

A World Leader in Islamic Banking

An Interview with Sheikh Jassim Bin Hamad Bin Jabor Al Thani,
Chairman of the Board, Qatar Islamic Bank



Sheikh Jassim Bin Hamad Bin Jabor Al Thani

EDITORS' NOTE *Sheikh Jassim Bin Hamad Bin Jabor Al Thani has maintained his current post since April of 2005, and has been a member of the board of directors of Qatar Islamic Bank since June of 2004. He has also been Chairman of Al Jazeera Islamic Co. since April of 2005 and a member of their board of directors since June 2004. He is the Chairman of QInvest, which is the first Islamic investment bank founded in Qatar, and he participates in the organization and management of a number of companies specializing in investment and real estate activities.*

COMPANY BRIEF *Qatar Islamic Bank (QIB) (www.qib.com) – an Islamic bank of global stature – was established in 1982 and has been leading the Islamic banking industry for over 25 years by aggressively spreading its presence in Qatar, the Gulf, the Middle East, Asia, Europe, and North Africa. QIB has always stood on solid pillars and has been positively adapting to the environment in which it operates.*

QIB recently released its 2008 financial results, noting record growth. Would you highlight these results and the bank's standing in Qatar and internationally?

QIB posted record profits of QR 1.643 billion, indicating a 30.8 percent growth compared to 2007's financial results. Total bank assets realized QR 33.5 billion, a 57 percent rise from the previous year, and QIB's board of directors

approved a distribution of 70 percent cash dividends to shareholders.

QIB's finance portfolio rose by over 60 percent to QR 18.8 billion. The bank's investment portfolio reached QR 5.8 billion, a 38 percent increase. The bank's average return on assets was 6 percent, ranking among the best in the region's banking industry. Customers' current and investment accounts grew to QR 16.6 billion while shareholders' equity rose to QR 7.1 billion. Earnings per share also increased 24 percent to QR 8.49.

QIB is a vibrant world leader in Islamic banking and ranks fourth among the world's largest Islamic banks in terms of total assets. In Qatar, we lead the Islamic banking sector with a 53 percent share of the local Sharia'-compliant banking sector and hold nearly 10 percent of the overall banking market. These results are the fruition of a strategy built upon our diverse portfolio in the local, regional, and international markets and the bank's ability to offer sophisticated financing solutions to our corporate and private customers. The bank's accomplishments are recognized worldwide and its ratings have recently been further upgraded by both Fitch and Capital Intelligence (CI).

Would you detail QIB's Fitch and CIs ratings upgrades and address Credit Agricole Cheuvreux naming QIB as a top Gulf investment pick for 2009?

Cheuvreux, a leading European equity broker specializing in brokerage research, sales,

and execution with an extensive international client base, recently named QIB one of only three recommended GCC stock market investment choices for 2009. Late last year, Cheuvreux released a report entitled, "QIB: At the Vanguard of Islamic Finance," in which it upgraded the bank's rating to 1/Selected from 2/Outperform.

Fitch and Capital Intelligence have upgraded the bank's rating to A from A-. This is a result of QIB's encouraging, stable growth and strong performance in the face of extreme sector competition and is recognition of the bank's innovative variety of products and services for both private and corporate clients.

Can you expand upon QIB's local and international strategies and explain how the bank plans to reach these goals?

QIB's strategy encompasses ongoing local and international expansion plans. The bank believes in globalization and the potential exponential growth of the Islamic banking industry. With over 25 years of experience in this field, we feel it is only a natural progression to use our know-how and expertise in order to build an effective and far-reaching banking network which will serve and promote Sharia'-compliant banking the world over. Thanks to our subsidiaries and affiliate banks, we are proud to say QIB has established the first full-fledged global Islamic banking network under one roof via Arab Finance House in Lebanon, Asian Finance Bank in Malaysia and Indonesia, European Finance House in the U.K., and QInvest in Qatar.

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One of the major differences between the traditional banking system and the Islamic system is that, in the traditional system, a fixed-rate percentage of interest is paid upon repayment of capital, while in the Islamic system, interest is not charged and investors share a fixed percentage of any profit made.

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The bank's QR 33.5 billion in assets allows QIB's global network to offer cross-continent, Sharia'-compliant financing solutions to any corporation worldwide. We will soon realize plans to expand into continental Europe and are conducting feasibility studies regarding new openings in the MENA region. QIB has also recently signed a memorandum of understanding to open in Kazakhstan.

We believe the Islamic banking industry will continue to grow at this rapid pace as compared to conventional sectors and, by 2010, we expect it to exceed the value of \$1 trillion globally. The bank has definite plans to maintain our principal position in this sector by maintaining an annual 25 percent growth rate. To this end, we are introducing state-of-the-art key performance indicators to measure our performance on a 360-degree scale. Locally, we will continue to expand our network of branches to 35 and increase our number of ATM outlets. We have also recently launched comprehensive e-banking capabilities. Moreover, we expect strong growth in corporate projects and financing by converting corporations from traditional to Sharia'-compliant financing. QIB's Corporate and Institutional Banking (CIB) capabilities are especially strong and it is predicted the bank will become the primary issuer of Sharia'-compliant corporate financing in Qatar.

Euromoney awarded QIB the prestigious "Islamic Project Finance Deal of the Year" award at its 8th Annual Islamic Finance Summit in London in February. What QIB project did this award recognize?

QIB was acknowledged for its Sharia'-compliant financing of Qatar's Ras Laffan water and power project, 2008's largest non-recourse power and water project in the region. Within this mega-project, we financed the Islamic tranche with \$250 million for Ras Laffan Power Company. The bank is financing six, multi-effect distillation desalination units with a total project cost of over \$3 billion. The project aims to enhance power production rates and ensure the provision of water and power to answer Qatar's increasing demand for these commodities. The project will generate around 2,730 megawatts of electricity in addition to producing approximately 6.3 million imperial gallons of water. This will provide 30 percent of the country's needs when the project is completed in 2011.

Financing deals such as the Ras Laffan project consolidate QIB's role as a major

Islamic finance supplier for the State of Qatar and for global macro-projects, as the bank expands its reach and influence into Europe and Asia.

The global financial crisis has caused the banking industry to look at Islamic financing with a more intense interest. What characteristics and programs make Sharia'-compliant banking different as compared to traditional banking?

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Our expertise and experience allows us to offer alternative solutions to attract new clients and to help us finance mega-projects with conventional or Islamic finance options.

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QIB has experienced the most dynamic growth of any Islamic bank in the world. We aim to promote and develop the application of Sharia'-compliant principles, law, and traditions to financial banking and business transactions. We also encourage investment companies to engage in business practices that are ethical and consistent with the Sharia' precept.

Numerous things differentiate Sharia'-compliant finance from traditional forms. One of the major differences is that in the Islamic system, interest is not charged and investors

share a fixed percentage of any profit made. In the case of losses, they are shared by both parties, not solely by the client.

Another significant difference that separates Sharia'-compliant banking from other forms is the issue of institutional investment. QIB only invests its assets in Sharia'-compliant ethical interests and prohibits its financial institutions from dealing in transactions that contain excessive risk or speculation. QIB does not, as an Islamic bank, deal in loans with the exception of Qardh Hassan (benevolent loans). Instead, we have introduced Musharaka (partnership), Istisna'a (a real estate development financing option in which the project is financed as a turnkey operation, or a total project financing solution), Al-Bai Bithaman Ajil (deferred-payment sale resulting from a trading activity), Ijara (equivalent of lease-to-own as a rent-to-own program), and Mudaraha (profit sharing of gains and losses), which makes investments of Islamic banks depend upon the usefulness and feasibility of the potential project.

QIB has received a lot of attention due to its success with its Corporate and Institutional Banking program. What services does QIB offer its CIB customers and how are these different from those of its competitors?

One of the many things setting QIB apart from other banks for our corporate customers is that we finance domestic projects as well as those abroad. We service our corporate clients in many sectors, such as property finance, governmental and semi-governmental interests, private and commercial construction projects, trade finance, communications, and transportation such as shipping and airlines, health services, and water and electricity projects.

While QIB is a leader in Islamic corporate finance, the bank also competes in overall banking. Of course, we conduct business not only in Qatar, but globally. It is only with such a competitive and aggressive strategy that such rapid growth in market share and performance can be achieved and sustained. Our expertise and experience allows us to offer alternative solutions to attract new clients and to help us finance mega-projects with conventional or Islamic finance options. We believe this is what gives QIB an edge today. We have the flexibility to offer a variety of options for corporate and private customers locally and internationally. ●