



# Investor Presentation

30 September 2019

## 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 (29.3% market share)
- 4<sup>th</sup> largest listed Qatari banks by total assets (6.7% market share)

#### Public Listing

- Ordinary shares listed on the Qatar Stock Exchange
- 3<sup>rd</sup> largest bank in Qatar by market capitalization (QAR 28.4 bn)

#### Rating

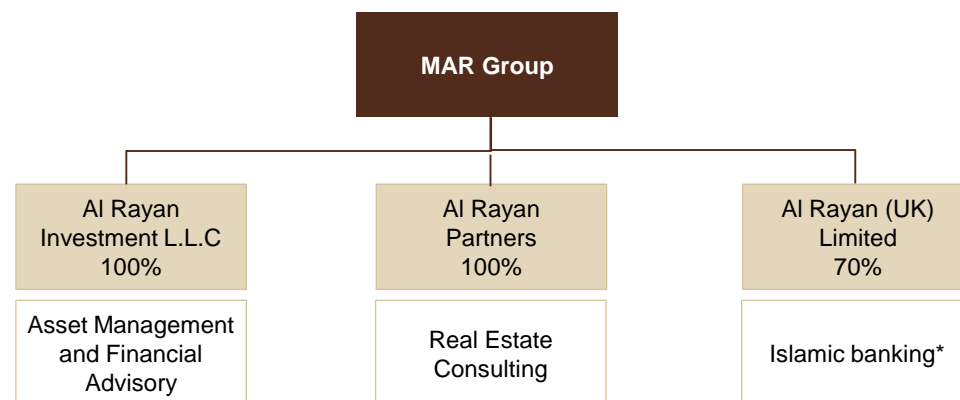
- MAR's credit rating re-affirmed at A1
- Outlook changed from negative to stable in July 2018 in a wider rating action for 10 Qatari banks

Source: Qatar Central Bank, Qatar Exchange, Bloomberg

### Branch Network



### Subsidiaries



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

\*As of 31 Dec 2018 the Bank also owns 100% stake in AI Rayan Financial Brokerage ("ARFB"), MAR Sukuk Ltd. and Lusail Waterfront Investment Co. However, operations of ARFB ceased since 12-Jan-2017

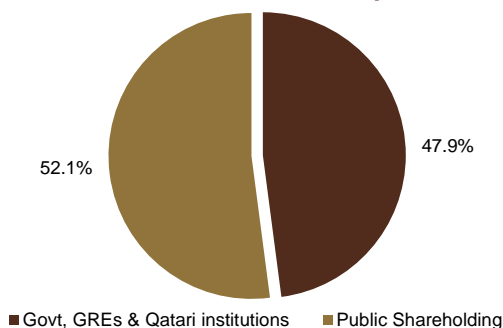
# Introduction to Masraf Al Rayan

## Ownership Structure and Credit Rating

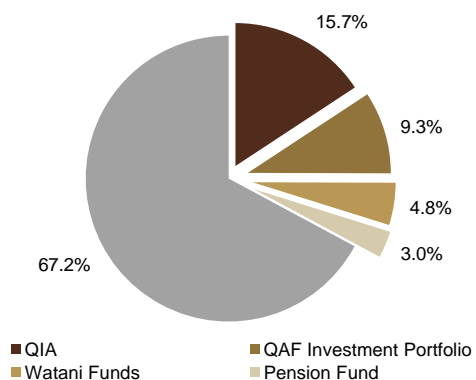
### Shareholding Structure

- Government, government related entities and other Qatari institutional investors hold approx. 47.9% of MAR's shares
- Considering both direct and indirect interest, significant shareholders comprised of QIA (15.7%) and Qatar Armed Forces Portfolio (9.3%)

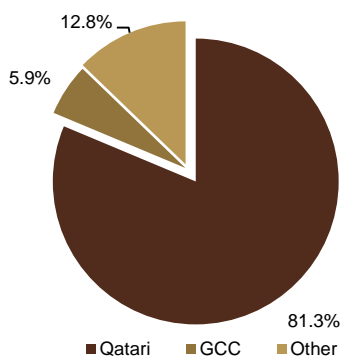
Govt., GRE & Qatari Institutions vs Public Ownership



Major Shareholders



Shareholders by Nationality



Source: QCSD, QSE Trading Report – Ownership Summary 30-Jun-2019

### Credit Rating

- Long-term and short-term foreign currency and local currency issuer ratings: **A1/Stable**
- 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: 49%
- Market cap: QAR 28.3 bn
- Valuation multiples: P/E - 12.39; P/B - 2.06

# Introduction to Masraf Al Rayan

## 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



**Dr. Hussain Ali Al Abdulla**

**Other positions:**

- Minister of State & Board Member - QIA
- Board Member - Qatar Supreme Council for Economic Affairs and Investment
- Board Member - Gulf Investment Corporation (Kuwait)
- Board Member - Volkswagen (Germany)

### 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), President - General Retirement and Social Insurance Authority

**Sheikh Nasser Bin Hamad Al Thani**

*Board Member*

- *Select other roles:* Board Member - Starlink, Board Member - Ooredoo (Algeria and Kuwait), Chief New Business Officer - Ooredoo (Qatar)

**Dr. Menahi Khalid M. A. Al Hajri**

*Board Member*

- *Select other roles:* Director of Preventive Security Directorate - Ministry of Interior of the State of Qatar

**Mr. Sheikh Ali Bin Jassim M Al-Thani**

*Board Member*

- *Select other roles:* Board Member - Nakilat

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

*Board Member*

- *Select other roles:* Acting Chairman of Financial Affairs Authority - Qatar Armed Forces, Board Member - United Development Company

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

*Board Member*

- *Select other roles:* Vice Chairman of Insurance Committee - Qatar Chamber, Board Member - Qatar Business Council

**H. E. Sheikh Faisal Bin Saud Al-Thani**

*Board Member*

- *Select other roles:* Acting Director of Industrial Portfolio - Qatar Investment Authority, Chairman - Sadeem Technology Company

**Mr. Sheikh Khalifa Bin Thani Bin Abdulla Al Thani**

*Board Member*

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**2. Financial Highlights and Performance**



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5. Overview of Qatar

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# Financial Highlights and Performance

## Summary

### Balance Sheet

- Total assets reached QAR 105,050 million compared to QAR 97,294 million on 31 December 2018, an increase of 8.0%
- Financing activities increased to QAR 75,563 million compared to QAR 72,515 million on 31 December 2018, an increase of 4.2%
- Investments increased to QAR 21,343 million compared to QAR 19,748 million on 31 December 2018, an increase of 8.1%
- Customer deposits totaled QAR 67,017 million compared to QAR 61,569 million on 31 December 2018, an increase of 8.8%

### Income statement

- Net profit totalled QAR 1,653 million for the nine months ended 30 September 2019, compared to QAR 1,632 million for the corresponding period in 2018.
- Operating income for the period ended 30 September 2019 increased by 6.4% totalling QAR 3,896 million as compared to QAR 3,662 million for the same period in 2018.

### Financial Ratios

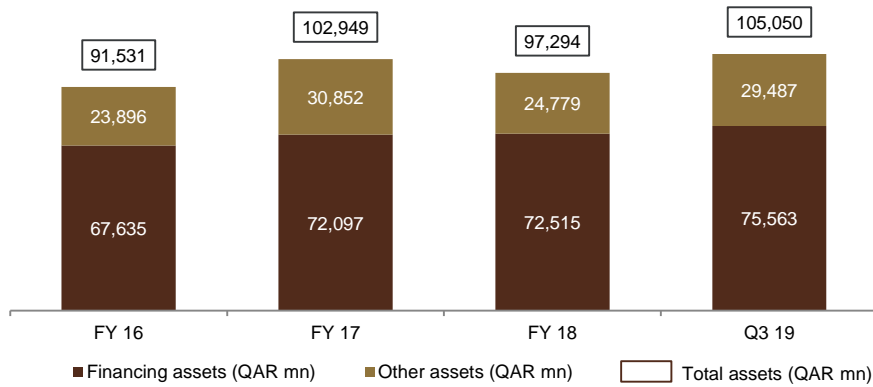
- Return on average assets of **2.18%**
- Return on average shareholders' equity of **16.51%**
- Earnings per share for the period reached **QAR 0.220**
- Book value per share reached **QAR 1.79**
- Operational Efficiency ratio is **23.61%**.

# Financial Highlights and Performance

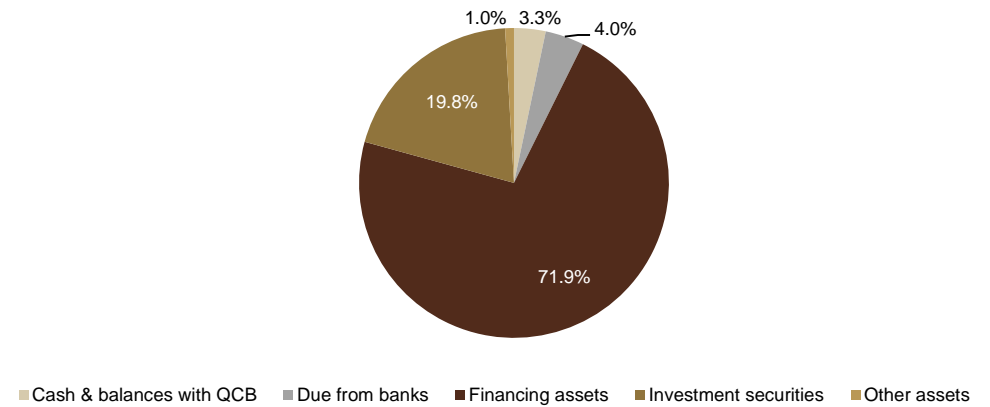
## Balance Sheet

► Financing assets have continued to grow in Q3 19. Investment securities continue to have high tilt towards high quality Government debt.

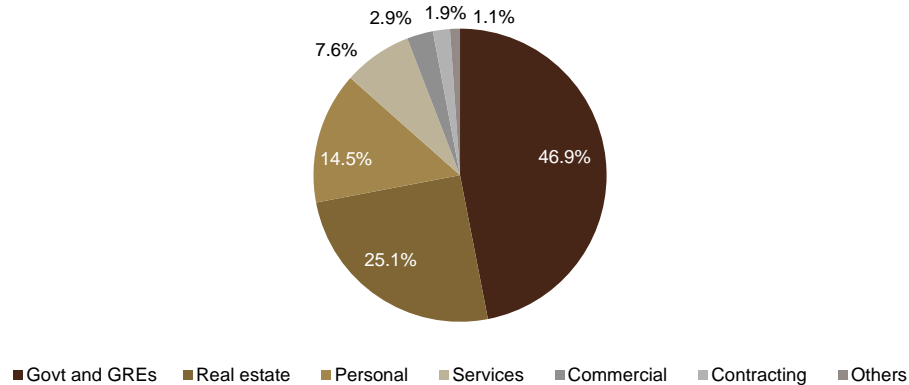
### Assets



### Asset Mix - Q3 19

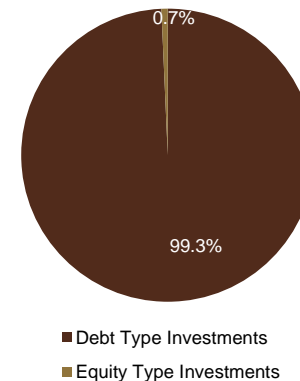


### Financing Assets Breakdown by Industry - Q3 19

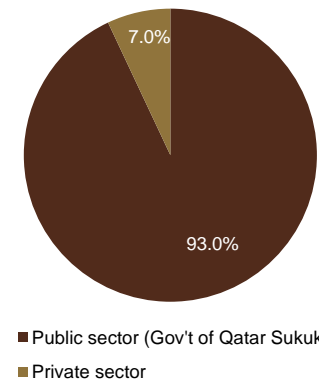


### Breakdown of Investment Securities - Q3 19

#### Investments by Asset Class



#### Public vs. Private Debt Exposure\*



\*% of total debt investments including impairments

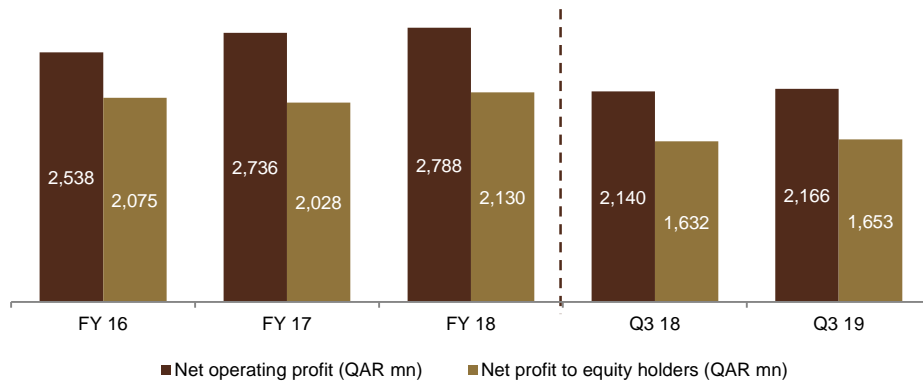


# Financial Highlights and Performance

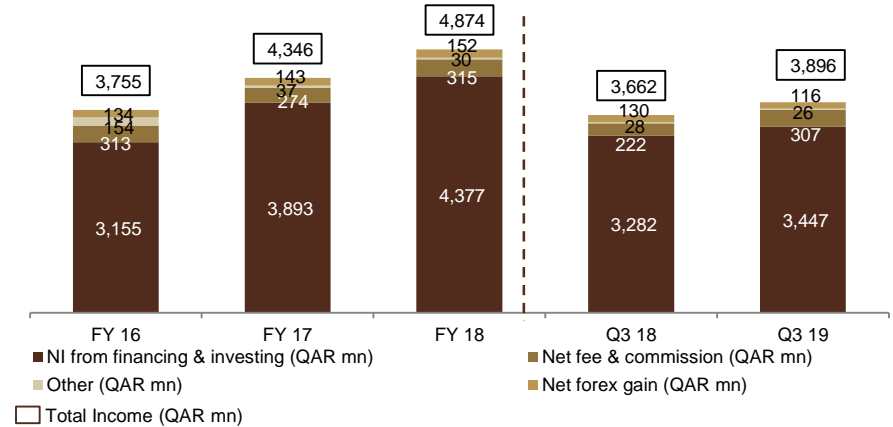
## Profitability

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

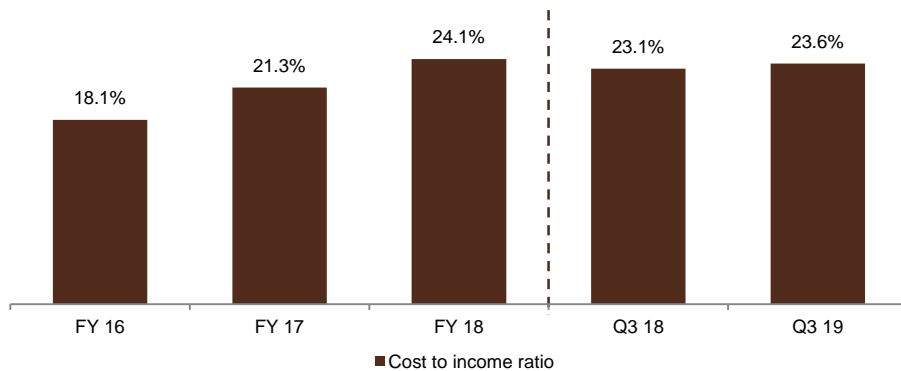
### Profitability



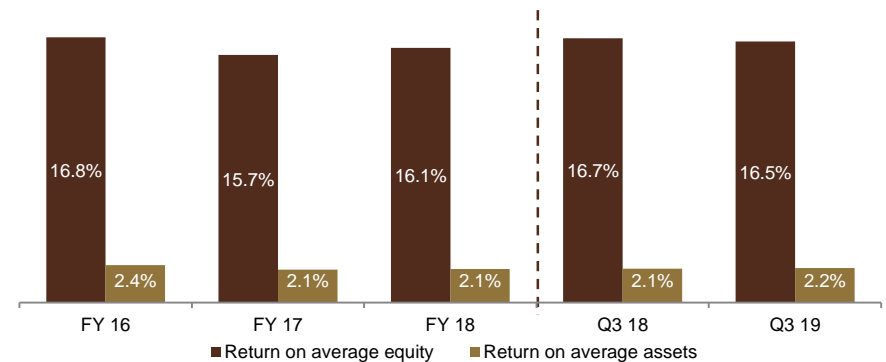
### Income Composition



### Operating Efficiency



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



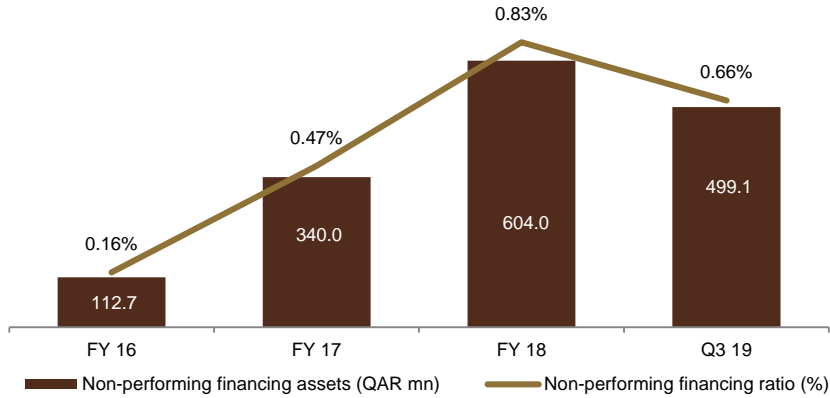
\*Attributable to equity holders

# Financial Highlights and Performance

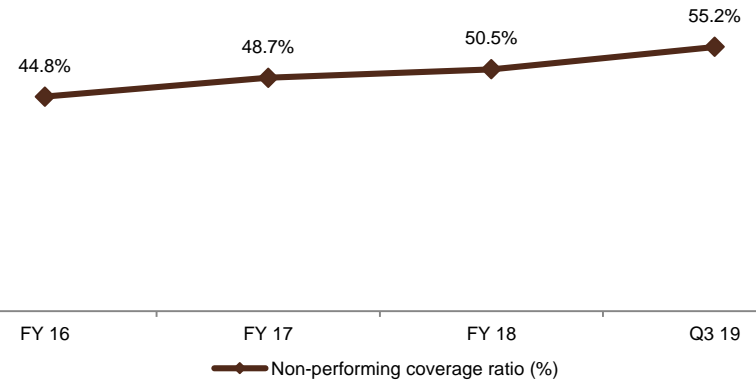
## Asset Quality

► Masraf Al Rayan's non-performing financing ratio remains below 1% (one of the lowest globally and the lowest in Qatar) reflecting robust asset quality, prudent risk management policies and a conservative lending strategy

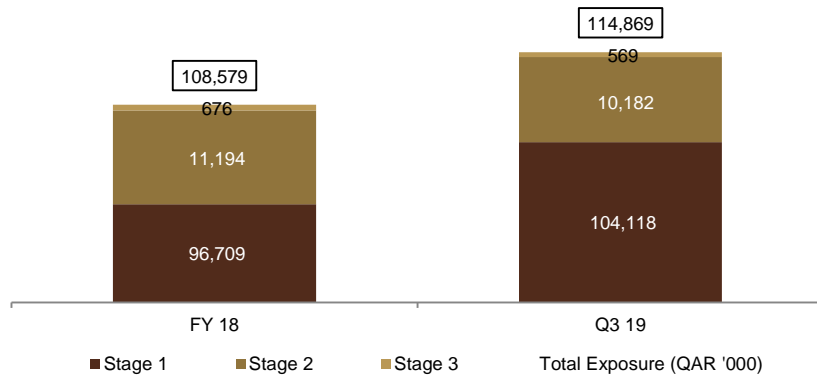
### Non-Performing Financing Assets



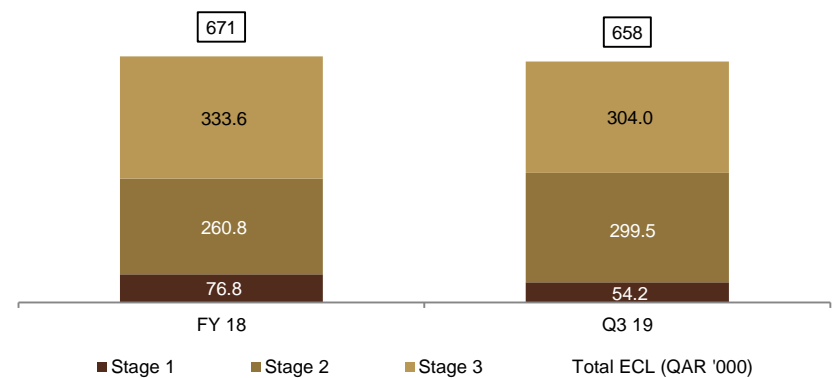
### Non-Performing Financing Coverage Ratio



### Exposure by Stages



### ECL by Stages

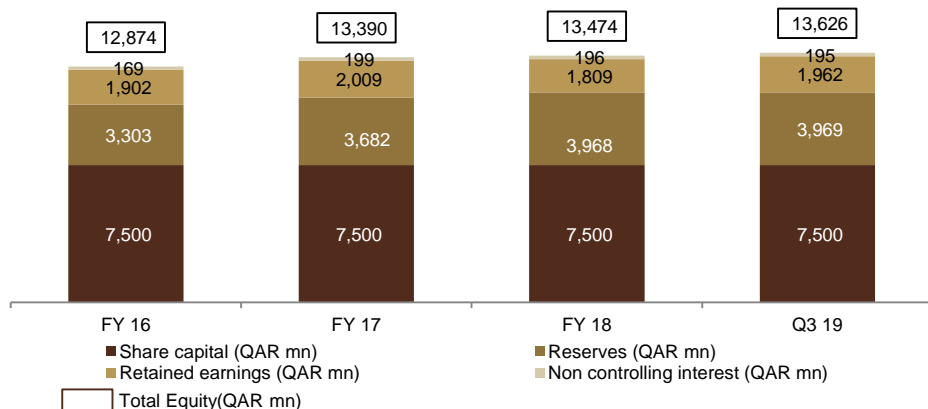


# Financial Highlights and Performance

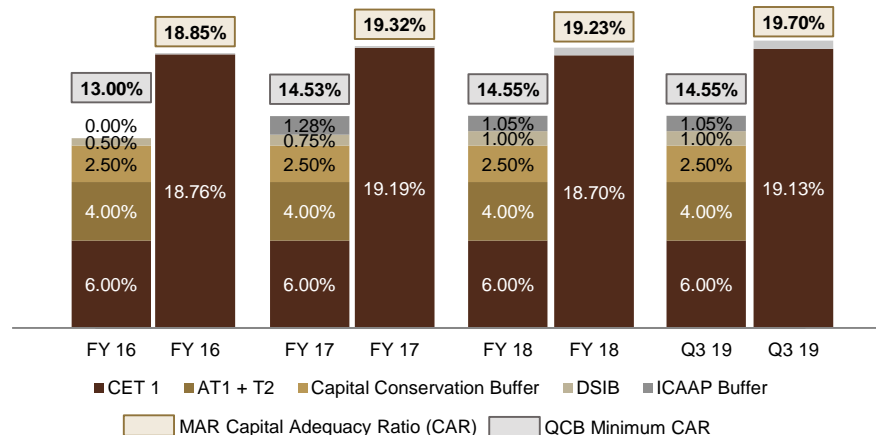
## Capital Adequacy

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

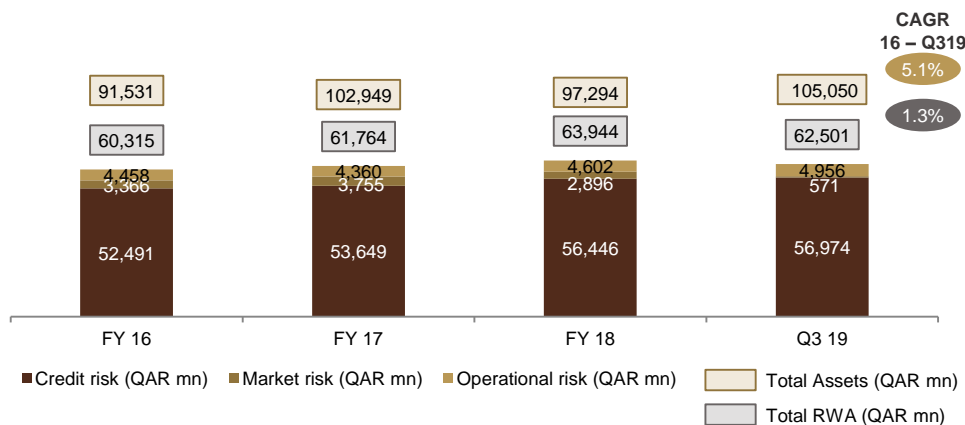
### Total Equity Breakdown



### Overview of the Bank's Capitalisation Levels



### Risk Weighted Assets



### Key Highlights

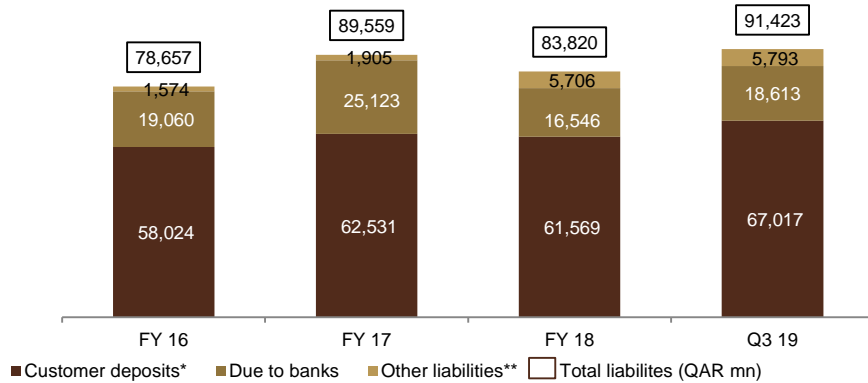
- MAR maintained a healthy capitalization level with CAR (inclusive of CET1 capital 19.13%) of 19.70% as at Q3 19, well above the minimum regulatory requirements of 13.50%, and with the ICAAP buffer it is 14.55%.
- As a Domestic Systemically Important Bank (DSIB), the Bank is required to maintain an additional buffer of 1.00% as of Q319.
- Growth in risk weighted assets (4.1% CAGR for the period FY 14 – 18), reaching QAR 62.5 bn as of Q3 19.
- FY16-Q319 CAGR for Assets at 5.1% vs 1.3% for RWA indicates that the Bank is focused on growing its financing book with higher quality assets

# Financial Highlights and Performance

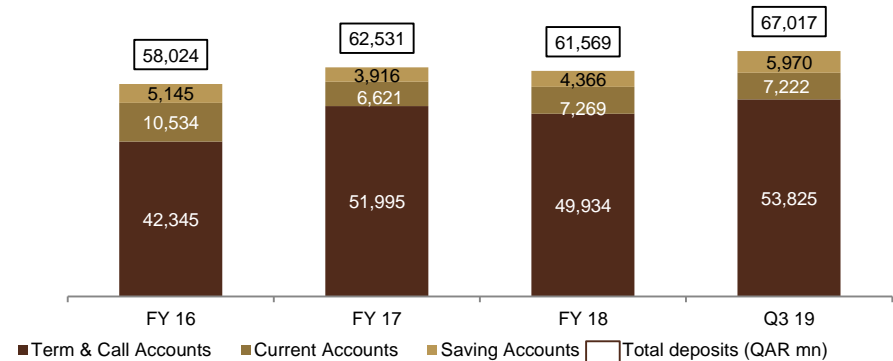
## Funding & Liquidity

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

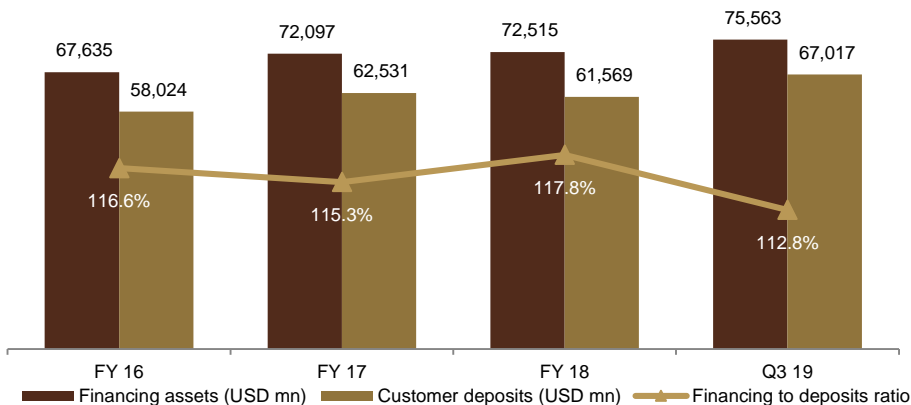
### Funding Mix



### Deposit Mix



### Financing Assets and Customer Deposits



### Key Highlights

- As part of its strategic initiative, MAR established a sukuk programme to diversify its funding base
- In 2018, the group successfully issued sukuk (USD 190 mn) via private placements and GBP 250 mn via Tolkien funding sukuk
- 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

\*Includes equity of investment account holders

\*\*Includes sukuk financing in the amount of QAR 1.6 bn (USD 190 mn private placement and GBP 191 mn Tolkien Funding), other borrowing USD floating rate syndications QAR 2.0bn and other liabilities QAR 2.2 bn as of Q3 19

Source: Bank's financial statements

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# Business Overview

## Business 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



	FY 18		Q3 19	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	67,055	68.9%	70,314	66.9%
<b>Total Revenue</b>	3,451	70.8%	2,683	68.9%
<b>Profit Before Tax</b>	1,769	82.6%	1,402	84.4%

### 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



	FY 18		Q3 19	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	19,029	19.6%	23,150	22.0%
<b>Total Revenue</b>	1,032	21.2%	898	23.1%
<b>Profit Before Tax</b>	780	36.4%	565	34.0%

### 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 QAR 3.1bn



	FY 18		Q3 19	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	643	0.7%	677	0.6%
<b>Total Revenue</b>	49	1.0%	37	1.0%
<b>Profit Before Tax</b>	26	1.2%	19	1.1%

### 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



	FY 18		Q3 19	
	QAR mn	% of Total*	QAR mn	% of Total*
<b>Total Assets</b>	9,130	9.4%	9,693	9.2%
<b>Total Revenue</b>	312	6.4%	250	6.4%
<b>Profit Before Tax</b>	30	1.4%	19	1.2%

\*Excludes unallocated assets, liabilities and revenues related to some central functions and non-core business functions which accounted for 1.5% of total assets as at FY 18 and 1.2% of total assets as at Q3 19  
Source: Bank's financial statements



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# Historical Financials

## Consolidated Income Statement

<i>QAR mn</i>	FY 16	FY 17	FY 18	Q3 18	Q3 19
Net income from financing activities	2,620.6	3,100.7	3,538.6	2,650.7	2,771.9
Net income from investing activities	533.9	792.0	838.2	631.0	674.7
<b>Total Net Income from Financing and Investing Activities</b>	<b>3,154.5</b>	<b>3,892.7</b>	<b>4,376.9</b>	<b>3,281.7</b>	<b>3,446.5</b>
Fee and commission income	314.3	278.6	318.7	226.7	308.1
Fee and commission expense	(1.8)	(4.9)	(3.6)	(4.4)	(1.4)
<b>Net Fee and Commission Income</b>	<b>312.5</b>	<b>273.7</b>	<b>315.1</b>	<b>222.3</b>	<b>306.7</b>
Net foreign exchange gain	133.9	142.5	152.5	130.2	116.3
Share of results of associates	52.4	28.2	21.9	21.9	19.8
Gain on sale of investment in an associate	93.1	-	-	0.0	0.0
Other income	8.6	9.2	7.9	5.9	6.2
<b>Total Income</b>	<b>3,755.0</b>	<b>4,346.3</b>	<b>4,874.3</b>	<b>3,662.1</b>	<b>3,895.6</b>
Staff costs	(284.9)	(327.7)	(374.6)	(277.5)	(291.4)
Depreciation	(16.3)	(16.9)	(14.6)	(11.1)	(10.8)
Other expenses	(161.5)	(232.6)	(279.3)	(203.8)	(207.4)
Finance expense	(356.4)	(494.8)	(759.9)	(571.3)	(634.1)
<b>Total Expenses</b>	<b>(819.1)</b>	<b>(1,072.0)</b>	<b>(1,428.3)</b>	<b>(1,063.7)</b>	<b>(1,143.7)</b>
Net reversal of impairment losses on due from banks	-	-	0.4	0.3	0.3
Net recoveries/(impairment losses) on financing assets	(1.6)	(107.8)	14.6	(1.7)	0.4
Net impairment losses on investment securities	(1.1)	(5.6)	(9.0)	(10.2)	0.5
Net reversal of impairment losses on off balance sheet exposures subject to credit risk	-	-	16.1	5.4	3.5
<b>Profit for the Period before Return to Investment Account Holders</b>	<b>2,933.3</b>	<b>3,160.9</b>	<b>3,468.1</b>	<b>2,592.2</b>	<b>2,756.7</b>
Less: Return to investment account holders	(860.9)	(1,115.4)	(1,326.1)	(950.4)	(1,095.6)
<b>Profit for the Period before Tax</b>	<b>2,072.4</b>	<b>2,045.5</b>	<b>2,141.9</b>	<b>1,641.8</b>	<b>1,661.0</b>
Tax (expense) credit	3.7	(4.7)	(2.4)	(2.5)	(1.9)
<b>Net Profit for the Period</b>	<b>2,076.1</b>	<b>2,040.7</b>	<b>2,139.5</b>	<b>1,639.2</b>	<b>1,659.2</b>

# Historical Financials

## Consolidated Statement of Financial Position

<i>QAR mn</i>	FY 16	FY 17	FY 18	Q3 18	Q3 19
Cash and Balances with Qatar Central Bank	3,126	2,800	3,027	2,964	3,463
Due from Banks	5,692	3,312	1,513	2,038	4,252
Financing Assets	67,635	72,097	72,515	74,422	75,563
Investment Securities	14,012	23,423	19,222	19,150	20,809
Investment in Associates	509	520	526	531	534
Fixed assets	148	160	189	185	203
Other assets	409	636	302	313	225
<b>Total Assets</b>	<b>91,531</b>	<b>102,949</b>	<b>97,294</b>	<b>99,603</b>	<b>105,050</b>
Due to banks	19,060	25,123	16,546	19,945	18,613
Customer current accounts	10,534	6,621	7,269	7,025	7,222
Sukuk Financing	0	0	1,721	0	1,552
Other Borrowings	0	0	2,053	237	2,002
Other liabilities	1,574	1,905	1,931	1,912	2,238
<b>Total Liabilities</b>	<b>31,167</b>	<b>33,649</b>	<b>29,520</b>	<b>29,119</b>	<b>31,628</b>
<b>Equity of Investment Account holders</b>	<b>47,490</b>	<b>55,910</b>	<b>54,300</b>	<b>57,451</b>	<b>59,795</b>
Share Capital	7,500	7,500	7,500	7,500	7,500
Legal Reserve	1,863	2,066	2,279	2,066	2,279
Risk Reserve	1,346	1,508	1,575	1,508	1,575
Fair value reserve	2	3	10	9	14
Foreign currency translation reserve	(15)	(8)	(14)	(11)	(18)
Other reserves	107	113	119	113	119
Retained earnings	1,902	2,009	1,809	1,650	1,962
<b>Total Equity Attributable to Equity Holders of the Bank</b>	<b>12,705</b>	<b>13,191</b>	<b>13,277</b>	<b>12,834</b>	<b>13,431</b>
Non-Controlling interest	169	199	196	199	195
<b>Total Owners' Equity</b>	<b>12,874</b>	<b>13,390</b>	<b>13,474</b>	<b>13,033</b>	<b>13,626</b>
<b>Total Liabilities, Equity of Investment Account Holders and Owners' Equity</b>	<b>91,531</b>	<b>102,949</b>	<b>97,294</b>	<b>99,603</b>	<b>105,050</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 25%<sup>(1)</sup>
- 3<sup>rd</sup> largest gas reserves in the world (c.13% 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 outlook upgraded to stable in 2018 mainly on the back of Qatar's macroeconomic resilience and ability to continue to withstand the financial and economic impact of the regional blockade

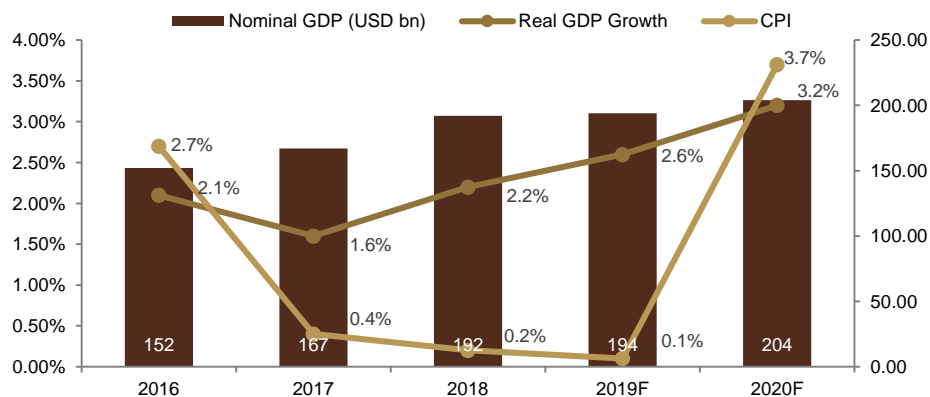
#### Outlook

- Major projects (43% of 2019 budgeted expenditure QAR 207 bn) with focus on infrastructure spending to drive growth
- LNG capacity expansion from 77 mtpa to 110 mtpa (43% increase) by 2024

(1) Source: IGU LNG Report – 2019 Edition

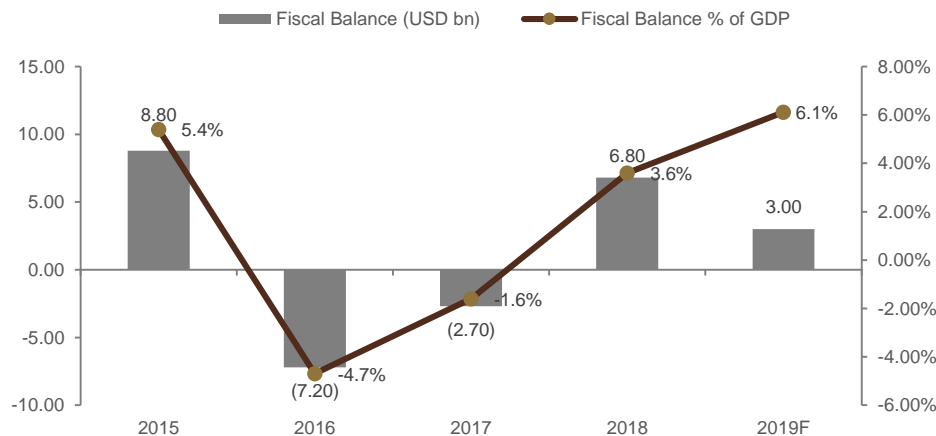
(2) Source: BP Statistical Review of World Energy – June 2019

### Real GDP Growth and Inflation



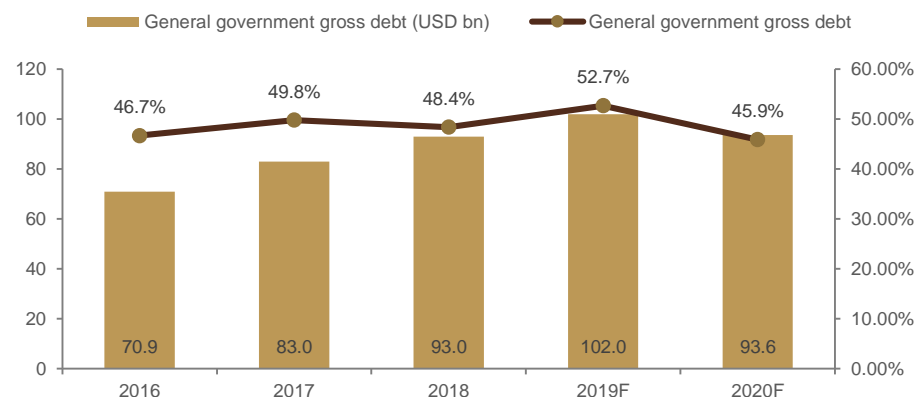
Source: IMF Apr 2019

### Fiscal Balance



Source: MDPS, QCB Quarterly Statistic Bulletins

### Government Indebtedness

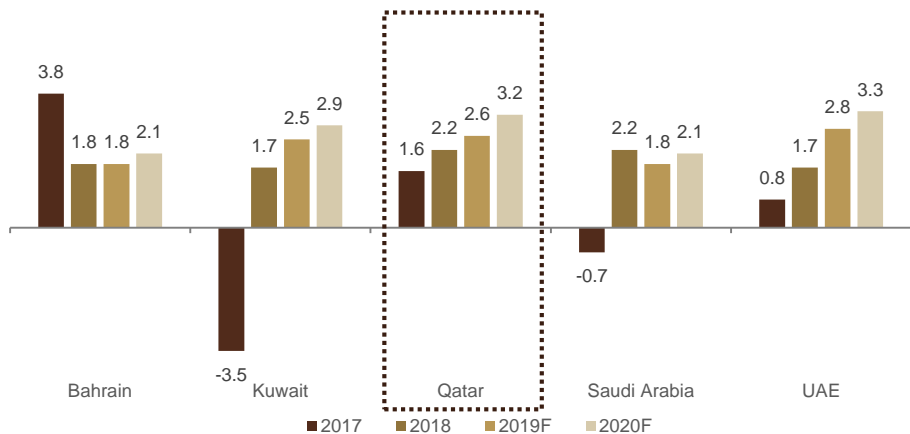


Source: IMF WEO Apr 2019

# Operating Environment

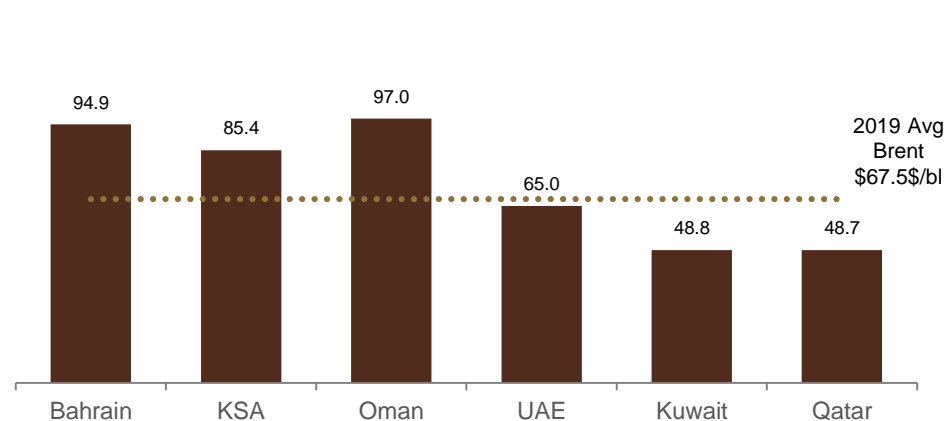
## Qatar vs Other GCC Countries

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



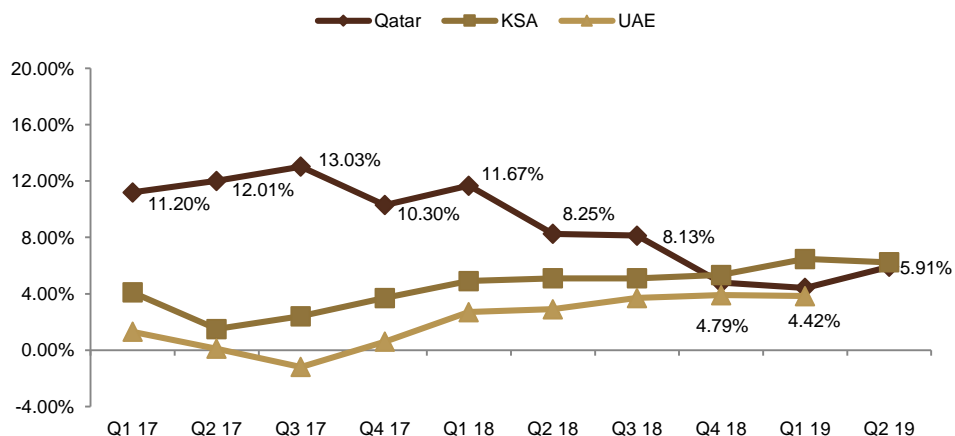
Source: IMF World Economic Database (Apr 2019)

### Fiscal Breakeven Oil Price, FY19F (USD / barrel)



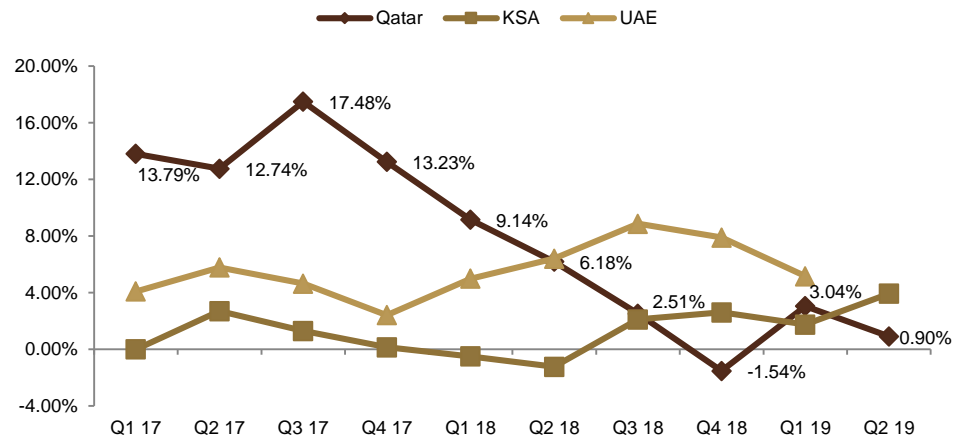
Source: IMF, Regional Economic Outlook, Bloomberg  
\*Based on TTM average Brent price as of 22 Aug 2019

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



Source: Central bank (Qatar, KSA, U.A.E)  
Note: UAE Q2 19 unavailable

### Commercial Banks' Deposit Growth (YOY)



Source: Central bank (Qatar, KSA, U.A.E)  
Note: UAE Q2 19 unavailable



# Operating Environment

## Overview of the Qatari Banking Sector & Regulatory Support

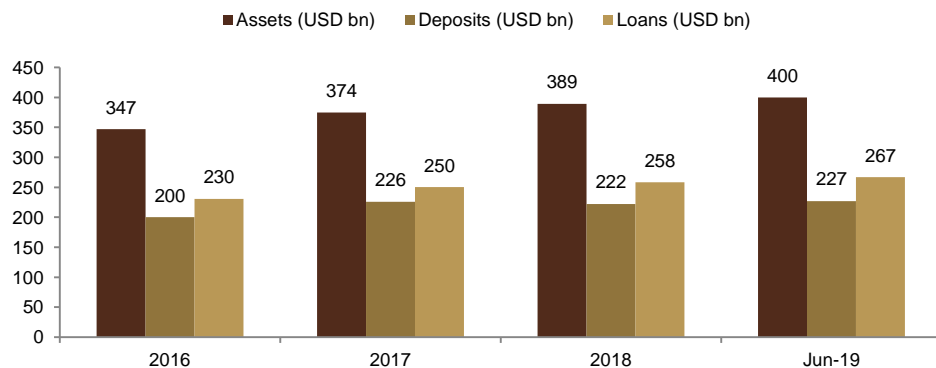
### Snapshot of the Qatari Banking Sector

- A total of 18 banks licensed by the Qatar Central Bank:

Banks	No.
Islamic banks	4
Conventional banks	6
State-owned bank	1
Foreign banks	7

- Total assets of USD 400 bn as at 30 June 2019 with strong and sound regulatory environment
- Minimum capital adequacy ratio of 13.5% including ICAAP charge but excluding DSIB capital charge as per Qatar Central Bank
- Maximum credit limit to single customer of 20% of a bank's capital and reserves

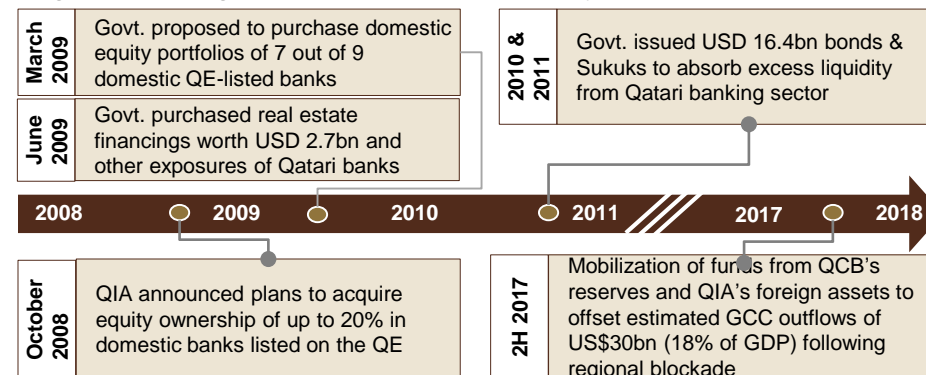
### Key Balance Sheet Indicators



Source: Qatar Central Bank

### State of Qatar's Track Record of Support

- Historically, the Government, through the QCB and QIA, has taken several steps to provide capital to support the domestic commercial banking sector
- That said, MAR did not require any support during the 2008 financial crisis given its strong balance sheet and asset quality**



### Key Financial Indicators

	2016	2017	2018
Tier 1 Capital to RWA*	15.6%	16.1%	16.8%
Capital Adequacy Ratio*	15.8%	16.2%	17.6%
NPL Ratio	1.3%	1.6%	1.9%
NPL Coverage Ratio	79.9%	83.2%	75.8%
Liquid Assets/Total Assets	29.6%	28.2%	29.1%
Loans to Customer Deposits	115.5%	110.7%	116.1%

\* For national banks

Source: Financial Stability Review 2019- QCB