

A Qatari summer



QATAR

By Amjad Hussain

The last few months have seen much focus on the wider geopolitical situation in the GCC by all of the regional governments. Qatar is no exception to this. With the nuclear non-proliferation deal with Iran being finalized, there has been concern as to the impact of this on the region, both politically and economically. The full ramifications are still not clear but what is clear is that there has been a gradual slowdown in economic activity. This slowdown has been amplified by the usual Qatari summer and Ramadan exodus.

Over the last few months, Qatar-based Islamic banks have posted excellent results for the first half of the year, which have come as a boost for the local Islamic finance sector.

Qatar Islamic Bank (QIB)'s profits came out at QAR895 million (US\$245.54 million), showing a growth of 27% over the same period in 2014. Total income grew by 41% year-on-year to QAR77 billion (US\$21.12 billion) and total assets grew by 30%.

Masraf Al Rayan posted a net profit of QAR998 million (US\$273.79 million) during the first half of 2015, an increase of 10.46% for the same period in 2014. Total assets reached QAR81.31 billion (US\$22.31 billion) compared to QAR74 billion (US\$20.3 billion) last year, representing a growth of 9.57%. Earnings per share reached QAR1.33 (36 US cents) compared to QAR1.21 (33 US cents) on the 30th June 2014.

Barwa Bank posted net profits of QAR412 million (US\$113.03 million), with earnings per share rising to QAR1.39 (38 US cents) compared to QAR1.38 (37 US cents) in 2014. Total assets grew by 16% to QAR41.3 billion (US\$11.33 billion) and revenue grew by 7% from the previous year.

QIB has also recently been upgraded by Fitch from 'A' to 'A+' with a stable outlook and at the end of June, the bank closed its QAR2 billion (US\$548.68 million) Tier 1 perpetual Sukuk to enhance its capital adequacy ratios in line with Basel III. The bank has a clear growth agenda and the upgraded rating coupled with the

enhanced capital adequacy ratios will assist it to achieve this.

Qatar has always seen itself as a place where intellectual capital is highly rated and as such, it came as no surprise that the Qatar Finance and Business Academy (QFBA) has entered into an MoU with the Dirassat Company for Research and Consulting in Islamic Banking.

Dirassat is a leading provider of Shariah-based training and will collaborate with QFBA to provide Islamic financing training and education to Qatar's finance professionals. This collaboration has been welcomed by many commentators as it puts Islamic finance high on the agenda for Qatar-based financial institutions.

Recently, Qatar National Bank reported that based upon current production levels, Qatar's gas reserves will last for another 138 years. This news was well received by observers who had queried whether the recent drop in oil prices would also mark a long-term slowdown in the hydrocarbon sector for Qatar.

Current indications are that there is unlikely to be a slowdown in production and, although the pricing has softened, the pipeline is still strong. Indeed, such is the demand for labor to support Qatar's projects that Qatar's population increased by 9% in June.

It is clear that Qatar's Islamic banks are continuing to do good business locally and internationally despite challenging local and regional market conditions. Much of this business comes from the continued commitment from the Qatari government to execute planned projects and to push forward the private sector as a means to diversify. Both these initiatives have been seen as fruitful, as local bank profits show. ☺

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