on which the thriving Qatari tourist market is being built upon.

For Hamad Bin Hamad Al-Attiya, Ambassador of Qatar in Spain until last June, the tourism sector is one of the key industries within the diversification strategy of the Qatari economy, and differently from what other neighboring and competitor countries in the region have done “Qatar is preserving its cultural heritage and maintaining its authenticity as a country”. Indeed, the main tourist attractions in Qatar are for the Spanish visitor exotically Arab and at the same time there is a sense of familiarity with the Andalous heritage.

Although a visit to the desert cannot be missed in a trip to Qatar, Doha is however the place where to focus most of your energies: the imposing Museum of Islamic Art, Katara Cultural Village, the Souq Waqif... all done with an exquisite neatness calling up the best from the past and merging it with the present. To put it in René Vincent-Ernst’s own words (a hotelier based in Doha last year as Director General of the Governor, a five star hotel in West Bay) “it doesn’t matter what Qatari do, they always do it in style”.

Qatar has approximately 14,000 hotel rooms and it keeps building new premises to be able to have between 60,000 and 90,000 rooms by 2022 when it is expected that the number of visitors to Qatar be equal or outnumber Qatar’s population with the FIFA World Cup. The large five star hotel chains have already their doors open: Hilton, Hyatt, Ritz Carlton, Kempinski... Others such as Shangri-La are about to do the same. Up until now Spanish large hotel chains have not showed up. “They should come because this is a sector with an excellent growth projection and Spain is already in the Gulf” says Sheikh Khalid Bin Jassim Al Thani, CEO of Al Jassim Group, a family owned and run business involved in the food and real estate sectors. They are diversifying its own business building Hotel Missoni. Their intention is to have it ready by 2015.

The Ministry of Culture, Arts and Heritage, Qatar Tourism Authority (QTA), Qatar Museums Authority and Qatar Airways are the main authorities involved in the development of the sector. According to some official figures, Qatar will invest about €15 bn in tourist infrastructure in preparation and anticipation of 2022 FIFA World Cup.

Swiss hospitality at the verge of the desert

Estimates are that with 2022's World Cup final, Doha will host 3,7 million tourists.

Ghada Sadek is one of those women that does not pass unnoticed in Qatar, and even less in Doha. This 43 year old egyptian, daughter of a diplomat, with an extrovert and jovial character, is one of the few female directors in the miniscule emirate of Qatar and the only one that occupies her post in hotel industry, one of the key sectors on which the state is promoting its diversification strategy, such as, the development of the tourism sector, and the country's promotion through congress and exhibition centers.

Mövenpick Tower & Suites' general manager was nominated in early 2013, and presents a curriculum of over 22 years working in this sector, having worked in the Qatari capital for the last 7 years.

This is a 5 star hotel, located in West bay, the new financial district of the city, also known among the locals as the diplomatic district, on the far north end of the Corniche, the beautiful 8 km and fully walkable maritime path along Doha Bay, which connects the older part of the city with the more recent cosmopolitan and dazzling part.

“When one comes for business, there is no better place to stay in Doha” according to Sadek. That goes without saying. The hotel is located a few meters far from the skyscrapers where all the major Qatari companies, both state-owned and private, except the banks, have their headquarters. Most of the ministries and governmental agencies, as well as many other hotels with which Mövenpick coexists and competes are also located here. According to the Qatar Tourism Authority, the country has 77 hotels, of which 80% to 85% displaying either 4 or 5 stars, currently in construction or already planified. This means that 17,000 new rooms will soon be added to those already existent.

Several are the reasons that make Sadek so special in this environment. In a hotel sector with a relevant rotation of top-level directors, her seven years in Doha add value against remaining competition. Apart from that she also speaks Arab, an important competitive advantage. Some in the Qatari capital say that she has very good contacts within the local government, something she does not deny. As a matter of fact, during the last years, she has been involved and has received appraisal for her contribution of the development of environmental improvement programs.

Sadek, carved up by a thousand battles of marketing and sales, states that an important share of her job consists in reinforcing public relations with all agents that matter when it comes to generate movement for the hotel. It seems to come out quite natural, as her gleeful Mediterranean, blithesome and dominating personality almost seems to demand it. Just as it demands her to be agile and flexible in order that this hotel maintains its position of leadership as far as the quality-price tradeoff is concerned. “In a market such as this, rigidness and immobility do not take you far”, she says and one must prepare oneself for the major challenge that competing with new neighbors provides. “Estimates are that, with 2022's World Cup final, Doha will host 3,7 million tourists. We have no chance of adding further accommodations to our hotel, but on the other hand the question that remains

unanswered for all the new hotels currently being built is what they will do with the accommodation excess once the World Cup final is over and those millions of visitor leave Doha. At least our starting point is a solid basis”, she concludes.

The hotel that has been operative for over six years has become, according to its general manager “the favorite option for travelers whom come to Doha either on business or for pleasure. Our 350 rooms offer an elegant and functional design and are equipped with the most recent technologies”. As a matter of fact, during its last fiscal year Movenpick grew in terms of occupation rate, revenues and profits, partly due to the increasing role of the qatari capital as an international venue center. “Last year we had several, namely the UN Commerce and Development Conference, the Postal Congress, and the UN Climate Change Conference”, explains Sadek.

The hotel that presents itself as the quintessence of swiss hospitality in the city, offers envious views of Doha bay, especially from the glass walls of its ample executive suites from which one can view the endless coming and going of ships harbored in the Port and the speed boats and yachts of all sizes, leaving a trail of surf melting with the deep blue tonality of the ocean. Facing this scenario, another one develops within the hotel marked by Sadek`s indefatigable and restless rhythm; employees of different nationalities and continents come and go always bearing in mind what they observe, hear and listen and share feedback with their superior officers with the sole intention of making each guest`s stay memorable. This is the philosophy Sadek remembers of the early years of her career when she worked for Sol Meliá in Egypt and that is now passing on to her employees.

“At work, I always bear in mind the inspiration that comes from the deep knowledge of a market but, at the same time, I never forget to be prudent and meditate each and every decision I make”, says Sadek. One of her current chores is to assure that every customer leaves with the impression of having been in a special place with special people. “Thanking your customer for being your customer means nothing. The feeling of pride comes when your customer goes through that door feeling you have reached his heart.” What is the best thing of being in Qatar right now? “Ours is a virgin market, which is developing as we speak. To transform it in the same sense the city`s landscape is being transformed is one its challenges but also one of my greatest pleasures of my career.”

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Tourism - Article about Turkish Airlines

To Qatar through Istanbul

The commercial where Leo Messi and Kobe Bryan compete for the attention of a kid inside an aircraft of Turkish Airlines has been watched online by over one hundred million people within the last year. Things have been so favourable for the former sponsor of FC Barcelona that at the beginning of December 2013 the airline released a new spot with the same stars. This time Messi and Bryant are showing their friendly rivalry traveling all over the world. In

less than two weeks after its release the commercial had been downloaded through the Internet by over 96 million times.

Mr. Kursad Caymaz, general director of Turkish Airlines in Qatar says that both spots have been tremendously successful reinforcing the brand awareness of the airline among the clients but he claims too that “our product is better known than the commercials because the client has already tried us and he is satisfied. After all, Skytrax has chosen us as the best European airline for the third year in a row”.

Turkish Airlines had 39 million passengers during 2012 and in Qatar the airline boasted a growth of 57% between January and August 2013. This figure reflects the rapid increase of flights with Europe where it covers 95 destinations out of 241 worldwide. “Most of the passengers are coming for business. The economy of Qatar keeps growing and we too”, Mr. Caymaz says.

This fact is also noticeable when it comes to the growing flow of passengers between Spain and Qatar due to the increasing commercial relationship between both countries. “There are more and more Spaniards coming to Qatar and we are their favorite line”, adds Caymaz. And why do they choose Turkish Airlines as opposed to the direct flight of the Qatari flagship airline? “Our prices are more competitive and our transit time to other European cities is the best. In Spain we fly to Madrid, Barcelona, Valencia, Málaga, Bilbao and just recently to Santiago de Compostela. This way we cover all the map. On our favor is the transit time in Istanbul –not even 2 hours–. It is a convenient and passenger-friendly airport. Besides, it is well-known that the best business catering is ours”. Mr. Caymaz expects the number of passengers to keep increasing. “Spaniards adapt to Qatar in less time and better than other Europeans that have been here for years. I see it every day. Cultural ties between Spain and the Arab countries are evident”.

Mr. Caymaz also saw Qatar Airways taking over the sponsorship of FC Barcelona last summer. What did it go through your head at that time? “That they would keep the T-shirt but we were keeping Messi” he answers hardly suppressing a smile broadly drawn on his face.

The history of Pepe, Paloma and Lina

Each one on their own, Pepe, Paloma and Lina share the personal adventure of being embarked upon starting their own business in Qatar. Lina is Lybanese, Pepe and Paloma are Spaniards. SME's financing is a risky business for banks. NPL (Non Performing Loans) ratio is close to 8% among this particular group while the average NPL ratio in Qatar is 1.7%. That is why authorities are backing up the development of SMEs through QDB (*Qatar Development Bank*), an institution with a well defined objective: to increase the contribution of the private sector to Qatar's GDP, encouraging and developing entrepreneurial spirit. According to Mr. Abdulaziz Bin Nasser Al-Khalifa, CEO of the bank,

“we cover 85% to start-ups and companies under 3 years old, registered in Qatar. This is the largest percentage in the world”. Action takes place on different fronts and one of them is *Qatar Business Incubation Center*, “the largest incubator of companies in the Middle East” according to Al-Khalifa. Another initiative of the bank is the identification of business opportunities and communicating them to companies. We have identified 104 business opportunities just in the railway arena. Spain is one of the four European countries where Qatar is advertising them”. Neither Pepe nor Paloma or Lina have knocked at QDB’s door. Perhaps one day they will. This is their history.

Daddy, where are we going?

Pepe Sánchez-Girón, founder of *Tastes of Spain Doha*

“The crisis was the best thing that has ever happened to me. I had no time neither for myself, nor for my family or my kitchen”, says Pepe Sánchez-Girón, a 39 year-old Agricultural Engineer that gave up his high standard of living in Madrid as an entrepreneur in the interior design and refurbishment business to move with his wife, children and an 80 year-old mother to Qatar.

He arrived in August 2012, with no job and no guarantee of a job, betting on a dream that had been nurtured at the time of his teenage years. At 16 he was “adopted” by Restaurant José Luis (a well-known chain of restaurants in Madrid (Spain). “I always wanted to have my own meal house” he says. There, before enrolling at university and before studying a masters degree in SAP he already learned what the integral management of a company meant for he did all kind of tasks: he peeled shrimps, was a bar tender, drove vans, visited other restaurants, spoke to suppliers, knew the logistic platform... With his university degree under his arm he worked at Indra and by the time he turned 27 years-old he had already created his own company without forgetting his love affair with the kitchen. The crisis paved his way. “We wanted to move from Spain. I met a Qatari who sponsored me through *International MC Food*”. In Qatar nobody can start a business or work without being backed up by a Qatari citizen or a Qatari company.

Once in Doha, Pepe’s wife also found a job. “I always thought that would be the case, because of her experience and because she is fluent in three languages”. OHL gave him his first opportunity, a daily menu catered for over hundred electricians brought to the on-going works at Sidra Medical Research Center, the hospital of Qatar Foundation in Education City. After that came FCC, Sacyr, Coprosa... Sold-out *Roscones de Reyes* (A typical Spanish Christmas sweet), hundreds of sandwiches for the Spain-Uruguay soccer match last February 2013, more sandwiches at Moto GP, *paella* on Saturdays at Ritz Carlton...

He is now figuring out how to join forces with any company that can help him to cater to the large demand he has generated. There are untapped niche Markets—such as sports events Catering. “It is a difficult country. Lots of Spaniards have failed in my sector. We have moved house five times. I wake up at 5:00 AM and go to bed at 12:00. I rest on Fridays”. Pepe still remembers his children’s question while boarding the aircraft to Qatar: “Dad, where are we going?”.

A Sheikha in the path

Paloma Enseñat, founder of retail franchises *Paloma Enseñat*

Paloma Enseñat has been 25 years designing children's clothing for special occasions. She had chains and retail franchises but the crisis forced her to downsize her long-term business. "I could survive in Spain, but for me it was key/essential? to find new markets", she says.

She found them. In 2011 Paloma met a Qatari sheikha to whom she periodically sent samples of fabrics and customized finished products. The designs managed to captivate the attention of her new-found client. "In 2013 I decided to embark upon the adventure of exploring Qatar and spent some months in Doha. I thought it was important to grab the pulse of the market". This way she managed to know in situ and in person both the market -a business that depends almost entirely on dressmakers- and the sheikha who proposed her to develop her first collection of children garments adapted to the Qatari style and taste.

On February 2014 they will sell their models in a retail shop in Landmark, one of Doha's most popular shopping malls. It is not the most modern one, nor the most luxurious. It is not even located in the most chic part of town, but it has a daily transit of 2,000 people and that figure is an important one for the Qatari capital. Paloma has also adapted her designs to the Qatari prices. "The average investment a Qatari family makes in ceremony clothes for children is between €140-€180 a garment. Spanish Mango and other retail stores from the Spanish empire Inditex will be among their neighbors.

The agreement reached between Paloma and the sheikha is in tune with the Qatari way of making business; the sheikha will sponsor the Spanish entrepreneur, financing the retail store, three local employees and her accommodation. A certain part of the turnover will go to Paloma who in turn be responsible for the design, the know-how, and the production in Spain. The other part stays in Qatar. "I believe my investment has been worth it" says Mrs. Enseñat. She also claims that the Qatari business family her husband -who's also investing in exporting Spanish high quality goods- once met, is not moved by money but by the satisfaction which comes from their contribution to the growth of their country.

"Qatar appreciates and encourages initiative"

Lina Lofti, founder of *Arts & Crafts Doha*

At least, 51% of any registered company in Qatar must be owned by a Qatari firm or citizen.

Lina Lofti is a youthful, full of-energy, talkative woman, belonging to the broad Lebanese community established in Qatar. It is practically an odyssey not to find some of her fellow nationals beyond the threshold of practically any kind of company or ministry in Qatar taking on various positions within this growing market. She has lived here for sixteen years and she is married to one of them. Lina has always been sensitive to arts in general and she

instilled all she could in her now grown up children. During years, she had mulled over the idea of starting up her own business so she got down to work last April and created an atelier specializing, among others, in ceramics, silk and glass painting. Her hobby is now her business: Arts & Crafts Doha.

As an expatriate in Qatar, Lofty assures that despite the difficulties derived from bureaucracy and paperwork she has found unconditional support from The Supreme Education Council. Besides, she claims that she has received lot of respect from Qatari authorities. “Qatar appreciates and encourages initiative and entrepreneurial spirit”, she says. Lina has already employed three workers, all of them women; a Syrian with a Degree in Fine Arts, an IT Engineer from India and an Ethiopian who despite the fact of not having a degree is “responding with care and dedication to the training she is getting.

At the moment, the atelier has got over 1,600 moulds, most of them imported from the United States of America but Lina’s next step will be to produce them locally so as to reduce the cost of raw material and make her workshop accessible to all pockets. Curiously enough the atelier, an ample villa of several floors and flooded-with-light rooms is close by the popular Landmark mall. “I fought for this place. I knew it was my place”, she says. So please, come in. The door is open.

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