



# Investor Presentation

30 June 2020

## 1. Introduction to Masraf Al Rayan



## 2. Financial Highlights and Performance

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## 3. Operating Segments

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## 4. Historical Financial Statements

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## 5. Overview of Qatar

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# Introduction to Masraf Al Rayan

## Corporate Profile

### Overview of Masraf Al Rayan Q.P.S.C (MAR or the Bank)

#### Profile

- Fully Sharia compliant bank incorporated in Qatar on 4 January 2006 and licensed by the Qatar Central Bank
- Classified as a DSIB (Domestic Systemically Important Bank)

#### Business Lines

- Corporate Banking & SME
- Retail & Private Banking
- Asset Management and Financial Advisory
- International Operations (UK)

#### Market Share

- 2<sup>nd</sup> largest listed Islamic bank in Qatar by total assets (28.7% market share)\*
- 4<sup>th</sup> largest listed Qatari banks by total assets (6.6% market share)

#### Public Listing

- Ordinary shares listed on the Qatar Stock Exchange
- 3<sup>rd</sup> largest bank in Qatar by market capitalization (QAR 28.7 bn)\*\*

#### Rating

- MAR's credit rating re-affirmed at A1
- Stable outlook, baseline credit assessment and adjusted baseline credit assessment: baa2.

Source: Qatar Central Bank, Bloomberg

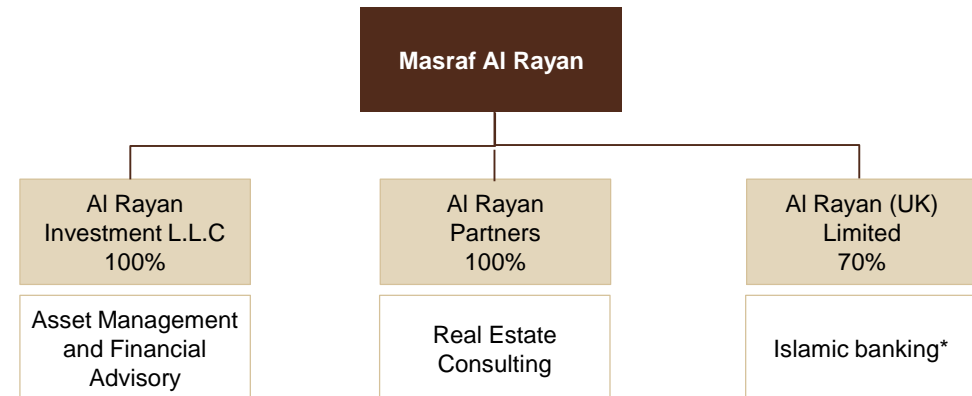
\* As of 31<sup>st</sup> March 2020

\*\* As of 30<sup>th</sup> June 2020

### Branch Network



### Subsidiaries



\*Via Al Rayan Bank Plc (formerly known as Islamic Bank of Britain Plc)

\*\*As of 31 Dec 2019 the Bank also owns 100% stake in Al Rayan Financial Brokerage ("ARFB"), MAR Sukuk Ltd. and Lusail Waterfront Investment Co. However, operations of ARFB ceased since 12-Jan-2017

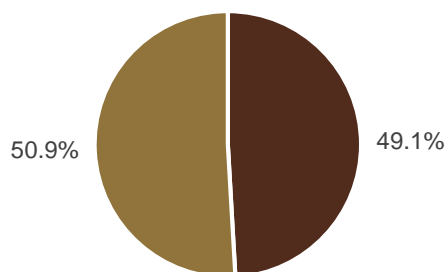
# Introduction to Masraf Al Rayan

## Ownership Structure & Financial Highlights

### Shareholding Structure

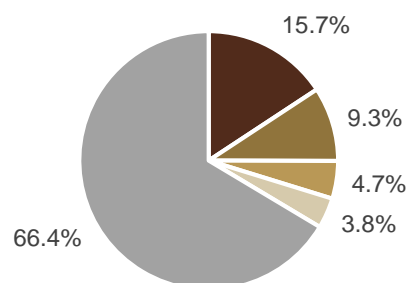
- Government, Government-related entities (GREs) and Qatari institutional investors hold approx. 49.1% of MAR's shares
- Considering both direct and indirect interest, significant shareholders comprised of QIA (15.7%) and QAF Investment Portfolio (9.3%)

#### Shareholding by Investor Type



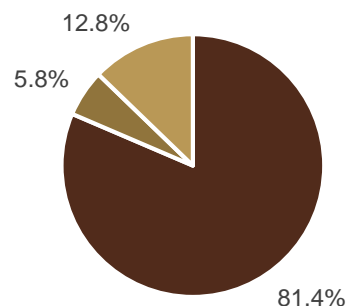
- Govt, GREs & Qatari institutions
- Qatari retail and foreign investors

#### Top Shareholders



- QIA
- QAF Investment Portfolio
- Watani Funds (3,4 & 5)
- Pension Fund
- Other

#### Shareholding by Country



- Qatari
- GCC
- Other

### Credit Rating

- Long-term and short-term foreign currency and local currency issuer ratings: **A1/Prime-1**
- Baseline credit assessment and adjusted baseline credit assessment: **baa2**
- Counterparty Risk Assessment: **Aa3(cr)/Stable(cr)**
- Stable outlook

### Share Overview

- MAR shares** listed on the Qatar Stock Exchange
- Symbol:** MARK
- ISIN:** QA000A0M8VM3
- Foreign ownership limit:** 48.7%
- Market cap:** QAR 28.7 bn
- Valuation multiples:** P/E – 13.26; P/B - 2.16

# 1. Overview of Masraf Al Rayan Cont.

## Board Composition

- ▶ The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives and its functions within the agreed framework in accordance with relevant statutory and regulatory structures

### Chairman & Managing Director



**H.E. Ali Bin Ahmad Al Kuwari**

**Other positions:**

- Minister of Commerce and Industry
- Chairman of Supreme Council of Economic Affairs and Investment
- Chairman of Qatar Stock Exchange
- Chairman of Qatar Development Bank
- Chairman of the Investment Promotion Agency of Qatar
- Deputy Chairman of Qatar Financial Centre (QFC)
- Board member – Qatar Investment Authority (QIA)
- Board member – Qatar Petroleum (QP)
- Board member – Qatar University
- Board member – Milaha Company
- Board member – Nakilat Company
- Board member – National Tourism Council

### Group CEO



**Mr. Adel Mustafawi**

**Other positions:**

- Vice Chairman - Qatar Sports Investment
- Vice Chairman - Paris Saint Germain F.C
- Board Member - Al Rayan Bank PLC
- Board Member – Msheireb Properties

### Board Members

**Mr. Turki Mohammed Al Khater**  
*Vice Chairman*

- *Select other roles:* Chairman - United Development Company, Board Member - Ooredoo (Qatar).

**Sheikh Nasser Bin Hamad Al Thani**

*Board Member*

- *Select other roles:* Board Member - Ooredoo (Oman).

**Sheikh Ali Bin Jassim M Al-Thani**  
*Board Member*

- *Select other roles:* Board Member - Champs Elysees 26, Board Member – Nuran Bank, Board Member - Happag Lloyd.

**Mr. Mohammed Ibrahim Al Abdulla**  
*Board Member*

**Mr. Nasser Jaralla S. Jaralla Al Marri**  
*Board Member*

- *Select other roles:* Board Member - United Development Company, Board Member - Vodafone

**Mr. Abdulla Ahmed Al Maleki Al Jahni**

*Board Member*

- *Select other roles:* Board Member - Qatar Business Council

**Mr. Abdulrahman Mohammed Al Khayareen**

*Board Member*

**Mr. Tami Ahmad Ali Al Binali**  
*Board Member*

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**2. Financial Highlights and Performance**



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# Financial Highlights and Performance

## Summary

### Balance Sheet

- Total assets reached QAR 109,339 million compared to QAR 102,543 million on 30 June 2019, an increase of 6.6%
- Financing activities increased to QAR 78,104 million compared to QAR 74,800 million on 30 June 2019, an increase of 4.4%
- Investments increased to QAR 21,470 million compared to QAR 20,496 million on 30 June 2019, an increase of 4.8%
- Customer deposits totaled QAR 67,417 million compared to QAR 64,412 million on 30 June 2019, an increase of 4.7%

### Income statement

- Net profit attributable to equity holders totalled QAR 1,084 million for the six months ended 30 June 2020, compared to QAR 1,078 million for the corresponding period in 2019.
- Operating income for the six months ended 30 June 2020 increased by 0.4% totalling QAR 2,559 million as compared to QAR 2,548 million for the corresponding period in 2019.

### Financial Ratios

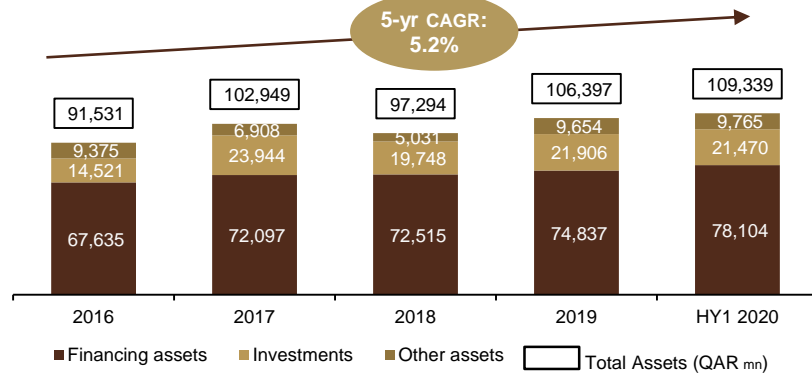
- Return on average assets of **2.01%**
- Return on average shareholders' equity of **15.93%**
- Earnings per share for the period reached **QAR 0.144**
- Book value per share reached **QAR 1.77**
- Operational Efficiency ratio is **22.65%**
- Non-performing financing (NPF) ratio of **0.94%**

# Financial Highlights & Performance

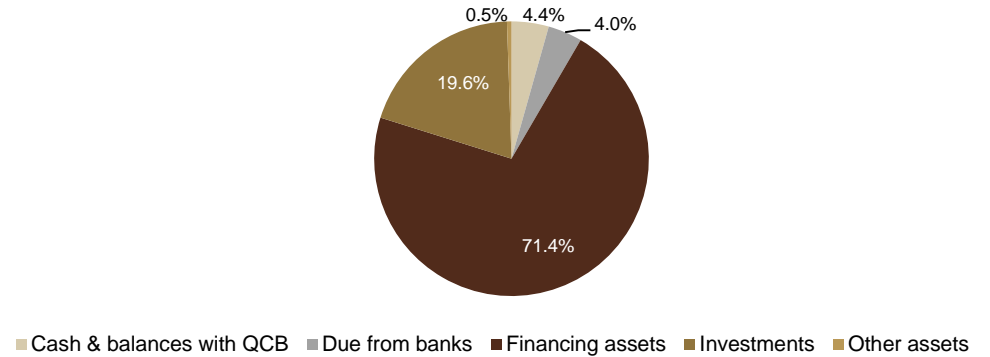
## Balance Sheet

► Financing assets have continued to grow in 2020. Investment securities continue to have high tilt towards high quality Government debt.

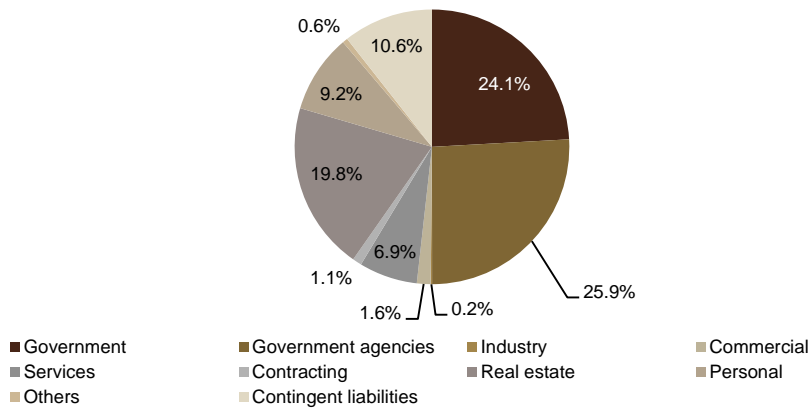
### Assets



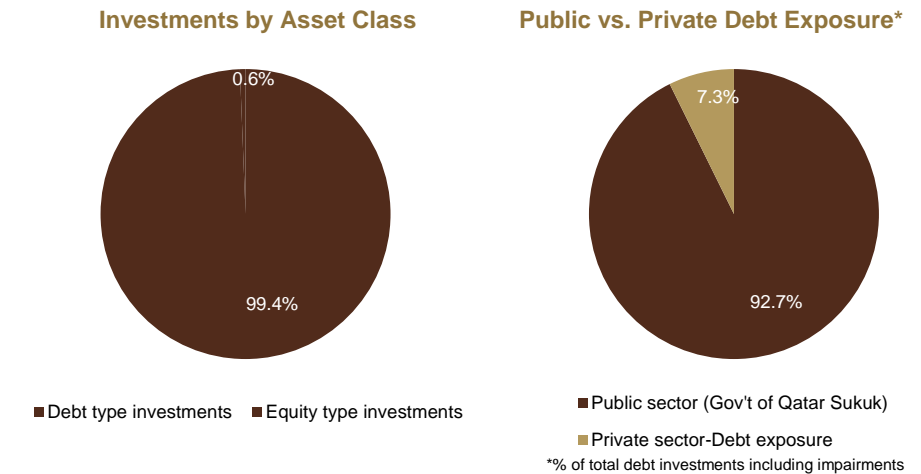
### Asset Mix – 2020



### Gross Exposure - Funded & Unfunded – 2020



### Breakdown of Investment Securities – 2020



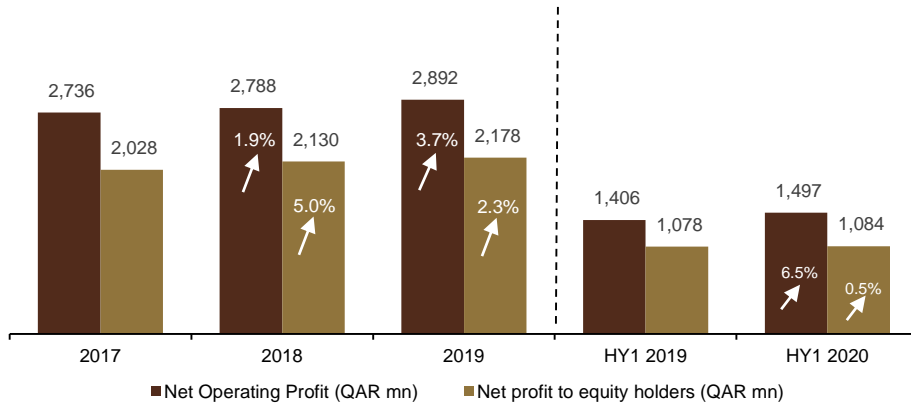


# Financial Highlights & Performance

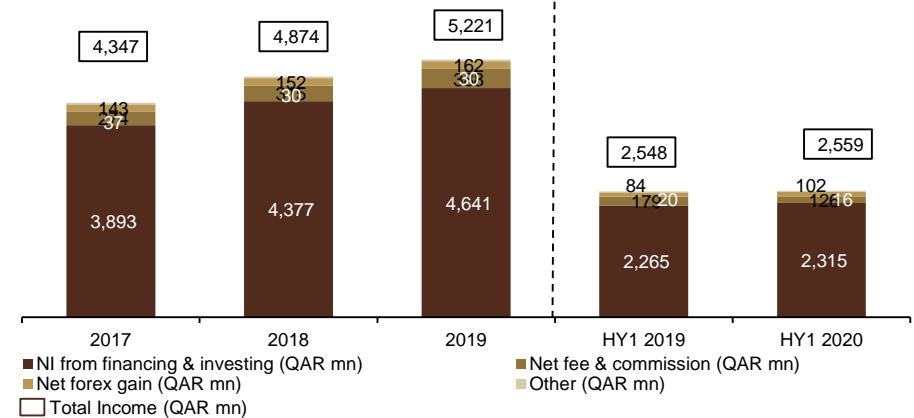
## Profitability

► Stable profitability with consistent strong cost efficiency and high return on assets and shareholders' equity

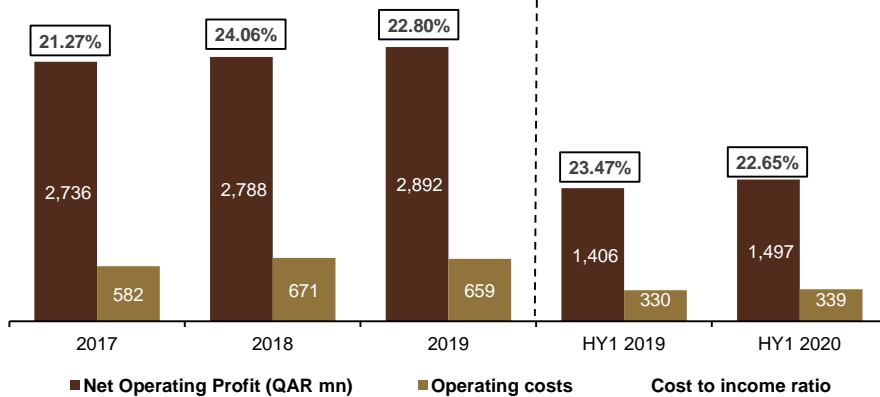
### Profitability



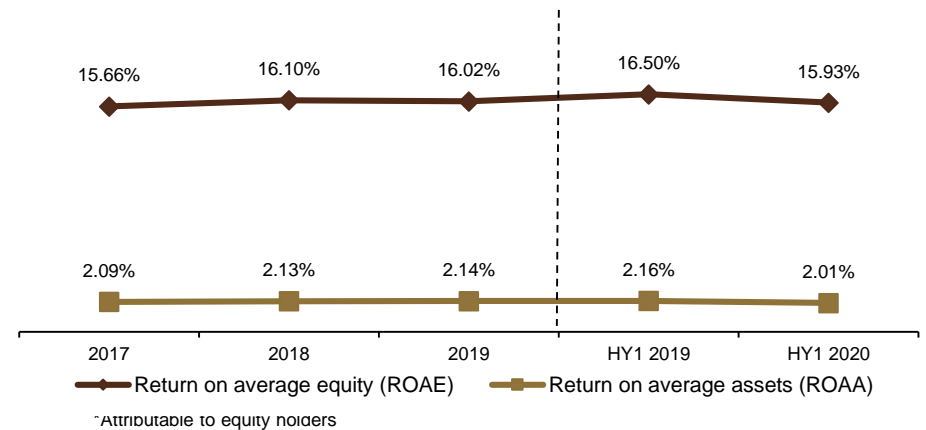
### Income Composition



### Operating Efficiency



### Return on Assets & Shareholder's Equity\*

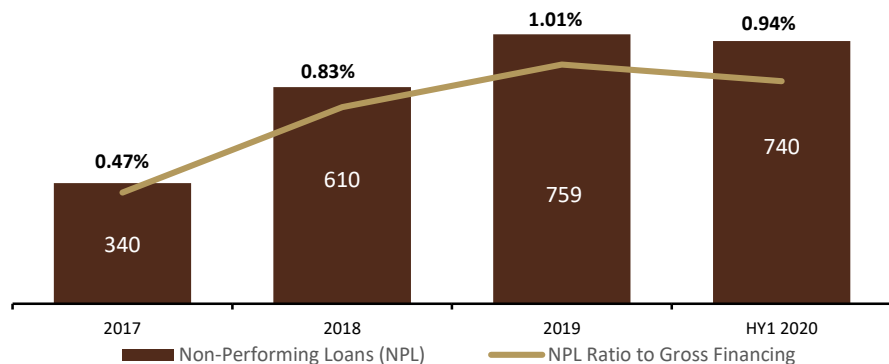


# Financial Highlights & Performance

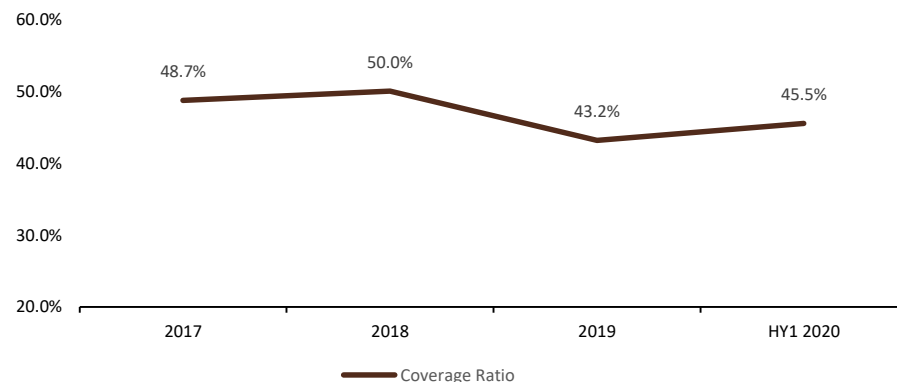
## Asset Quality

► Masraf Al Rayan's non-performing financing ratio is at 0.94% reflecting robust asset quality, prudent risk management policies and a conservative lending strategy.

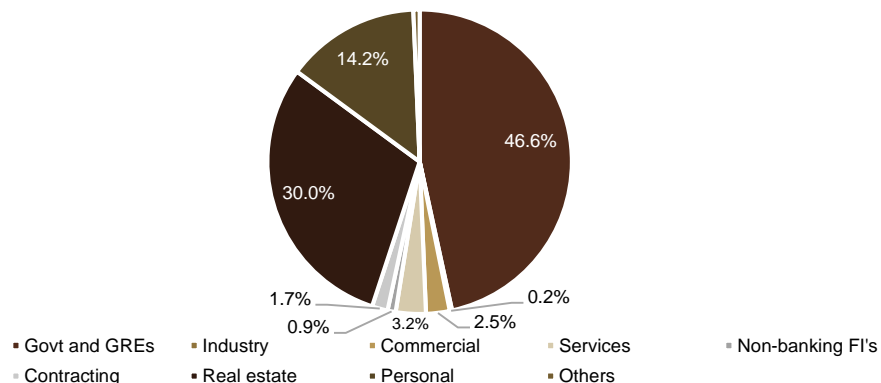
### Non-Performing Financing Assets (Stage 3)



### Non-Performing Financing Coverage Ratio (Stage 3)



### Financing Assets Breakdown by Industry – 2020



### Key Highlights

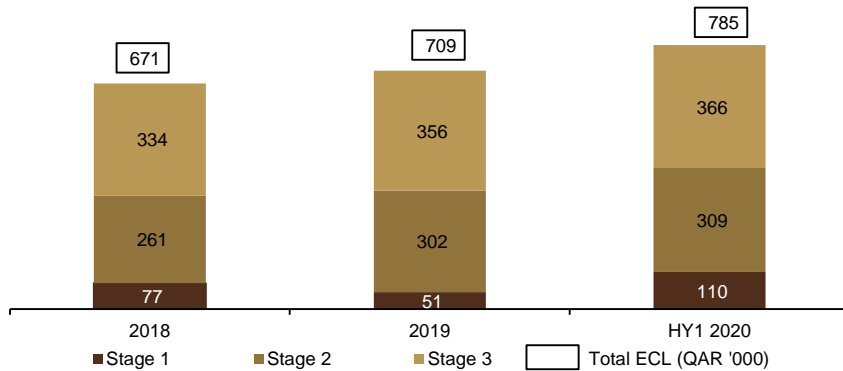
- The Bank's asset quality remains robust as indicated by a NPF ratio of 0.94% as of 30<sup>th</sup> June 2020.
- Consistently strong asset quality is driven by selective acquisition of customer base, critical credit risk evaluation and management.
- High financing exposure to government sector (46.6% as of 30<sup>th</sup> June 2020) is another contributor to maintaining good asset quality.

# Financial Highlights & Performance

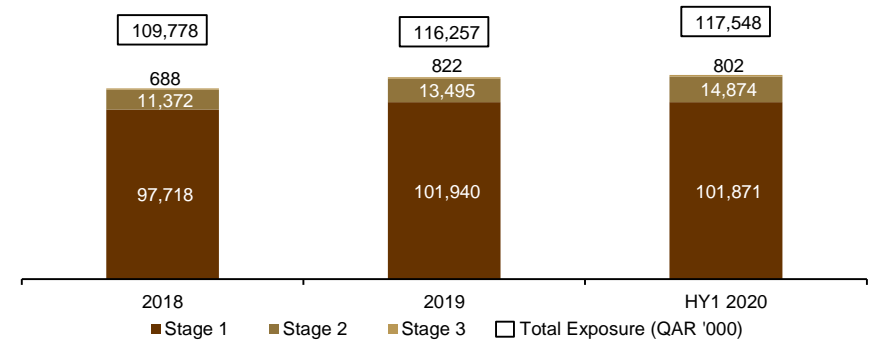
## IFRS 9 Impact

► As per QCB requirements, MAR has adopted ECL regulations from 1 January 2018.

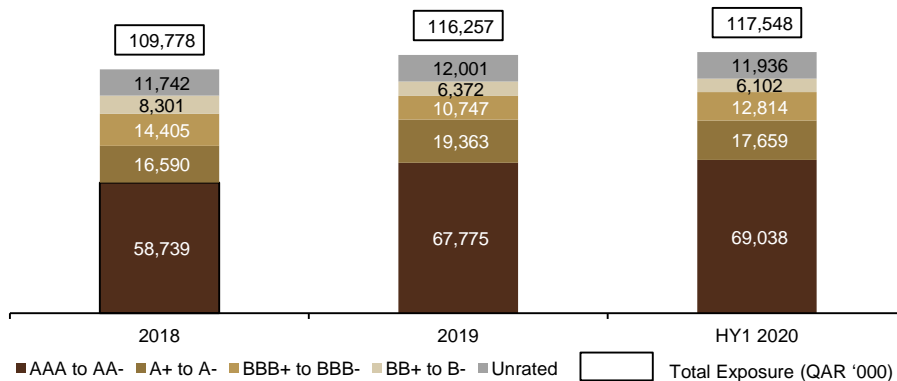
### ECL on all exposures - by Stages



### All exposures subject to ECL - by Stages



### Exposure by Rating Grade



### Key Highlights

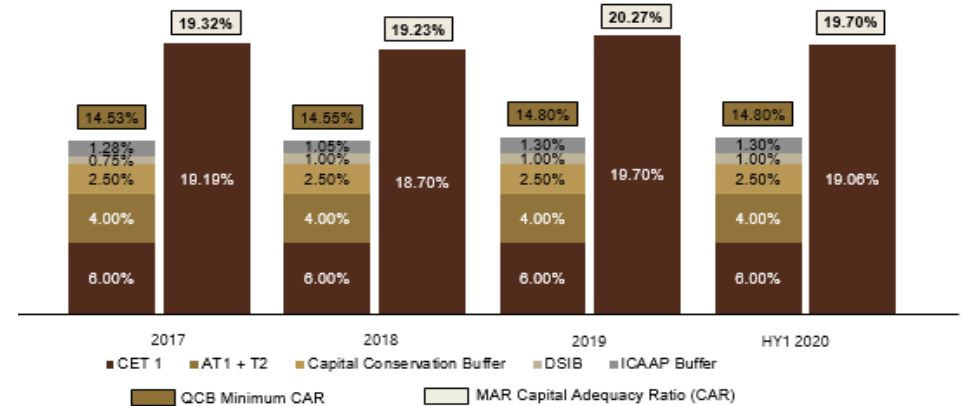
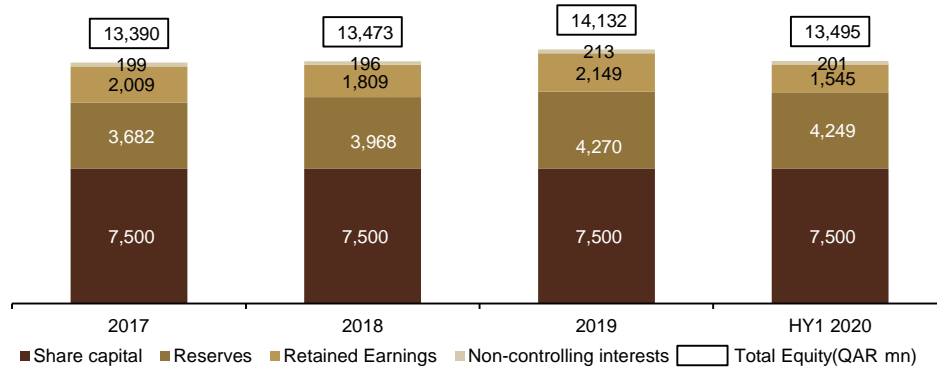
- ECL calculation was adopted by the Bank in January 2018 and adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and non-controlling interest of FY 2018
- Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition. The Bank has over 86% of the exposure classified as Stage 1 helping it reduce its overall ECL
- Around 50% of the total exposure is to the Government or Government related entities which are highly rated and carry no ECL charge

# Financial Highlights & Performance

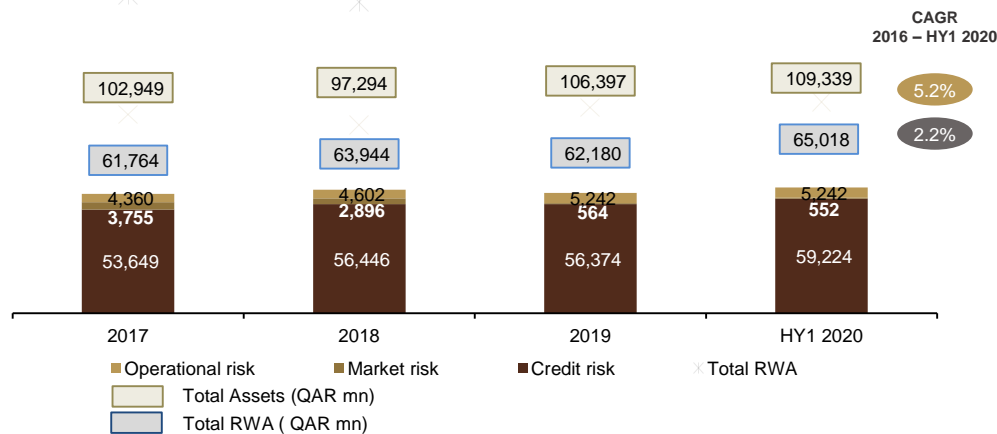
## Capital Adequacy

► Masraf Al Rayan is well capitalized with CAR exceeding the regulatory threshold indicating ample room for growth

### Total Equity Breakdown



### Risk Weighted Assets



### Key Highlights

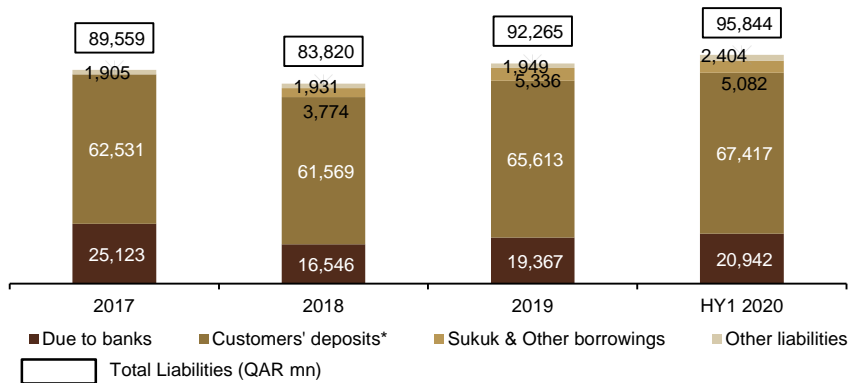
- MAR maintained a healthy capitalization level with CAR (inclusive of CET1 capital 19.06%) of 19.70% as at 30<sup>th</sup> June 2020, well above the minimum regulatory requirements of 13.50% (including ICAAP buffer: 14.80%).
- As a Domestic Systemically Important Bank (DSIB), the Bank is required to maintain an additional buffer of 1.00% as of 30<sup>th</sup> June 2020.
- Growth in risk weighted assets (2.2% CAGR for the period 2016 – Q2 2020), reaching QAR 65 bn as of 30<sup>th</sup> June 2020.
- 2016 – Q2 2020 CAGR for Assets at 5.2% vs 2.2% for RWA indicates that the Bank is focused on growing its financing book with higher quality assets.

# Financial Highlights & Performance

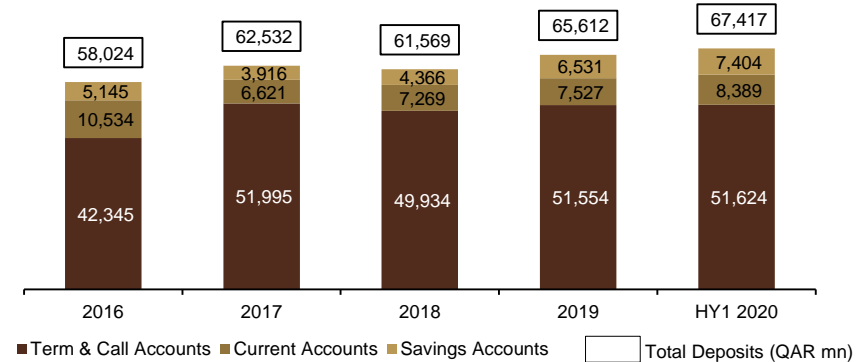
## Funding & Liquidity

- Masraf Al Rayan primarily relies on customer deposits and is seeking to diversify its funding mix as part of its strategic objective

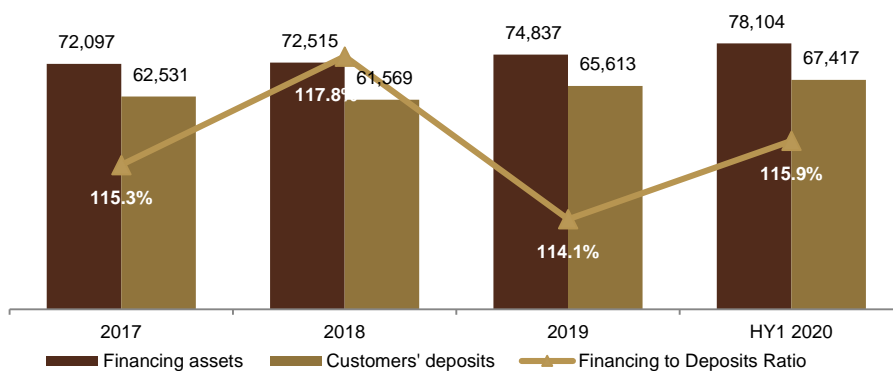
### Funding Mix



### Deposit Mix



### Financing Assets and Customer Deposits



\*Includes equity of investment account holders

### Key Highlights

- As part of its strategic initiative, MAR established a sukuk programme to diversify its funding base
- MAR's international presence also provides access to attractive funding terms on a bilateral or club deal basis, from Money Markets lines to 3-year maturity on an unsecured basis
- The Bank's USD deposit campaign targets international Money Market funds

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# Introduction to Masraf Al Rayan

## Business Overview & Segments

- ▶ For the purpose of financial reporting, the Bank provides breakdown by four segments which offer different products and services, and are managed separately based on the Bank's management and internal reporting structure

### Corporate Banking

- ▶ Core driver of the Bank's business and includes treasury operations
- ▶ Diverse range of Sharia compliant financial products and services and cash management services
- ▶ Principal products include Murabaha, Ijarah, Ijarah Muntahia Bittamleek, Musharaka and Istisna'a.
- ▶ Client base includes banks and FIs, Govt. and GREs, large corporates and small and medium enterprises

### Retail Banking

- ▶ Diverse range of Sharia compliant retail banking products and services
- ▶ Wide network of branches and ATMs, as well as alternative distribution channels (internet banking, mobile banking and telephone banking)
- ▶ Private Banking segment focuses on providing a high-quality service to high net worth individuals in Qatar and abroad

### Asset Management and Financial Advisory

- ▶ Represents contribution from the Bank's fully-owned investment banking arm, Al Rayan Investment LLC (ARI);
- ▶ ARI has three business segments: (i) Asset Management (ii) Financial Advisory and (iii) Strategic Investments
- ▶ ARI's strategy is to provide investment products and services to meet clients' needs
- ▶ Assets under management (AUM) of over USD 898mn\*\*

### International Operations

- ▶ Represents contribution from the Bank's international locations mainly the Bank's UK based subsidiary, Al Rayan Bank PLC
- ▶ Al Rayan Bank PLC is the oldest and largest Sharia Compliant Retail Bank in the UK
- ▶ Al Rayan Bank PLC services over 85,000 personal, business and premier customers and currently has branches strategically located across the UK

	2019		HY1 2020	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	69,983	66.6%	72,633	67.3%
<b>Total Revenue</b>	3,557	68.5%	1,666	65.5%
<b>Profit Before Tax</b>	1,792	68.0%	822	62.0%

	2019		HY1 2020	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	23,697	22.5%	24,662	22.9%
<b>Total Revenue</b>	1,241	23.9%	688	27.0%
<b>Profit Before Tax</b>	786	29.8%	481	36.3%

	2019		HY1 2020	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	683	0.7%	679	0.6%
<b>Total Revenue</b>	51	1.0%	28	1.1%
<b>Profit Before Tax</b>	28	1.1%	16	1.2%

	2019		HY1 2020	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	10,743	10.2%	9,876	9.2%
<b>Total Revenue</b>	342	6.6%	162	6.4%
<b>Profit Before Tax</b>	30	1.1%	6	0.4%

\*Excludes unallocated assets, liabilities and revenues related to some central functions and non-core business functions which accounted for 1.4% of total assets as at Q2-2020 and 1.2% of total assets as at FY 19

\*\*As of 31<sup>st</sup> May 2020

Source: Bank's financial statements

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# Historical Financials

## Consolidated Income Statement

QAR mn	2017	2018	2019	HY1 2019	HY1 2020
Net income from financing activities	3,101	3,539	3,710	1,823	1,832
Net income from investing activities	792	838	931	442	482
<b>Total Net Income from Financing and Investing Activities</b>	<b>3,893</b>	<b>4,377</b>	<b>4,641</b>	<b>2,265</b>	<b>2,315</b>
Fee and commission income	279	319	391	180	127
Fee and commission expense	(5)	(4)	(3)	(1)	(1)
<b>Net Fee and Commission Income</b>	<b>274</b>	<b>315</b>	<b>388</b>	<b>179</b>	<b>126</b>
Net foreign exchange gain	143	152	162	84	102
Share of results of associates	28	22	20	15	12
Gain on sale of investment in an associate	-	-	-	-	-
Other income	9	8	10	5	3
<b>Total Income</b>	<b>4,347</b>	<b>4,874</b>	<b>5,221</b>	<b>2,548</b>	<b>2,559</b>
Staff costs	(328)	(375)	(395)	(193)	(193)
Depreciation	(17)	(15)	(18)	(9)	(12)
Other expenses	(233)	(279)	(246)	(124)	(134)
Finance expense	(495)	(760)	(838)	(433)	(374)
<b>Total Expenses</b>	<b>(1,073)</b>	<b>(1,429)</b>	<b>(1,497)</b>	<b>(759)</b>	<b>(713)</b>
Net reversal of impairment losses on due from banks	-	-	-	0	0
Net recoveries/(impairment losses) on financing assets	(108)	15	(55)	6	(76)
Net impairment losses on investment securities	(6)	(9)	(1)	(1)	(11)
Net reversal / (impairment losses) on off balance sheet exposures subject to credit risk	-	16	11	1	14
<b>Profit for the Period before Return to Investment Account Holders</b>	<b>3,160</b>	<b>3,467</b>	<b>3,679</b>	<b>1,795</b>	<b>1,773</b>
Less: Return to investment account holders	(1,115)	(1,326)	(1,491)	(709)	(688)
<b>Profit for the Period before Tax</b>	<b>2,045</b>	<b>2,141</b>	<b>2,188</b>	<b>1,085</b>	<b>1,085</b>
Tax (expense) credit	(5)	(2)	(1)	(3)	0
<b>Net Profit for the Period</b>	<b>2,040</b>	<b>2,139</b>	<b>2,187</b>	<b>1,082</b>	<b>1,086</b>

# Historical Financials

## Consolidated Statement of Financial Position

QAR mn	2017	2018	2019	HY1 2019	HY1 2020
Cash and Balances with Qatar Central Bank	2,800	3,027	3,123	3,405	4,789
Due from Banks	3,312	1,513	6,035	3,358	4,397
Financing Assets	72,097	72,515	74,837	74,800	78,104
Investment Securities	23,423	19,222	21,379	19,967	20,931
Investment in Associates	520	526	527	529	539
Fixed assets	160	189	228	201	258
Other assets	636	302	267	284	321
<b>Total Assets</b>	<b>102,949</b>	<b>97,294</b>	<b>106,397</b>	<b>102,543</b>	<b>109,339</b>
Due to banks	25,123	16,546	19,367	18,881	20,942
Customer current accounts	6,621	7,269	7,527	7,265	8,389
Sukuk Financing	-	1,721	3,334	1,618	3,264
Other Borrowings	-	2,053	2,002	1,818	1,818
Other liabilities	1,905	1,931	1,949	2,756	2,404
<b>Total Liabilities</b>	<b>33,649</b>	<b>29,520</b>	<b>34,179</b>	<b>32,338</b>	<b>36,816</b>
<b>Equity of Investment Account holders</b>	<b>55,910</b>	<b>54,300</b>	<b>58,086</b>	<b>57,147</b>	<b>59,028</b>
Share Capital	7,500	7,500	7,500	7,500	7,500
Legal Reserve	2,066	2,279	2,497	2,279	2,497
Risk Reserve	1,508	1,575	1,636	1,575	1,636
Fair value reserve	3	10	24	14	11
Foreign currency translation reserve	(8)	(14)	(10)	(14)	(19)
Other reserves	113	119	123	119	123
Retained earnings	2,009	1,809	2,149	1,387	1,545
<b>Total Equity Attributable to Equity Holders of the Bank</b>	<b>13,191</b>	<b>13,278</b>	<b>13,919</b>	<b>12,859</b>	<b>13,294</b>
Non-Controlling interest	199	196	213	199	201
<b>Total Owners' Equity</b>	<b>13,390</b>	<b>13,474</b>	<b>14,132</b>	<b>13,058</b>	<b>13,494</b>
<b>Total Liabilities, Equity of Investment Account Holders and Owners' Equity</b>	<b>102,949</b>	<b>97,294</b>	<b>106,397</b>	<b>102,543</b>	<b>109,339</b>

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# Operating Environment

## Qatar at a Glance

### Snapshot of Qatar

#### Economic Fundamentals

- Largest exporter of LNG with a global market share of 22%<sup>(1)</sup>
- 3<sup>rd</sup> largest gas reserves in the world (c.12% of world's total)<sup>(2)</sup>
- Largest exporter of LNG for over a decade<sup>(1)</sup>

#### Rating

- Rated Aa3 (Moody's) and AA- (S&P & Fitch) with stable outlook in 2020 based on Qatar's high income and vast hydrocarbon reserves as well as its continued macroeconomic resilience in the face of the regional blockade

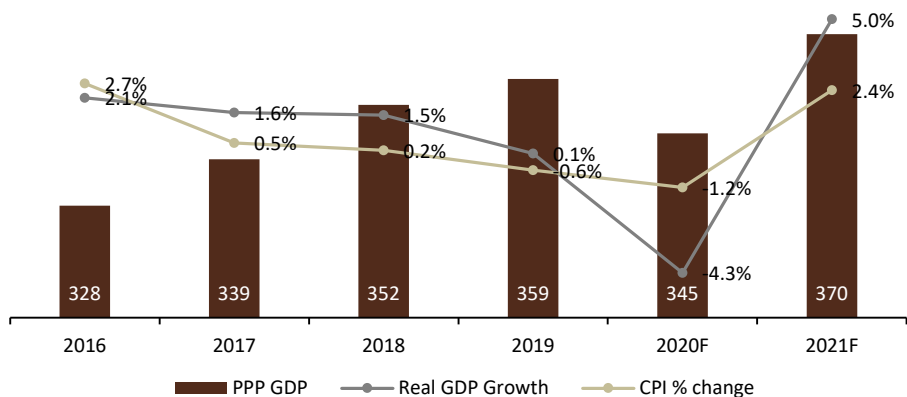
#### Outlook

- Major projects (43% of 2020 budgeted expenditure QAR 211 bn) with focus on infrastructure spending to drive growth
- LNG capacity expansion from 77 mtpa to 126 mtpa (64% increase) by 2027

(1) Source: IGU LNG Report – 2020 Edition

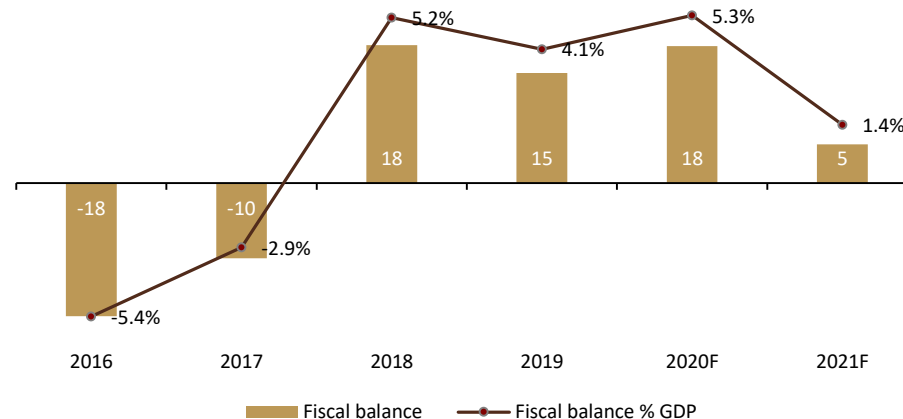
(2) Source: BP Statistical Review of World Energy – 2020

### PPP GDP (USDbn), Real GDP Growth, and Inflation



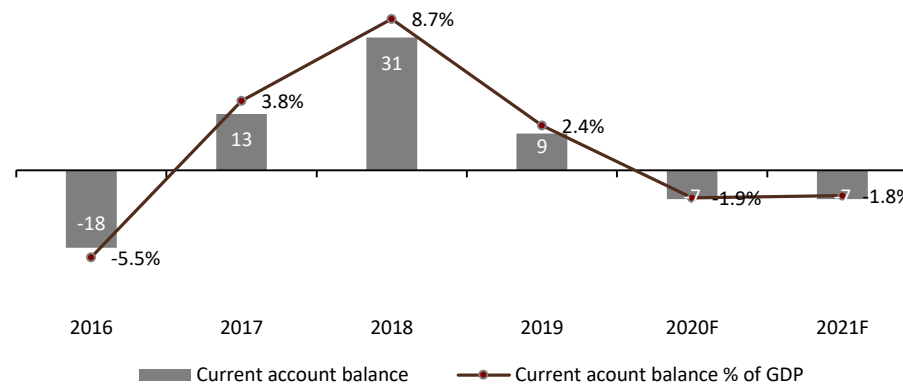
Source: IMF World Economic Database April 2020

### Fiscal Balance (USDbn)



Source: IMF World Economic Database April 2020

### Current account balance (USDbn)



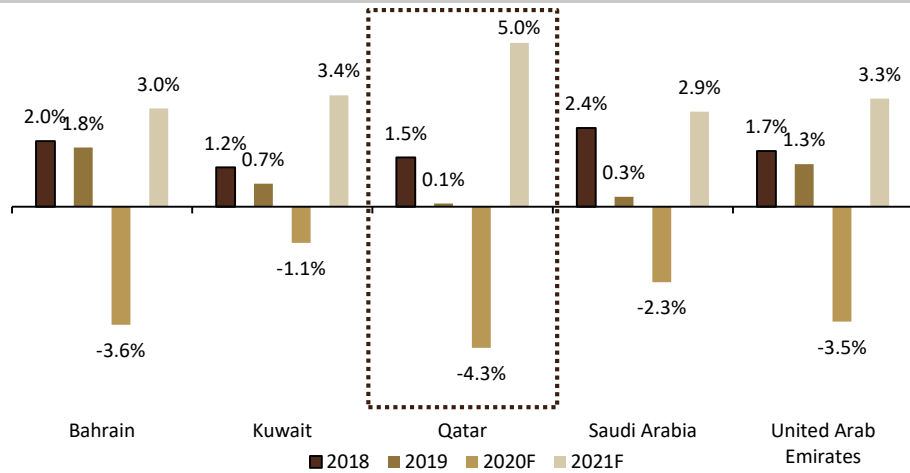
Source: IMF World Economic Database April 2020



# Operating Environment

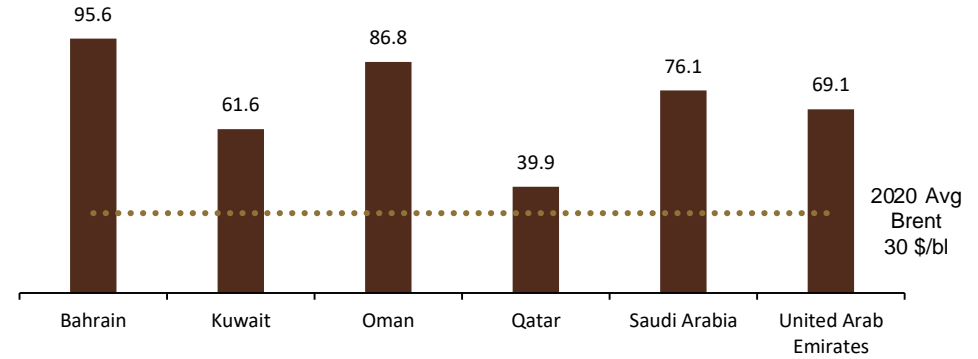
## Qatar vs Other GCC Countries

### Real Gross Domestic Product (GDP) Growth of GCC



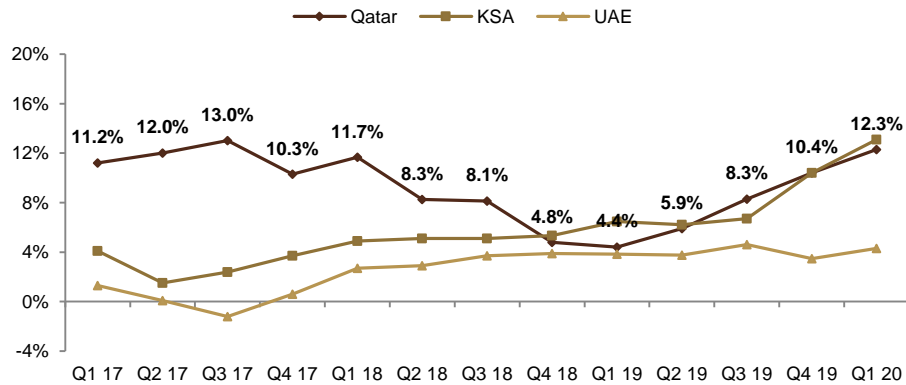
Source: IMF Data Mapper World Economic Database April 2020

### Fiscal Breakeven Oil Price, 2020 Projections (USD / barrel)



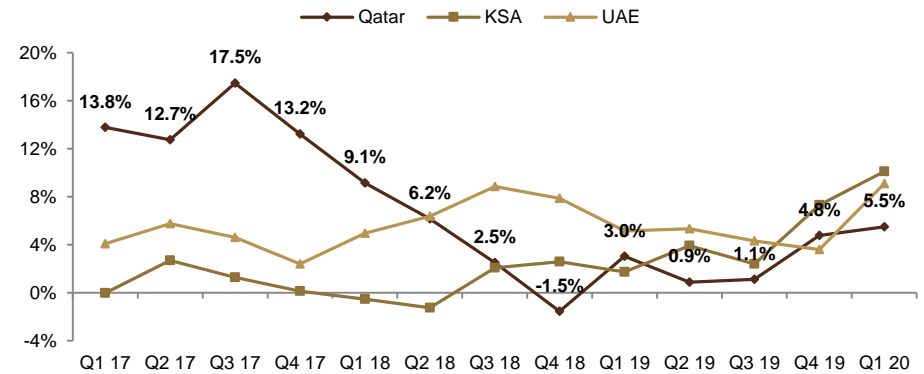
Source: IMF, Statistical Appendix 2020

### Commercial Banks' Total Loans Growth (YOY)



Source: Central bank (Qatar, KSA, U.A.E)

### Commercial Banks' Deposit Growth (YOY)



Source: Central bank (Qatar, KSA, U.A.E)