

# Qatar Islamic Bank (Q.S.C.)

## Investor Presentation

Financial Year 2015



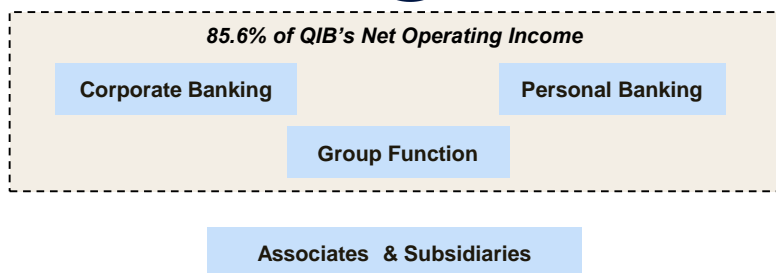


1	Introduction
2	Operating Environment
3	QIB Business Review
4	QIB Financial Overview
5	Appendix

## Introduction

- Qatar Islamic Bank (“QIB” or the “Bank”) was incorporated in 1982 as the **first Islamic financial institution in Qatar**.
- Largest Islamic bank** (approximately 50% of total assets of listed Islamic banks in Qatar) and **third largest bank** in Qatar by total assets.
- Network of 31 branches and offices and 170 ATMs and CDMs as at 31 December 2015.
- Leading domestic franchise augmented by **growing international footprint**, with investments in the UK, Malaysia, Sudan and Lebanon.
- Strong financial profile** with **continued growth** in recent years and **robust risk management** framework.
- Rated **A+ by Fitch** (stable), **A by Capital Intelligence** (stable) and **A- by S&P** (stable).

## QIB’s Business Units



Source: QIB financial statements

(1) As percentage of Total Net Financing Assets

(2) Customers’ Accounts + Unrestricted Investment Accounts

(3) Attributable to shareholders

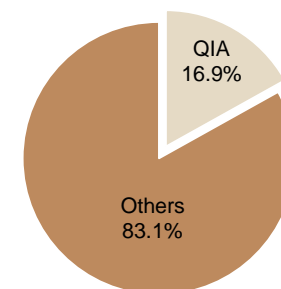
(4) Ratio calculated as per Basel III guidelines, with effect from 1 January 2014, in accordance with QCB regulations

## Financial Snapshot

QAR mln	2015	2014	Growth %
Cash and balances with QCB	5,086	4,933	3.1%
Total Assets	127,031	96,106	32.2%
Total Financing Assets	87,222	59,682	46.1%
Total Deposits <sup>(2)</sup>	91,521	66,605	37.4%
Total Equity <sup>(3)</sup>	13,376	12,478	7.2%
Net Profit <sup>(3)</sup>	1,954.3	1,601.4	22.0%
Cost to Income Ratio	30.6%	31.7%	-1.2%
Non-Performing Financing Ratio <sup>(1)</sup> (%)	0.7%	0.9%	-0.2%
Financing to Total Deposits <sup>(2)</sup> (%)	95.3%	89.6%	5.7%
Capital Adequacy Ratio <sup>(4)</sup> (%)	14.1%	14.6%	-0.5%

## Shareholder structure / Strong Government Linkage

- QIB’s shares are **listed on the Qatar Stock Exchange**.
- The **Qatar Investment Authority (“QIA”) is the single largest shareholder of QIB**.
- The balance of QIB’s shareholders comprise prominent Qatari individuals, families and institutions.



Note: As at 31 December 2015



(1) As at 31 December 2015

## Fitch Ratings **“A+” with “Stable” outlook**

*“QIB’s rating reflects the bank’s established franchise in Qatar, its sound and improved asset quality, and its solid funding franchise that is more diversified than that of most peers. The rating also takes into account the bank’s sound liquidity and adequate profitability, but also concentration of both loans and deposits, although deposits are less concentrated than those of peers and include a strong retail component”.*

April 2015



## **“A” with “Stable” outlook**

*““The Financial Stability Rating (FSR) is supported by the continued improvement in the Bank’s financing asset quality, with the non-performing financing (NPF) ratio declining to a peer group best and more than full loss reserve coverage now achieved. Improved profitability and QIB’s success in realigning its business model and consolidating its leading position as a modern competitive Islamic bank also underpin the FSR.”*

April 2015

## **STANDARD & POOR’S**

### **“A-” with “Stable” outlook**

*“QIB will remain an important player in Qatar, with no significant change in its business and financial profiles over the next 24 months. We expect moderate balance-sheet growth compared with previous years, accompanied by high yet decreasing dividend payouts. We anticipate that QIB’s capital and earnings will stay strong....”*

June 2015

\*Quotes extracted from rating reports of Fitch, Capital Intelligence and Standard & Poor’s



1	Introduction
2	Operating Environment
3	QIB Business Review
4	QIB Financial Overview
5	Appendix

## Overview of the State of Qatar (“Qatar”)



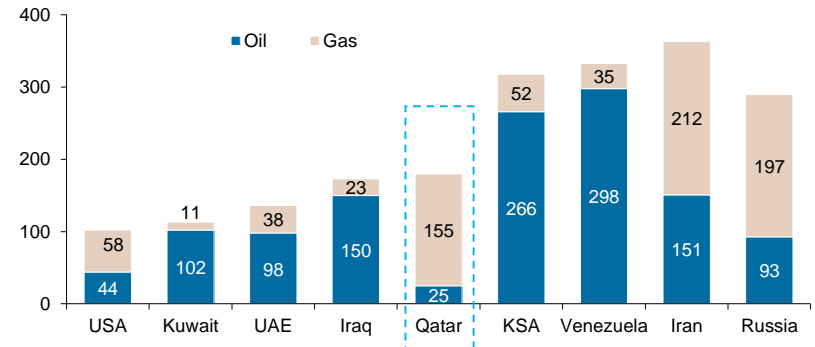
**Ratings**  
 Moody's: Aa2/Stable  
 S&P: AA/Stable

Nominal GDP (2014): USD 192 bn  
 Per capita income (2014): USD 78,829  
 Population (2015): 2.4mn

Source: International Monetary Fund (IMF)

## One of the Largest Hydrocarbon Reserves in the World

Total oil & gas reserves (bn boe)



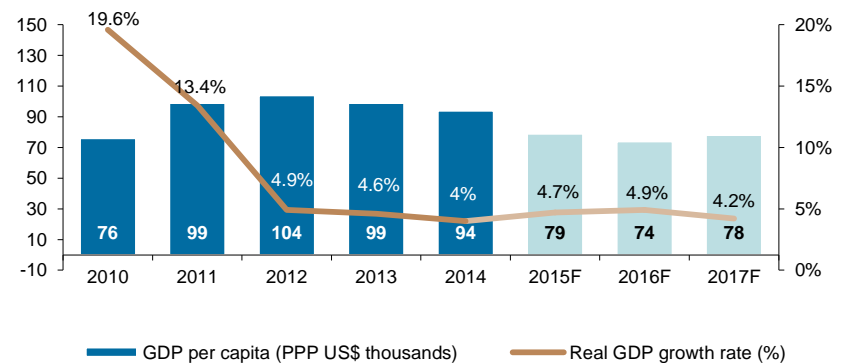
Sources: Bloomberg, BP, IMF, JODI, MDPS, MoF, QCB and QNB Group forecasts

## Qatar's Credit Highlights

- **Third largest gas** reserves in the world<sup>(1)</sup> (~13% of world's total) and largest exporter of LNG
- Among world's wealthiest economies with **robust growth prospects**
- Surpluses in both fiscal and external accounts; that said, the Sovereign is expected to post a very small fiscal deficit in the upcoming two years on the back of lower oil prices
- Low level of sovereign indebtedness with no external liquidity pressure
- Track record of prudent budgetary and financial policymaking
- **Stable political and attractive operational environment**

Source: BP Statistical Review June 2015

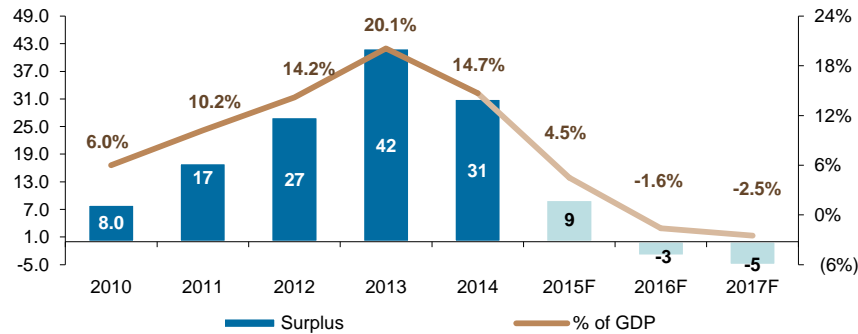
## Strong Wealth Generation



1) Source: International Monetary Fund (IMF)  
 2) Real GDP growth rate rebased to 2013

## Strong Fiscal Position

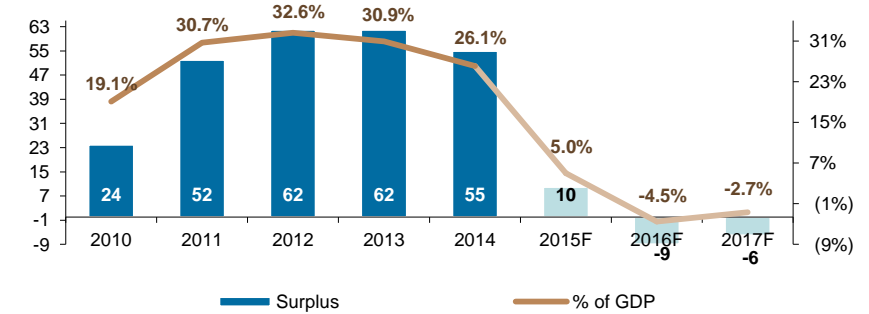
Fiscal surplus / deficit (USD bn and % of GDP)



Source: International Monetary Fund (IMF)

## Current Account Balance

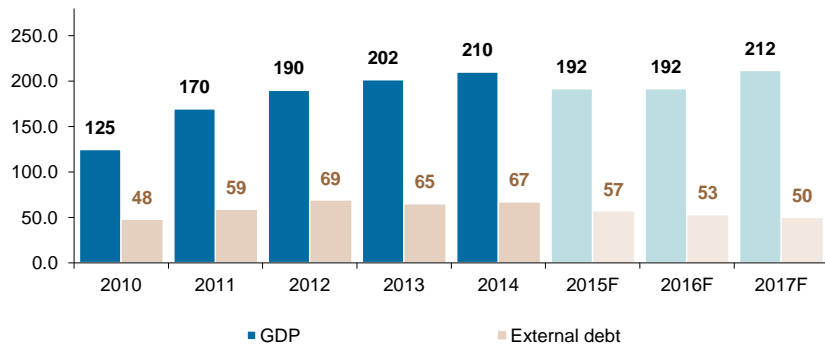
Current account balance (USD bn and % of GDP)



Source: International Monetary Fund (IMF)

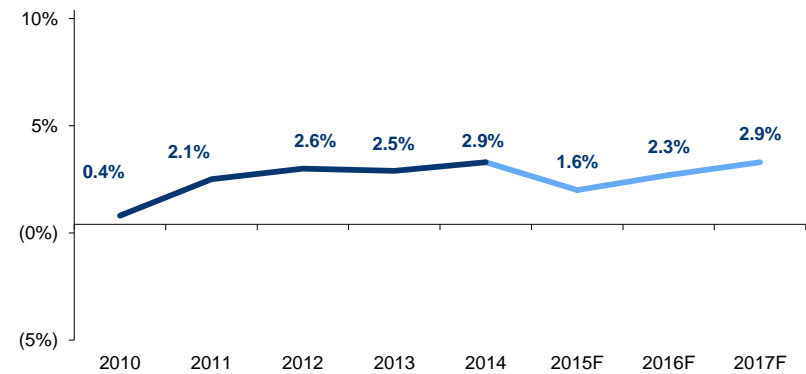
## Low Level of Indebtedness

Nominal GDP vs. external debt (USD bn)



Source: International Monetary Fund (IMF)

## CPI Inflation (y-o-y)



Source: International Monetary Fund (IMF)



## General Overview

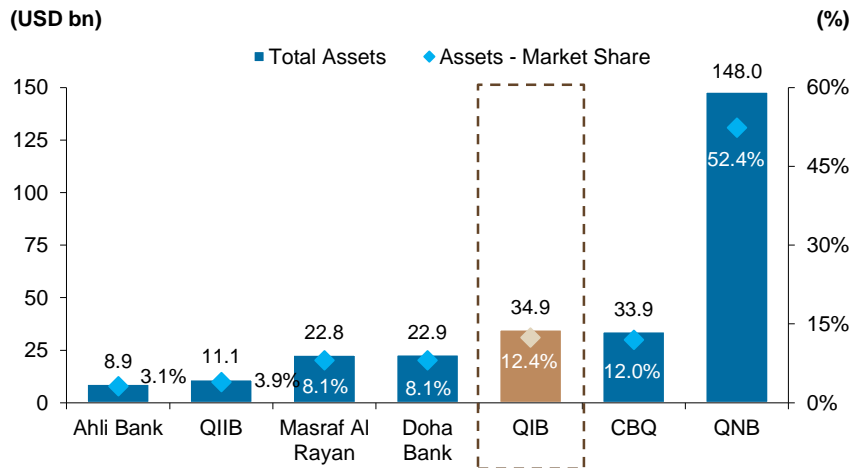
- **Qatar Central Bank prohibits conventional banks from providing Shari'a-compliant financing** – the Qatari banking sector consists of 18 banks:
  - Four local (exclusively) Islamic banks
  - Six local conventional commercial banks
  - Seven foreign banks
  - One development bank
- Total assets of USD 282bn as at December 2015 with strong and sound regulatory environment
  - Minimum capital adequacy ratio of 12.5%
  - Maximum credit limit to single customer of 20% of a bank's capital and reserves

## The State of Qatar has been Supportive Throughout Crisis

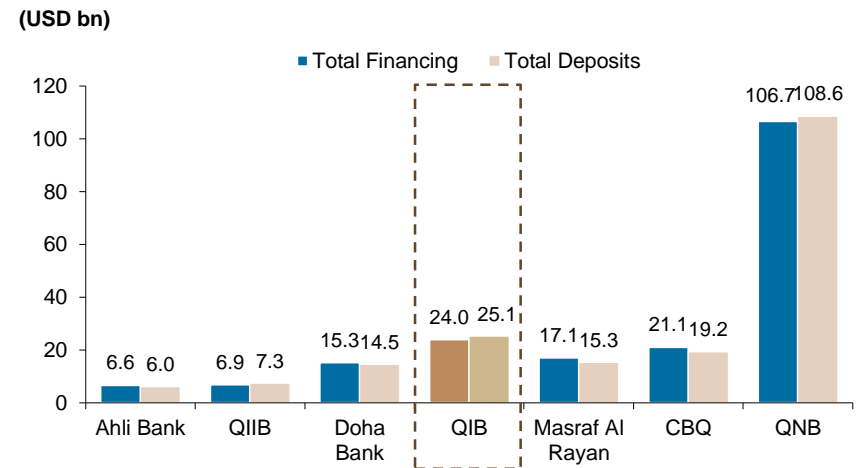
<b>October 2008</b>	QIA announced plans to acquire equity ownership interests of up to 20% in domestic banks listed on the QE
<b>March 2009</b>	The Government proposed to purchase the domestic equity portfolios of seven of the nine domestic QE-listed banks
<b>June 2009</b>	The Government purchased USD 2.7bn worth of real estate financings and other exposures of Qatari banks
<b>2010 &amp; 2011</b>	The Government issued USD 16.4bn worth of Sukuk and bonds to absorb excess liquidity in the Qatari banking sector

*The banking sector is profitable and well capitalized [...] Liquidity buffers are strong [...] – International Monetary Fund (Feb-2014)*

## Breakdown of Total Assets (Dec'15)

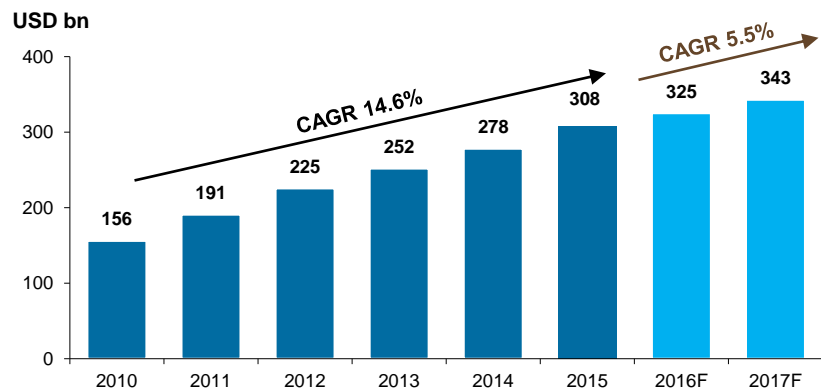


## Breakdown of Total Financing and Deposits (Dec'15)



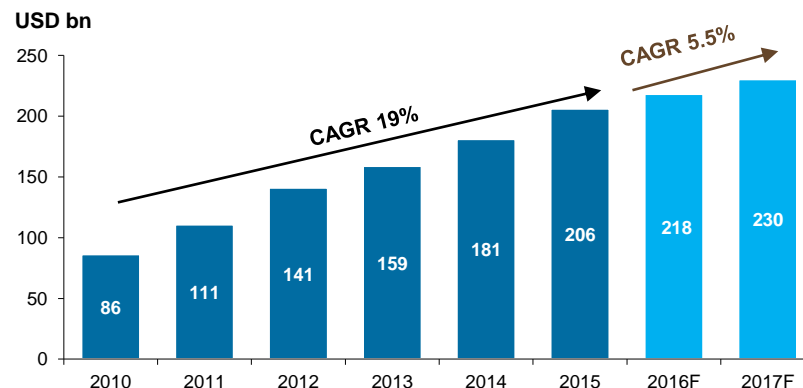
Source: Published Financials

## Assets



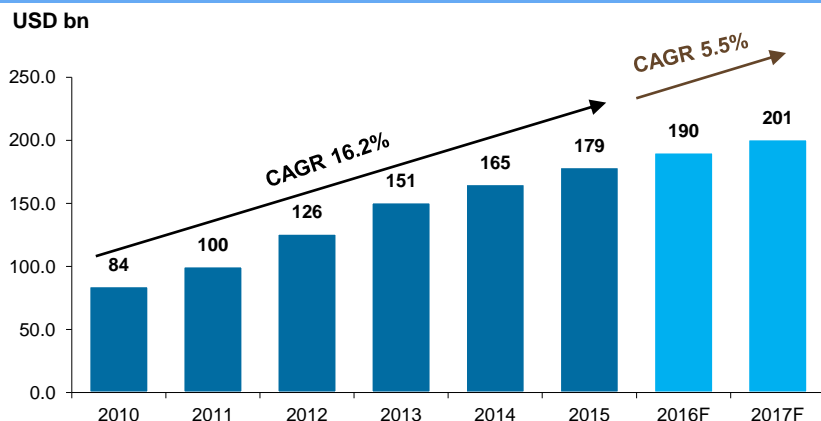
Source: International Monetary Fund (IMF)

## Bank Financings and Advances



Source: International Monetary Fund (IMF)

## Deposits



Source: International Monetary Fund (IMF)

(1): As per the QCB's calculation:  $(\text{Total facilities} - (\text{Specific Provisions} + \text{Suspended Profit} + \text{Less Unearned Income}) + \text{Acceptances}) / (\text{Customer Deposits} + \text{Sukuk Issued})$

## Prudential Regulatory Framework for Banks

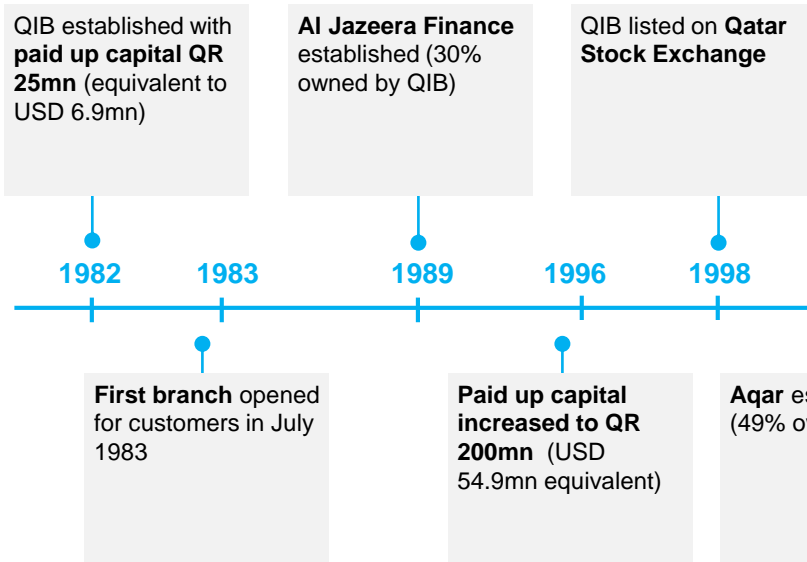
Selected key bank regulations: Source: QCB, IMF

<b>Capital</b>	Minimum capital adequacy ratio requirement of 12.5% from 2014 under Basel III
<b>Liquidity</b>	Reserve requirement of 4.75% of a bank's total deposits to be kept with the QCB
<b>Financing</b>	Maximum financing to deposits (incl. LT debt) ratio of 90% <sup>(1)</sup> and financing to real estate limited to the lower of 15% of customer deposits or 150% of shareholder's equity
<b>Ownership</b>	Permitted foreigner ownership of up to 49% in listed banks
<b>Provisioning</b>	Risk reserves of min. 2.5% of total credit facilities in addition to NPL provisioning depending on classification of financing

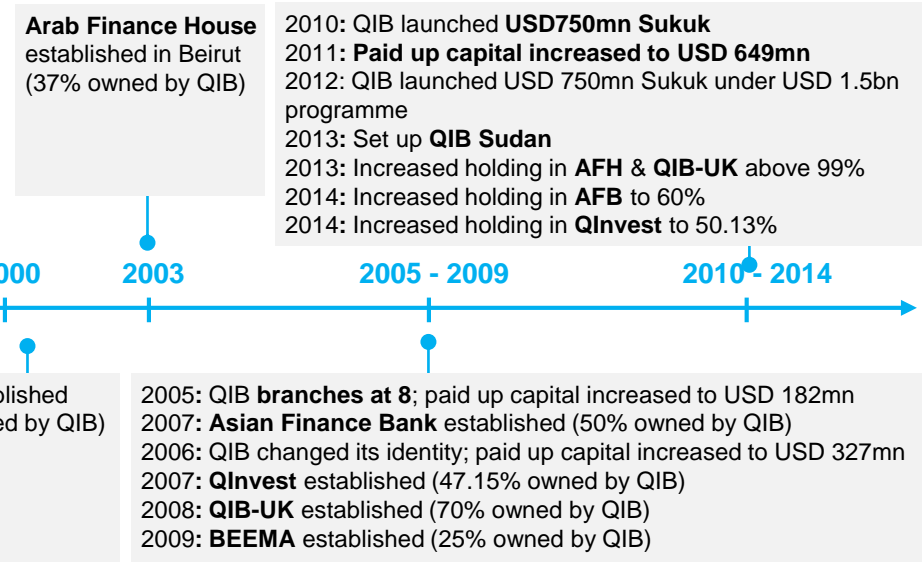


1	Introduction
2	Operating Environment
3	<b>QIB Business Review</b>
4	QIB Financial Overview
5	Appendix

## Phase 1: Creation of the Bank

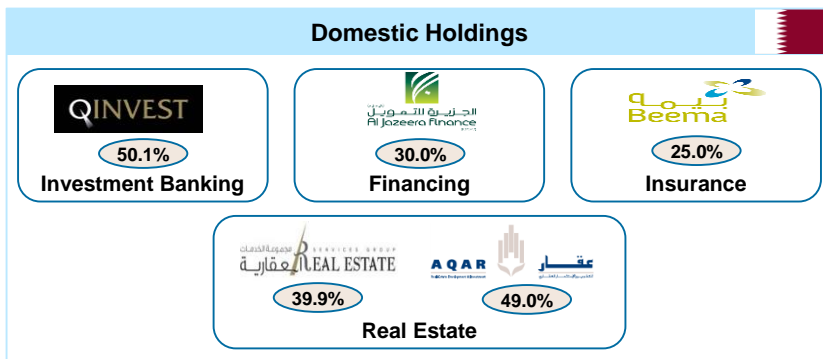


## Phase 2: Creation of a strong banking platform



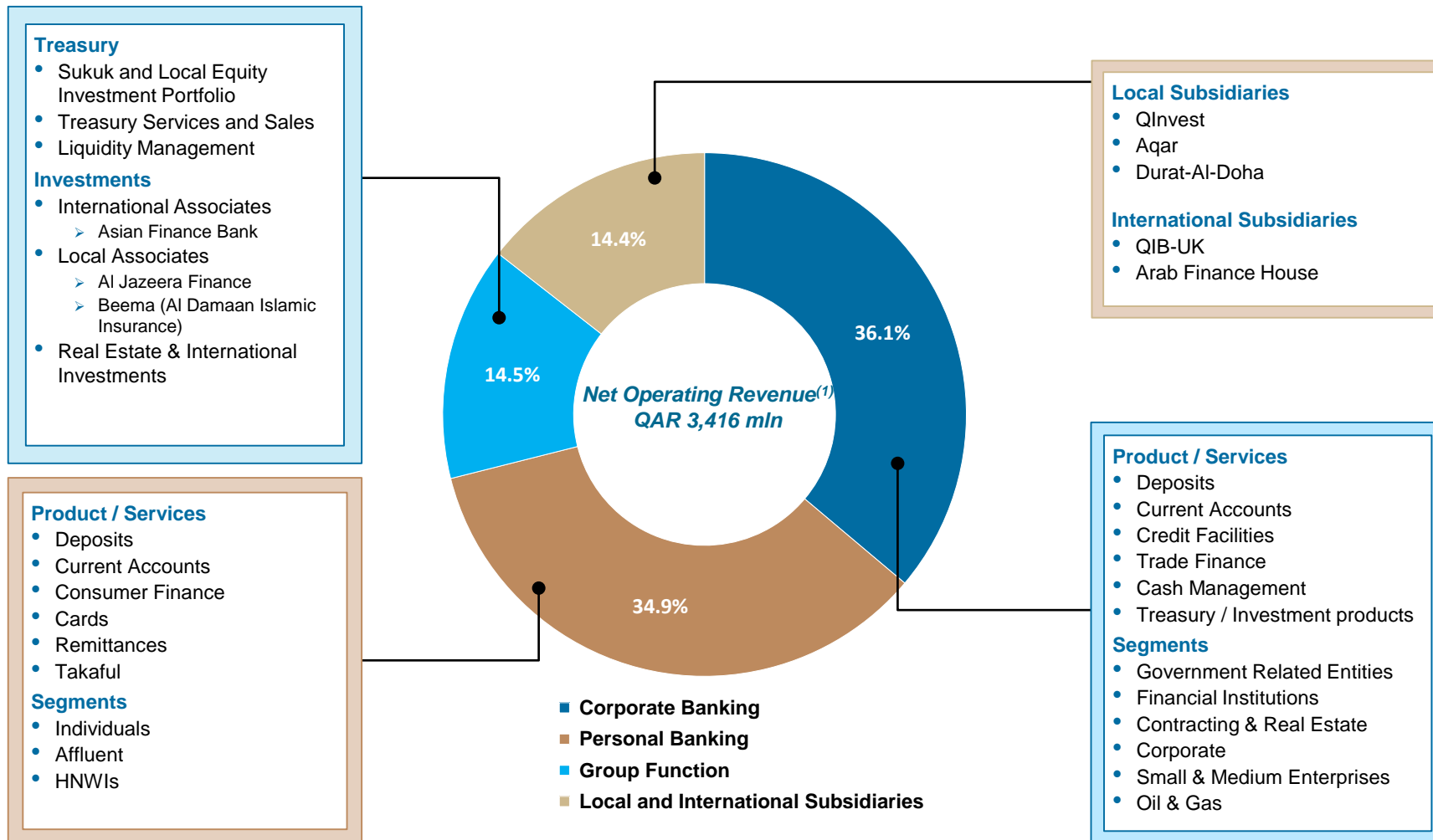
## QIB's Product and Geographic Diversification

While Qatar-based banking operations contributed over 95% of the Group's Net Operating Income, QIB has expanded its platform over recent years

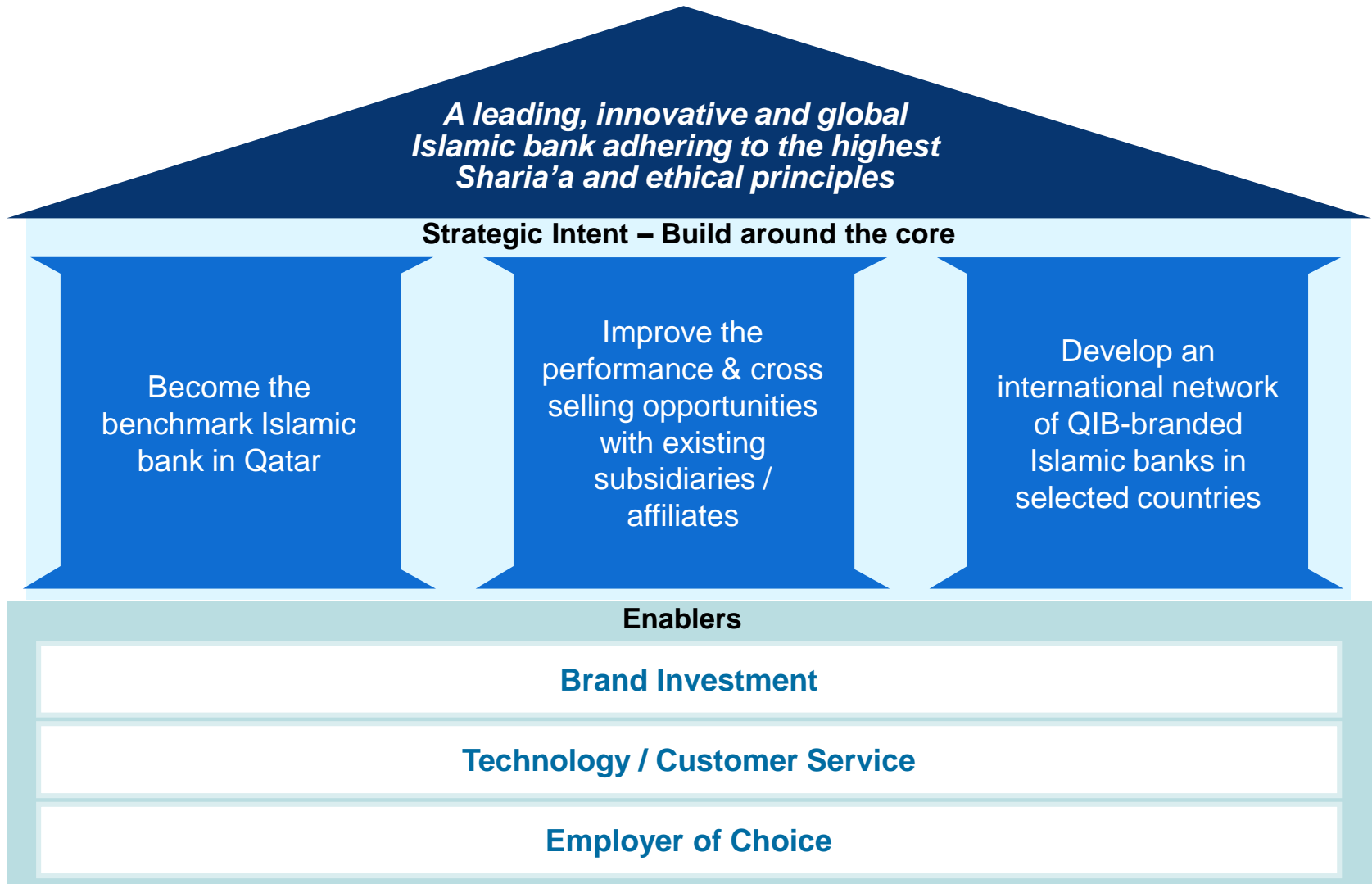


= Ownership

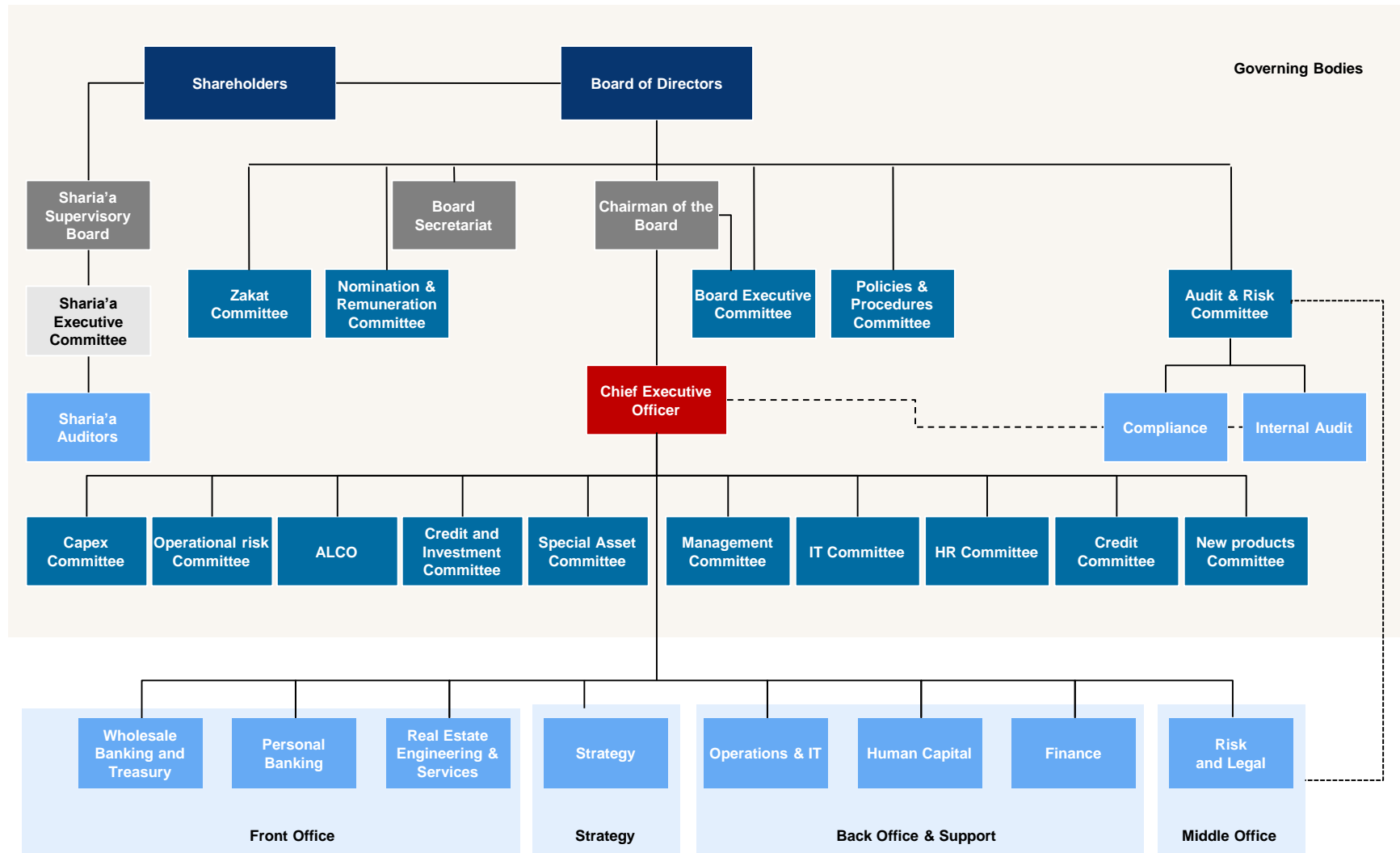
# Business Units Overview – Revenue Diversification (Dec'15)



(1) Net Operating Income = total income net of profit to unrestricted investment account holders and share of Sukuk holders profit + discontinued operations



# QIB's Organizational Structure



**QIB is committed to strong corporate governance practices, with its Board of Directors meeting at least six times a year**

## Board Committees

### Executive Committee Six members

- Provision of ongoing information to the Board on business developments and regular review of business segments
- Advise on strategic decisions and coordinate activities of all divisions and subsidiaries
- Approve credit facilities and limits that fall within authorities

### Audit, Risk & Compliance Committee Three members

- Review financial control, internal control and risk management framework & systems
- Establish risk appetite and monitor overall portfolio while reviewing effectiveness of system to monitor compliance with laws/regulations
- Oversight of internal and external (including financials) audit processes

### Policies & Procedures Committee Four members

- Study, prepare and develop strategies, objectives, policies, systems, plans, budgets and work procedures
- Monitor practices and performance versus approved business standards, strategy and budgets

### Nomination & Remuneration Committee Three members

- Select and evaluate applicants for senior executive posts and provide recommendations to Board
- Determine senior staff rewards and privileges

### Zakat Committee Three members

- Promote interdependence and integration among members of the Muslim community by channeling contributions of Zakat
- Develop good relationships with charitable, humanitarian aid groups and institutions and oversee QIB's Zakat collection/disbursement

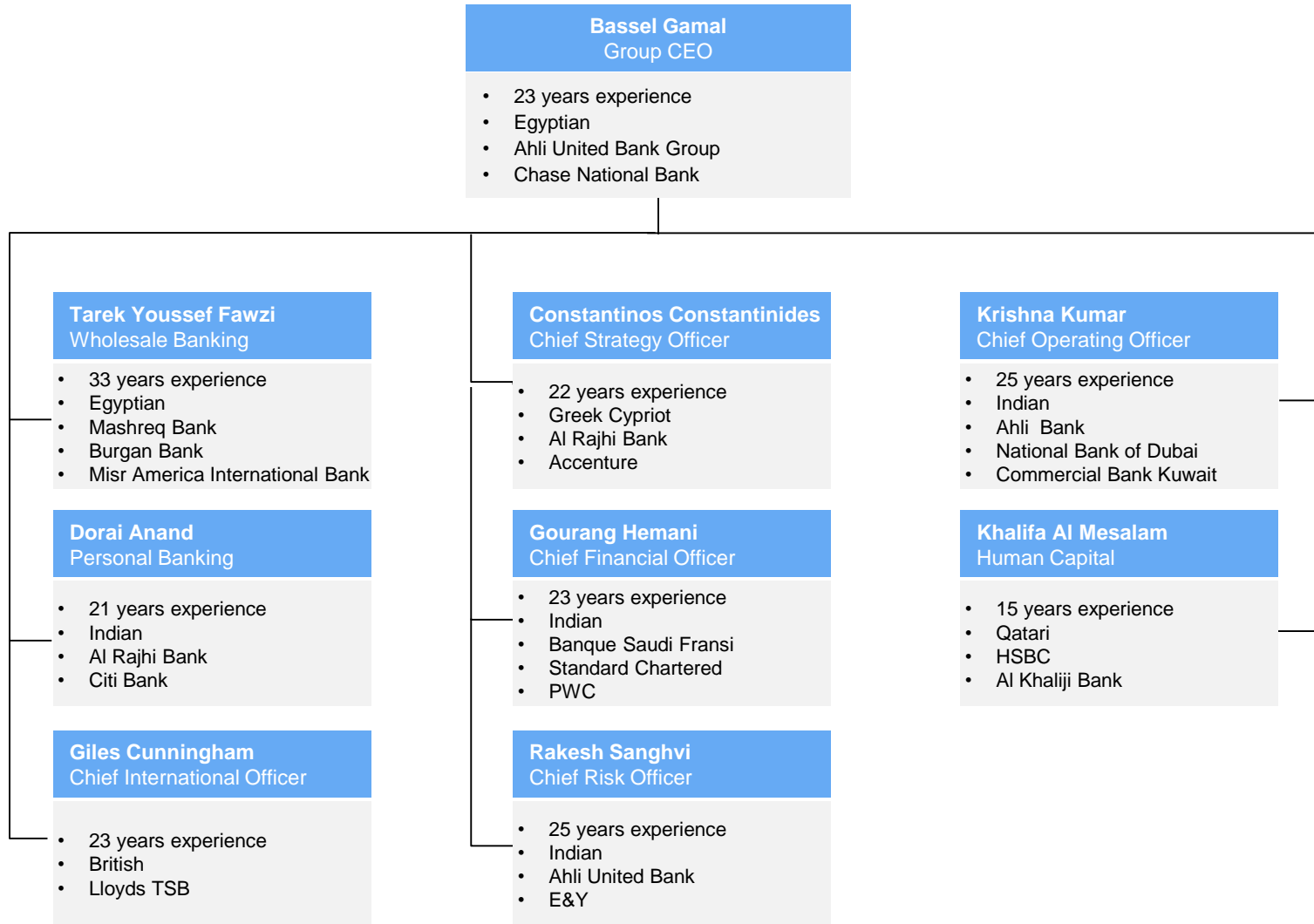
## Board of Directors

**Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani**, *Chairman of the Board*

Member of QIB Board of Directors since June 2004, and became Chairman in April 2005. Graduated from Sandhurst Royal Military College in the United Kingdom, and had a high level leadership training. He is Chairman of QInvest - the first Islamic investment bank in Qatar, Chairman of QIB-UK (ex-European Finance House), and a member of the board of directors of Beema. He is also a board member of several institutions and financial and investment companies such as Qatar Navigation and Credit Suisse - Zurich

Director	Designation
Mr. Abdullatif Bin Abdulla Al Mahmoud	<i>Vice Chairman</i>
Sheikh Ali Bin Ghanim Bin Ali Al Thani	<i>Board Member</i>
Mr. Mohamed Bin Issa Al Mohanadi	<i>Board Member</i>
Mr. Abdul Rahman Abdulla Abdul Ghani Nasser	<i>Board Member</i>
Mr. Mansour Mohamed A. Fattah Al Musleh	<i>Board Member</i>
Mr. Issa R. Al Rabia Al Kuwari	<i>Board Member</i>
Mr. Abdulla Bin Saeed Al Eidah	<i>Board Member</i>
Mr. Nasser Rashid S. Al-Kaabi	<i>Board Member</i>





*QIB enjoys a strong Islamic heritage and has based its success on sound Sharia'a-compliant principles, under the supervision of an expert Shari'a Supervisory Board*

The Sharai'a Supervisory Board acts as an independent body of experts in Islamic jurisprudence. The Board is responsible for:

- ✓ Providing Islamic advice and guidance to ensure that all QIB activities comply with Sharia'a law.
- ✓ Reviewing Sharia'a Auditors' Reports and reporting to the General Assembly on QIB's operations compliance with Sharia'a.
- ✓ Determining whether contracts, transactions and dealings entered into by QIB comply with Sharia'a.
- ✓ Approving all marketing material of QIB, ensuring that the products are represented fairly and clearly to customers and in accordance with Sharia'a.
- ✓ Ensuring that all earnings realized from sources or by means prohibited by Sharia'a are disposed of to charitable causes.
- ✓ Publishing Fatwas, Rulings and Guidelines with regard to QIB activities.

## Sharia's Supervisory Board Members

**His Eminence Sheikh Walid Bin Hadi**  
Head of Executive Committee

**Prof. Abdul Sattar Abou Ghodda**  
Member

**Dr. Mohamad Ahmaine**  
Member



1	Introduction
2	Operating Environment
3	QIB Business Review
4	<b>QIB Financial Overview</b>
5	Appendix

## Financial Position

QAR million	31-Dec-15	31-Dec-14	Growth %
<b>Total Assets</b>	127,031	96,106	32.2%
<b>Total Financing</b>	87,222	59,682	46.1%
<b>Non-Performing Assets</b>	572	550	4.0%
<b>Total Deposits</b>	91,521	66,605	37.4%
<b>Investments<sup>(3)</sup></b>	20,943	18,138	15.5%
<b>Total Equity<sup>(1)</sup></b>	13,376	12,478	7.2%
<b>Financing to Deposit Ratio (%)</b>	95.3%	89.6%	5.7%
<b>Capital Adequacy Ratio (%)</b>	14.1%	14.6%	-0.5%
<b>Provision Coverage Ratio (%)</b>	112.9%	101.9%	11.0%

## Profitability

QAR million	2015	2014	Change %
<b>Net Operating Income<sup>(2)</sup></b>	3,416	2,897	17.9%
<b>Total expenses</b>	-1,044	-920	13.5%
<b>Total provisions</b>	-331	-270	22.6%
<b>Net profit before tax</b>	2,041	1,708	19.5%
<b>Net profit for the year<sup>(1)</sup></b>	1,954	1,602	22.0%
<b>Cost to income ratio</b>	30.6%	31.7%	-1.2%

Source: QIB financial statements

(1) Attributable to shareholders of QIB

(2) Net Operating Income = total income net of profit to unrestricted investment account holders and share of Sukuk Holders' Profit + discontinued operations

(3) Investments includes investments securities , investments in associates and investments properties

## Key Highlights

- QIB has experienced a **strong growth in its balance sheet** with its total assets reaching QAR 127 bn as at 31 December 2015, up by 32.2% from QAR 96 bn as at 31 December 2014.
- The Bank's asset growth has been driven by a **strong increase in financing assets**. More specifically, the Bank's financing assets grew by 46.1% to QAR 87.2 bn as at 31 December 2015.
- Despite the strong increase in financing assets, the Bank has maintained a **strong asset quality as evidenced by the decline in its non-performing asset portfolio**.
- In addition, as part of its prudent risk management policy, the Bank has **increased its impairment provisions marginally**.
- The Bank's **deposits have also grown** by 37.4% to reach QAR 91.5 bn as at 31 December 2015 from QAR 66.6 bn as at 31 December 2014.
- QIB has continued to report **strong profitability with a 22 % increase in net profit** attributable to the shareholders of QIB for year ended 31 December 2015 (as compared to the year ended 31 December 2014).
- The improvement in net profit has been driven by a **robust increase in total income**. Net operating income increased by 17.9% during 2015 on the back of significant contribution from financing income.
- The Bank continues to maintain a **strong operating efficiency**, as evidenced by its low cost to income ratio (which stood at 30.6% as at 31 December 2015).

*Strong balance sheet growth driven by growth in Qatar-focused financing*

## Summary



**Continuous balance sheet growth**

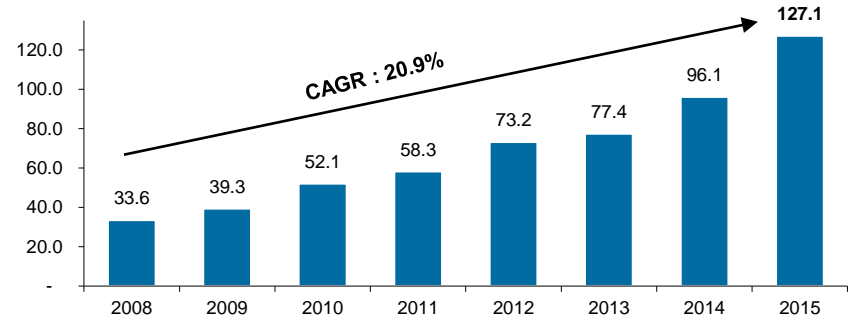


**Growth driven by multiple products / asset classes**

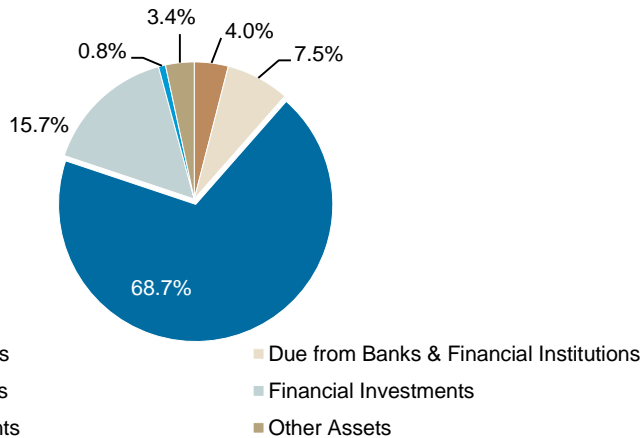


**Primarily Qatar-centric exposures**

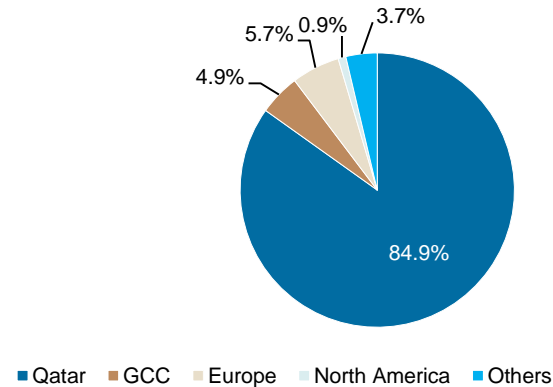
## Steady Asset Growth (QAR bln)



## Asset Composition by Type (as at 31 December 2015)



## Asset Composition by Geography Type (as at 31 Dec 2015)



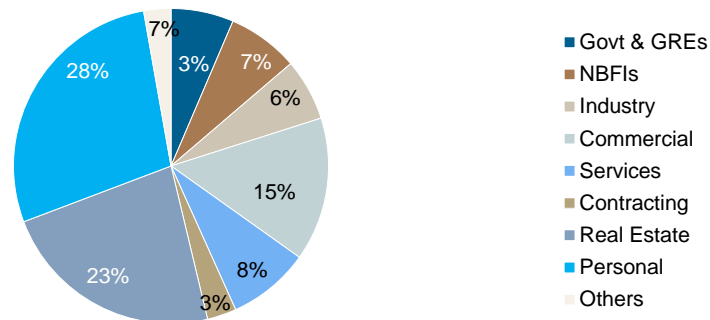
Source: QIB financial statements

*Despite the strong growth, QIB has maintained very good asset quality and comfortable provisioning levels*

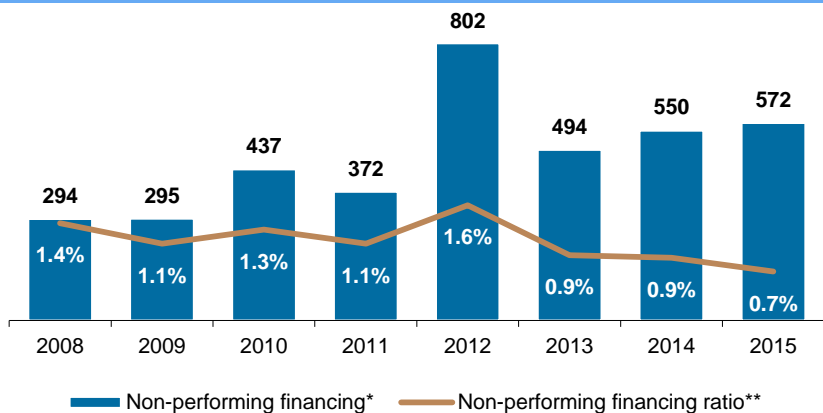
## Summary

- ✓ Well-diversified & growing (QAR 87.2 bn) financing book
- ✓ Strong asset quality and conservative provisioning
- ✓ Reflective of robust risk management framework

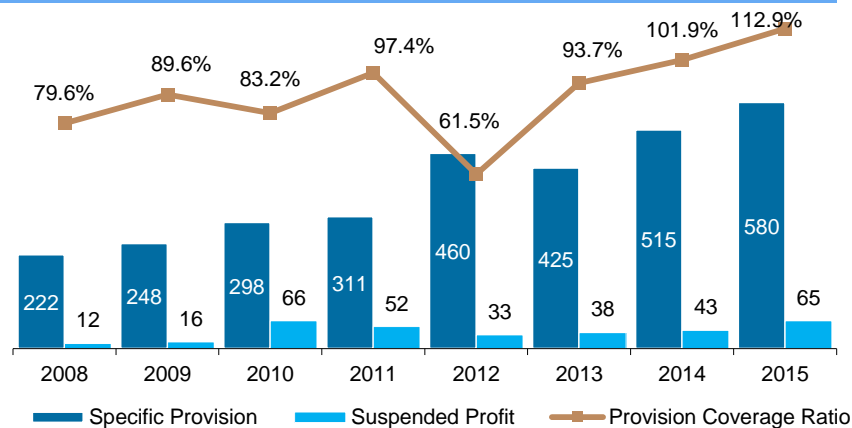
## Balanced Financing Book



## Non-Performing Financing Assets ("NPF", QAR mln)



## Provision Coverage (QAR mln)



Source: QIB financial statements

\* Includes all financing assets overdue past 90 days

\*\* Total non-performing financing / Total financing assets

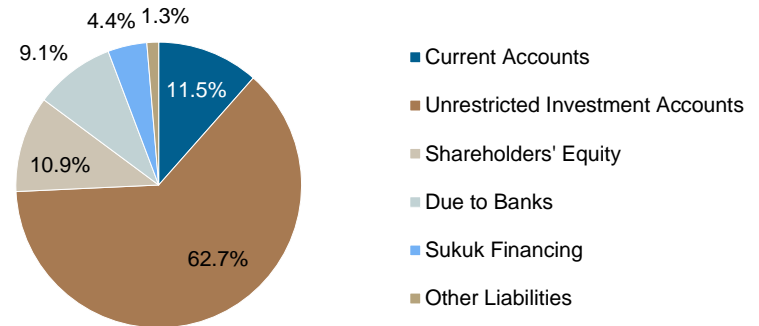
# Sound Funding Base Driven by Strong Deposit Growth

*QIB's growth has been enabled by its ability to source funding, primarily in the form of deposits*

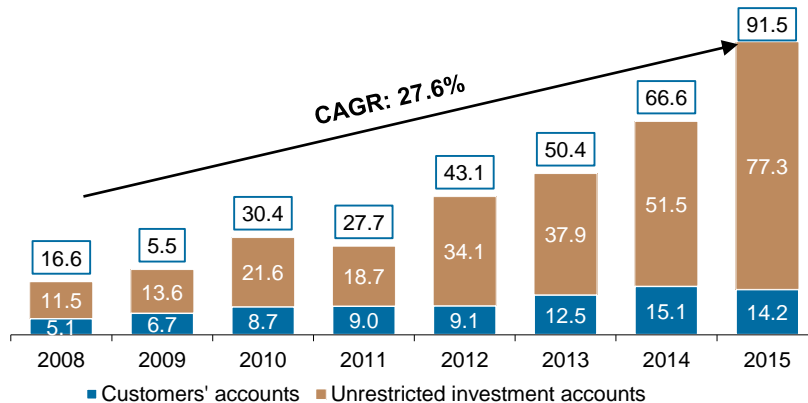
## Summary

- ✓ Ability to obtain funding from diverse sources
- ✓ Loyal and diverse deposit base
- ✓ Stable funding from sticky deposits

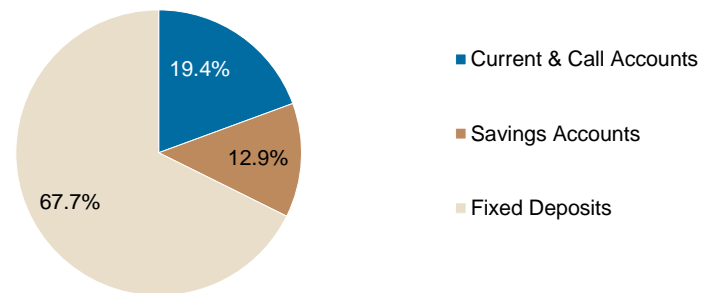
## Diverse Sources of Funding (as at 31 December 2015)



## Strong Deposit<sup>(1)</sup> Growth (QAR bln)



## High-Quality Deposits<sup>(1)</sup> (as at 31 December 2015)



Source: QIB financial statements

(1) Customer accounts and unrestricted investment accounts

*QIB's growth has been managed within a well-defined risk management framework*

## Summary



**Financing to deposit ratio ranging between 90% and 110%**

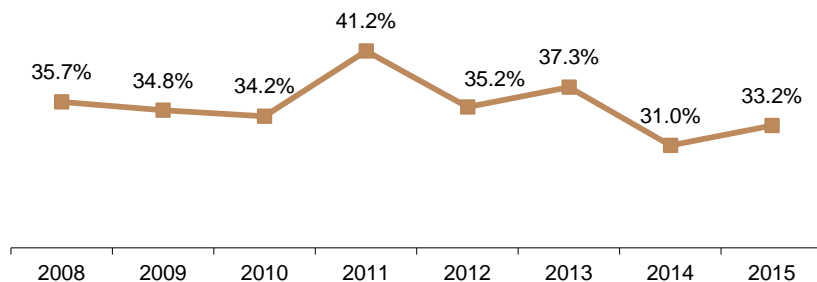


**Strong liquidity position to manage market stress**

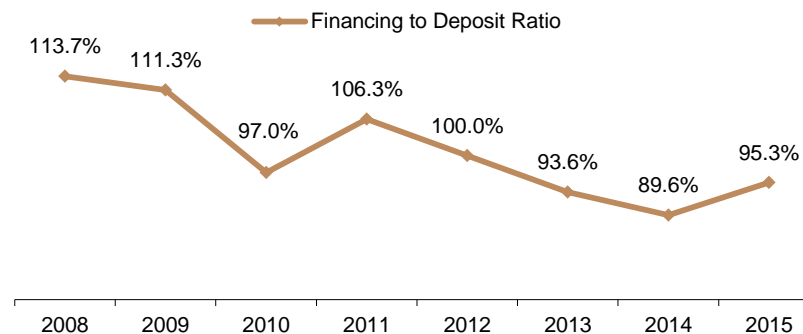


**Overall conservative approach to risk management**

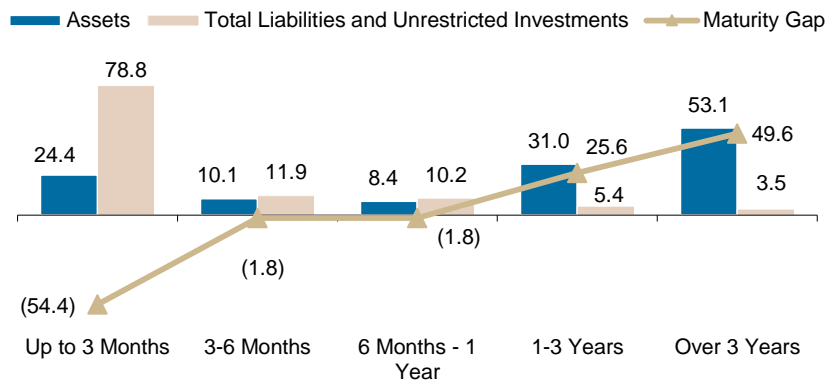
## Supportive Liquid Assets Ratio<sup>(1)</sup>



## Range-bound Financing to Deposit Ratio<sup>(2)</sup>



## Asset Liability Management (QAR bln, as at 31 Dec 2015)



Source: QIB financial statements, Management Accounts

(1) Liquid Assets = (Cash and Balances with Central Bank + Due from Banks + Financial Investments) all less than 1 year

(2) Total Deposits = Customer Current Accounts + Equity of Unrestricted Investment Account Holders

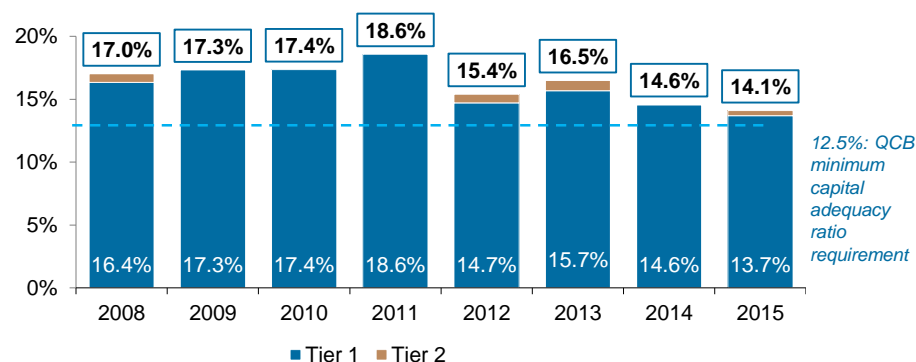


*QIB boasts an ideal platform for future growth, including strong capitalization and supportive margins/returns*

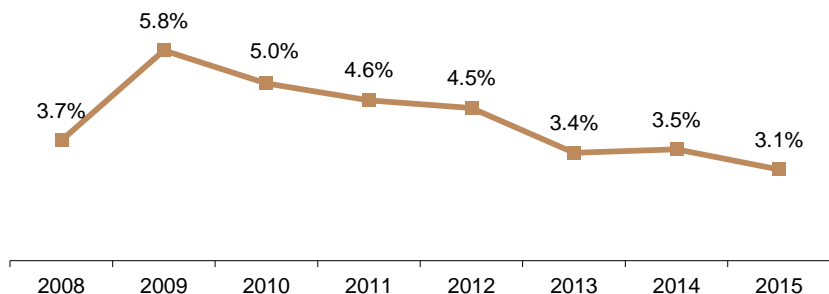
## Summary

- ✓ Capital ratios well above regulatory requirements
- ✓ Strong Net Financing Margin
- ✓ Healthy return on assets

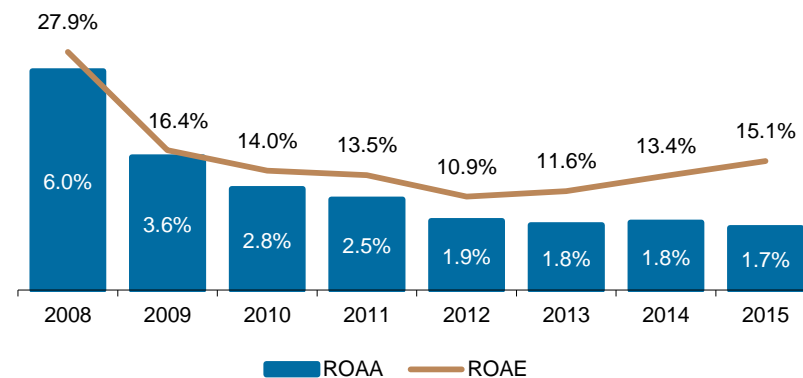
## Capital Adequacy Ratio<sup>(1)</sup>



## Net financing margin<sup>(2)</sup>



## Robust Returns (%)



Source: QIB financial statements

(1) From 2014 onwards capital adequacy is as per Basel III guidelines. Previous years are as per Basel II

(2) Net financing margin = (Income from financing activities, net – Unrestricted investment account holders' share of profit) / (Net Average Financing Assets)

*QIB has remained profitable even during the global financial crisis*

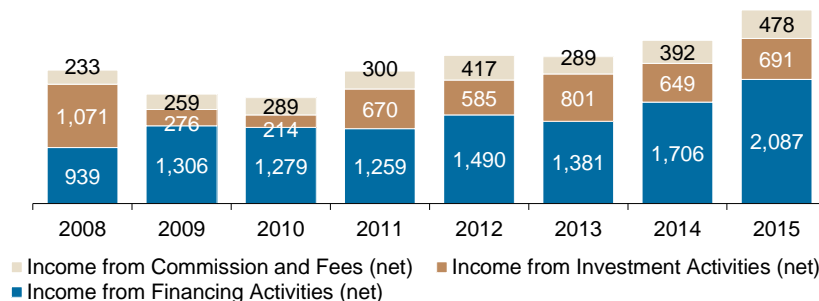
## Summary

✓ Recurring financing and investing revenues

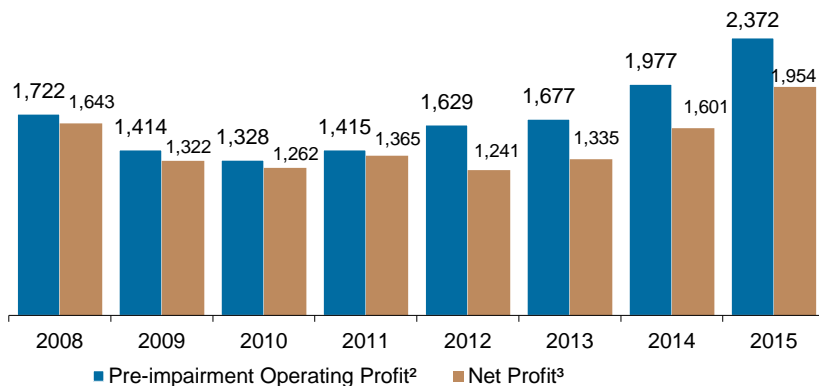
✓ Continued profitability during crisis

✓ Cost base effectively managed

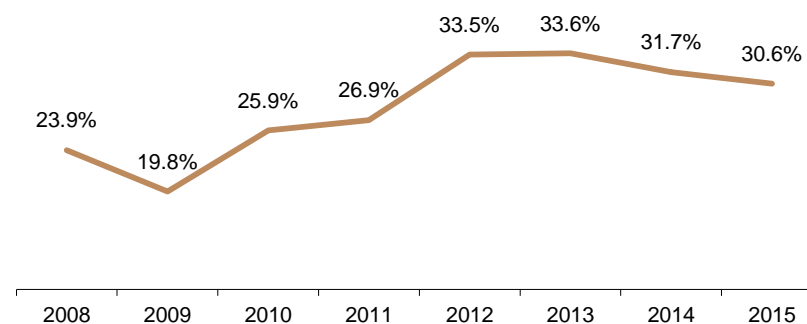
## Revenue<sup>(1)</sup> Breakdown (QAR mln)



## Overview of Profitability (QAR mln)



## Operating Efficiency (Cost to Income Ratio, %)



Source: QIB financial statements

(1) Income from Financing Activities (net) = Net of profit to unrestricted investment account holders and share of Sukuks Holders' profit

(2) Pre-Impairment Operating Profit = Total Income – Sukuk Holders' Share of Profit - Unrestricted investment account holders' share of profit – General and administrative expenses – Depreciation of fixed assets

(3) Net Profit for the year attributable to shareholders



1

Introduction

2

Operating Environment

3

QIB Business Review

4

QIB Financial Overview

5

**Appendix**

# Consolidated Statement of Financial Position

QAR million	31-Dec-2012	31-Dec-2013	31-Dec-2014	31-Dec-2015
Cash and balances with central banks	3,644	2,992	4,933	5,086
Due from banks	8,758	6,348	8,931	9,494
Financing assets	43,138	47,138	59,682	87,222
Investment Securities	13,355	14,851	15,954	18,840
Investment in associates	874	743	967	1,048
Investment properties	775	794	1,216	1,055
Assets of a subsidiary held for sale	295	302	61	4
Fixed assets	379	437	555	575
Intangible assets	251	320	375	411
Other assets	1,725	3,429	3,432	3,295
<b>Total Assets</b>	<b>73,193</b>	<b>77,354</b>	<b>96,106</b>	<b>127,031</b>
Due to banks	10,370	6,490	8,104	11,199
Customers' current accounts	9,082	12,471	15,125	14,194
Sukuk financing	5,416	5,445	5,450	5,451
Liabilities of a subsidiary held for sale	204	4	19	3
Other Liabilities	1,001	1,380	1,756	1,682
<b>Total Liabilities</b>	<b>26,077</b>	<b>25,789</b>	<b>30,454</b>	<b>32,529</b>
<b>Equity of unrestricted investment account holders</b>	<b>34,067</b>	<b>37,892</b>	<b>51,480</b>	<b>77,327</b>
Share capital	2,362	2,362	2,363	2,363
Legal reserve	6,370	6,370	6,370	6,370
Risk reserve	764	1,085	1,369	1,993
General reserve	84	84	82	82
Fair value reserve	87	95	93	134
Foreign currency translation reserve	(33)	(51)	(29)	(29)
Other reserves	288	211	217	217
Proposed cash dividends	885	946	1,004	1,004
Share-based payment reserve	-	-	-	6
Retained earnings	666	757	1,009	1,236
<b>Total equity attributable to shareholders of the bank</b>	<b>11,473</b>	<b>11,859</b>	<b>12,478</b>	<b>13,376</b>
Sukuk eligible as additional tier 1 capital	-	-	-	2,000
Non-controlling interests	1,576	1,813	1,694	1,798
<b>Total equity</b>	<b>13,049</b>	<b>13,672</b>	<b>14,172</b>	<b>17,175</b>
<b>Total Liabilities &amp; Equity</b>	<b>73,193</b>	<b>77,354</b>	<b>96,106</b>	<b>127,031</b>

# Consolidated Statement of Income

QAR million	31-Dec-2012	31-Dec-2013	31-Dec-2014	31-Dec-2015
Net income from financing activities	2,081	2,003	2,444	3,201
Net income from investing activities	585	801	649	691
<b>Total income from financing and investing activities</b>	<b>2,666</b>	<b>2,804</b>	<b>3,093</b>	<b>3,893</b>
Fee and commission income	473	364	480	586
Fee and commission expense	(55)	(76)	(88)	(108)
<b>Net fee and commission income</b>	<b>417</b>	<b>289</b>	<b>392</b>	<b>478</b>
Net foreign exchange gain	26	44	73	82
Share of results of associates	(16)	6	52	33
Other income	11	1	24	22
<b>Total Income</b>	<b>3,105</b>	<b>3,144</b>	<b>3,633</b>	<b>4,508</b>
Staff costs	(484)	(495)	(535)	(621)
Depreciation and amortisations	(61)	(63)	(74)	(75)
Sukuk holders' share of profit	(130)	(174)	(174)	(162)
Other expenses	(298)	(290)	(311)	(348)
<b>Total Expenses</b>	<b>(972)</b>	<b>(1,022)</b>	<b>(1,093)</b>	<b>(1,206)</b>
Net impairment losses on investment securities and properties	(302)	(263)	(171)	(222)
Net impairment losses on financing assets	(188)	(97)	(90)	(105)
Other impairment losses	(11)	(10)	(8)	(4)
<b>Net profit for the period from continuing operations before tax and return to unrestricted investment account holders</b>	<b>1,631</b>	<b>1,753</b>	<b>2,270</b>	<b>2,971</b>
Return to unrestricted investment account holders before the Bank's share as Mudarib	(889)	(809)	(1,061)	(1,971)
Bank's share as Mudarib	428	360	497	1,019
<b>Net return to unrestricted investment account holders</b>	<b>(462)</b>	<b>(449)</b>	<b>(564)</b>	<b>(952)</b>
Profit from a subsidiary held for sale	(42)	4	2	21
<b>Net profit before tax</b>	<b>1,126</b>	<b>1,308</b>	<b>1,708</b>	<b>2,041</b>
Tax expense	(2)	17	(39)	(10)
<b>Net profit for the period</b>	<b>1,125</b>	<b>1,325</b>	<b>1,669</b>	<b>2,030</b>
Net income from financing activities	2,081	2,003	2,444	3,201
<b>Profit Attributable to:</b>				
Shareholder of the Bank	1,241	1,335	1,601	1,954
Non-controlling interest	(116)	(10)	67	76

# QIB Award Winning Organization

