مصرف الريان

MASRAF AL RAYAN

2019 ANNUAL report

honor

is the reward, for what we give,
not what we receive.

His Highness
Sheikh Tamim bin Hamad Al-Thani
Amir of the State of Qatar

His Highness
Sheikh Hamad bin Khalifa Al-Thani
Father Amir

contents

message

from the chairman and managing director

The bank achieved a net profit of

QAR 2.178 billion

a growth of

2.3%

compared to 2018.

Dr. Hussain Ali Al Abdulla
Chairman & Managing Director

We have ended 2019, taking a significant step forward, with remarkable achievements, as we focused our work on enhancing confidence in our brand and achieving benefit for our shareholders and society.

With transparent and trustworthy manner, Masraf Al Rayan has exerted great effort during the past year to implement its strategy set by the Board of Directors. The bank invested remarkable time in applying good governance principles, as well as focusing on raising the capabilities of our employees, and enhancing their use of contemporary techniques and upgrading the bank's services provided to clients up to higher standards.

The financial results achieved by Masraf Al Rayan during 2019, disclosed a net profit amounted to 2.178 billion Qatari Riyals, a growth of 2.3% compared to the previous year. The growth is deemed acceptable in light of the conditions in the region in general, and in light of the high borrowing costs and clients deposits in particular, in addition to the effect resulted from the application of new instructions issued by Qatar Central Bank, with regard to calculating provisions on financial assets as a precautionary measure.

Total assets increased by 9.4%. Investment remarkably grew, client's deposits and financing activities increased as well. None-Performing loans maintained its advanced position at 1.01%, to be one of the lowest percentages on the global level. Ratio of Expenses to Revenue, also, remained one of the top percentages among local and regional banks.

The Board of Directors rewarded the bank shareholders a cash dividends of QR 0.225 per share (22.5% of the paid-up capital), a return on investment of 5.5%, which exceeds many others in the local and global markets, fulfills the interest of shareholders, and enhances the strength and the financial solvency of Masraf Al Rayan.

Masraf Al Rayan's conservative and balanced management policy has been a positive factor towards maintaining its credit rating of A1 / Prime-1 - with a stable view, in a year during which financial institutions and countries have seen their ratings downgrade, and we are proud of that. We would continue on same approach in the future.

We have stressed during the year the importance of observing the transformations in banking services, as we are witnessing a rapid change towards electronic services, and we will continue in the future to work in this direction. Our focus, at the same time, was on creating new products that keep pace with this change, and meet clients' needs.

Masraf Al Rayan continues to fulfill its duty towards preserving the environment and serving the society, demonstrating a sloid commitment towards its responsibilities in maintaining and preserving them, as they are considered the basic pillars for the continuity of life itself.

Finally, on behalf of the Board of Directors of Masraf Al Rayan, I would like to extend my sincere thanks and gratitude to His Highness Sheikh Tamim Bin Hamad Al Thani, the Amir of the State of Qatar. I would also like to thank His Excellency Sheikh Abdulla Bin Saoud Al Thani, the Governor of Qatar Central Bank and His Excellency Sheikh Mohammed Bin Hamad Al-Thani, the Deputy Governor of Qatar Central Bank for their diligent work to provide conditions conducive for maintaining liquidity and financial stability in Qatar.

I also extend my thanks and appreciation to Masraf Al Rayan's Shareholders and customers for their relationship and support, and to the Executive Management and the staff who exert outstanding efforts to continue to achieve good results and who bear the responsibility of achieving even better results in the years to come.

message

from the group chief executive officer

The Group continued its upward line of performance trend during

2019

with a strong growth rate of

9.4%

in total assets

Adel Mustafawi
Group Chief Executive Officer

In light of a set of balanced economic and financial decisions and robust plans adopted by the leadership of the State of Qatar, and with the continued economic growth promoted by a series of wise policies, Masraf Al Rayan continued during 2019, to register notable growth rates in harmony with the growth rates of the national economy. Masraf Al Rayan has maintained its distinguished position among local banks and has excelled in achieving the lead in terms of operational efficiency and a low percentage of none performing debts.

The Group continued its upward line of performance trend during 2019, with a net profit reaching QAR 2,178 million, a 2.3% growth rate compared to 2018. The operating profit increased by 7.1% from the same period in 2018. The 2019 financial results presented a strong performance, as total assets reached QAR 106,397 million, compared to QAR 97,294 on December 31, 2018, a growth rate of 9.4%.

The financial indicators reflect this rising performance, as the rate of return on average assets maintained its advanced position in the financial market, at 2.14%, the return on average shareholders' equity reached 16.41% and the earnings per share reached QAR 0.29 compared to QAR 0.28 at the end of 2018.

The book value per share reached QAR 1.86 compared to QAR 1.77 as of 31 December 2018, capital adequacy ratio, using Basel-III standards and QCB regulations, reached 20.27% compared to 19.23% at the end of 2018, and the operational efficiency ratio (cost to income ratio) stood at 22.80% and remained one of the best ratios in the region.

During 2019, Masraf Al Rayan continued to focus on improving its products and services, by providing integrated financing solutions that are compatible with the provisions of Islamic Sharia laws for retail and corporate clients alike, through various packages that included accounts of all kinds, credit cards, and various types of financing.

Al Rayan Qatar Fund "ETF", one of the largest investment funds compatible with Sharia laws in emerging markets, continued through 2019 to maintain a remarkable success on Qatar Exchange. The fund follows "Al Rayan Islamic Index", a share index of 20 shares compatible with Sharia Islamic laws, and managed by Al Rayan Investment LLC.

Masraf Al Rayan continued to give its highest attention to the training and developing of its employees in general, with a focus on developing its Qatari cadres in particular, in line with the strategies of the Bank. Its various departments act in an integrated and diligent manner to raise the professional and administrative competencies and skills of their employees in cooperation with various state agencies and specialized local and international training centers. The training programs covered various theoretical and hands-on aspects and included programs for administrative development of Qataris, such as our participation in the program 'KWADER', which is specially designed for the financial sector, and is conducted annually by the Qatar Academy of Finance and Business.

During the year 2019, several projects that achieved tangible results were developed. These projects offered solutions to meet the current and future training needs. They also provided an effective tool to meet various challenges, including 'video training' project and technical education project 'Electronic' from Fitch International, Collier and Quality (ASQ Certification). These projects are destined to upgrade the expertise of our employees in banking and financing.

Our employees were also provided training in first aid and firefighting and a rapid response team was formed to mitigate any unexpected disasters.

Masraf Al Rayan continues to provide support to local universities and Qatari schools in banking and business administration by providing practical vocational training opportunities for students with a view towards developing a promising generation of bankers, as well as by actively participating in professional employment fairs in the country.

In conclusion, I am pleased, on behalf of the Executive Management, to extend my thanks to the Chairman and members of the Board of Directors for continuing to bestow their trust and confidence in us to perform. I would also like to thank our staff who have exerted the necessary collective effort to achieve these results. We look forward to continue our well-thought-out ride towards the fulfillment of the interest of our shareholders and customers alike.

corporate leadership

governance in masraf al rayan

Masraf Al Rayan, throughout 2019, continued to comply with the governance guidelines, as per the Second and Third articles of the corporate governance guidelines for listed companies regulated by 'Qatar Financial Markets Authority', as well as comply with the 'Qatar Central Bank Corporate Governance Guidelines' for banks and financial institutions; all the while looking forward to achieving even more transparency and a higher level of client and shareholder trust.

board of directors

Dr. Hussain Ali Al Abdulla
Chairman and Managing Director

Mr. Turki Mohammed Al Khater
Vice Chairman

Sheikh Ali bin Jassim bin Ali Al Thani
Board member

Sheikh Faisal bin Saud Al-Thani
Board member

Mr. Nasser Jaralla Al Marri
Board member

Dr. Menahi Khalid M A Al Hajri
Board member

Sheikh Nasser bin Hamad bin Nasser Al Thani
Board member

Mr. Abdulla Ahmed Al Malki Al Jahni
Board member

Mr. Ali Mohammed Ali Al Obaidly
Board member

senior management

Adel Mustafawi
Group Chief Executive Officer

Ahmed Sheikh
Chief Operating Officer

Khalid Fakhroo
General Manager, Engineering & Real Estate

Muhamad Tauseef Malik
General Manager, Financial Controls

Hamad Al Jamali
General Manager, Retail & Private Banking

Mohammed Ismail Al Emadi
General Manager, Head of Wholesale Banking

Nasser Raeissi
General Manager, HR & Administration

Howaida Abdulla Al-Mohannadi
General Manager, Operations

Mahboob Haider
Assistant General Manager, Head of SME

Chidambaram Pichappan
Assistant General Manager, Head of Information Technology

Mohamed Hussein
Assistant General Manager, Head of Operational Risk & Information Security

Adel Attia
Chief Internal Auditor

Yaser A. Karim
Assistant General Manager, Head of Risk

Abdel Monem El Hassan
General Legal Counsel, Head of Legal

Dareer Mohamed
Head of Compliance

Mahmood Ahmed Al Ahmed
Executive Manager, Treasury

Fawzi Siam
Executive Manager, Shari'a Compliance

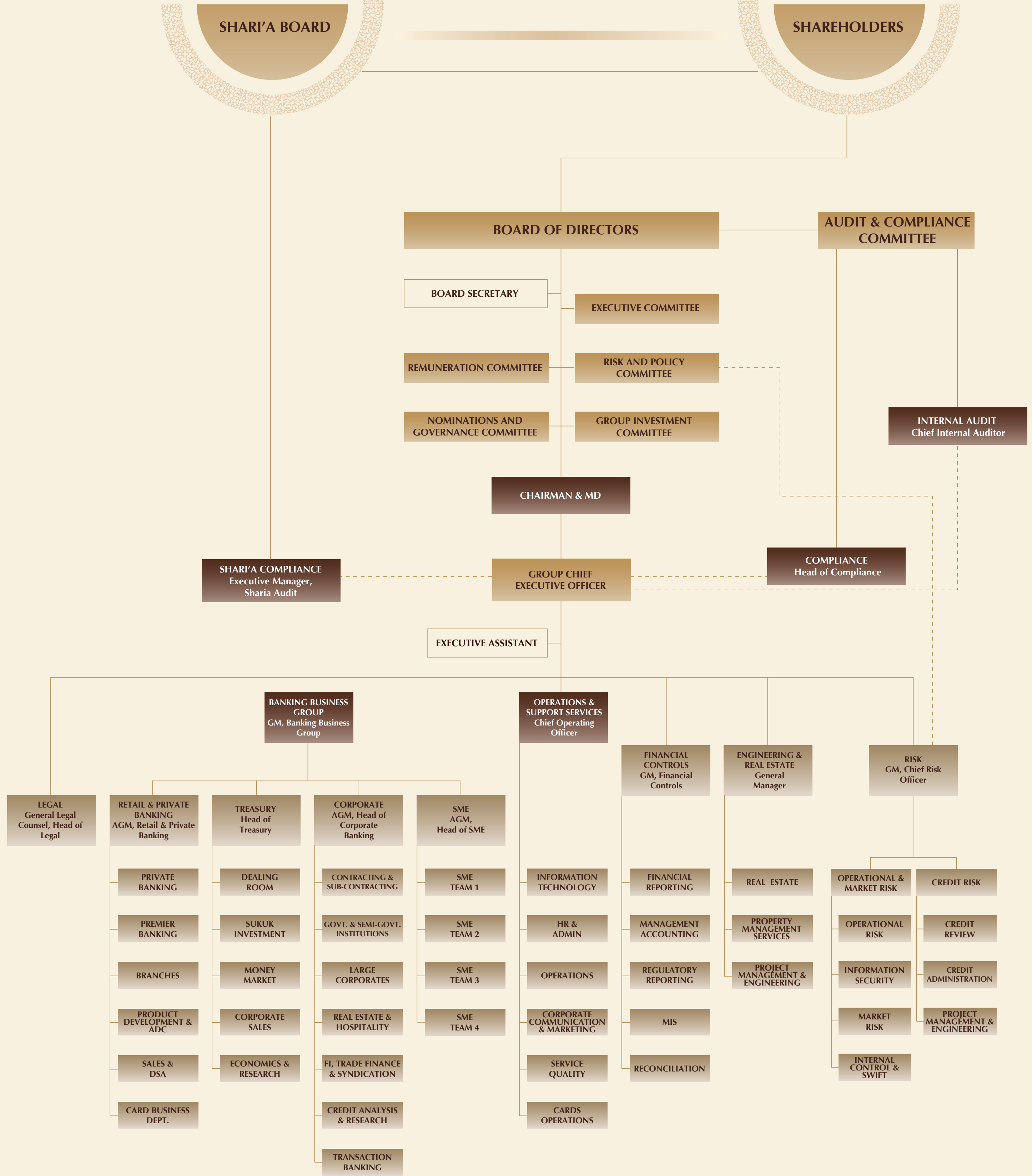
shari'a supervisory board

Sheikh Dr. Waleed Bin Hadi
Chairman

Sheikh Dr. Abdul Sattar Abu Ghuddah
Member

Sheikh Dr. Mohamed Ahmeen
Member

organizational chart



board of directors'

corporate governance report 2019

Important Note:
The original language of this report is Arabic. Consequently, if there are any differences between the report and its translation, the Arabic version will be adopted.

Introduction

Corporate governance is a system by which companies facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. It is an arrangement by which these companies are managed and controlled. Boards of directors are responsible for establishing and managing these governance systems for their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.

The responsibilities of the board include setting up the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.

Thus, Corporate Governance is one of the most important structure for managing and controlling companies in general. This is due to the good principles required by governance, along with identifying the tasks and responsibilities of the Company's Board of Directors, Senior Executive Management and employees; and establishing fairness and equality, control, risk management, transparency and disclosure among the stakeholders; in addition to organizing the stakeholders' rights, and developing and promoting societies. This enhanced the Company's performance in general, thus resulting in upholding the public interest, and not just the interests of the Bank and stakeholders.

In this regard, under the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No.(5) of 2016, the Governance Instructions issued by Qatar Central Bank (QCB) (Bank Governance Principles) under the Circular No. (68/2015), the Commercial Companies Law issued under the Law No. 11 of 2015; and in view of the best international and regional governance systems, the governance principles established by the G20 and the Organization for Economic Cooperation and Development (OECD) issued in 2015, which include the principles of the International Organization of Securities Commissions (IOSCO) in this regard, and the International Corporate Governance Network (ICGN) issued in 2014; and in conformity with the unified corporate governance guiding principles listed on the GCC financial markets issued in 2012, and the other relevant laws, regulations, and systems, Masraf Al Rayan commits to these principles and strives to apply them in accordance with the good governance principles, the governance report's content.

This is including the terms and conditions for the board membership's nomination, the Board's tasks and responsibilities, the tasks and procedures of its chairman and the members, the formation of the board committees, the provisions of their membership and specializations, the Bank's internal and external control provisions and risk management, the disclosure and transparency provisions, and the organization of the stakeholders' rights in light of upholding the public interest and the equal rights among stakeholders.

The Following are the Main Governance Principles:
Principle of Transparency: This principle is based on good faith, honesty and openness, along with upholding the self-regulatory and integrity values, and exercising the utmost caution, care, and honesty in performing the tasks and functions assigned to each officer and employee in the Company from the Chairman and members of the Board of Directors and the Senior Executive Management to all the employees and other parties related to the Company. This principle identifies the disclosure frameworks and provides the information requested by the Authority and other regulatory authorities, or requested by the stakeholders at the proper time and in the manner that enables those requesting the information to make his proper decision. It also regulates the trading of the informed persons in the securities issued by the Company or any company from its group, and works on avoiding and reducing the conflicts of interest, and achieving public benefit under the concept of fair investment in the market.

A. **Principle of Accountability and Acknowledgement:**
This principle aims to identify the Company's rights, duties and responsibilities, and establish a suitable control mechanism that works on holding each officer accountable for his work and assesses his performance; along with assessing the Company's performance in general in accordance with the best international standards, whether it is an internal control carried out by the Company's Board of Directors and its committees or the Internal Audit Unit, each within its competence, or an external control performed by the Auditor. Furthermore, this principle aims for the officer to acknowledge his responsibility, and if he assigns others to perform some of his tasks or powers, the assignment will only be in the tasks and not the responsibilities. It also aims to show the Company's social responsibility and its role towards the society, along with working on its development and prosperity, and the environment's maintenance.

Principle of Fairness and Equality: Stakeholders, mainly shareholders, have equal rights. It is prohibited to discriminate between them based on race, gender or religion, and they have all the rights arising from the ownership of the share or their capacity in the Company. Therefore, this system established a chapter on the rights of the Company's stakeholders, whether shareholders or others with a capacity or interest, such as employees, creditors, customers and suppliers; in order to enable them to exercise and enjoy their rights, notably those related to the General Assembly, along with facilitating the effective participation through them. The most important rights are the right to vote, the right to run for Board membership and elect its members, the right to distribute profits, the right to access information, and the adoption of the remuneration and incentives policy in the Company, including the remuneration of the Chairman and members of the Board of Directors and the Senior Executive Management. This system has stressed on protecting the rights of the investors and stakeholders in general and enabling them to enjoy such rights. This is in addition to upholding the values of protecting the minority and the Company's employees by adopting preferential treatment for the small investors and the minority; since the pillars of such treatment are represented in the majority's lack of empowerment or control over the minority, the inability of one or more Board members to control the decision-making, and the adoption of a cumulative voting system in the Board members' elections; as this voting system gives each shareholder a voting power by the number of shares he owns and enables him to vote for one candidate or divide the vote among his chosen candidates without any repetition of these votes; thus increasing the chances for the minority shareholders to receive fair representation in the Board of Directors, along with providing an appropriate mechanism for all the shareholders and other stakeholders to obtain information to the extent that protects the Company and its rights, interests and others; in addition to adopting another mechanism to file grievances, complaints and reports of any irregularities or risks that may threaten the Company.

The efforts and attention provided by Masraf Al Rayan's Management throughout 2019 reflect better commitment to the instructions, and the development and improvement in the reports, and the transparent disclosure in accordance with the regulatory requirements; in order to maintain the market's confidence and continued support from its shareholders. We present to you below Masraf Al Ryan's Governance Report for 2019.

Masraf Al Rayan Ownership Structure

Top 10 Shareholders of Masraf Al Rayan as of 31st December 2019

Name	Classification	Nationality	Number of Shares	Percentage
Qatar Holding Company	Government	Qatari	873,487,390.00	11.65%
Qatar Armed Forces Investment Portfolio	Government	Qatari	700,906,780.00	9.35%
Qatar Investment Authority	Government	Qatari	306,904,020.00	4.09%
General Retirement Authority's Pensions Fund	Government	Qatari	228,601,774.00	3.05%
Al Watani Fund 3	Commercial	Qatari	161,789,779.00	2.16%
Al Watani Fund 4	Commercial	Qatari	153,957,863.00	2.05%
Al Taybeen Commercial OPC	Commercial	Qatari	149,092,550.00	1.99%
Sheikh Hamad bin Abdullah Al Thani	Individual	Qatari	140,740,568.00	1.88%
Ithmaar Construction and Commerce OPC	Commercial	Qatari	140,307,930.00	1.87%
Burooq Commercial Company	Commercial	Qatari	139,500,000.00	1.86%

- The Government's ownership in Masraf Al Rayan is 29.29% equivalent to 2,196,400,911.00 shares.
- Total number of Masraf Al Rayan's shares is 7,500,000,000 shares (seven billion and five hundred million).

Ownership Structure of Masraf Al Rayan's Shares by Nationality

As on 31 December 2019

Nationality	Number of Shareholders	Number of Shares	Percentage
Bahrain	19,181	44,792,398.00	0.60%
Kuwait	20,646	74,355,826.00	0.99%
Oman	7,338	19,522,425.00	0.26%
Qatar	50,272	6,134,008,538.00	81.79%
Saudi Arabia	66,289	234,994,129.00	3.13%
United Arab Emirates	24,149	65,112,534.00	0.87%
Others	2,585	927,214,150.00	12.36%
Total	**190,460**	**7,500,000,000.00**	**100.00%**

Ownership of the Members of the Board of Directors and Executive Management – 2019

Name	Position	Contribution Rate as on 31/12/2019	Change from 31/12/2018
H.E. Dr. Hussain Ali Al Abdullah	Board Chairman and Managing Director	0.11%	0.11%
General Retirement and Social Insurance Authority	Vice Chairman	3.05%	2.88%
Represented by Mr. Turki Mohammed Al Khater		0.01%	0.01%
Qatar Holding Company	Board Member	11.65%	11.65%
Represented by Sheikh Faisal bin Saud Al-Thani		0.02%	0.02%
Ministry of Defense - Qatar Armed Forces	Board Member	9.35%	9.31%
Represented by Mr. Nasser Jarallah Saeed Jarallah Al Marri		0.00%	0.00%
Employee Loans Fund – Ministry of the Interior	Board Member	0.00%	0.00%
Represented by Dr. Menahi Khalid Mohammed Al-Mezafari Al Hajri		0.01%	0.01%
H.E. Sheikh Ali bin Jassim Al Thani	Board Member	0.22%	0.22%
Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	0.01%	0.01%
Mr. Abdullah Ahmed Al Malki Al Juhani	Board Member	0.05%	0.04%
Taskeen Business and Investment Company	Board Member	0.01%	0.01%
Represented by Sheikh Khalifa Thani Abdullah Thani Al-Thani		0.00%	0.00%
Mr. Adel Mustafawi	Group's CEO	0.01%	0.01%

Masraf Al Rayan's Board of Directors

Board Charter

In the scope of the procedures followed by Masraf Al Rayan in applying the provisions of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, and the Governance Instructions issued by Qatar Central Bank (QCB) (Bank Governance Principles) under the Circular No. (68/2015), Masraf Al Rayan's Board of Directors prepared a charter called the "Board Charter", which specifies the Board's tasks and the rights, duties and responsibilities of the Chairman and the members. Masraf Al Rayan published the Charter on the website www.alrayan.com in the Investor Relations Section.

About the Board of Directors

According to Masraf Al Rayan's Statute, at least one third of the Board Members are independent, and the majority of the Board Members are non-executive. It is permissible to allocate one or more board seats to represent the minority, and another to represent the Company's employees. In any case, the Board's formation must ensure that the issuance of decisions will not be controlled by one or more members.

Masraf Al Rayan's Board Directors

1. Masraf Al Rayan is managed by a Board of Directors consisting of 9 members.
   A) The Ordinary General Assembly will elect seven of them by secret ballot.
   B) The Qatar Holding Company and the Qatar General Retirement and Social Insurance Authority will appoint their own representative member.
2. One third of the Bank's Board members are experienced independent non-shareholders, and they are exempt from the share ownership requirement set out in Article 24, Clause (3) of the Bank's Statute.

Board Formation and Board Members Overview

H.E. Dr. Hussain Ali Abdulrahman Abdullah
Holds a Ph.D. in Economics
Holds a Master's degree in Special Law
Holds the following positions:
- Minister of State
- Board Member of the "Qatar Investment Authority"
- Board Member of the Supreme Council for Economic Affairs
- Board Chairman and Managing Director of Masraf Al Rayan Q.P.S.C
- Board Member of the Gulf Investment Corporation (Kuwait)
- Board Member of the Volkswagen Company (Germany)

Mr. Turki Mohammed Khalid Al Khater
He represents the General Retirement and Social Insurance Authority
Holds a Bachelor's degree in Economics and Social Sciences
Holds the following positions:
- Board Vice Chairman - Masraf Al Rayan
- Chairman of the General Retirement and Social Insurance Authority
- Chairman of the United Development Company
- Board Member of the 'Ooredoo' Company

H. E. Sheikh Faisal Bin Saud Bin Fahd Al-Thani
He represents the Qatar Holding Company
Holds a Bachelor's degree in Finance
Holds the following positions:
- Board Member of Masraf Al Rayan
- Vice Chairman of the Al Rayan Investment Company
- Director of the Industrial Investments Directorate – Qatar Investment Authority

Mr. Nasser Jarallah Saeed Jarallah Al Marri
He represents the Ministry of Defense - Qatar Armed Forces
Holds a Master's degree in Accounting and Finance Sciences
Holds the following positions:
- Head of the Financial Affairs Authority at the Ministry of Defense
- Board Member of Masraf Al Rayan
- Board Member of the United Development Company
- Board Chairman of the Al Rayan Investment
- Board Member of Vodafone
- Board Member of the Barzan Holding Company/ Investment Arm at the Ministry of Defense

Dr. Menahi Khalid Mohammed Al-Mezafari Al Hajri
He represents the Employees Loans Fund at the Ministry of the Interior
Holds a Ph.D. in Commercial Jurisprudence
Holds a Master's degree in Special Law
Holds the following positions:
- Board Member of Masraf Al Rayan

Sheikh Ali bin Jassim Al Thani
Holds a Master's degree in Economics and Political Science
Holds the following positions:
- Board Member of the Qatar General Insurance and Reinsurance Company
- Board Member of Masraf Al Rayan
- Board Chairman of the Nuran Bank – Libya

Mr. Abdullah Ahmed Al Malki Al Juhani
Holds a Bachelor's degree in Management and Economics
Holds the following positions:
- Board Member of Masraf Al Rayan
- Vice Chairman of the Insurance Committee at Qatar Chamber
- Board Member of the Qatar Business Council

Sheikh Nasser bin Hamad bin Nasser Al Thani
Holds a Master of Business Administration (MBA)
Holds the following positions:
- Head of Business Processes in the 'Ooredoo' Company
- Board Member of Masraf Al Rayan

Sheikh Khalifa Thani Abdullah Thani Al-Thani
He represents the Taskeen Business and Investment Company
Holds a Bachelor of Business Administration
Holds the following Positions:
- Board Member of Masraf Al Rayan

Board's Tasks, Responsibilities, and Other Duties

Board's Tasks

A) Approve the Bank's strategic plan and main objectives and supervise their implementation, including:
   1. Develop, review, and direct the Bank's comprehensive strategy, the key business plans, and the risk management policy.
   2. Determine the Bank's optimal capital structure, its strategy and financial objectives, and approve the annual budgets.
   3. Supervise the Bank's main capital expenditures, and the ownership and disposal of assets.
   4. Determine the objectives, and monitor the implementation and overall performance at the Bank.
   5. Conduct a periodic review for the Bank's organizational structures and approve them in a manner that ensures strict distribution of the Bank's functions, tasks, responsibilities, especially the internal control units.
   6. Approve the Bank's Strategy and Objectives Implementation Procedures Manual, which is prepared by the Senior Executive Management; provided that it identifies methods and tools for rapid communication with the Authority, the other regulatory authorities and all the other governance stakeholders, including the designation of a liaison officer.
   7. Approve the Bank's annual training and education plan; provided that it includes programs for introducing the Bank and its activities and the governance in accordance with this system.

B) Develop the internal controls systems and controls and their general supervision, including:
   1. Develop a written policy governing conflicts of interest and addressing the potential conflicts of interest for the Board members, the Senior Executive Management and the shareholders; including misuse of the Bank's assets and facilities, and misconduct resulting from dealings with relevant parties.
   2. Establish a full disclosure system that achieves fairness and transparency and prevents conflicts of interest and exploitation of information that is not available to the public; provided that the system includes the bases to be followed when trading in securities by informed persons; and specifies periods for banning the trade in these securities for the Bank or any company in its group; in addition to preparing and updating a list of the informed persons, and providing a copy of it to the Authority and the market as soon as it is approved or updated.
   3. Ensure the integrity of the financial and accounting regulations, including those related to the preparation of financial reports.
   4. Ensure the application of the appropriate risk management control systems by identifying the general perception for the risks that the Bank may face, and present them in a transparent manner.
   5. Conduct an annual audit for the effectiveness of the Bank's internal control procedures.

C) Develop the Bank's governance system in accordance with the provisions of the Governance Code for Companies and Legal Entities listed on the Main Market of the Qatar Financial Markets Authority (QFMA); conduct a general supervision thereon; monitor the extent of its effectiveness, and amend it when needed.

D) Develop clear and specific policies, standards and procedures for the Board's membership, and put them into effect after obtaining the General Assembly's approval.

E) Develop a written policy that governs the relationship between the stakeholders; in order to protect them and maintain their rights. This policy covers the following:
   1. The mechanism for compensating the stakeholders in case of violating their rights, which were approved by the regulations and protected by contracts.
   2. The mechanism for resolving complaints or disputes that may arise between the Bank and the stakeholders.
   3. An appropriate mechanism for establishing good relationships with the clients and suppliers and maintaining the confidentiality of their information.
   4. The code of professional conduct for the executive management and the Bank's employees; so that it complies with the proper professional and ethical standards, and regulates the relationship between them and the stakeholders, and the mechanisms of monitoring the application and compliance of these rules.

F) Shariah Supervisory Board
According to Annex (2) on the Main Reference Conditions of the Shariah Supervisory Board contained in the Governance Principles issued by the Qatar Central Bank (QCB) in 2015 (Circular No. 68/2015), each Islamic bank must appoint an independent body for Shariah supervision consisting of scholars and experts specialized in Islamic Transactions Jurisprudence and experienced in the Islamic financial institutions' work. Among the tasks of the Bank's Board in this regard are the following:

1. Recommend the appointment or dismissal of the Bank's Shariah Supervisory Board members, in accordance with the applicable procedures (it is not permissible to dismiss or remove the Shariah Supervisory Board or any of its member, unless a recommendation is issued by the Bank's Board of Directors, and through a decision made by the General Assembly; provided that the decision is justified).
2. Determine and approve the Board's remuneration based on an authorization from the General Assembly.
3. Adopt the Shariah Supervisory Board's work regulation, which includes the Board's work bylaws, its competences, responsibilities and independence, the organization of its relationship with the Board of Directors, the Executive Management and the Bank's other departments and sections, and the mechanism for preparing its reports.
4. Receive and discuss the regulatory reports sent by the Shariah Supervisory Board to the Board of Directors on a quarterly or annual basis, which include the Supervisory Board's vision of the Bank's compliance with the provisions of the Shariah law in all its activities; and the report addresses any activities that violate the Shariah laws, if any.
5. Ensure that all the Bank's activities are carried out in accordance with the provisions of the Shariah Islamic Law, and that the Supervisory Board's appointment letters must contain an indication for the Board of Director's compliance with it.

G) Develop a policy for the Bank's social contribution (Social Policy).

H) Develop policies and procedures that ensure the Bank's respect for the systems and regulations, and its obligation to disclose information to shareholders, creditors and other stakeholders

I) Invite all the shareholders to attend the General Assembly's meeting in the manner set out by the law; and the invitation and announcement must include an adequate summary of the General Assembly's agenda, including a clause for discussing and approving the governance report.

J) Adopt the nominations for the appointment to the Senior Executive Management positions, and the succession plan for their management.

K) Develop a mechanism for dealing and cooperating with the financial service, financial analysis, and credit rating providers and the other service providers and the financial market standards and indicators determination authorities; in order to provide their services in a rapid, honest, and transparent manner to all the shareholders.

L) Develop the awareness programs necessary to spread the culture of self-regulation and risk management in the Bank.

M) Adopt a clear and written policy that defines the bases and method of granting the remunerations to Board Members, and the incentives and remunerations to the Senior Executive Management and Bank employees in accordance with the principles of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA, without any discrimination on the basis of race, gender or religion, and submit it annually to the General Assembly for approval.

N) Develop a clear policy for contracting with the relevant parties (Conflict of Interest Regulation Policy)

O) Develop the assessment bases and standards for the Board and Senior Executive Management's performance.

Board's Responsibilities

In accordance with Article (9) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, the Bank's Statute (Article 64) included the Board's responsibilities; as the Board represents all the shareholders; therefore, due diligence must be exercised in managing the Bank in an effective and productive manner that achieves the interest of the Bank, the partners, the shareholders, and the stakeholders; along with achieving public benefit, developing the State's investment, and promoting the society. Accordingly, the Board must assume responsibility for protecting the shareholders from illegal or arbitrary acts and practices or any actions or decisions that may harm them, discriminate against them or empower one group over the other. The Board (without prejudice to the provisions of the Law) must perform its functions and tasks, and assume its responsibility according to the following:

1. The Board must perform its tasks with responsibility, good faith, seriousness and care; and its decisions must be based on adequate information from the Executive Management, or from any other reliable source.
2. The Board Member represents all the shareholders, and he must comply with what achieves the interests of the Bank, not the interests of his representative or who he voted to be appointed at the Board.
3. The Board must determine the authorities that it assigns to the Executive Management, the decision-making procedures and the delegation period; in addition to the topics in which it retains its discretion to adjudicate it; and the Executive Management will submit periodic reports on its exercise of the delegated authorities.
4. The Board must ensure that procedures are developed to inform the new Board members about the Bank's work, particularly the financial and legal aspects, along with training them, if necessary.
5. The Board should ensure that the Bank provides adequate information about its affairs to all the Board members in general, and the Non-Executive Board Members in particular; in order to enable them to carry out their duties and tasks efficiently.
6. It is not permissible for the Board to conclude loan contracts with maturities exceeding three years, or to sell or mortgage the Bank's properties, or discharge the Bank's debtors of their obligations; unless it is authorized to do so in the Bank's System and the conditions contained therein. If the Bank's System contains provisions in this regard, it is not permissible for the Board to perform the mentioned actions without the permission of the General Assembly; unless such actions are within the Bank's purposes (considering the nature of the Bank's work).

Board's Other Matters

At Masraf Al Rayan, the Board Members are granted full and prompt access to information, documents, and records related to the Company; and the Executive Management of Masraf Al Rayan is committed to provide the Board and its Committees with all the required documents and information. The Board Members are keen on attending the General Assembly meetings.

Masraf Al Rayan Board has adopted an induction program, which has been developed and its data is updated periodically, to ensure that the Board Members, when elected, have a proper understanding of the bank's functioning and operations, and that they are fully aware of their responsibilities.

The Board Members are responsible for having a good understanding of their roles and duties, and they must educate themselves in the financial, commercial, and industrial matters, and in the Company's operations and its work. To this end, the Board must provide to its member, when needed, appropriate and official training courses that aim to enhance the Board Members' skills and knowledge.

The Board of Directors works to keep its members constantly informed on the latest developments in the governance field and the best practices in this regard, and the Board may delegate the responsibility to any of its specialized committees.

The Masraf Al Rayan's Statute in its Article (32) includes clear procedures for the dismissal of the Board Members in the event of their absence from the Board meetings.

Board Chairman

In accordance with Article (11) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, the Chairman (i.e. Board Chairman) is considered the President of the Bank and represents it before the third parties and the courts; as he is primarily responsible for the Bank's proper management in an effective and productive manner, and works on achieving the interests of the Bank as a company, the shareholders and other stakeholders. The "Board Charter" must include the Chairman's tasks and responsibilities; provided that they at least include the following:

1. Ensure that the Board discusses all the core issues in an efficient and timely manner.
2. Approve the Board meeting's agenda; taking into account any issue posed by any of its Board Member.
3. Encourage all the Board Members to collectively and effectively participate in conducting the Board's affairs; in order to ensure that the Board fulfills its responsibilities in the manner that achieves the bank's interests.
4. Provide all the data, information, documents and records related to the bank, the Board, and its committees to the Board Members.
5. Ensure effective communication with the shareholders, and work on delivering their opinions to the Board of Directors.
6. Allow the Non-Executive Board Members, in particular, to participate effectively, and promote constructive relationships between the Executive and Non-Executive Board Members.
7. Keep the members constantly informed about the implementation of the provisions of this System, and the Chairman may authorize the audit committee or others to do so.

In the absence of the Board Chairman, the Vice-Chairman will take his place, and the Chairman may authorize some of his powers to other Board members.

The Chairman of Masraf Al Rayan Board of Directors is H.E Dr. Hussain Ali Abdulrahman Abdullah and he is not a member in any of the Board committees. The Vice-Chairman of the Board of Directors is Mr. Turki Mohammed Khalid Al Khater, and he chairs both the Executive Committee and the Risk and Policy Committee.

Board Members

In accordance with Article (12) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, the Board Members are committed to the following:

Board Members' Obligations

Main Obligations:

1- Regularly attend the meetings of the Board and its committees, and not withdraw from the Board unless it is necessary and in a timely manner.

2- Uphold the interest of the Bank, the partners, the shareholders and other stakeholders, and prioritize it over the private interest.

3- Express an opinion on the Bank's strategic issues, its policy in implementing its projects, its employees' accountability systems, its resources and key appointments, and its work standards.

4- Monitor the Bank's performance in achieving its purposes and objectives, along with reviewing its performance reports, including the annual, semi-annual and quarterly reports (prepare the Bank's financial statements).

5- Supervise the development of procedural rules related to governance; and work on its optimal application in accordance with these rules.

6- Exploit their diverse skills and experience in diverse specializations and qualifications in managing the Bank in an effective and productive manner; and work on achieving the interests of the Bank, the partners, the shareholders and other stakeholders.

7- Participate effectively in the Bank's general assemblies, and achieve the demands of its members in a balanced and fair manner.

8- Do not make any declarations, statements or information without prior written permission from the Chairman or his deputy, and the Board should designate the Bank's spokesperson.

9- Disclose financial and commercial relations, and lawsuits that may adversely affect the tasks and functions assigned to them.

The Board members may request the opinion of an independent external advisor at the Bank's expense in regards to any matter related to the Bank.

Board Members' Additional Obligations:

- Manage the Bank with the duties of care and loyalty; give sufficient attention and time to the work assigned to them; and abide by the Bank's institutional authority as defined in the relevant laws, systems and regulations.
- Work based on clear information in good faith, and with the necessary care and attention for the benefit of the Bank and all the shareholders.
- Work effectively to comply with their responsibilities towards the Bank.
- Protect the Bank's interests; comply with the full confidentiality of the information, and refrain from any actions that would lead to any kind of unauthorized disclosure or use of any confidential information.
- Participate in the meetings on a regular basis, including Board meetings, General Assembly meetings, and committee meetings emanating from the Board; and enrich these meetings with their discussions and opinions, and along with achieving effective and independent conversations.

Board Meetings

A. Invitation to a Meeting

In accordance with Article (13) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, concerning the invitation to the meetings, the Bank's Board of Directors will convene at the invitation of its Chairman; and in accordance to what is stipulated in the Bank's Statute. The Chairman must invite the Board to convene when requested by at least two members; and the invitation will be directed to each member enclosed with the agenda at least a week before the scheduled convening date. Any member may request to add one or more clauses to the agenda.

B. In accordance with Article (14) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, concerning the Board's meetings, the Bank's Board of Directors must hold at least six meetings within one year; and it is not permissible to pass three months without holding a meeting, and the Board meeting is valid only in the presence of the majority of the members; provided that it includes the Chairman or Vice-Chairman. The absent member may appoint another Board member in writing to represent him in the attendance and voting; provided that it is in not permissible for a single member to represent more than one member, and if the Board member was absent from three consecutive meetings, or four intermittent meetings without an excuse accepted by the Board, the member would be considered to have resigned. The Board Member may participate in the Board's meeting using any of the secured and accepted modern technology means; thus enabling the participant to listen and actively participate in the Board's work and decision-making.

C. Board Meetings in 2019

Masraf Al Rayan's Board held a number of meetings during 2019 on the following dates:

– First Meeting:	21/1/2019
– Second Meeting:	17/4/2019
– Third Meeting:	18/5/2019
– Fourth Meeting:	30/6/2019
– Fifth Meeting:	18/9/2019
– Sixth Meeting:	27/10/2019
– Seventh Meeting:	12/12/2019

D. Board's Decisions

In accordance with Article (15) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, concerning the Board's decisions, without prejudice to the provisions of the Law in this regard, the decisions of the Bank's Board of Directors will be issued by a majority of the votes of the attendees and representatives, and when the votes are equal, the side in which the Chairman of the meeting is present will be favored. A minutes will be made for each meeting, specifying the names of the present and absent members and explaining what occurred in the meeting; and it will be signed by the Chairman of the meeting and the Secretary. The member who did not agree to any decision taken by the Board must record his objection in the minutes of the meeting. In case of necessity and for urgency reasons, the Board may pass some of its decisions, on the condition that all its members will agree in writing to these decisions; provided that they will be presented at the next Board meeting; in order to be included in the minutes of its meeting.

The Board of Directors issued a number of decisions and recommendations throughout 2019 within the Board's work, tasks and responsibilities that are in the interest of the Bank, the shareholders and the stakeholders.

E. Masraf Al Rayan Board exercises its authorities and responsibilities according to what has been stated in the Masraf Al Rayan's Statute and Articles of Association, and in accordance with the QCB's instructions; while taking into account the Governance Code for Companies and Legal Entities listed on the Main Market issued by the Qatar Financial Markets Authority (QFMA) and the Banks' Governance Principles issued by QCB. The Board is considered collectively responsible for supervising the Masraf Al Rayan's management in an appropriate manner, in compliance with the Board Member's Charter. The Board also approves the strategic objectives and adopts the policies that control Masraf Al Rayan's business.

Board Secretary

In accordance with Article (16) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, concerning the Board Secretary, and Article (17) concerning the Board Secretary's tasks and duties, the Bank's Board of Directors will issue a decision to designate the Board Secretary, and the priority will be given to those with a university degree in Law or Accounting from a recognized university or its equivalent, and for those with at least three years of experience in handling the affairs of a listed company. The Secretary - after obtaining the Chairman's approval - may use any of the Company's employees he deems appropriate; in order to perform his work tasks.

Mr. Ghassan Yassin Al-Rihawi has held the (Board Secretary) position since the Bank's inception in 2006. Mr. Al-Rihawi has previously served as the Secretary of the Qatari Chamber of Commerce and Industry Board from 2002 -2006, and he has managerial experience of over 35 years in the State of Qatar.

Secretary's Tasks and Duties

After obtaining the Chairman's approval, the Secretary may use who he deems appropriate from the Bank's employees in performing his work tasks. The following are the most important tasks and duties of the Secretary, who assists the Chairman and all the Board members in their tasks; as the Secretary is committed to conduct all of the Board's work, including:

1) Drafting minutes of the Board's meetings, which specify the names of the present and absent members, explain what occurred in the meeting, and record the members' objections on any decisions issued by the Board.
2) Record the Board's decisions in the register prepared for this purpose, according to the date of their issuance.
3) Record the meetings held by the Board in the register prepared for this purpose in a sequential and organized manner, according to the meeting's convening date, indicating: the present and absent members, the decisions taken by the Board at the meeting, and the objections, if any.
4) Maintain the minutes of the Board's meetings and its decisions and reports and all the Board's records, communications, and correspondence in paper and electronic records.
5) Send the invitation to the Board members and the participants, if any, enclosed with the agenda at least two weeks before the meeting's scheduled convening date; along with receiving the members' requests to add one or more clauses to the agenda and record its submission date.
6) Achieve full coordination between the Chairman and the Board members, and between the members among themselves; and between the Board, the relevant authorities and the stakeholders, including the shareholders, the Management and the employees.
7) Enable the Chairman and the Board members to have quick access to all the Company's records and documents, and their information and data.
8) Maintain the Board members' acknowledgements not to merge between the positions that are forbidden to be merged together in accordance with the Law and the provisions of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016.

Board Committees

In accordance with Article (18) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, concerning the Board Committees, and Article (19) concerning the committee's work, the Board decides and nominates the chairman and members of each committee, and determines the committee's specializations, duties, and its work provisions and procedures; taking into account certain controls, such as that the number of meetings of the Audit and Compliance Committee should not be less than six meetings per year (given the importance of its role). It is not permissible to combine between the chairmanship of the Audit and Compliance Committee and the membership of any committee. The convening of a committee is valid only in the presence of its Chairman and the majority of its members; and a minutes will be made for each meeting; stating what occurred at the meeting, and signed by the Committee's Chairman.

The Board Committees performed their duties throughout 2019 as specified in their approved frameworks, where the membership of some of them was updated in line with the changes introduced to the Board's formation. The following are the names of the Bank's Board Committees for 2019 and their members:

Executive Committee

Mr. Turki Mohammed Al Khater	Chairman
Dr. Menahi Khalid Al Hajri	Member
H.E. Sheikh Nasser bin Hamad bin Nasser Al Thani	Member
H.E. Sheikh Ali bin Jassim Al-Thani	Member

Risks and Policies Committee

Mr. Turki Mohammed Khalid Al Khater	Chairman
Mr. Nasser Jarallah Al Marri	Member
Sheikh Khalifa bin Thani Al-Thani	Member

Remunerations and Compensations Committee

Mr. Nasser Jarallah Al Marri	Chairman
Sheikh Nasser bin Hamad Al Thani	Member
Mr. Abdullah Ahmed Al Malki	Member

Nominations and Governance Committee

Dr. Menahi Khalid Al Hajri	Chairman
Mr. Abdullah Ahmed Al Malki	Member
Sheikh Faisal bin Saud Al Thani	Member

Audit and Compliance Committee

Mr. Abdullah Ahmed Al Malki	Chairman
Mr. Nasser Jarallah Al Marri	Member
Sheikh Khalifa bin Thani Al-Thani	Member

Group's Investment Committee

Sheikh Faisal bin Saud Al Thani	Chairman
Sheikh Nasser bin Hamad Al Thani	Member
Mr. Nasser Jarallah Al Marri	Member
Mr. Ahmed Sheikh	Member
Mr. Haithem Katerji	Member

Executive Committee

The Executive Committee is considered one of the Board's most important Committees in the Bank; as it helps the Board review Masraf Al Rayan's activities, and studies the various matters presented to the Board, such as credit transactions or the other activities of Masraf Al Rayan that require the Board's approval; along with submitting its recommendations to the Board in this regard.

The Executive Committee's Main Responsibilities:

– Review the Board's main tasks.

– Discuss and approve the matters that fall within the Board's authority or the matters that arise within the Board's meetings.

– Provide reports and recommendations to the Board when needed.

– Make recommendations and approve the financial matters according to the authority table.

– Recommend to approve the policies, regulations, and any amendments or additions.

– Approve or recommend the ceilings for transactions with the new countries and banks that the Bank deals with, and make the necessary amendments.

The Committee has held the following meetings during the year 2019:

First Meeting:	4/1/2019
Second Meeting:	15/4/2019
Third Meeting:	8/9/2019
Fourth Meeting:	20/11/2019

Nominations and Governance Committee

The Committee consists of three Board members, including its Chairman; and the selection of members of this committee takes into account the availability of the necessary expertise to exercise its specializations, which are represented in the following:

The Committee mainly assumes the following responsibilities:

1. Establish the general foundations and standards used by the General Assembly to nominate the most favorable among the candidates for the Board's membership.
2. Nominate whoever it deems fit for the Board's membership, if any of its seats becomes vacant.
3. Develop a draft succession plan for the Bank's management to ensure the speedy appointment of the appropriate replacement to fill the Bank's vacancies.
4. Nominate those who it deem fit to fill any of the Senior Executive Management's positions.
5. Receive applications to run for the Board's membership.
6. Submit the list of candidates for the Board's membership, including its recommendations in this regard; provided that a copy thereof will be sent to the Qatar Financial Markets Authority (QFMA).
7. Submit an annual report to the Board containing a comprehensive analysis of the Board's performance, while identifying the strengths, weaknesses and suggestions in this regard.

The Nominations and Governance Committee's tasks include the following:

– Adopt and publish the Committee's framework in a manner that shows its authority and role.

– Supervise the implementation of the steps concerning the invitation for nominations to the Board's membership; and study the received applications to ensure that applicants meet the membership conditions.

– Assess the candidates' applications for Senior Executive Management positions, and submit recommendations to the Board of Directors.

– Review the annual corporate governance report of Masraf Al Rayan, and recommend its approval by the Board.

– Develop an induction program for new members and suggest training programs for them when required.

The Committee held the following two meetings in 2019:

First Meeting:	15/1/2019
Second Meeting:	8/12/2019

Audit and Compliance Committee

The Committee consists of three Board members, including its Independent Chairman; and the selection of members of this committee takes into account the availability of the necessary expertise to exercise its specializations, which are represented in the following:

- Appoint External Auditors on an annual basis and approve their contracting policy.
- Supervise and follow up with the independence of the External Auditors and their objectivity, and discuss with them the nature of the audit and its effectiveness and scope, in accordance with the International Standards on Auditing (ISA) and the International Financial Reporting Standards (IFRS).
- Review the External Auditor's appointment letter, his work plan and any inquiries or important notes he requested from the Bank's Senior Management, along with the Executive Management's responses.
- Ensure coordination between the Internal and External Auditors.
- Meet with the Bank's Chief Financial Officer (CFO) or the person who carries out his tasks, the Internal and External Auditors at least once a year.
- Study any important and unusual issues included, or will be included, in the financial reports.
- Appoint or dismiss the Head of the Internal Audit Body and supervise his effectiveness.
- Supervise and monitor the Internal Audit Management and the Compliance Management, and ensure their independence, along with discussing and recommending the annual plan and the appropriate training for them.
- Review the internal controls systems, and approve the Bank's internal and external audit reports.
- Review and recommend the charter, policies, and work procedures for the Internal Audit Management and the Compliance Management on an annual basis.
- Supervise the Compliance Management's work, which determines, evaluates, and provides consultations, along with monitoring and submitting reports regarding the risks of non-compliance with the applicable laws, instructions, and standards. In addition, the Committee determines its position in the organizational structure in the manner that ensures its necessary independence and effectiveness. The Committee will ensure that the Compliance Management is provided with the adequate resources and the swift and clear channels; in order to submit the reports to the Committee and the Executive Management; and provide it with the sufficient powers to access the information in a clear and sufficient policy.
- Review the quarterly reports prepared by the Compliance Management.
- Develop rules to be approved by the Board of Directors allowing the Bank's staff to secretly report their concerns regarding any issues that are likely to raise suspicion; and ensure the presence of appropriate arrangements to conduct an independent and fair investigation on these issues while maintaining the confidentiality of the reporting employee and protecting him from any harm or negative reaction (Whistleblower Protection Policy).
- Oversee the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports; review the data and reports related to compliance with the accounting, transparency, listing in the market and disclosure standards.
- Ensure that the Internal Audit's tasks include reviewing the activities of the Compliance Control Officer.
- Assess the impact of new organizational regulations on Masraf Al Rayan.
- Review the annual report of the Anti-Money Laundering and Counter-Terrorist Financing Officer.
- Study any other matters determined by the Board of Directors.

The Audit Committee held the following meetings during the year 2019:

First Meeting:	21/1/2019
Second Meeting:	17/4/2019
Third Meeting:	30/6/2019
Fourth Meeting:	18/9/2019
Fifth Meeting:	27/10/2019
Sixth Meeting:	12/12/2019

Remunerations and Compensations Committee

The Committee consists of three Board members, including its Chairman; and the selection of members of this committee takes into account the availability of the necessary expertise to exercise its specializations, which are represented in the following:

- Determine the Bank's annual remuneration granting policy, including the method for determining the remunerations received by the Chairman and the Board members; provided that the Board's annual remuneration must not exceed 5% of the Bank's net profits after deducting the reserves and the legal deductions, and distributing the cash and in-kind profits to the shareholders.
- Determine the foundations for granting allowances and incentives to the Senior Management and the employees, including issuance of incentive shares to its employees.
- Update the remunerations and compensations regulations on an annual basis, whenever the need arises.
- Propose the remunerations of the Board Members and Executive Management, taking into account the following:
  - The value of remunerations granted to the Board Members and the Executive Management after comparing them with what is provided in similar local and regional financial institutions.
  - The profits and achievements made by the Bank during the fiscal year and comparing them with the results of the previous years.
  - The economic and financial conditions during the fiscal year.
  - The responsibilities and scope of tasks of the Board members and the Senior Executive Management.
  - Taking into account the laws that determine the value of the remunerations of the Board Members and the relevant articles in the Masraf Al Rayan's Statute.
- Present the remuneration policy and principles to the shareholders in a General Assembly meeting to be approved and announced to the public.

Risk and Policies Committee

The Committee consists of three Board members, including its Chairman, and it assumes the following responsibilities:

Risks Management

A. Operational Risks

1. Review the effectiveness of Risk Management at the Bank's level as a whole.
2. Assess the new significant risks that affect the Bank.
3. Identify the recent strategic risks, including the institutional matters such as regulatory frameworks, business development, and the like.
4. Review the key risk indicators and identify the matters that the Board should take into consideration on a quarterly basis.
5. Review the influential operational losses
6. Review all the risk policies on an annual basis.

B. Credit Risks

1. Review the credit policies on an annual basis.
2. Establish and review the insurance powers as needed, at least once a year.
3. Adopt and review the maximum limits for dealing with other parties, and the maximum limits for dealing with other countries, when needed at least once a year.
4. Review the arrears and non-performing accounts, and recommend the suitable provisions for them.
5. Assess the write-off or return to profitability in comparison with the provisioning levels.
6. Review and monitor the filed cases and the collection processes.

C. Monitoring the reputation risks and other risks not mentioned above

Bank Policies

Study, develop and update the policies that require the Board's approval.

The committee held the following meetings in 2019:

First Meeting:	15/4/2019
Second Meeting:	8/9/2019
Third Meeting:	8/12/2019

Shariah Supervisory Board

Taking into account the governance principles issued by the Qatar Central Bank (QCB) for 2015 (Circular No. 68/2015), and in accordance with Annex (2) on the main terms of the reference of the Shariah Supervisory Authority, Masraf Al Rayan's General Assembly approved in its meeting held on 2/4/2017 to reappoint its Shariah Supervisory Board for the three years from 2017 to 2019. The formation of the Shariah Supervisory Board is as follows:

Honorable Sheikh Dr. Waleed Bin Hadi
Chairman of the Shariah Supervisory Board

Honorable Sheikh Dr. Abdullah Sattar Abu Ghuddah
Member of the Shariah Supervisory Board

Honorable Sheikh Dr. Mohamed Ahmeen
Member of the Shariah Supervisory Board

The Shariah Supervisory Board's work includes reviewing contracts, answering the Shariah-related questions, and developing solutions for the difficulties that arise during the application. The Supervisory Board directly oversees the Bank's operations and ensures the proper application of what has been decided by the Supervisory Board, along with ensuring that the banking operations may be conducted in accordance with the legitimate provisions.

The Supervisory Board also performs its work and submits its report annually for each fiscal year to the Ordinary General Assembly in its periodic meeting.

Masraf Al Rayan's Executive Management

The Board of Directors appointed the CEO of Masraf Al Rayan Group and adopted the key positions of the Executive Management, which submits its reports directly to the Group's CEO, and the positions related to the Board Committees (e.g. Head of Internal Audit Management, who is connected to the Audit and Compliance Committee). Masraf Al Rayan's Executive Management formation for 2019 included the following gentlemen:

Adel Mustafawi	Group CEO
Ahmed Sheikh	Chief Operating Officer (COO)
Khaled Fakhro	General Manager – Engineering Management
Muhammed Tauseef Malik	General Manager – Financial Control
Nasser Raeiss	General Manager – Human Resources and Administrative Affairs
Howaida Abdullah Saleh AlMohannadi	General Manager – Operations
Mohammed Ismail Al-Emadi	General Manager – Wholesale Banking Services
Hamad Al-Jamali	General Manager – Retail and Private Banking Services
Pichu Chidambaram	Assistant General Manager – Information Technology
Yasser Kareem	Assistant General Manager – Credit Risk
Adel Attia	Assistant General Manager – Internal Audit
Mahmoud Al-Ahmad	Executive Manager – Treasury
Abdelmonem MT. ElHassan	Legal Advisor and Head of the Legal Department
Mohammed Hussein	Assistant General Manager – Head of Operational Risk
Dareer Mohammed	Head of the Compliance Management

Masraf Al Rayan's Management Committees

The Bank's Executive Management has formed a number of management committees involving specialized directors; in order to ensure the proper implementation of the Bank's policies and procedures. The Bank's main management committees are as follows:

Committee Name	Overview of the Committee's Work
Management Committee	Keep the management staff up to date with the latest developments, follow up and communicate between the managements, and consult on the Bank's work
Assets and Liabilities Committee	Follow-up and deal with the liquidity and cash situations
Information Technology Security and Guidance Committee	Maintain the security of the information technologies used in the Bank, follow up with their updates, and consult on the new technologies
Credit Committee and Group Credit Committee	Make credit decisions within its authorities, and update the credit policies and procedures
Anti-Corruption Committee	Consult on the fight against various types of financial crimes and deal with relevant emerging cases
Human Resources Committee and Recruitment Committee	Update and develop recruitment procedures and policies, and consider the job applications

Masraf Al Rayan's Internal Control Policies

Masraf Al Rayan is committed in its work to follow an adopted set of policies that constitute the regulatory framework for the Bank's approach, its management method, the supervision of the financial affairs, the investments and the relevant information; and these policies also determine its frameworks and controls in all the activities. Masraf Al Rayan constantly updates these policies through the Risks and Policies Committee when needed, and then submit it to the Board for approval.

Masraf Al Rayan currently follows the updated versions of a wide set of policies (other than the governance policies), which include without limitation or particular order the following:

- Credit Policy
- Expected Credit Loss Policy
- Investment Policy
- Compliance Policy
- Whistleblower Protection Policy
- Anti-Money Laundering and Counter-Terrorism Financing Policy
- External Assignment Policy
- Customer Acceptance Policy
- Internal Capital Adequacy Assessment Policy and its Implementation Framework
- Reserve Financing Liquidity Maintenance Policy
- Liquidity Risk Management Policy
- Market Risk Management Policy
- Disaster Recovery Policy
- Operations Risk Management Policy
- Cybersecurity Policy
- Cybersecurity Framework
- Information Security Protection Policy
- Business Continuity Policy
- Information Technology Policy
- Digital Infrastructure Procedures and Digital Systems Versions
- Change Management Standards Policy
- Projects Digital Systems Management Standards
- Application Development Standards Policy
- Digital Systems Testing Methodology Policy
- Code of Professional Conduct Policy
- Human Resources Policy
- Liabilities, Assets and Treasury Management Policy
- Internal Audit Policy
- Shariah-related Policy
- Governance-related Policy
- Retail Banking Services Management Policy
- Branch Operations Policy
- Fiscal Policy

Masraf Al Rayan's Compliance with the Rules and Conditions governing the Disclosure and Listing on the Market

Masraf Al Rayan Board is committed to the principle of transparency in performing its business and duties towards the shareholders and in all that is related to the requirements of public disclosure for all that may affect the Bank's financial performance or the movement of its share price. The Board Members' information can be provided to the Qatar Financial Markets Authority (QFMA), in addition to the Qatar Stock Exchange, while stating the contributor number for each of them (through which they can view their ownership of the shares). The Board Charter has detailed the responsibilities of the Board and its committees.

On the other hand, the Board is also keen on providing the Qatar Stock Exchange with financial statements and clarifications, as set by the Qatar Stock Exchange; furthermore, it publishes its financial statements upon being approved by the Board of Directors according to the Commercial Companies Law, the Qatar Central Bank's instructions, the Qatar Stock Exchange's regulation, and the Qatar Financial Markets Authority's instructions.

Financial statements are published together with the report of the External Auditor, who confirms in his reports that the financial reports and statements of Masraf Al Rayan are issued in conformity with the International Accounting and Auditing Standards, and that he has obtained all the data and information that are necessary for performing the audit.

The financial statements and the External Auditor's report are published on the Bank's website and the Qatar Stock Exchange website and in the local newspapers, according to what is stated in the Masraf Al Rayan's Statute and the Commercial Companies Law No. (11) of 2015.

Masraf Al Rayan's Compliance with Internal Control Systems for Risk Identification and Management

The Board of Directors gives special attention to developing internal control systems through a clear identification for its responsibilities, including its position in the organizational structure and its relationship with other departments and functions in a manner that would ensure its necessary independence and effectiveness; along with providing adequate resources and fast and clear channels for submitting reports to the Board of Directors or the Executive Management and providing it with the necessary authority to access information within a clear and adequate policy framework and a procedures manual; in addition to conducting annual revisions to these policies and ensuring that the Internal Audit's tasks include the revision of the Compliance Control Officer's activities. Furthermore, the Executive Management, in collaboration and coordination with the Compliance Control Officer, take the necessary corrective and disciplinary actions if any violations are discovered, and submit periodical reports to the Board on matters related to the compliance policies and procedures in order to help improving them.

Risk Management and Internal Control Procedures, including the Supervision of the Financial Affairs and the Investments

The Bank identifies the risks it may face and their assessment and management methods; analyzes the risk factors, and discusses the adopted systems; in order to address radical or unexpected changes through its management committees; and the Risk Management, Internal Controls, and Compliance Officers constitute the first level of the tools used in the follow up; in addition to the reasonable assurance that the directions from the regulatory authorities were met; as each of these officers submit reports, when needed, directly to the Presidency of the Executive Management or the Board through its committees; and so the Board will be fully informed about of the internal control work and results, which include the following:

- Granting and Assessing credit
- Investment
- Liquidity
- Market Risks
- Capital Adequacy Risks
- Concentrations Risks
- Foreign Exchange Risks
- Interest Rate Risks
- Pricing
- Profitability and Balances
- Anti-Money Laundering and Counter-Terrorism Financing
- Assets Insurance
- Relevant Parties and Conflict of Interests
- Compliance with laws, rules, regulations, and supervisory instructions.
- Internal and External Audit
- Performance Assessment
- Disclosures to all relevant parties
- Operational and Accounting Risks
- Legal Risks

This is in addition to the Bank's implementation of the policies related to the employees' personal affairs, conduct, and work ethics, and the other policies that are reviewed to ensure the implementation of the best standards and the compliance with the regulatory requirements in this regard. Afterwards, the Internal Audit Management reviews the performance of the Risk and Compliance Officers to provide a reasonable assurance to the Board's Audit and Compliance Committee that these tasks are being carried out at an acceptable level of competency, along with highlighting the matters of concern in this regard. All the Masraf Al Rayan activities are subject to the controls specified by the main policies adopted by the Board, whether directly or through its committees. Furthermore, an assessment is made for the performance of the Senior Management in applying the internal control system; in addition to recording the number of times in which the Board has been notified about the matters related to it and the method in which such matters have been addressed.

The internal controls work has only revealed the ordinary control matters, which have been addressed routinely by the Risk Officer and the Compliance Officer within the applicable policies, which did not require Board's intervention.

The Control Management constantly attempts to discover any potential failure in applying the internal controls, or even weaknesses in the implementation, or emergencies that may affect the financial performance of the Masraf Al Rayan; and it is responsible for following-up with the procedures taken by the Company to address the failure.

The internal control activities are distributed between the control managements; as they continually carry out constant and comprehensive inspections, and continuously submit reports to the Executive Management on the observations and violations; in order to take the necessary corrective actions. There has been no emergency that influences or may influence the Bank's financial performance.

Risk Management Operations and Internal Control Procedures

Masraf Al Rayan Board is responsible for managing risks, and the Board has assigned the Executive Management with the authority to take the decisions necessary to monitor the risks on a daily basis and to manage them via specified controls that ensure proper risk management at the Bank.

The wise supervision over the risk management stems from the Board and is managed at the departments' level, and this is performed through many methods, including weekly and monthly administrative reports, the key risk indicators, and the Bank's risk records. The managements develop their own standards to keep the risks at the acceptable limits within the maximum adopted limits. The maximum limits are set to be suitable with the risk acceptance level and its significance, either by the competent committee belonging to the Board of Directors or the competent administrative committee (according to the powers granted thereto) or by the concerned departments (within the main maximum limits specified for them); in order to provide services with risks that have been mitigated in an acceptable manner. The Bank has established an appropriate structure from the committees with various appropriate levels from the Board level all the way up to the Managements' level.

Masraf Al Rayan follows a risk management model at the enterprise level, which contains (three defensive lines); as the appropriate responsibilities and authorities lie in each of these defensive lines, and the Bank's committees perform its responsibilities as per their delegated authority at the various levels from the highest level at the Board itself, and passing by the Board Committees directly until the Executive Management Committees and the staff.

Risk Management is carried out through various managements headed by experts such as the Chief Executive Officer of the Risk Management, the Compliance Manager, and the Head of the Internal Audit; as these managements identify, assess, provide consultation, monitor and submit reports on the various risks of non-compliance with applicable laws, instructions, and standards.

Internal control objectives are represented in protecting the Bank's assets, monitoring the use of the available resources, along with ensuring the accuracy of the accounting data, identifying authorities and responsibilities and complying with them, and following a clear policy in selecting the employees at the various management levels.

The Procedures Followed by Masraf Al Rayan to determine, assess, and manage the Risks it faces

Masraf Al Rayan relies on the Executive Management's staff and committees, and the policies and procedures based on them; in order to identify, assess and deal with the risks; and the following are the main points in this regard:

Stress Testing

The measurement, observation and monitoring of the various risks is a vital matter in assuring the validity of the financial institutions and the financial system as a whole. In this context, stress testing has been widely used by the international financial institutions, along with the regulatory authorities recently, to ensure the ability of the banks and other financial institutions to withstand the different risk factors. The idea behind stress testing is to assess the effects of the exceptional but reasonable events on the Bank's financial position and other financial entities; as several quantitative technical methods have been developed, which can be divided into two main categories: sensitivity testing and scenario testing.

In compliance with the Qatar Central Bank's regulatory instructions related to Basel Committee's subject; the Bank conducts stress testing to cover all the risks that affect the Bank individually (Firm Specific Scenarios), which include credit risks, liquidity risks, market risks, and operational risks; furthermore, the Bank conducts stress testing to cover risks that could affect the economy in general and the whole financial system (Macroeconomic Scenarios)

These tests, which are performed by the Risk Management in order to measure the Bank's ability to bear future losses that it might be exposed thereto in light of specific scenarios regarding the future economic factors, start with what is known as the base scenario, or the scenario of the continuation of the current conditions as they are, and several other alternative scenarios that vary in the degree of severity of the assumptions made thereon. Specifically, these tests aim to ensure that the Bank will continue to have sufficient capital resources to face the potential losses, in case the worst scenario occurs from among these scenarios. Accordingly, the Bank can present a realistic view of its sensitivity and ability to withstand potential shocks to the economy, if the economic conditions continue to worsen; along with assessing the Bank's ability to sustain various shocks resulting from the credit and market risks. These tests are conducted based on the Bank's current financial data and the financial data expected for the next five years, and the information collected by the Control Management on the risks surrounding the Bank.

The banking stress testing helps in taking the appropriate procedures and determining whether or not the Bank's position is solid, and that is through ensuring that the Bank's financial assets are sufficient to finance its obligations and cover its potential future losses in the worse possible assumptions, and then it enables the Bank to continue acting as a financial mediator, without government support, or the extent of its need for government assistance to continue its work, i.e. its need for government assistance through providing funds to assist it, or seeking to find other finance sources in the private finance market, including the possibility of making it go through merger. These are all assumptions that enhance the Bank to take care and provide studied options in case of any negative developments.

The Bank has complied with all Qatar Central Bank's instructions concerning stress testing and has complied with providing the required reports.

Credit Risks

Risk is considered an integral part of the banking business, especially within the increased intensity in the competition and the size of the banking transactions, along with the technological developments and the need for larger banks. Today, banks are facing various banking risks that vary in their severity from one bank to the other. Therefore, the management of the total possible risks is considered from the factors that assist in the Bank's success and ensures its continuity in the banking market, which results in acceptable returns and reduced risks.

The credit policies developed by the Bank are considered the axis of the Credit Risk Management's operation. Therefore, the Bank is keen on developing a comprehensive mechanism to assess the credit, by developing a comprehensive credit policy representing the framework, which contains a group of indicative standards and conditions, provided to the competent Credit Granting Management to ensure a standardized processing and the provision of sufficient flexibility.

Credit facilities are granted based on a standard internal assessment system that relies on a set of terms and controls, including the customer's experience, its financial efficiency, the presence of sufficient and reliable sources of payment, the proportionality of the finance conditions with the finance purpose, the identification and assessment of the finance risks, the presence of adequate guarantees that enables the Bank to recover its rights, in case of default or if the customer stops paying, without any losses.

Banking credit is granted through the approval of the Credit Committees in the Bank, which consist of four committees, depending on the size of the required facilities as follows:

- Retail Credit Committee (maximum approval limit: QR 15 Million)
- Group's Credit Committee (maximum approval limit: QR 150 Million)
- Executive Committee (maximum approval limit: QR 300 Million)
- Board of Directors (maximum approval limit: QR 300 Million)

Accordingly, there are no individual powers for non-personal finance.

As for personal finance, it is the finance granted to individuals up to a maximum of 2 million Qatari Riyals (according to Qatar Central Bank's instructions). The personal finance operations are monitored through an automated centralized system at the Bank used for monitoring the loans granted to the individuals; as the employee enters the finance request, then the branch managers or their deputies, according to their powers, will review the request; and if it is approved, it will be passed to the Operations Management to grant the finance. If there are any exceptions, the request will be submitted to the Retail Credit Committee.

Credit Risk Management

The Credit Risk Management at Masraf Al Rayan conducts a number of procedures to identify, measure, follow-up, and monitor the credit risks, and that is through the following:

Credit Risk Management Standards

Credit standards were developed containing the following:

1. Determination of the credit types that can be granted to the customers according to the (Economic) sectors.
2. Development of a maximum limit for granting credit to a single credit group, in addition to the credit pricing principles.
3. Determination of the guarantees' types, their assessment method, the relationship between the credit size and the guarantees' value, along with taking precautionary steps to maintain them, such as insurance, and periodical assessment of these guarantees.
4. Development of the credit granting approval rules, the rules for obtaining information and documents that must be available to grant the credit, and the powers for granting the credit; along with establishing independent credit review and its rating conditions, and forming the provisions.
5. Determination of the risk level that the Board / Bank agrees to enter into during the finance operation.
6. Preparation of independent credit recommendations for the Business Units.
7. Disclosure of all the information related to the customer to the Credit Committee with absolute transparency; in order to have the chance to make a correct credit decision.

8. Development of the Credit Management and Control's role; in order to follow-up the completeness of all the required documents and guarantees, according to the Credit Committee's recommendation to activate the limits in the Bank's system.
9. Masraf Al Rayan has recently applied an internal system from (Moody's Company) to assess the risks of the Bank's customers in all the sectors (Corporate, SME, Private Banking & HNW Individuals); in order to establish a comprehensive mechanism for the credit risk assessment system, which includes a set of indicative standards and conditions that need to be performed when assessing the customers. This policy is considered the axis for the credit risk management and measurement; as the clients' assessment is based on a standard system that relies on a set of controls, and that is to maintain risks at the acceptable limits.
10. Implementation of the stress testing on the credit facilities to enhance the process of identifying and controlling the risks, along with providing complementary tools for the other credit management tools, in order to achieve an overall assessment for the credit risks.

Application of Proper Procedures to determine the Credit Risks

Proper procedures are applied to grant credit, which include the following:

1. The presence of a finance request signed by the customer or the authorized signatory.
2. Obtainment of the full information and documents in order to conduct a comprehensive assessment and review for the customer and the types of risks associated with the credit request, along with providing a credit rating for the customer, according to the Bank's internal credit rating system.
3. Understanding the purpose of the credit, the customer's reputation, experience, market position (within the economic sector).
4. Studying the nature of the current and future risks for the customer and sector, and the extent of sensitivity towards the economic developments, and the relation between the risks and profit.
5. Assessment of the payment sources and the customer's commitment to pay his previous obligations.
6. Obtainment and assessment of all the required guarantees.
7. Analysis of the customer's financial position using the updated audited budgets.
8. Resorting to the Qatar Credit Bureau's reports to assess the customer's efficiency and creditworthiness and his fulfillment of his obligations, and to the Qatar Central Bank's report to know the amount of the customer's indebtedness with other banks.
9. Determination of the credit ceilings according to the economic sectors and the regions / countries based on the State's credit risk rating degree.
10. Taking into consideration the maximum credit ceiling rate that can be granted for the equity rate at the level of a single customer or the group, or the total relevant customers, and those who have overlapping interests with the Bank.
11. Taking into account the Qatar Central Bank's instructions for granting finance.
12. Approval of the stress tests framework, which includes the policy, the structure, the methodology, to ensure the definition and identification of the suitable factors related to the credit risk, along with determining its associated responsibilities and their consequences, as well as presenting them to the specialized committees to support in taking the decisions.

Credit Handling and Follow-up Procedures

The procedures for handling and following up with the credit include the following:

1. The presence of files to maintain the credit approvals and the enclosed documents, and update their data on a periodic basis.
2. Follow-up with the execution of the credit according to the competent credit committee's approval and recommendations, along with ensuring their compliance with the policies, procedures, laws and regulatory instructions, and the availability /adequacy of the required guarantees.
3. Follow-up on the customers' utilization of the granted credit limits, and that is by submitting periodic reports on the entire credit portfolio.
4. Conducting an internal credit rating that helps in granting and pricing the credit and following up with its quality; along with determining the credit portfolio characteristics and the credit concentrations, and determining the non-performing loans and the sufficiency of its provisions.
5. Issuance of reports on the non-performing sectors in the business unit to take the necessary action.
6. Issuance of periodic reports and informing the Business Units and the Management with all that is needed.
7. The Credit Risk Management Unit is a unit independent from the Credit Audit Unit, and its tasks consist of reviewing the guarantees, conditions, and contracts, and completing them before granting the facilities, including follow-up with all the limits granted on the system and their update, along with using them and issuing the required reports.

Credit Risks Control Procedures

These procedures include the following:

1. The presence of internal controls to ensure the reporting of any exceptions in the credit policies / procedures, the credit limits and / or the regulatory instructions.
2. The presence of a Collection Unit to detect the non-performing credit facilities and take the necessary procedures to solve it at an early stage, as periodic reports are prepared for the status of the non-performing accounts, along with notifying the responsible authority to take the necessary actions.
3. Periodic review of the powers of the signatories' authorized to sign the credit and its documents.
4. Development of the Bank's Credit Policy on a periodic basis to be in line with the latest developments and changes; in order to improve the risk management.
5. The Bank reviews all the granted credit facilities on a regular basis, and monitors the sectors' performance and the limits of the financial concentrations for each sector. The Bank also follows up with all the facilities and increases, and follows up with the guarantees and their completion, along with taking the necessary actions at the appropriate times. On the other hand, the Bank reviews the unused facilities, and submits recommendations, if any, to the concerned authorities.
6. Establishment of a common ground between the Risk Management and the relevant business units; in order to exchange information and disseminate the credit culture derived from the Bank's Risk Management Strategy.
7. The Risk Management's activities are ongoing and constantly evolving, and associated with the Bank's strategy.
8. Adoption and usage of systems to assess the customer's risks in accordance with the Basel requirements and the Qatar Central Bank's instructions.

Market Risks

The Bank's method for handling the market risk did not essentially change; because it relies on monitoring the market risks using the latest banking standards, depending on the Qatar Central Bank's directions and the Basel Principles, while using the expertise of experienced staff and those possess high and international competencies.

In order to solve and mitigate these risks in general, the Bank diversifies its activities in various countries, sectors, products and customer segments, and takes proactive steps to manage these risks.

The relevant employees monitors a set of market-related risks, such as foreign exchange risks, profit rates risks, pricing risks, liquidity risks, and general investments risks; and they monitor the banking rates specified by the Qatar Central Bank from liquidity rates, capital adequacy rates; in addition to monitoring the stability rates and the concentrations in the customers' deposits. Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the Management; in order to assist in taking proper decisions and monitoring the market risks as required.

These reports include daily reports such as the early-warning indicators reports on the market and liquidity risks and a daily report on the treasury; in addition to a monthly report to the Assets and Liabilities Committee (ALCO), which indicates the budget position, the banking ratios, the stress tests on budget, and the gap analysis in the assets and liabilities. The Assets and Liabilities Committee consisting of the Senior Management discuss this report in its monthly meeting, where it takes its decisions and follows up with them.

Credit Limits granted for the Banks and Countries

In compliance with Qatar Central Bank's instructions and within the Bank's credit policy, the credit limits for the banks that are being dealt with will be updated; along with the credit limits for the countries in which these banks are located according to their rating. The Board approves these limits after studying them according to the requirements imposed by the prevailing economic conditions, and then they are submitted to the Qatar Central Bank (QCB) after their approval.

Operational Risks

In its effort to mitigate the possibilities of losses from the operational risks, Masraf Al Rayan approved and applied policies and methodological procedures to determine, assess, monitor and manage systems and report any weakness therein. The controls of these policies and procedures include effective segregation of duties, along with restricting system access, and adopting effective procedures to delegate authorities and make settlements; in addition to the continuous learning for the employees, and the ongoing performance assessment. Masraf Al Rayan uses a specialized system to manage all the operational risk indicators, including the database and losses risks.

Operational Risk Mitigation

Masraf Al Rayan is very keen on the efforts made to mitigate and manage the operational risks and encourages following the best practices in the risk management field. At Masraf Al Rayan, controls and programs are applied, which are capable of mitigating the exposure, frequency, or severity of a certain event; such controls are tested to know whether they actually mitigate the risk, or merely transfer the exposure to certain aspect of the operational risk to another business sector.

Best Applicable Practices to mitigate the Operational and Systems Risks

- Maintain the global ISO23301 certification for business continuity by complying with the best international practices.
- Maintain the Information Security Management System (ISMS) by renewing the ISO27001 certification for information security.
- Use a specialized e-system for managing operational risks (SAS): in order to manage all the operational risks, which include following up and analyzing the incidents and the operational losses.
- Use the bank transfers control system to ensure that there are no names that appear in the banned lists or those related to anti-money laundering and counter terrorism financing; and integrate this system with the SWIFT system to intercept any suspicious names at the same time when the transactions are taking place.
- Monitor the fraud cases preemptively to prevent any suspicious transactions: as a specialized unit works on monitoring the fraud cases 24 hours a day, 7 days a week to detect and prevent fraud on the Credit Cards and ATM Cards.
- Protect the Bank's valuable data in a preemptive manner as a precaution against any emergencies; and that is by providing a disaster recovery center through the (Meza) Company at the Qatar Science & Technology Park (QSTP), and by keeping a backup copy of the important data at the Qatar Data Center, and in the city of Nice, France.
- Use an advanced system (Malware Prevention System) to prevent the phishing attempts.
- Conduct the security breaches tests (Vulnerability Tests) on the IT systems.
- Successfully participate in a Cyber Security Drill organized by the Ministry of Transport and Communications.
- Continue to increase the number of the operational risk system user base.
- Use the Information Security and Event Management System (SEIM) 24 hours a day, 7 days a week.

Some risks that cannot be avoided, mitigated or accepted will be covered through various insurance operations.

Masraf Al Rayan Credit Rating

Long-term Rating	Short-term Rating	Future Aspiration
A1	P1	Stable

Moody's Agency released its updated report on Masraf Al Rayan's ratings on the 31st of October 2019, which determines the A1/Prime-1 rating for Masraf Al Rayan (Q.P.S.C.) (Masraf). This rating takes into account a very high probability that the Bank will receive support from the Government of Qatar rated (Aa3 stable), which translates into an upgrade by four degrees for the Bank's long-term rating from the basic credit rating (baa2).

The basic credit rating (baa2) reflects the following factors:

1) The brand's strength in the State of Qatar.
2) The high quality of assets over the years.
3) The solid and stable profitability that supports the Masraf Al Rayan's high capitalization.

However, the strengths mentioned above are affected by the following factors:

1) Masraf Al Rayan's reliance on the Executive Management in terms of business promotion.
2) High concentration in assets and liabilities.
3) Weakness in finance and liquidity.

Auditor "External Auditor"

Masraf Al Rayan's Ordinary General Assembly held on 25th of February 2019, under its Decision No. (8), approved the appointment of the Auditor M/S Deloitte to audit the accounts of the Bank and its subsidiary companies for 2019 (with the exception of Masraf Al Rayan in the UK; and that is with the recommendation from the Audit and Compliance Committee (which has chosen their offer from a number of offers) to the Board of Directors, and based on the Ordinary General Assembly's decision, and obtaining the Qatar Central Bank's approval in this regard.

M/S Deloitte was chosen due to its application of best professional practices and its maintenance of its independence, along with refraining from entering into any relationships containing conflicts of interest. The External Auditor attends the General Assembly; where he submits his annual report and responds to inquiries.

Auditor's Tasks

The Auditor (i.e. an independent and qualified External Auditor) conducts an annual independent audit and quarterly reviews. The mentioned audit aims to provide objective assurance to the Board of Directors and the shareholders that the financial statements have been prepared in accordance with the Governance System, the relevant laws and regulations, and the international standards that govern the preparation of financial information. The financial statements fairly present, in all essential respects, the Group's consolidated financial position, the consolidated financial performance and the consolidated cash flows for the ended year, according to the International Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Qatar Central Bank's instructions.

The External Auditors must adhere to the best professional standards, and Masraf Al Rayan is committed not to contract with them to provide any consultations or services that may result in a conflict of interest; therefore, the External Auditors are considered to be completely independent from Masraf Al Rayan and its Board, and they absolutely have no conflicts of interest in their relations with Masraf Al Rayan.

The External Auditors are accountable to the shareholders and owe Masraf Al Rayan the duty of exerting the due professional care when conducting the audit. The External Auditor must also inform the Authority and any regulatory authorities if the Board does not take the appropriate action in regards to any suspicious matters raised or identified by the Auditors.

Shareholders' Equity

Masraf Al Rayan Board is keen on protecting its shareholders' equity, as specified in the relevant rules and regulations and Masraf Al Rayan's Statute; which stated that each stock entitles its owner to a share equal to the share of other stocks without distinction in the ownership of the Bank's assets and in the profits divided as described in the System. It also allows shareholders to use their voting rights by proxy.

Shareholders and stakeholders also have the right to submit proposals, complaints and grievances through a number of means such as a call center, an e-mail or by personally attending any of the Bank's branches; and the Bank records this and ensures that it reaches the appropriate people and stakeholders as necessary, and that a response will be made in an acceptable manner, along with taking the necessary actions.

Shareholders' Register

Qatar Central Securities Depository Company (QCSD) maintains the shareholders' registers in the listed companies, and since the shareholders' information changes in real-time with the market's trading; the QCSD provides this information to the Bank once a month in the following cases:

1- When holding the Ordinary or Extraordinary General Assembly Meeting.
2- When distributing the profits.
3- When conducting an acquisition or merger.
4- When increasing the capital through subscription.
5- When the company changes its legal status.
6- Any other cases as determined by the Qatar Financial Markets Authority.

Masraf Al Rayan requests the shareholders' data from the mentioned company at any other time when needed; and such data are adopted to record the attendance in the assemblies and distribute the profits to the shareholders.

Information Access

Masraf Al Rayan's website www.alrayan.com provides all the important information and the information related to Masraf Al Rayan, which facilitate access to a wide range of information that concern the shareholders, investors, and other stakeholders. This information is mainly available in the "Investor Relations" Section.

Conflicts of Interest and Dealings with Subcontractors

Masraf Al Rayan is committed to adopt and announce the general rules and procedures governing its entry in any business transaction with a relevant party, and this is mentioned in the Governance Policy and the Board Charter. In any case, Masraf Al Rayan refrains from entering into any business transaction with a relevant party or contracting with him, except if it fully complies with the Bank's policy for the relevant parties. Such policy must ensure that the principles of transparency, fairness and disclosure are applied, and that any transaction with a relevant party must require its approval by the majority of shareholders' votes; provided that the relevant party does not vote.

In case of raising any matter regarding a conflict of interest or a business transaction between Masraf Al Rayan and one of the Board Members or any relevant party, i.e. related to this Board Member, during the Board's meeting, the subject will be discussed in the absence of the concerned member, who has absolutely no right to participate in the vote on the transaction. In any case, such transaction must be done according to the market prices and on a purely commercial basis, and it must not include conditions contrary to the Bank's interest. The Bank has prepared a conflict of interest regulation policy at Masraf Al Rayan.

Code of Professional Conduct

Masraf Al Rayan has developed a policy for the code of professional conduct that all Bank employees are subject thereto; as it is applied equally to the Board members and is considered part of the statements made to the Bank. The Code of Professional Conduct clarifies what each individual should be aware of in regards to the conduct and dealings that affect the Bank's interests and financial performance.

Fair Treatment of Shareholders and Voting Rights

Masraf Al Rayan's Statute states that each shareholder has the right to attend the General Assembly, and the shareholders, who are minors or interdicted, may be represented by their legal representatives, while the legal persons are represented by the persons authorized by them via a written organized authorization according to the legal principles.

The Statute has also stated that the shareholder, who attends the General Assembly, has the right to discuss the subjects listed on the Agenda, direct questions to the External Auditors; and the Board must respond to the shareholders' questions and inquiries in a manner that would not expose the Bank to any harm; and if the Shareholder finds that the answer is insufficient, he may invoke the General Assembly, and its decision will be enforceable.

Furthermore, Masraf Al Rayan's Statute has also stipulated that each shareholder has a number of votes that is equivalent to the number of his shares.

Shareholders' Rights in the Election of Board Members

Masraf Al Rayan is keen on applying the principle of providing shareholders with information about the candidates to the Board's membership before the elections, including a description of the candidates' professional and technical skills, their experience, and other qualifications.

According to the instructions of the Ministry of Commerce and Economy stated in their Circular published on 23/2/2016, and based on the QFMA's decision, voting in the elections of the boards of the joint-stock companies listed in the market shall be as stipulated in Article (96) of the Commercial Companies Law issued by the Law No. (11) of 2015, which states:

"Each share shall have a single vote granted by the shareholder to whomever he selects from amongst the candidates for the Board's membership, and the shareholder may distribute the votes for his shares amongst several candidates; however, a single share may not be used for voting for more than one candidate."

Shareholders' Rights regarding Profits Distribution

The distribution of profits is completely linked to the financial results achieved by Masraf Al Rayan at the end of each year, in addition to the compliance with the relevant rules and instructions, especially the Qatar Central Bank's instructions with respect to all forms of reserves (legal reserve, risk reserve, fair value reserve). The Board annually studies the several scenarios and choses the best of them; and then presents it to the Ordinary General Assembly in detail, showing the achieved profits and their distribution. The General Assembly has the full right to accept the Board's proposal or amend it.

The Bank has prepared the profits distribution policy at Masraf Al Rayan.

Capital Structure, Shareholders' Rights, and Major Transactions

Banks' work is mainly based on the financing operations for the individuals, companies, governmental and semi-governmental agencies; and Qatar Central Bank (QCB) issues its instructions regarding the maximum limits for credit concentrations for the single transaction or the total transactions of a single customer, or his group, or a single sector.

Other Stakeholders' Rights

The Governance Policies adopted by Masraf Al Rayan ensures the need to provide full respect to all the parties that are being dealt with, including the other stakeholders. The Personnel Affairs Regulation establishes the principles of fairness and equality between employees without prejudice to race, gender, or religion. The Management annually allocates remunerations to the employees proportionate to the achieved profits and the efforts and performance of each employee, according to a studied systematic approach.

Whistleblower Protection Policy

Believing in the importance of the employees' role as the first defense line for the Bank's interests, the Board of Directors has adopted the Whistleblower Protection Policy. This Policy allows any employee to communicate his complaint or any doubts he has about any practices or transactions that have reached his knowledge (in good faith) to the Bank's management in any manner, without fear of being threatened or influenced in any way in his work, while fully retaining his rights.

Masraf Al Rayan's Responsibility towards the Society and Environment

Masraf Al Rayan is committed to perform its duty towards the environment and society through its active and serious participation in the Corporate Social Responsibility System, which focuses on the continuous commitment to the ethical conduct and the contribution to the economic development; while at the same time ensuring the improvement of the quality of life of the workforce and their families as well as the society at large. Here are some of what the Bank has done in 2019 in this regard:

- Masraf Al Rayan continued its support for the local universities and the Qatar Schools for Banking Sciences and Business Administration through the provision of practical vocational training opportunities for the students; in order to develop and prepare a promising banking generation of Qatari students; in addition to the Bank's active participation in the professional employment fairs in the UAE.
- Masraf Al Rayan organized its annual blood donation field campaign, in collaboration with the Hamad Medical Corporation's Blood Donation Unit; and that is by encouraging its employees and customers to donate blood to boost the Hamad Medical Corporation's blood stock, which can be used to save many lives, while increasing awareness about the importance of blood donation. The Bank also participated, in collaboration with the Hamad Medical Corporation, in the orientation lecture and workshop on the relaxation and de-stress techniques at the workplace.
- Masraf Al Rayan participated with its employees in the events of the State Sports Day.
- In the framework of strengthening the means of cooperation and continuing to exchange experiences with various authorities in the State, the Bank participated in a number of lectures and technical workshops, including a lecture on the lessons learned from the latest threats and cyberattacks and their mechanisms and methods of occurrence; in order to benefit from them, develop the capabilities, and learn about the weaknesses; in cooperation with the Electronic Security Center at the Ministry of Interior.
- Masraf Al Rayan participated in the 4th Banks and Financial Institutions Football League Championship.
- The Bank sponsored the ExxonMobil Open Tennis Tournament.
- The Bank co-sponsored Qatar National Day's celebrations.

All this reflects the Bank's belief in its role in the society's development and advancement within the Social Responsibility System; as the social responsibility of the companies towards the society and the environment, and the extent of their consideration thereto are related to maintaining the continuity of their work, and supporting the individuals (especially the Qatari cadres) and the national authorities; in order to exercise their role in building a better society and achieving the national objectives within good governance.

Masaref Al Rayan prepared a policy on this subject under the name of "Social Policy".

Summary of Disclosures

In addition to the disclosures contained in this annual report; and taking into account the disclosures required in accordance with the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, Article (4); and the disclosures required under the Governance Instructions issued by Qatar Central Bank (QCB) (Bank Governance Principles) under the Circular No. (68/2015) Annex, the Bank must make a number of specific disclosures, and the following is a summary of these disclosures:

- There are no cases filed against Masraf Al Rayan that have a substantial impact on it or the progress of its business. The cases that the Bank deals with are routine cases in the banking field and are centered on the failure of some customers in paying the obligations arising from the financing granted to them. Masraf Al Rayan files these claims for the purpose of protecting the Bank's funds and retaining the rights of the shareholders and depositors; and they are dealt with under the laws of the State of Qatar and through the applicable official procedures and courts.
- The transactions and deals concluded by the Bank with any relevant party will be disclosed in Masraf Al Rayan Bank's financial statements on a quarterly and annual basis, and the Bank will publish the financial statements on its website; so that all the stakeholders can access them.
- There were no violations or sanctions during 2019 for not complying with the principles or provisions of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Board pursuant to the Decision No. (5) of 2016, the Governance Instructions issued by Qatar Central Bank (QCB) (Bank Governance Principles) under the Circular No. (68/2015), and the Commercial Companies Act issued under the Law No. 11 of 2015.
- The Bank is constantly working on developing its performance and improving its internal control systems. Taking this into consideration, the Bank has not had any failures or any total or partial defects that can substantially affect its financial performance related to the implementation of the internal control system for 2019; therefore, the annual report or the financial statements did not include any disclosures related to it.
- The Board Members' trading of the Bank's shares will appear immediately on the Qatar Stock Exchange's screen, and will be shared with everyone who follows the Stock Exchange.
- The remunerations granted to the Board Members and the Bank employees are shown in the annual financial statements.
- In compliance with the provisions of Article (122) of the Commercial Companies Law No. (11) of 2015, Masraf Al Rayan prepared a statement that includes the remunerations and compensations obtained by the Board Members, the direct and indirect settlements that they have received, as well as the remunerations and compensations obtained by the Shariah Supervisory Board members; in addition to the provided donations and support amounts, and the amounts spent on advertising and marketing. The disclosure is placed at the disposal of the shareholders at least one week before the General Assembly's convening date.

Dr. Hussain Al Abdulla
Board Chairman and Managing Director

business overview

vision

To become the leading, full-fledged Islamic bank in Qatar and the World, by offering a broad spectrum of Shari'a-compliant products and services, through efficient and reliable channels, to all sectors of the market in which we operate and to maintain our twin objectives of generating a high return on shareholder investment and satisfying our customer's needs.

mission

- To build a well-balanced financial institution across Retail, Wholesale, Advisory and Asset Management services.
- To provide market-leading financial services holding Shari'a principles at the heart of all activities.
- To build a solid and well recognized service delivery and brand distinction model
- To become a market leader through building expertise in financing, advisory services and financial offerings.
- To build a strong franchise servicing all customers in the region and beyond.
- To focus on product and service innovation delivered according to international standards.
- To build a large capital and strong shareholder base.

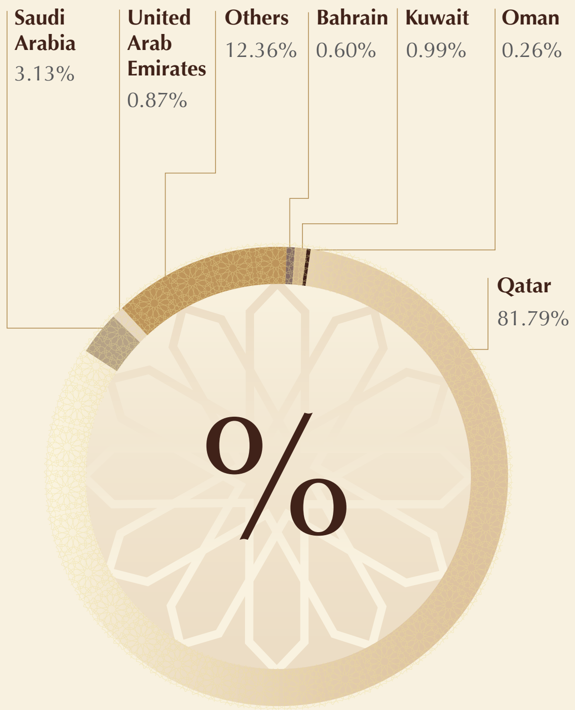
strategy

- Connect the financial and real economies into one efficient capital allocation system.
- Expand our commercial banking capabilities by increasing our footprint and penetrations in the region and Europe.
- Develop new and innovative shari'a-compliant products and services.
- Bridging Asia, Middle East and Europe in terms of trade and banking services.
- Prudently and efficiently pursue an organic and acquisition based expansion strategy.
- Prudently use Masraf Al Rayan's large capital and maintain strong shareholder base to support growth.

A Summary of MAR Shareholders' Information

As of 31 December 2019

Nationality	Number of Shareholders	Number of Shares	Percentage
Bahrain	19,181	44,792,398.00	0.60%
Kuwait	20,646	74,355,826.00	0.99%
Oman	7,338	19,522,425.00	0.26%
Qatar	50,272	6,134,008,538.00	81.79%
Saudi Arabia	66,289	234,994,129.00	3.13%
United Arab Emirates	24,149	65,112,534.00	0.87%
Others	2,585	927,214,150.00	12.36%
Total	**190,460**	**7,500,000,000.00**	**100.00%**



Top 10 Shareholders

As of 31 December 2019

Name	Classification	Nationality	Number of Shares	Percentage
Qatar Holding Company	Government	Qatari	873,487,390.00	11.65%
Qatar Armed Forces Investment Portfolio	Government	Qatari	700,906,780.00	9.35%
Qatar Investment Authority	Government	Qatari	306,904,020.00	4.09%
General Retirement Authority's Pensions Fund	Government	Qatari	228,601,774.00	3.05%
Al Watani Fund 3	Commercial	Qatari	161,789,779.00	2.16%
Al Watani Fund 4	Commercial	Qatari	153,957,863.00	2.05%
Al Taybeen Commercial OPC	Commercial	Qatari	149,092,550.00	1.99%
Sheikh Hamad bin Abdullah Al Thani	Individual	Qatari	140,740,568.00	1.88%
Ithmaar Construction and Commerce OPC	Commercial	Qatari	140,307,930.00	1.87%
Burooq Commercial Company	Commercial	Qatari	139,500,000.00	1.86%

Masraf Al Rayan Group Companies

As of 31 December 2019

Entity Name	Country	Capital	Activity	Ownership %
Subsidiaries				
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment Banking	100%
Al Rayan Financial Brokerage*	Qatar	QAR 50,000,000	Financial Brokerage	100%
Al Rayan (UK) Limited	UK	GBP 100,000,000	Investment activities	70%
Al Rayan Partners	Qatar	QAR 10,000,000	Real Estate Consulting	100%
Lusail Waterfront Investment Co.	Cayman Islands	USD 50,000	Investment activities	100%
MAR Sukuk Limited	Cayman Islands	USD 50,000	Sukuk Issuance	100%
Associates				
Ci-San Trading W.L.L.	Qatar	QAR 30,600,000	Investing and trading	50.00%
Kirnaf Finance Company	KSA	SAR 600,000,000	Leasing	48.76%
Linc Facility Services W.L.L.	Qatar	QAR 6,000,000	Facility Management	33.50%
Daman Islamic Insurance - Beema	Qatar	QAR 200,000,000	Insurance	20.00%
National Mass Housing	Oman	OMR 15,000,000	Real Estate services	20.00%

** The operations has ceased from 12 January 2017 after Qatar Financial Markets Authority ("QFMA") approved to freeze its license for two years*

Masraf Al Rayan Business Lines, Products & Segments

	Retail Banking	Private Banking	Wholesale Banking	Investment Banking	Treasury
Products	• Time Deposits • Savings Account • Current Account • Credit Card • Tasheel Al Rayan • Goods Finance • Auto Finance • Housing Finance • Personal Finance • Call Center • ATM	• Private Banking • Investment Planning • Asset Management • Wealth Protection • Reddit Planning and Management • Cash Management • Business Planning (for private business owners)	• Direct Finance - *Murabaha, Mudharaba, Ijara, Istisna'a, Tawarruq* • Trade Finance - *Letters of Credit, Murabaha L/C, PB, APG, Tender Bonds, Finance Guarantees* - *Cash Management* - *Syndicated Financing* - *Import Financing* - *Inventory Financing* - *Transaction Banking*	• Asset Management • Financial Advisory • Institutional Sales • Investments and Underwriting • Financial Brokerage	• Forex • Money-market • Hedging • Sukuk • Equities
Customers	• Individuals	• High Net Worth individuals • Premier Customers	• Corporates • Banks & Financial Institutions • Government/ Semi-government • Small & Medium Enterprises • High Net Worth Individuals	• Non-Banks & Financial Institutions • Banks & Financial Institutions • Government/ Semi-government Institutions • Private Sector Businesses • High Net Worth Individuals	• Corporates • Banks & Financial Institutions • Government/ Semi-government Institutions • Private Sector Businesses • High Net Worth Individuals

branch network

Branch Name	Address	Telephone
Grand Hamad	Grand Hamad Street	4425 3333
Al Salam	Al-Shafi Street	4425 3162
City Center	1st Floor	4425 3171 / 4425 3177
Salwa Road	Next to Hyundai Showroom	4425 3200 / 4425 3201
C Ring Road	The Financial Square	4425 3243
Wathnan Mall	North Muaither	4425 3306
Al Wakra	Al Wakra Main Road	4425 3286
Al Sadd	Al Bustan Building	4425 3135
Royal Plaza	Ground Floor	4425 3314 / 4425 3313
Doha Festival City	Ground Floor	4425 3354
Al Hazem Mall	Al Jassasiya Street, Al Markhiya	4425 3325
Qatar Olympic Committee	West Bay	4425 3271
Al Hilal	Al Sharq Plaza Building	4425 3340
Gulf Mall	Al Gharafa	4425 3476
Al Khor Branch	Street # 390	44253465
Al Mazroaa Branch		44253373
Corporate Branch, Main Bldg	Hamad Al Kabeer Street	44235780

Retail & Private Banking

Throughout the years, Masraf Al Rayan Retail and Private Banking market share has remarkably increased, due to a strategy focused on both geographic expansion and the adoption of the newest technologies in the Banking Industry.

Retail and Private Banking market share increased in Financing Activities from 11.62% in 2016 up to 17.12% in 2019, as well as in terms of Retail customer's deposits moving from 6.82% in 2016 up to 8.62% in 2019.

With the rising demand for innovative solutions, Retail and Private Banking Division focuses on providing convenient access to electronic banking services, as well as delivering premium banking experience through designed products and services for each of its segments: Private Banking, Premier Banking and Retail Banking. It also ensures a strategic location of its branches to serve all customers segments and walk-in clients.

In 2019, a new branch located in AL KHOR area officially opened to the public, providing all range of products and services to all customers.

The strategic location of our branches allows customers to bank with us in the most convenient timing and at the best proximity to their work place or residence area. We are currently serving clients through a network of 16 branches. It includes 5 branches located in the main shopping malls of Qatar, namely Doha Festival City, Gulf Mall, Al Hazem Mall, City Center and Royal Plaza; while 6 branches operate on a 2 shifts basis for more convenience to the customers: Gulf Mall branch, City Center Branch, Al Hilal Branch, Doha Festival City Branch, Al Hazem Branch and Wethnan Branch.

In addition to geographic expansion, Retail and Private Banking Division successfully realized its yearly plan in providing a priority to technology enhancement. New retail offerings and innovative measures are rolled out, enhancing services provided, but also the security of banking transactions within the entire branch network and alternative delivery channels.

Many new systems and solutions are launched in 2019.

It includes the Q-PAY Solution, making our Prepaid Eqtisadi card unique in the market. It is giving customers the ability to reload their Masraf Al Rayan Prepaid card from any other bank through our mobile banking application.

The Biometric Login Authentication is now available to all customers, allowing easier and safe access to their Masraf Al Rayan mobile application. With the rise of e-channels activity and growing digital retail base, new features and functions are constantly introduced to the Internet banking and mobile banking application while ensuring upmost security.

The QMATIC System is upgraded to enhance customer experience at all our branches, by providing fast and dedicated service to every Masraf Al Rayan segment of customer and convenience to any walk-in client.

The Instant Card Issuance Machine is now available across the branches, whereas customers can receive their cards on the spot at the branch. It will contribute in boosting cards sales, improving service and efficiently allowing the launch of new cards products at designated areas as Universities and exhibitions /events areas.

Our card portfolio is evolving in response to the growing market expectations for innovative payment solutions. With the contactless cards, all payments are secured and easier to the customer. Our portfolio of cards is targeting simultaneously Masraf Al Rayan and non - Masraf Al Rayan customers. Our Private Banking and Premier Banking customers have a dedicated range of cards including debit and credit cards with exclusive features according to their needs and lifestyle. Our Eqtisadi Card remains the most reputable, providing exceptional benefits to Masraf al Rayan and non Marsraf Al Rayan customers in comparison to all Prepaid Cards in the market.

All our Credit and Eqtisadi Prepaid cards are offering access to airport lounges and merchant discounts. Merchant discount base increased to 400, in addition to a new customized mobile application offering "Buy One Get one free "at 1500 outlet.

Internally, we continue the work on improving our customer service operating procedures, service level agreements and automation of internal processes to enhance customer experience and minimize operational risks.

Wholesale Banking Group

The Wholesale Banking Group remained a core driver in Masraf Al Rayan's asset and revenue growth in 2019. It continued to support and finance various mega projects in preparation to the 2022 World Cup. More importantly, it has been involved in financing vital projects improving Qatar's national security.

The Group continued to support initiatives improving Qatar's economic self-sufficiency through supporting small and medium enterprises. Some projects were more visible than others, but each one of them was a contribution to a stronger, sounder, greener and safer Qatar. As we recognize that everyone has to play its part to achieve the 2030 National Vision, Masraf Al Rayan committed more resources, throughout 2019 to finance the entire spectrum of the Qatari economy: government related entities, large companies, mid-corporates and smaller-sized enterprises.

Our Government team successfully positioned Masraf Al Rayan as the Sharia-compliant banking partner of choice to Government-related entities. In 2019, we continue to strengthen the relationship on strategic government projects.

On the corporate segment, Masraf Al Rayan strategically re-balanced its commitments to address Qatar's national priorities, supporting strategic sectors while stabilizing the bank exposure to the Real Estate industry. Accordingly, we successfully offered financial product and transaction banking solutions across various sectors, such as Transportation, Aviation, Health Care, Telecom, Sports, Water and Electricity, Real Estate Trade, Financial Services, Energy, Petrochemical, Media and Manufacturing.

The Financial Institutions group demonstrated Masraf Al Rayan's ability to diversify its funding mix and secure attractive funding conditions globally. Masraf Al Rayan's new milestones at the international level included our public debut USD500 million 5-year Sukuk benchmark issuance. The Financial Institutions team broadened and strengthened international transfer capabilities, with new international partners for INR currencies, as we continue to entertain a network of more than 300 counterparties across all continents to satisfy our clients' banking needs.

Masraf Al Rayan Transaction Banking and Cash Management products and services continued to prosper in 2019 by providing innovative solutions and service excellence to our corporate clients. We have enhanced further our systems and our technology solutions to facilitate our clients' daily banking operations.

We continued to diversify our income base into various economic sectors working together with our treasury, investment, asset management, retail, private banking and wealth management teams. It was by investing in the right expertise, we delivered a full range of both cross-border and local banking solutions in cash management, trade finance, foreign exchange, profit rate hedging, asset management, Sukuk and structured finance.

Masraf Al Rayan has been proud to become the partner of choice and helped each segment grow in 2019. As always, we are committed to deliver sustainable value in 2020 to our stakeholders while strictly mitigating short- and long-term risks.

Quality Assurance and Service Quality

Mission

To provide the highest quality of customer service standards, enhance customer experience across all touch points and build long-term relationships with customers

Service Quality – Objectives

- To meet the expected perceived needs of our customers and direct the bank towards a "Customer Focus Strategy".
- Ensure customer satisfaction and improve process efficiency & effectiveness across all customer touch points by ensuring high Service Standards, Standard Operating Procedures, Service Level Agreements and Automation.
- Standardization of customer communication in all channels to meet the expected perceived needs of our customers
- Coaching staff on Service Quality related standards, initiatives and improvements to meet customer expectations.
- Continuously monitor, analyze, report and train on Service Quality related issues to improve customer experience across Masraf Al Rayan.

In line with Masraf Al Rayan's strategy, Service Quality Department continued in 2019 to carry out various innovative and creative improvements to deliver sustainable customer experience and excellence across different channels and departments.

Service Quality Department advanced in monitoring Voice of Customer (VOC) to assure that our Customer Experience and Satisfaction was achieved through various Quality Methods such as Customer Management System (CMS), Mystery Shoppers, Customer Satisfaction Surveys, Branch Evaluation and Calls Evaluation. Service Quality improved the Voice of Customer (VOC) program through various enhancements to excel in tracking, monitor and assuring that our customer feedback, suggestion, appreciation and requests are being addressed and resolved on time. Continuous developments was introduced to the Mystery Shopper Program, Branch Evaluation, Call Evaluation to have better understanding of our customer satisfaction and deliver outstanding services across all touch points and to meet their expectations. Voice of Customer (VOC) program is critical for Service Quality Department to analyze, measure and improve, to be able to serve our customers to the highest level of service.

In addition, Service Quality department advanced in the "Improvement Program" that re-engineered and continuously improved the Voice of Business (VOB) to streamline process across different channels and department in Masraf Al Rayan, The program focused on achieving process efficiency and effectiveness in their End-to-End Standard Operating Procedures (SOPs) along with Service Level Agreements (SLAs), Turnaround Time (TAT), User Manuals and Process Flow Maps using various quality tools and methods. The "Improvement Program" included also a range of innovation and improvement of the Customer Relationship Management system (CRM) in all departments within the Group, to improve the customer requests life cycle and automation capabilities to achieve process excellence and enhance Voice of Business (VOB).

Service Quality Department will continue in 2020 and the coming years to capitalize for innovative business solutions to improve the Quality Index and overall customer satisfaction experience and expectations.

Human Resources, Training and Talent Development

Throughout 2019, the Human Resources Department continued to underline Masraf Al Rayan human capital management strategies and make the most out of this important resource. The department implemented many plans and programs to suit Masraf Al Rayan business vision and model, which covers areas like Institutional culture, human & organizational aspects, and human resource management systems.

The Human Resources Department continued to implement future employment needs forecast systems and, accordingly, developed appropriate retention strategies to maintain the best talent. The department has implemented plans to survey desired job competencies such as professional knowledge, skills, and abilities to perform each task and developed a comprehensive job description map that identifies these competencies and responsibilities, as well as the process to formulate training needs and the continuous training for all employees

Training and development process remained at the forefront of Masraf Al Rayan's core value and strategy, as the department continued to apply, under the supervision of the Executive Management and the direction of our Board of Directors, comprehensive measures and programs to develop our human capital, and to ensure effective and efficient implementation and operational compliance of human resources policies, processes and procedures within the Group.

The Human Resources Department also continued to create and utilize all opportunities for better collaboration with the Ministry of Labor and the leading institutions of higher learning in Qatar.

Masraf Al Rayan bestows the highest importance to the training and developing of its employees in general, with a keen focus on developing its Qatari cadres in particular, in line with the strategies of the Bank. Its various departments act in an integrated and diligent manner to raise the professional and administrative competencies and skills of their employees in cooperation with the various state agencies and specialized local and international training centers. The training programs cover various theoretical and hands-on aspects and include programs for the administrative development of Qataris, such as our participation in the program 'KWADER', which is specially designed for the financial sector, and is conducted annually by the Qatar Academy of Finance and Business.

During the year 2019, several projects that achieved tangible results were developed. These projects offered solutions to meet the current and future training needs. They also provided an effective tool to meet various challenges, including the 'video training' project and the technical education project 'Electronic' from Fitch International, Collier and Quality (ASQ Certification). These projects are destined to upgrade the expertise of our employees in banking and financing.

Our employees were also provided training in first aid and firefighting and a rapid response team was formed to mitigate any unexpected disasters.

Masraf Al Rayan continues to provide support to local universities and Qatari schools in banking and business administration by providing practical vocational training opportunities for students with a view towards developing a promising generation of bankers, as well as by actively participating in professional employment fairs in the country.

subsidiary

Al Rayan Investment LLC

Vision
To become the region's leading Shari'a-compliant investment bank.

Mission
Invest in developing a wide product suite that caters to the growing demand for Islamic finance products.

Values
- **Culture**
  Invest in people to nurture an environment, fostering teamwork to achieve excellence.
- **Integrity**
  The institution to trust.
- **Client Satisfaction**
  Maximize value for our clients by being a trusted adviser, consistently surpassing expectations.
- **Ethos**
  Adhering to Islamic ethico-legal principles in all aspects of our business.

Divisions
- Asset Management Group
- Financial Advisory Group
- Strategic Investments
- Operations

During 2019, we made further progress towards establishing ourselves as a trustworthy and reliable investment partner of the Qatari economy. We made significant progress in linking the real economy with Islamic finance and were instrumental in establishing an investment-banking platform in Qatar and the neighboring markets with more focus on Asset Management and Advisory businesses.

Our asset management business received considerable independent external recognition during 2019. At Global Investor's (Euromoney's asset management magazine) annual award ceremony, ARI was the only manager to again win in three categories: 'Qatar asset manager of the year', 'ETF provider of the year' and 'Sukuk fund manager'. While MENA Fund Magazine recognized ARI as 'Qatar asset manager of the year' and 'ETF Issuer'.

Asset Management Group
2019 was a very successful year for asset management with the franchise demonstrating the strength of its brand and reputation. The focus remains on Gulf listed equities, global sukuk, managed funds and Qatari money markets with ARI's expertise further recognized by investors and independent, external counterparties.

Relationships with existing customers continued to deepen. Several institutional and individual investors significantly added to their portfolios and, encouragingly, numerous new mandates were won, in equities, sukuk, and money market.

As a result, assets under management surged higher, crossing $1 billion by year-end. Across all asset classes, performance was well ahead of respective markets and highlighted the advantages of experienced in-house research, superior security selection and real time portfolio and risk management.

Gulf Listed Equities
The Qatari equity market ended 2019 broadly flat, yet several of ARI's Qatar equity client portfolios returned more than 25% during the year (net of fees). Stock picking and risk management lie at the heart of our investment process and a number of successful high-conviction investments drove this performance.

Managed Funds
Al Rayan Qatar ETF (ticker 'QATR'), which seeks to track the performance of the QE Al Rayan Islamic index(an index of Sharia- compliant Qatari equities) is listed on the Qatar Stock Exchange with more than $140m in assets at end-2019. QATR is the world's largest Sharia-compliant equity ETF. With a Total Expense Ratio (TER) of just 0.50%, QATR is among the cheapest single-country ETFs across emerging markets. The ETF pays an annual cash dividend in the second quarter of each year.

Al Rayan GCC Fund, our flagship fund, ended 2019 with a net return of more than 23% which compares to regional equity indices which gained 3-5%. The Al Rayan GCC Fund is the largest Sharia-compliant GCC fund in the region.

Global Sukuk
After a difficult 2018, regional fixed income had a good year helped by interest rates cuts in the United States and a compression of spreads (relative to US Treasury yields). We remain positive on prospects given the long-standing valuation discount remains, relative to emerging market and global peers, and the undersupply of global sukuk relative to structural demand growth. Some of ARI's actively managed client sukuk portfolios returned more than 10% (net of fees) during 2019.

The year also saw a material increase in ARI's sukuk execution service from both institutional and individual investors. ARI's quality of execution remains market leading and is key to attracting new customers.

Financial Advisory Group
Despite that 2019 was a challenging year on the equities side in Qatar, where QSE ended the year with only 1.23% growth, our advisory business continued to focus on our local clients' M&A, ECM and capital restructuring needs. In addition, we have acted as trusted advisor on our clients' international requirements.

ARI successfully executed issuance of a debut sukuk for one of our clients during the second half of the year. Moreover, we have signed a handful of advisory mandates during the same period, which are still under execution.

Going into 2020, M&A activity and restructuring initiatives are likely to be pivotal considerations for companies seeking growth and improvement in profitability. At the same time, as companies reassess and adapt their business strategy and potentially enact corporate or financial restructuring, transactions are likely to be characterized by longer lead times.

shari'a

supervisory board report

for the period ended on 31 December, 2019

All praise be to Allah, and His peace and blessings be upon His prophet, his family, his companions and those who followed him. Masraf Al Rayan Sharia Supervisory Board has reviewed the products and operational activities presented to it as well as the 2019 Balance Sheet and Income Statements and are of the opinion that the latter do not contravene with sharia rulings.

May Allah grant success and accomplishment to all towards whatever he likes and pleases him.

His Eminence
Sheikh Dr. Waleed Bin Hadi
Chairman of Shari'a Supervisory Board

His Eminence
Sheikh Dr. Abdul Sattar Abu Ghuddah
Shari'a Supervisory Board Member

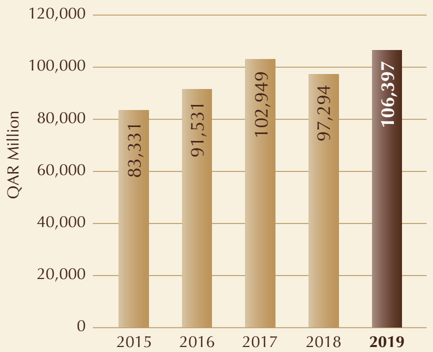
His Eminence
Sheikh Dr. Mohamed Ahmeen
Shari'a Supervisory Board Member

financial

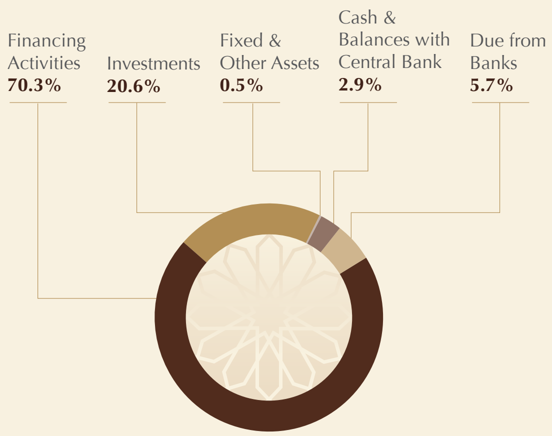
statements

summary of financial statements

Total Assets



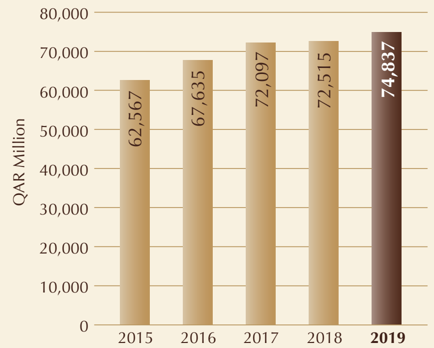
Weight of Asset Categories



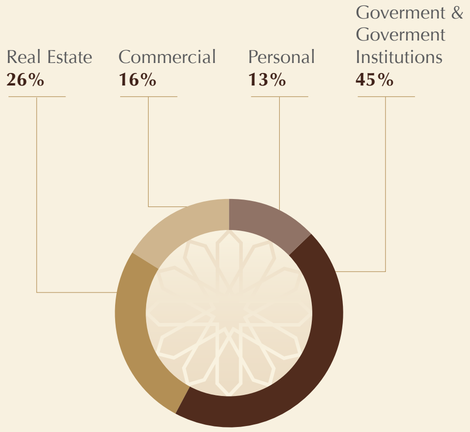
Highlights

5 Years Compound Annual Growth Rate (CAGR)	6.3%
Increase for the Year	9.4%
Capital Adequacy Ratio	20.27%
Return on Average Assets	2.14%

Financing Activities



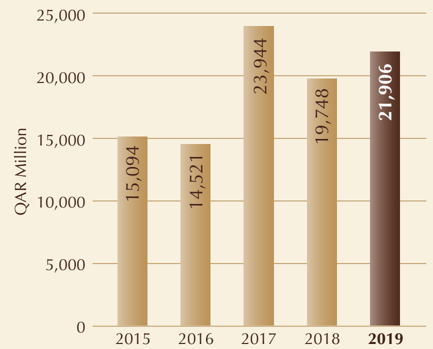
Breakdown by Sectors



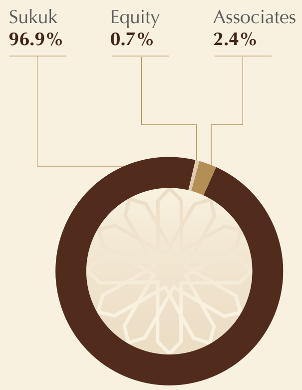
Highlights

5 Years Compound Annual Growth Rate (CAGR)	4.6%
Growth for the Year	3.2%
Non Performing Loans Ratio (NPL)	1.01%

Investments



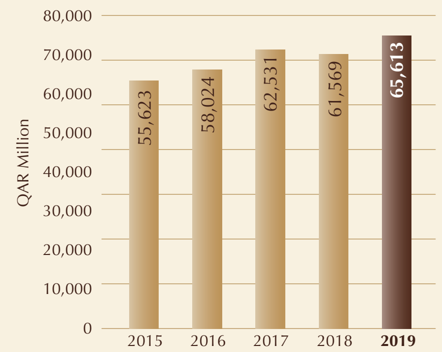
Breakdown of Investments by Type



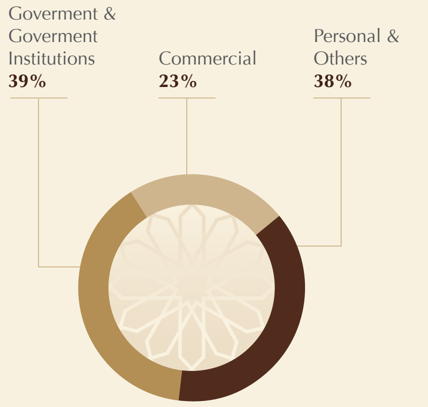
Highlights

5 Years Compound Annual Growth Rate (CAGR)	9.8%
Decline for the Year	10.9%
Sovereign Sukuk	91.2%

Customers' Deposits



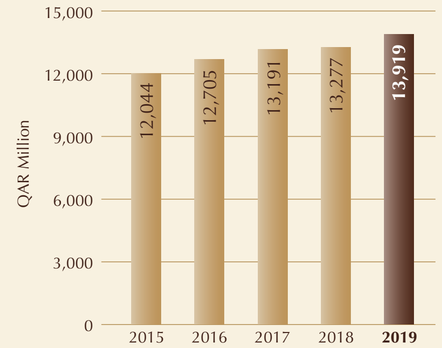
Breakdown of Customers' Deposits by Sector



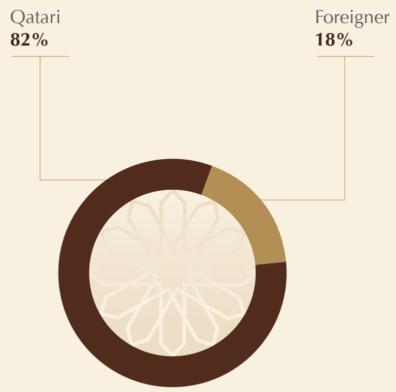
Highlights

5 Years Compound Annual Growth Rate (CAGR)	4.2%
Increase for the Year	6.6%

Equity Pre Appropriation



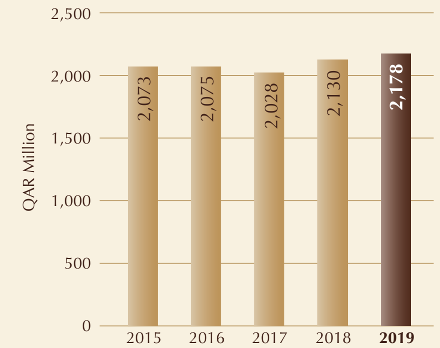
Shareholders



Highlights

5 Years Compound Annual Growth Rate (CAGR)	3.7%
Growth for the Year	4.8%
Book Value per Share	QAR 1.86
Return on Average Equity	16.0%

Net Profit



Highlights

5 Years Compound Annual Growth Rate (CAGR)	1.2%
Growth for the Year	2.3%
Earnings per Share	QAR 0.29
Operating Income to Operating Expenses Ratios	22.80%

	2019	2018
Operating Income	100.0%	100.0%
General & Administrative Expenses	(12.6)%	(13.8)%
Impairment Losses	(0.9)%	(0.5)%
Minority Interest	(0.2)%	(0.2)%
Profit for Accounts & Equity holders	86.3%	86.5%
Profit Share – Customers & Banks	(44.6)%	(42.8)%
Share of Profit to Equity holders of the Bank	41.7%	43.7%

independent auditor's report

To the Shareholders
Masraf Al Rayan (Q.P.S.C.)
Doha - Qatar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
Impairment of financial assets	
The Group's financial assets, both on and off balance sheet, amounted to QAR 119.1 billion and QAR 112.4 billion as at 31 December 2019 and 2018, respectively. The expected credit losses (ECL) allowance recognized for the year ended December 31, 2019 amounted to QAR 709 million (2018: QAR 671 million). FAS 30 Impairment, Credit Losses and Onerous Commitments is a complex accounting standard that requires considerable judgements, which are key in the development of models to measure expected credit losses on financial assets, including debt type investments carried at amortized cost. There is a risk that financial assets are impaired and adequate impairment allowances are not provided in accordance with the requirements of FAS 30 and the applicable provisions of Qatar Central Bank regulations. Financial assets might be inaccurate due to: – The methodologies used to develop probability of default (PD); loss given default (LGD); and (exposure at default EAD) are inappropriate. – Inappropriate segmentation of portfolios is used to develop risk parameters. – The number and range of forward-looking scenarios are not representative of an appropriate range of possible outcomes. – Extrapolation techniques used to project scenarios and parameters (PD, LGD, and EAD) in future periods are inappropriate. – The methodology used to allocate a probability to each scenario is inappropriate or unsupported. – Significant increases (or reductions) in credit risk (movements between Stage 1, Stage 2 and Stage 3) are not completely or accurately identified on a timely basis. – Assumptions incorporated in the ECL model are not updated on a timely basis. Refer to the following notes of the consolidated financial statements: • Note 3h – Significant accounting policies on impairment of financial assets • Note 4 – Financial risk management • Note 7 – Fair value and classification of financial instruments • Note 9 – Due from banks • Note 10 – Financing assets • Note 11 – Investment securities	We have assessed and tested the design and operating effectiveness of the relevant controls over data governance, methodologies, inputs and assumptions used by the Group in calculating impairment allowances. In addition, our work performed include the below procedures, among others on the Group's FAS 30 ECL model: – For a selection of exposures, performed a detailed credit review and challenged the Group's staging and impairment allowance calculation. – Review and assessment of the appropriateness of the data, assumptions and methodologies used within the Bank's FAS 30 ECL model (PD, LGD, and EAD) and customer internal rating systems and methodology. – Assessment on whether significant increase in credit risk (SICR) indicators are present for the financing assets portfolio based on FAS 30 and Qatar Central Banks guidance and the possible implications on the ECL staging and expected provisioning. – Assessment of the ECL methodology, macroeconomic scenarios weightage, model validation/testing, including post model adjustments on a sample basis. Further, we ensured that the component auditors of the Group's significant components have performed consistent audit procedures as per the above, as applicable. We have assessed whether the related disclosures of this area are adequate in accordance to the requirements of Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and applicable provision of QCB regulations.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Bank's financial accounting and reporting systems are vitally dependent on complex technology. The extensive volume and variety of transactions processed daily raises a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. A particular area of focus related to logical access management and segregation of duties. The underlying principles are important because they ensure that changes to applications and data are appropriate, authorised and monitored. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls and therefore procedures were designed to test access and control over IT systems. Our audit procedures included: • Obtain the IT understanding on applications relevant to financial reporting including the Equation - core banking system, Opics - Treasury system, TI – Trade finance system, LOS – retail and corporate financing assets business and the Swift messaging and the infrastructure supporting these applications; • Testing the key automated input / processing and output controls relevant to business processes. • Testing the IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations; • Assessing accuracy and completeness of computer generated information used in financial reporting.

independent auditor's report (continued)

Other information

Board of Directors is responsible for the other information. The other information comprises the Board of Directors Report which we obtained prior to the date of this auditor's report and other information included in the the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI, the Qatar Central Bank regulations, and for such internal control as Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We are also of the opinion that proper books of account were maintained by the Group. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the consolidated financial information included in the Board of Directors' report addressed to the General Assembly is in agreement with the books and records of the Group. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Central Bank Law, Qatar Commercial Companies Law and the Bank's Articles of Association were committed during the year which would materially affect the Group's financial position or its financial performance.

Doha - Qatar
17 February, 2020

For Deloitte & Touche
Qatar Branch

Walid Slim
Partner
License No. 319
QFMA Auditor
License No. 120156

consolidated statement of

financial position

As at 31 December

QAR '000s

	Notes	2019	2018
ASSETS			
Cash and balances with Qatar Central Bank	8	3,122,860	3,026,994
Due from banks	9	6,035,090	1,512,865
Financing assets	10	74,837,309	72,515,286
Investment securities	11	21,378,706	19,222,111
Investment in associates	12	527,398	525,859
Fixed assets	13	227,731	188,979
Other assets	14	267,427	302,119
TOTAL ASSETS		**106,396,521**	**97,294,213**
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Due to banks	15	19,367,191	16,546,010
Customer current accounts	16	7,526,683	7,268,816
Sukuk financing	17	3,333,998	1,721,339
Other borrowings	18	2,002,003	2,052,993
Other liabilities	19	1,948,849	1,931,221
TOTAL LIABILITIES		**34,178,724**	**29,520,379**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	20	**58,085,882**	**54,300,051**
EQUITY			
Share capital	21	7,500,000	7,500,000
Legal reserve	21	2,496,623	2,278,783
Risk reserve	21	1,636,268	1,574,695
Fair value reserves	21	23,604	9,768
Foreign currency translation reserve	21	(9,703)	(13,809)
Other reserves	21	123,405	118,910
Retained earnings		2,148,999	1,808,968
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**13,919,196**	**13,277,315**
Non-controlling interest	22	212,719	196,468
TOTAL EQUITY		**14,131,915**	**13,473,783**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**106,396,521**	**97,294,213**

These consolidated financial statements were approved by the Board of Directors on 20 January 2020 and were signed on its behalf by:

Dr. Hussain Ali Al Abdulla
Chairman and Managing Director

Adel Mustafawi
Group Chief Executive Officer

The attached notes 1 to 40 form part of, and should be read in conjunction with, these consolidated financial statements.

consolidated

income statement

For the year ended 31 December

QAR '000s

	Notes	2019	2018
Income from financing activities	23	3,710,384	3,538,629
Income from investing activities	24	930,588	838,228
Total income from financing and investing activities		**4,640,972**	**4,376,857**
Fee and commission income		391,218	318,734
Fee and commission expense		(3,135)	(3,596)
Net fee and commission income	25	**388,083**	**315,138**
Foreign exchange gain (net)	26	162,380	152,479
Share of results of associates	12	19,832	21,904
Other income	27	9,708	7,900
TOTAL INCOME		**5,220,975**	**4,874,278**
Staff costs	28	(395,380)	(374,583)
Depreciation	13	(17,578)	(14,589)
Other expenses	29	(245,685)	(279,251)
Finance expense		(837,873)	(759,856)
TOTAL EXPENSES		**(1,496,516)**	**(1,428,279)**
Net reversals on due from banks		231	387
Net (impairment losses) / recoveries and reversals on financing assets	10(b)	(54,830)	14,591
Net impairment losses on investment securities		(1,117)	(9,014)
Net reversals on off balance sheet exposures subject to credit risk		10,976	16,092
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**3,679,719**	**3,468,055**
Less: Return to investment account holders	20(c)	(1,490,922)	(1,326,114)
PROFIT BEFORE TAX FOR THE YEAR		**2,188,797**	**2,141,941**
Tax expense		(688)	(2,432)
NET PROFIT FOR THE YEAR		**2,188,109**	**2,139,509**
Net profit for the year attributable to:			
Equity holders of the Bank		2,178,399	2,130,415
Non-controlling interest		9,710	9,094
		2,188,109	**2,139,509**
BASIC AND DILUTED EARNINGS PER SHARE (QAR) (RESTATED)	33	**0.290**	**0.284**

The attached notes 1 to 40 form part of, and should be read in conjunction with, these consolidated financial statements.

consolidated statement of
changes in equity
For the year ended 31 December

QAR '000s

	Share capital	Legal reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance at 31 December 2018	**7,500,000**	**2,278,783**	**1,574,695**	**9,768**	**(13,809)**	**118,910**	**1,808,968**	**13,277,315**	**196,468**	**13,473,783**
Change in foreign currency translation reserve	–	–	–	–	(84,885)	–	–	(84,885)	–	(84,885)
Net gain on hedging of net investment in a foreign subsidiary	–	–	–	–	88,991	–	–	88,991	–	88,991
Fair value reserve movement (Note 11)	–	–	–	13,836	–	–	–	13,836	–	13,836
Profit for the year	–	–	–	–	–	–	2,178,399	2,178,399	9,710	2,188,109
Dividend declared and approved for 2018	–	–	–	–	–	–	(1,500,000)	(1,500,000)	–	(1,500,000)
Transfer to legal reserve	–	217,840	–	–	–	–	(217,840)	–	–	–
Transfer to risk reserve	–	–	61,573	–	–	–	(61,573)	–	–	–
Net movement in other reserves	–	–	–	–	–	4,495	(4,495)	–	–	–
Social and sports fund appropriation (Note 39)	–	–	–	–	–	–	(54,460)	(54,460)	–	(54,460)
Net movement in non-controlling interest	–	–	–	–	–	–	–	–	6,541	6,541
Balance at 31 December 2019	**7,500,000**	**2,496,623**	**1,636,268**	**23,604**	**(9,703)**	**123,405**	**2,148,999**	**13,919,196**	**212,719**	**14,131,915**
Balance at 31 December 2017	7,500,000	2,065,741	1,507,567	3,074	(7,519)	113,001	2,009,007	13,190,871	199,067	13,389,938
Adoption of FAS 30 (Note 3)	–	–	–	–	–	–	(491,115)	(491,115)	–	(491,115)
Restated - Balance at 1 January 2018	**7,500,000**	**2,065,741**	**1,507,567**	**3,074**	**(7,519)**	**113,001**	**1,517,892**	**12,699,756**	**199,067**	**12,898,823**
Change in foreign currency translation reserve	–	–	–	–	(105,655)	–	–	(105,655)	–	(105,655)
Net gain on hedging of net investment in a foreign subsidiary	–	–	–	–	99,365	–	–	99,365	–	99,365
Fair value reserve movement (Note 11)	–	–	–	6,694	–	–	–	6,694	–	6,694
Profit for the year	–	–	–	–	–	–	2,130,415	2,130,415	9,094	2,139,509
Dividend declared and approved for 2017	–	–	–	–	–	–	(1,500,000)	(1,500,000)	–	(1,500,000)
Transfer to legal reserve	–	213,042	–	–	–	–	(213,042)	–	–	–
Transfer to risk reserve	–	–	67,128	–	–	–	(67,128)	–	–	–
Net movement in other reserves	–	–	–	–	–	5,909	(5,909)	–	–	–
Social and sports fund appropriation (Note 39)	–	–	–	–	–	–	(53,260)	(53,260)	–	(53,260)
Net movement in non-controlling interest	–	–	–	–	–	–	–	–	(11,693)	(11,693)
Balance at 31 December 2018	**7,500,000**	**2,278,783**	**1,574,695**	**9,768**	**(13,809)**	**118,910**	**1,808,968**	**13,277,315**	**196,468**	**13,473,783**

The attached notes 1 to 40 form part of, and should be read in conjunction with, these consolidated financial statements.

consolidated statement of
cash flows
For the year ended 31 December

QAR '000s

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		2,188,797	2,141,941
Adjustments for:			
Net impairment losses / (recoveries and reversals) on financing assets		54,830	(14,591)
Net impairment losses on investment securities		1,117	9,014
Net reversals on other financial assets		(10,976)	(16,092)
Fair value loss on investment securities carried as fair value through income statement		66	101
Unrealized loss on revaluation of Shari'a compliant risk management instruments		1,975	60
Depreciation	13	17,578	14,589
Amortization of transaction costs		1,263	–
Net gain on sale of investment securities		(10,209)	(17,468)
Dividend income		(2,528)	(5,718)
Share of results of associates	12	(19,832)	(21,904)
Loss on disposal of fixed assets		1,473	–
Amortisation of premium and discount on investment securities		(15,587)	(9,231)
Employees' end of service benefit provisions	19(a)	5,627	7,972
Profit before changes in operating assets and liabilities		**2,213,594**	**2,088,673**
Change in reserve account with Qatar Central Bank		(126,455)	(158,181)
Change in due from banks		273,038	396,012
Change in financing assets		(2,377,198)	(654,695)
Change in other assets		(25,382)	(5,734)
Change in profit receivable from investments		(32,402)	883
Change in due to banks		2,584,549	(8,637,337)
Change in customer current accounts		257,867	647,976
Change in other liabilities		(44,584)	(163,085)
Change in profit payable on sukuk financing and other borrowings		19,216	13,562
		2,742,243	**(6,471,926)**
Dividend received		2,528	5,718
Employees' end of service benefits paid	19(a)	(2,806)	(2,186)
Tax paid		(557)	(284)
Net cash from / (used in) operating activities		**2,741,408**	**(6,468,678)**

The attached notes 1 to 40 form part of, and should be read in conjunction with, these consolidated financial statements.

consolidated statement of cash flows (continued)

For the year ended 31 December

QAR '000s

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(4,433,694)	(1,104,338)
Proceed from sale / redemption of investment securities		2,370,285	5,501,254
Acquisition of fixed assets	13	(57,126)	(45,211)
Dividend received from associates	12	17,400	16,059
Net cash (used in) / from investing activities		**(2,103,135)**	**4,367,764**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		3,785,172	(1,610,587)
Net proceeds from sukuk financing and other borrowings		1,745,037	3,760,770
Dividends paid		(1,426,125)	(1,425,123)
Net movement in non-controlling interest		6,541	(11,693)
Net cash from financing activities		**4,110,625**	**713,367**
Net increase / (decrease) in cash and cash equivalents		4,748,898	(1,387,547)
Cash and cash equivalents at 1 January		1,790,022	3,140,620
NON-CASH ITEMS			
Impact from adoption of ECL regulations	3(b)	–	(792)
Effects of exchange rate changes on cash and cash equivalents held		15,776	37,741
Cash and cash equivalents at 31 December	34	**6,554,696**	**1,790,022**

The attached notes 1 to 39 form part of, and should be read in conjunction with, these consolidated financial statements.

notes to the consolidated financial statements

As at and for the year ended 31 December 2019

1. REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies' Law No. 5 of 2002, as amended by Qatar Commercial Companies' Law No. 11 of 2015 under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Grand Hamad Street, Doha, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2019 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing, investing and brokerage activities, and has 17 branches including the head office in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

The principal subsidiaries of the Group are as follows:

Entity's name	Country of incorporation	Entity's capital	Entity's activities	Effective percentage of ownership 2019	Effective percentage of ownership 2018
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage[1]	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan (UK) Limited[2]	UK	GBP 100,000,000	Investment activities	70.0%	70.0%
Al Rayan Partners	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD 50,000	Investment activities	100.0%	100.0%
MAR Sukuk Limited[3]	Cayman Islands	USD 50,000	Sukuk issuance	100.0%	100.0%

[1] The operations have ceased since 12 January 2017 after Qatar Financial Markets Authority ("QFMA") approved to freeze its license for two years, which had been extended up to 10 September 2019. The Board of Directors are in the process of finalizing the status of Al Rayan Financial Brokerage to comply with the QFMA requirements.

[2] Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 68.84% of Al Rayan Bank PLC. Al Rayan Bank PLC is the designated "Servicer" of Tolkien Funding Sukuk No. 1 Plc, a special purpose entity incorporated in the UK for the purpose of sukuk issuance for the benefit of Al Rayan Bank PLC.

[3] MAR Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.

On 16 June 2019, upon the instructions of the QFMA and following the approval of the shareholders obtained at the Bank's extraordinary general assembly meeting held on 25 February 2019, the Bank effected a 10:1 stock split on its shares of capital stock, adjusting the nominal value to one Qatari Riyal per share (QAR 1 per share) instead of QAR 10 per share. Unless otherwise noted, impacted amounts and share information included in the interim condensed consolidated financial statements and notes thereto have been retroactively adjusted for the stock split, as if such stock split occurred at the beginning of the earliest period presented.

notes to the consolidated
financial statements
As at and for the year ended 31 December 2019

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of the Qatar Central Bank ("QCB") regulations ("QCB regulations"). For matters for which no AAOIFI standards exist, the Group applies the relevant International Financial Reporting Standards ("IFRSs").

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of financial investments classified as "investments at fair value through equity", "investments at fair value through income statement" and Shari'a-compliant risk management instruments.

c) Functional and presentational currency

The consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

a) New standards and interpretations

i) New standards, amendments and interpretations effective from 1 January 2019

FAS 28 Murabaha and Other Deferred Payment Sales

AAOIFI has issued FAS 28 Murabaha and Other Deferred Payment Sales in 2017. FAS 28 supersedes the earlier FAS 2 Murabaha and Murabaha to the Purchase Orderer and FAS 20 Deferred Payment Sale.

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers, for such transactions.

The new standard is effective for annual reporting periods beginning on or after 1 January 2019 and has no impact on the Group's consolidated financial statements.

ii) New standards, amendments and interpretations issued but not yet effective

The Group has not yet applied the following new and revised FASs that have been issued but are not yet effective:

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)

AAOIFI has issued FAS 31 in 2018. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

FAS 33 - Investment in sukuk, shares and similar instruments

AAOIFI has issued FAS 33 in 2019. FAS 33 supersedes the earlier FAS 25 - Investment in sukuks, shares and similar instruments. The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'ah principles.

This standard shall be effective for financial periods beginning on or after 1 January 2020 with early adoption permitted.

FAS 34 - Financial reporting for Sukuk-holders

AAOIFI has issued FAS 34 in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukukholders.

This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

FAS 35 - Risk Reserves

AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 - Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions).

This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted, only if the Group early adopts FAS 30 - Impairment, credit losses and onerous commitments.

The Group is currently evaluating the impact of the above standards.

b) Impairment, Credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and impairment provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach, 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

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As at and for the year ended 31 December 2019

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

b) **Impairment, Credit losses and onerous commitments (continued)**

Expected credit losses ('ECL')

FAS 30 introduces the Credit Losses approach with a forward-looking 'expected credit loss' model. The Credit Losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model is applied to financial assets which are subject to credit risk, and a number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

As required by the QCB, the Group has early adopted FAS 30 with effect from 1 January 2018 and as permitted by the standard, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and non-controlling interest in 2018. The impact from the adoption of FAS 30 as at 1 January 2018 has been to decrease retained earnings by QAR 491 million.

	Retained earnings	Non-controlling interest
Closing balance as at 31 December 2017	**2,009,007**	**199,067**
Impact on recognition of Expected Credit Losses		
Due from banks	792	–
Financing assets	424,203	–
Debt type securities at amortized cost	3,017	–
Off balance sheet exposures subject to credit risk	63,103	–
	491,115	**–**
Opening balance under FAS 30 on date of initial application of 1 January 2018	**1,517,892**	**199,067**

Financial Liabilities

There were no changes to the classification and measurement of financial liabilities.

c) **Basis of consolidation**

i) ***Subsidiaries***

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

ii) ***Non-controlling interests***

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to consolidated income statement where appropriate.

iii) ***Transactions eliminated on consolidation***

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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As at and for the year ended 31 December 2019

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

c) **Basis of consolidation (continued)**

iv) Associates (equity-accounted investees)

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses in an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate , any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FAS 30. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

v) Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

d) **Foreign currency**

i) Foreign currency transactions and balances

Foreign currency transactions are denominated, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

ii) Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
– all resulting exchange differences are recognised in equity.

Exchange differences arising from the above process are reported in equity as 'foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the spot closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in equity, and presented in the foreign exchange translation reserve in equity.

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As at and for the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

i) Classification

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Debt-type instruments

Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through income statement.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Equity-type instruments

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Bank makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated income statement.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated income statement in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amoritisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated income statement.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

f) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Bank arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions, the Bank applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and does not enter into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

notes to the consolidated

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As at and for the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financing assets (continued)

Mudaraba

Mudaraba financing are partnerships in which the Bank contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Musharaka

Musharaka financing are partnerships in which the Bank contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a

Istisna'a is a sales contract in which the Bank acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Istisna'a revenue is the total price agreed between the seller and purchaser including the Bank's profit margin. The Bank recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Bank's estimated cost. The Bank's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment. The Bank initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

g) Other financial assets and liabilities

i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

ii) De-recognition of financial assets and financial liabilities

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is de-recognised if it meets the de-recognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

h) Impairment of financial assets (other than equity type investments classified as fair value through equity)

The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk (i. local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB, ii. externally rated debt instruments of rating Aaa or Aa, iii. other financial assets which the Group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)

Stage 2: Lifetime ECL - not credit impaired
Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but proft is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD') as the weight.

Stage 3: Non performing - credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised and treated with the profit calculated on them, according to QCB's instructions as disclosed in most recent annual financial statements. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

The adoption of FAS 30 has fundamentally changed the Group's accounting for impairment loss on financing assets by replacing FAS 11's (IAS 39's) incurred loss approach with a forward-looking expected credit loss (ECL) approach. FAS 30 requires the Group to record an allowance for ECLs for all financing assets and other debt financial assets not held at FVPL, together with financing asset commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through income statement:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitments and Letter of credit: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The determination of the FAS 30 provision results from a two-step approach:

Step 1: The facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit impaired.

Step 2: The expected credit loss is calculated i.e., 12-month expected loss for all facilities in stage 1 and lifetime expected credit loss for all facilities in stage 2. The facilities in stage 3 are covered by specific provisions as per QCB regulations and FAS 30 requirements.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;

If the expected restructuring will result in derecognition of existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. The amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through equity are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a financing asset by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)

Credit-impaired financial assets (continued)

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

Any credit exposures to the Government of Qatar, represented by the Ministry of Finance and QCB are exempted from the application of expected credit loss model as per QCB's Circular 9 / 2017.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing asset commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- Debt instruments measured at fair value through equity: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

i) Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through equity.

j) Modification of financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit.

k) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with QCB and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

l) Shari'a-compliant risk management instruments

Shari'a-compliant risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's Shari'a-compliant risk management instruments include unilateral promise to buy/sell currencies and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, Shari'a-compliant risk management instruments are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models, as appropriate. The resulting gains or losses are included in the consolidated income statement, except for unilateral promise to buy/sell currencies which are designated as the hedging instrument in a hedge of a net investment in a foreign operation.

m) Fixed assets

Recognition and initial measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land and work-in-progress are not depreciated.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The estimated useful lives for the current and comparative years are as follows:

Buildings	20 years
Leasehold improvements	10 years
Furniture, fixtures and office equipment	6-7 years
Computer equipment	3 years

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Due from banks

Due from banks are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks are initially measured at cost, being the fair value of the consideration given. Following the initial recognition, due from banks are stated at amortised cost.

o) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

p) Customer current accounts

Balances in customer current accounts are recognised when received by the Bank. The transactions are measured as the amount received by the Bank at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

q) Equity of investment account holders

Equity of investment account holders are funds held by the Bank, which it can invest at its own discretion. The investment account holders authorises the Bank to invest the account holders' funds in a manner which the Bank deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Bank charges a management fee to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Bank's share of income. The allocation of income is determined by the management of the Bank within the allowed profit sharing limits as per the terms and conditions of the investment accounts.

Investment accounts are carried at their book values and include amounts retained towards the profit equalisation and investment risk reserves. The profit equalisation reserve is the amount appropriated by the Bank out of the Mudaraba income, before allocating the Mudarib's share, in order to maintain a certain level of return to the account holders on the investments. The investment risk reserve is the amount appropriated by the Bank out of the income of investment account holders, after allocating the Mudarib's share, in order to cater against future losses for investment account holders.

r) Distribution of profit between equity of investment account holders and shareholders

The Bank complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and its equity holders.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Bank's agreed and declared Mudaraba profit.
- In case of any expense or loss, which arises out of negligence on the part of the Bank due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Bank at the year-end are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Bank's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

s) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Bank as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Bank in the consolidated financial statements.

t) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears quarterly profit and mature after 5 to 34 years from issuance date. Profits are recognised periodically until maturity. Sukuks are recognised at amoritised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

u) Provisions

Provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

v) Employees benefits

Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the personnel cost under general and administration expenses in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Group also provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other provisions under other liabilities.

w) Share capital and reserves

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's equity holders.

x) Revenue recognition

Murabaha

Profit from Murabaha transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated income statement on declaration by the Mudarib.

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Revenue recognition (continued)

Ijara

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

Istisna'a

Revenue and the associated profit margin are recognised in the Bank's consolidated income statement according to the percentage of completion method or completed contract method.

Wakala

Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from investment banking services

Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

y) Income tax

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group's operations inside Qatar are not subject to tax, except Al Rayan Investment LLC whose profits are subject to tax as per Qatar Financial Center Authority regulations.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

z) Earnings per share

The Bank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

aa) Placements with banks and other financial institutions

Placements with banks and other financial institutions are stated at amortised cost net of any amounts written off and allowance for impairment.

bb) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the consolidated statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated income statement. The amortisation of the premium received is recognized in the consolidated income statement under commission and fees income.

cc) Contingent liabilities

Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these Shari'a-compliant risk management instruments.

dd) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

ee) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

ff) Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities.

gg) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

Risk management and structure

Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks, investment securities, financing assets and certain other financial assets. Financial liabilities include customer deposits, due to banks, sukuk financing, other borrowings and certain other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-balance sheet items.

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, market risk, liquidity risk and operating risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Board of Directors

The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function

The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

Assets and liabilities

The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

Internal audit

Risk management processes throughout the Bank are audited annually by the Internal Audit Department that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Information compiled from all business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, risk unit, and the head of each business division.

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

4.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collaterals obtained are as follows:

– For securities financing: cash or securities.
– For commercial financing: mortgages over real estate properties, inventory, cash or securities.
– For retail financing: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

The Group also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 10. Also the details of geographical segments are set out in Note 31.

4.2.1 Credit risk measurement

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk type activities and the module makes use of probabilities derived from historical experience adjusted to reflect the economic environment.

4.2.2 Risk limit control and mitigation policies

Risk mitigation

As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	2019	2018
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Cash and balances with QCB (excluding cash on hand)	2,723,859	2,491,426
Due from banks	6,035,090	1,512,865
Financing assets	74,837,309	72,515,286
Investment securities - debt	21,224,169	19,077,661
Other assets	7,707	9,605
	104,828,134	**95,606,843**
Other credit risk exposures are as follows:		
Guarantees	12,355,598	14,389,848
Letters of credit	715,239	1,047,117
	13,070,837	**15,436,965**

The above tables represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

4.2.4 Concentration of risks of financial assets with credit risk exposure

a) By Geographical Sector

	Qatar	Other GCC	Other Middle East	Others	Total
2019					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	2,723,859	–	–	–	2,723,859
Due from banks	5,132,177	7,848	544	894,521	6,035,090
Financing assets	62,935,642	3,331	3,900,995	7,997,341	74,837,309
Investment securities - debt	19,764,310	897,688	123,255	438,916	21,224,169
Other assets	7,707	–	–	–	7,707
	90,563,695	**908,867**	**4,024,794**	**9,330,778**	**104,828,134**

	Qatar	Other GCC	Other Middle East	Others	Total
2018					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	2,491,426	–	–	–	2,491,426
Due from banks	862,807	5,194	1,200	643,664	1,512,865
Financing assets	58,739,127	69,453	3,514,373	10,192,333	72,515,286
Investment securities - debt	18,023,999	621,388	50,938	381,336	19,077,661
Other assets	9,605	–	–	–	9,605
	80,126,964	**696,035**	**3,566,511**	**11,217,333**	**95,606,843**

	Qatar	Other GCC	Other Middle East	Others	Total
2019					
Guarantees	10,537,511	9,547	412,407	1,396,133	12,355,598
Letters of credit	693,838	713	8,496	12,192	715,239
	11,231,349	**10,260**	**420,903**	**1,408,325**	**13,070,837**
2018					
Guarantees	12,736,167	14,264	201,410	1,438,007	14,389,848
Letters of credit	1,015,351	3,753	20,414	7,599	1,047,117
	13,751,518	**18,017**	**221,824**	**1,445,606**	**15,436,965**

b) By Industry sector

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross exposure 2019	Gross exposure 2018
Funded and unfunded		
Government	24,512,484	25,417,764
Government agencies	32,464,231	32,559,621
Industry	616,742	1,009,393
Commercial	4,551,203	4,596,280
Services	11,990,321	2,620,905
Contracting	1,451,990	1,670,220
Real estate	19,894,920	18,622,464
Personal	9,331,552	9,097,528
Others	14,691	12,668
Contingent liabilities	13,070,837	15,436,965
Total	**117,898,971**	**111,043,808**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 4- represents investment grade, ORR 5+ to 7 represents sub-investment grade and 7- represents watchlist. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

The following table sets out information about the credit quality of financial assets, commitments and financial guarantees.

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from banks				
Investment grade	6,034,671	–	–	6,034,671
Sub-investment grade	148	444	–	592
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
	6,034,819	444	–	6,035,263
Loss allowance	(173)	–	–	(173)
Carrying amount	**6,034,646**	**444**	**–**	**6,035,090**

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from banks				
Investment grade	1,511,443	–	–	1,511,443
Sub-investment grade	841	984	–	1,825
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
	1,512,284	984	–	1,513,268
Loss allowance	(403)	–	–	(403)
Carrying amount	**1,511,881**	**984**	**–**	**1,512,865**

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financing assets				
Investment grade	54,539,702	8,556,308	–	63,096,010
Sub-investment grade	7,653,951	3,965,713	–	11,619,664
Substandard	–	–	355,257	355,257
Doubtful	–	–	239,584	239,584
Loss	–	–	164,196	164,196
	62,193,653	12,522,021	759,037	75,474,711
Loss allowance	(38,990)	(270,543)	(327,869)	(637,402)
Carrying amount	**62,154,663**	**12,251,478**	**431,168**	**74,837,309**

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financing assets				
Investment grade	51,499,300	7,786,068	–	59,285,368
Sub-investment grade	11,056,045	2,153,218	–	13,209,263
Substandard	–	–	348,928	348,928
Doubtful	–	–	84,350	84,350
Loss	–	–	176,251	176,251
	62,555,345	9,939,286	609,529	73,104,160
Loss allowance	(58,657)	(225,239)	(304,978)	(588,874)
Carrying amount	**62,496,688**	**9,714,047**	**304,551**	**72,515,286**

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities - debt				
Investment grade	20,284,965	94,254	–	20,379,219
Sub-investment grade	443,811	379,278	–	823,089
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	57,162	57,162
	20,728,776	473,532	57,162	21,259,470
Loss allowance	(1,715)	(4,976)	(28,610)	(35,301)
Carrying amount	**20,727,061**	**468,556**	**28,552**	**21,224,169**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Investment securities - debt				
Investment grade	18,766,896	7,602	–	18,774,498
Sub-investment grade	280,832	–	–	280,832
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	57,162	57,162
	19,047,728	7,602	57,162	19,112,492
Loss allowance	(5,991)	(230)	(28,610)	(34,831)
Carrying amount	**19,041,737**	**7,372**	**28,552**	**19,077,661**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Other credit risk exposures				
Investment grade	12,316,616	68,003	–	12,384,619
Sub-investment grade	667,544	431,146	–	1,098,690
Substandard	–	–	5,342	5,342
Doubtful	–	–	323	323
Loss	–	–	574	574
	12,984,160	499,149	6,239	13,489,548
Loss allowance	(9,808)	(26,227)	–	(36,035)
Carrying amount	**12,974,352**	**472,922**	**6,239**	**13,453,513**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Other credit risk exposures				
Investment grade	13,894,104	941,868	–	14,835,972
Sub-investment grade	727,472	482,501	–	1,209,973
Substandard	–	–	11,802	11,802
Doubtful	–	–	395	395
Loss	–	–	8,830	8,830
	14,621,576	1,424,369	21,027	16,066,972
Loss allowance	(11,724)	(35,287)	–	(47,011)
Carrying amount	**14,609,852**	**1,389,082**	**21,027**	**16,019,961**

4.2.6 Credit quality assessments

The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent).

Rating grade	Financing assets	Due from Banks	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk
AAA to AA-	43,095,146	332,864	19,792,157	4,554,746
A+ to A-	8,858,751	5,661,963	369,590	4,472,543
BBB to BBB-	7,321,349	1,450	68,160	3,356,132
BB+ to B-	4,904,421	148	567,830	899,226
Unrated	11,295,044	38,838	459,841	206,901
Totals as of 31 December 2019	**75,474,711**	**6,035,263**	**21,257,578**	**13,489,548**

Rating grade	Financing assets	Due from Banks	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk
AAA to AA-	37,461,095	64,227	18,061,142	3,152,140
A+ to A-	8,541,655	1,143,077	127,077	6,778,668
BBB to BBB-	8,713,519	279,759	510,270	4,901,943
BB+ to B-	6,786,412	842	330,010	1,183,656
Unrated	11,601,479	25,363	64,762	50,565
Totals as of 31 December 2018	**73,104,160**	**1,513,268**	**19,093,261**	**16,066,972**

4.2.7 Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indexes of similar assets.

The Group has collateral in the form of blocked deposit, pledge of shares or legal mortgage against the past dues financing assets.

	Aggregate collateral	
Past due category:	**2019**	**2018**
Up to 30 days	883,920	899,274
31 to 60 days	324,268	490,786
61 – 90 days	688,769	487,881
91 days and above	1,623,259	1,201,390
	3,520,216	**3,079,331**

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2019 is QAR 1,623 million (2018: QAR 1,201 million).

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non impaired. The carrying value of renegotiated financing assets as at 31 December 2019 was QAR 1,719 million (2018: QAR 1,011 million).

There were no financial assets that were modified that had a loss allowance measured at an amount equal to lifetime ECL.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.8 Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2019 was QAR 34 thousand (2018: QAR 179 thousand).

4.2.9 Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria's are considered:

i. Two notches down for rating from Aaa to Baa or one notch down for ratings from Ba to Ca;

ii. Facilities restructured during previous twelve months; and

iii. Contractual payments overdue by more than 60 days as at the reporting date.

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Group employs Moody's Risk Analyst to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has taken exposures.

Renegotiated financing assets

The contractual terms of a financing asset may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing asset whose terms have been modified may be derecognised and the renegotiated financing asset recognised as a new financing asset at fair value. Where possible, the Group seeks to restructure financing assets rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing asset conditions. Management continuously reviews renegotiated financing assets to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are restructured due to credit reasons in past 12 months will be classified under Stage 2.

Definition of default

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
– the borrower is past due more than 90 days on any material credit obligation to the Group; or
– the borrower is rated 9 or 10.

In assessing whether a borrower is in default, the Group also considers indicators that are:

– quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
– based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macro – economic parameters are statistically significant or the results of forecasted PD's are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

– Probability of Default (PD);
– Loss Given Default (LGD);
– Exposure at Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

LGD estimation icludes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.9 Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:
- credit risk grading's;
- product type; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under FAS 30.

	2019			
Due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	403	–	–	403
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(61)	61	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(170)	(61)	–	(231)
Impairment allowance for the year, net	(231)	–	–	(231)
Amounts written off	–	–	–	–
Foreign currency translation	1	–	–	1
Balance at 31 December	**173**	**–**	**–**	**173**

	2018			
Due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	–	–	–	–
Impact of initial application	531	261	–	792
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(126)	(261)	–	(387)
Impairment allowance for the year, net	405	–	–	405
Amounts written off	–	–	–	–
Foreign currency translation	(2)	–	–	(2)
Balance at 31 December	**403**	**–**	**–**	**403**

	2019			
Financing assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	58,657	225,239	304,978	588,874
Transfers to Stage 1	11,225	(11,147)	(78)	–
Transfers to Stage 2	(30,971)	32,319	(1,348)	–
Transfers to Stage 3	(362)	(1,776)	2,138	–
Charge / (reversal) (net)	291	25,752	22,178	48,221
Impairment allowance for the year, net	(19,817)	45,148	22,890	48,221
Amounts written off	–	–	(34)	(34)
Foreign currency translation	150	156	35	341
Balance at 31 December	**38,990**	**270,543**	**327,869**	**637,402**

	2018			
Financing assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	–	–	165,680	165,680
Impact of initial application	129,979	294,224	–	424,203
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(49,444)	49,444	–	–
Transfers to Stage 3	(524)	(38,890)	39,414	–
Charge / (reversal) (net)	(20,991)	(79,470)	100,074	(387)
Impairment allowance for the year, net	59,020	225,308	139,488	423,816
Amounts written off	–	–	(179)	(179)
Foreign currency translation	(363)	(69)	(11)	(443)
Balance at 31 December	**58,657**	**225,239**	**304,978**	**588,874**

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.9 Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

	2019			
Investment securities - debt	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	5,991	230	28,610	34,831
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,245)	3,245	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(1,035)	1,501	–	466
Impairment allowance for the year, net	(4,280)	4,746	–	466
Amounts written off	–	–	–	–
Foreign currency translation	4	–	–	4
Balance at 31 December	**1,715**	**4,976**	**28,610**	**35,301**

	2018			
Investment securities - debt	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	–	–	28,610	28,610
Impact of initial application	1,879	1,138	–	3,017
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(129)	129	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	4,242	(1,037)	–	3,205
Impairment allowance for the year, net	5,992	230	–	6,222
Amounts written off	–	–	–	–
Foreign currency translation	(1)	–	–	(1)
Balance at 31 December	**5,991**	**230**	**28,610**	**34,831**

	2019			
Other credit risk exposures	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	11,724	35,287	–	47,011
Transfers to Stage 1	1,610	(1,610)	–	–
Transfers to Stage 2	(3,149)	3,149	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(377)	(10,599)	–	(10,976)
Impairment allowance for the year, net	(1,916)	(9,060)	–	(10,976)
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**9,808**	**26,227**	**–**	**36,035**

	2018			
Other credit risk exposures	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	–	–	–	–
Impact of initial application	13,151	49,952	–	63,103
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(1,946)	1,946	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	519	(16,611)	–	(16,092)
Impairment allowance for the year, net	11,724	35,287	–	47,011
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**11,724**	**35,287**	**–**	**47,011**

4.2.10 Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

4.2.11 Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

4.3 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Group manages its market risks within the framework of limits defined by the QCB.

4.3.1 Management of market risk

Assets and liabilities profit rate gaps are reviewed on a regular basis which is used to reduce the profit rate gaps to within the limits established by the Board. The Group manages its exposure to currency exchange rate fluctuations to within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis.

4.3.2 Exposure to profit rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. The Asset and Liability Committee ("ALCO") is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

		Re-pricing in:					
	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Effective profit rate
2019							
Cash and balances with QCB	3,122,860	–	–	–	–	3,122,860	
Due from banks	6,035,090	4,988,169	–	133,999	–	912,922	2.25%
Financing assets	74,837,309	53,857,397	9,551,357	6,236,466	5,192,089	–	5.02%
Investment securities	21,222,277	–	–	–	–	21,222,277	4.00%
	105,217,536	**58,845,566**	**9,551,357**	**6,370,465**	**5,192,089**	**25,258,059**	
Due to banks	(19,367,191)	(15,318,403)	(3,905,787)	(124,821)	–	(18,180)	2.74%
Customer current accounts	(7,526,683)	–	–	–	–	(7,526,683)	
Sukuk financing	(3,333,998)	(1,558,065)	–	–	–	(1,775,933)	3.26%
Other borrowings	(2,002,003)	(2,002,003)	–	–	–	–	3.27%
	(32,229,875)	**(18,878,471)**	**(3,905,787)**	**(124,821)**	**–**	**(9,320,796)**	
Equity of investment account holders	**(58,085,882)**	**(32,986,983)**	**(15,983,437)**	**(9,115,462)**	**–**	**–**	
Consolidated statement of financial position items	14,901,779	6,980,112	(10,337,867)	(2,869,818)	5,192,089	15,937,263	
Off consolidated statement of financial position items	(25,789,379)	(562,551)	–	–	–	(25,226,828)	
Profit Rate Sensitivity Gap	**(10,887,600)**	**6,417,561**	**(10,337,867)**	**(2,869,818)**	**5,192,089**	**(9,289,565)**	
Cumulative Profit Rate Sensitivity Gap	**(10,887,600)**	**6,417,561**	**(3,920,306)**	**(6,790,124)**	**(1,598,035)**	**(10,887,600)**	

		Re-pricing in:					
	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Effective profit rate
2018							
Cash and balances with QCB	3,026,994	–	–	–	–	3,026,994	
Due from banks	1,512,865	478,800	–	389,118	–	644,947	4.41%
Financing assets	72,515,286	46,081,910	10,230,323	7,711,515	8,140,088	351,450	4.86%
Investment securities	19,073,286	–	–	–	–	19,073,286	3.79%
	96,128,431	**46,560,710**	**10,230,323**	**8,100,633**	**8,140,088**	**23,096,677**	
Due to banks	(16,546,010)	(14,818,969)	(1,526,491)	–	–	(200,550)	3.33%
Customer current accounts	(7,268,816)	–	–	–	–	(7,268,816)	
Sukuk financing	(1,721,339)	(1,717,832)	–	–	–	(3,507)	3.92%
Other borrowings	(2,052,993)	(2,042,938)	–	–	–	(10,055)	3.98%
	(27,589,158)	**(18,579,739)**	**(1,526,491)**	**–**	**–**	**(7,482,928)**	
Equity of investment account holders	**(54,300,051)**	**(33,301,904)**	**(17,524,421)**	**(3,473,726)**	**–**	**–**	3.16%
Consolidated statement of financial position items	14,239,222	(5,320,933)	(8,820,589)	4,626,907	8,140,088	15,613,749	
Off consolidated statement of financial position items	(21,231,348)	(3,834,929)	–	–	–	(17,396,419)	
Profit Rate Sensitivity Gap	**(6,992,126)**	**(9,155,862)**	**(8,820,589)**	**4,626,907**	**8,140,088**	**(1,782,670)**	
Cumulative Profit Rate Sensitivity Gap	**(6,992,126)**	**(9,155,862)**	**(17,976,451)**	**(13,349,544)**	**(5,209,456)**	**(6,992,126)**	

QAR '000s

4. **FINANCIAL RISK MANAGEMENT (continued)**

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves worldwide and a 5 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	10 bp parallel increase	10 bp parallel decrease
2019		
At 31 December	1,933	(1,933)
2018		
At 31 December	1,895	(1,895)

Overall non-trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and Shari'a-compliant risk management instruments to manage the overall position arising from the Group's non-trading activities.

4.3.3 Exposure to other market risks – non-trading portfolios

Foreign currency transactions

The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group (after taking account of the impact of any qualifying net investment hedges).

	2019	2018
Net foreign currency exposure:		
EUR	3,353	1,958
GBP	205	497
Others	4	8,308

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the consolidated income statement, with all other variables held constant:

	Increase / (decrease) in profit or loss	
	2019	**2018**
5% increase / (decrease) in currency exchange rate		
EUR	167	98
GBP	10	25
Others	1	415

The table above does not include currencies that are pegged against the QAR.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as investments at fair value through equity.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2019	2018
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	–	–
Increase / (decrease) in equity	1,823	2,447

4.3.4 Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.5 Financial asset and liability classification

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2019				
Shari'a-compliant risk management instruments	–	20,213	–	20,213
Investment securities	38,359	118,070	–	156,429
	38,359	**138,283**	**–**	**176,642**
Shari'a-compliant risk management instruments	–	17,893	–	17,893
	–	**17,893**	**–**	**17,893**

	Level 1	Level 2	Level 3	Total
2018				
Shari'a-compliant risk management instruments	–	80,287	–	80,287
Investment securities	67,912	95,511	–	163,423
	67,912	**175,798**	**–**	**243,710**
Shari'a-compliant risk management instruments	–	75,992	–	75,992
	–	**75,992**	**–**	**75,992**

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for certain investment securities for which the fair value amounts to QAR 3,592 million (2018: QAR 2,575 million), which is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 7.

Investment securities totalling QAR nil are carried at cost (2018: QAR nil).

During the reporting periods 31 December 2019 and 2018, there were no transfers among Levels 1, 2 and 3 fair value measurements.

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for Shari'a-compliant risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.4.1 Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2019	2018
At 31 December	109%	93%
Average for the year	101%	88%
Maximum for the year	116%	94%
Minimum for the year	90%	79%

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4. **FINANCIAL RISK MANAGEMENT (continued)**

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2019						
Cash and balances with QCB	3,122,860	519,606	–	–	–	2,603,254
Due from banks	6,035,090	5,900,931	–	–	14,374	119,785
Financing assets	74,837,309	6,012,739	2,408,879	5,635,828	11,029,816	49,750,047
Investment securities	21,378,706	317,789	306,384	749,991	11,713,512	8,291,030
Other assets	7,707	7,707	–	–	–	–
Total financial assets	**105,381,672**	**12,758,772**	**2,715,263**	**6,385,819**	**22,757,702**	**60,764,116**
Due to banks	19,367,191	11,357,915	3,697,989	4,045,120	146,382	119,785
Customer current accounts	7,526,683	7,526,683	–	–	–	–
Sukuk financing	3,333,998	–	–	–	2,466,798	867,200
Other borrowings	2,002,003	–	–	–	2,002,003	–
Total financial liabilities	32,229,875	18,884,598	3,697,989	4,045,120	4,615,183	986,985
Equity of investment account holders	58,085,882	13,708,507	19,278,476	15,983,437	9,115,462	–
Total financial liabilities and equity of investment account holders	**90,315,757**	**32,593,105**	**22,976,465**	**20,028,557**	**13,730,645**	**986,985**
Difference	**15,065,915**	**(19,834,333)**	**(20,261,202)**	**(13,642,738)**	**9,027,057**	**59,777,131**

	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2018						
Cash and balances with QCB	3,026,994	550,195	–	–	–	2,476,799
Due from banks	1,512,865	1,117,496	6,251	–	389,118	–
Financing assets	72,515,286	4,885,386	1,297,853	6,878,683	12,612,246	46,841,118
Investment securities	19,222,111	2,244,702	123,648	539,284	5,301,078	11,013,399
Other assets	9,605	9,605	–	–	–	–
Total financial assets	**96,286,861**	**8,807,384**	**1,427,752**	**7,417,967**	**18,302,442**	**60,331,316**
Due to banks	16,546,010	7,258,851	7,635,147	1,652,012	–	–
Customer current accounts	7,268,816	7,268,816	–	–	–	–
Sukuk financing	1,721,339	–	3,507	–	690,668	1,027,164
Other borrowings	2,052,993	–	10,055	–	2,042,938	–
Total financial liabilities	27,589,158	14,527,667	7,648,709	1,652,012	2,733,606	1,027,164
Equity of investment account holders	54,300,051	14,090,182	19,211,722	17,524,421	3,473,726	–
Total financial liabilities and equity of investment account holders	**81,889,209**	**28,617,849**	**26,860,431**	**19,176,433**	**6,207,332**	**1,027,164**
Difference	**14,397,652**	**(19,810,465)**	**(25,432,679)**	**(11,758,466)**	**12,095,110**	**59,304,152**

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4. **FINANCIAL RISK MANAGEMENT (continued)**

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and Shari'a-compliant risk management instruments)

The table below summarises the maturity profile of the Group's financial liabilities based on remaining contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable, diverse and liquid assets in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with QCB. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2019							
Non-derivative liabilities							
Due to banks	19,367,191	19,442,386	11,375,344	3,714,831	4,085,225	147,201	119,785
Customer current accounts	7,526,683	7,526,683	7,526,683	–	–	–	–
Sukuk financing	3,333,998	4,531,367	–	4,996	86,866	2,871,572	1,567,933
Other borrowings	2,002,003	2,123,710	–	8,176	49,876	2,065,658	–
Other liabilities	1,948,849	1,948,849	1,948,849	–	–	–	–
Total liabilities	**34,178,724**	**35,572,995**	**20,850,876**	**3,728,003**	**4,221,967**	**5,084,431**	**1,687,718**
Equity of investment account holders	**58,085,882**	**58,929,394**	**14,589,315**	**19,314,832**	**16,209,697**	**8,815,550**	**–**
Shari'a-compliant risk management instruments							
Risk management:	**2,320**						
Outflow		(21,310)	(2,635)	(5,026)	(6,686)	(6,963)	–
Inflow		23,630	2,687	4,467	8,192	7,259	1,025
	92,266,926	**94,504,709**	**35,440,243**	**23,042,276**	**20,433,170**	**13,900,277**	**1,688,743**

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2018							
Non-derivative liabilities							
Due to banks	16,546,010	16,521,343	7,215,977	7,643,619	1,661,747	–	–
Customer current accounts	7,268,816	7,268,816	7,268,816	–	–	–	–
Sukuk financing	1,721,339	2,876,691	–	5,991	45,511	938,009	1,887,180
Other borrowings	2,052,993	2,267,973	–	11,311	62,851	2,193,811	–
Other liabilities	1,931,221	1,931,221	1,931,221	–	–	–	–
Total liabilities	**29,520,379**	**30,866,044**	**16,416,014**	**7,660,921**	**1,770,109**	**3,131,820**	**1,887,180**
Equity of investment account holders	**54,300,051**	**54,822,487**	**14,109,784**	**19,237,896**	**17,837,432**	**3,637,375**	**–**
Shari'a-compliant risk management instruments							
Risk management:	**4,295**						
Outflow		(77,997)	(3,516)	(486)	(57,442)	(1,625)	(14,928)
Inflow		82,292	4,573	541	59,093	2,005	16,080
	83,824,725	**85,692,826**	**30,526,855**	**26,898,872**	**19,609,192**	**6,769,575**	**1,888,332**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4.6 Capital management

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on equity holders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

The Group is currently in the process of analyzing new capital requirements for Profit Rate Risk on Banking Book (PRRBB) and will start setting aside capital based on new standard under Pillar II from 2020 onwards.

The Group's regulatory capital position under Basel III and QCB regulations at 31 December was as follows:

	2019 Basel III	2018 Basel III
Common Equity Tier 1 (CET 1) capital	12,251,191	11,955,147
Tier 1 capital	–	–
Tier 2 capital	352,329	338,142
Total regulatory capital	**12,603,520**	**12,293,289**
Risk weighted assets		
Risk weighted assets for credit risk	56,373,722	56,446,425
Risk weighted assets for market risk	564,026	2,895,665
Risk weighted assets for operational risk	5,241,574	4,601,974
Total risk weighted assets	**62,179,322**	**63,944,064**

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB1 buffer	Total capital including conservation buffer, DSIB[1] buffer and ICAAP Pillar II capital charge
2019						
Actual	19.70%	19.70%	19.70%	20.27%	20.27%	20.27%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.80%
2018						
Actual	18.70%	18.70%	18.70%	19.23%	19.23%	19.23%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.55%

[1] *Domestic Systemically Important Bank*

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5. USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Impairment losses on financial assets:

The measurement of impairment losses both under FAS 30 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies (financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument).

6. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes financing assets, deposits and other products and services with corporate and individual customers in the Group's international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non-core business operations, like common property & equipment, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries

Information about operating segments

2019	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	3,032,280	1,241,040	30,319	337,333	–	4,640,972
Net fee and commission income	364,629	–	20,953	2,501	–	388,083
Foreign exchange gain / (loss)	160,298	–	(78)	2,160	–	162,380
Share of results of associates	–	–	–	–	19,832	19,832
Other income	–	–	–	–	9,708	9,708
Total segment revenue	**3,557,207**	**1,241,040**	**51,194**	**341,994**	**29,540**	**5,220,975**
Other material non-cash items:						
Net impairment losses on financing assets	(9,958)	(41,488)	–	(3,384)	–	(54,830)
Net reversals / (impairment losses) on investment securities	636	–	(1,705)	(48)	–	(1,117)
Net reversals / (impairment losses) on off balance sheet exposures subject to credit risk	11,215	1	–	(9)	–	11,207
Reportable segment profit before tax	**1,792,477**	**786,216**	**28,128**	**29,995**	**(448,019)**	**2,188,797**
Reportable segment assets	**69,983,335**	**23,697,156**	**683,323**	**10,743,277**	**1,289,430**	**106,396,521**
Reportable segment liabilities	**27,373,385**	**2,508,181**	**146,771**	**2,485,947**	**1,664,440**	**34,178,724**
Reportable segment equity of investment account holders	**35,783,183**	**14,728,641**	**–**	**7,574,058**	**–**	**58,085,882**

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6. OPERATING SEGMENTS (continued)

Information about operating segments (continued)

2018	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	3,003,588	1,031,734	32,882	308,653	–	4,376,857
Net fee and commission income	295,023	–	16,506	3,609	–	315,138
Foreign exchange gain / (loss)	152,851	–	(237)	(135)	–	152,479
Share of results of associates	–	–	–	–	21,904	21,904
Other income	–	–	–	–	7,900	7,900
Total segment revenue	**3,451,462**	**1,031,734**	**49,151**	**312,127**	**29,804**	**4,874,278**
Other material non-cash items:						
Net recoveries and reversals / (impairment losses) on financing assets	(42,645)	58,439	–	(1,203)	–	14,591
Net impairment losses on investment securities	(4,527)	–	(4,448)	(39)	–	(9,014)
Net reversals / (impairment losses) on off balance sheet exposures subject to credit risk	16,484	–	–	(5)	–	16,479
Reportable segment profit before tax	**1,769,454**	**779,685**	**26,182**	**29,637**	**(463,017)**	**2,141,941**
Reportable segment assets	**67,055,218**	**19,029,437**	**643,157**	**9,130,468**	**1,435,933**	**97,294,213**
Reportable segment liabilities	**22,892,345**	**2,175,227**	**134,242**	**2,681,096**	**1,637,469**	**29,520,379**
Reportable segment equity of investment account holders	**36,026,333**	**12,455,440**	**–**	**5,818,278**	**–**	**54,300,051**

7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2019					
Cash and balances with QCB	–	–	3,122,860	3,122,860	3,122,860
Due from banks	–	–	6,035,090	6,035,090	6,035,090
Financing assets	–	–	74,837,309	74,837,309	74,837,309
Investment securities:					
– Measured at fair value	1,892	154,537	–	156,429	156,429
– Measured at amortised cost	–	–	21,222,277	21,222,277	21,342,171
Other assets	–	–	7,707	7,707	7,707
Shari'a-compliant risk management instruments	20,213	–	–	20,213	20,213
	22,105	**154,537**	**105,225,243**	**105,401,885**	**105,521,779**
Due to banks	–	–	19,367,191	19,367,191	19,367,191
Customer current accounts	–	–	7,526,683	7,526,683	7,526,683
Sukuk financing	–	–	3,333,998	3,333,998	3,333,998
Other borrowings	–	–	2,002,003	2,002,003	2,002,003
Other liabilities	–	–	1,119,374	1,119,374	1,119,374
Equity of investment account holders	–	–	58,085,882	58,085,882	58,085,882
Shari'a-compliant risk management instruments	17,893	–	–	17,893	17,893
	17,893	**–**	**91,435,131**	**91,453,024**	**91,453,024**
2018					
Cash and balances with QCB	–	–	3,026,994	3,026,994	3,026,994
Due from banks	–	–	1,512,865	1,512,865	1,512,865
Financing assets	–	–	72,515,286	72,515,286	72,515,286
Investment securities:					
– Measured at fair value	4,375	159,306	–	163,681	163,681
– Measured at amortised cost	–	–	19,058,430	19,058,430	18,991,949
Other assets	–	–	9,605	9,605	9,605
Shari'a-compliant risk management instruments	80,287	–	–	80,287	80,287
	84,662	**159,306**	**96,123,180**	**96,367,148**	**96,300,667**
Due to banks	–	–	16,546,010	16,546,010	16,546,010
Customer current accounts	–	–	7,268,816	7,268,816	7,268,816
Sukuk financing	–	–	1,721,339	1,721,339	1,721,339
Other borrowings	–	–	2,052,993	2,052,993	2,052,993
Other liabilities	–	–	1,053,277	1,053,277	1,053,277
Equity of investment account holders	–	–	54,300,051	54,300,051	54,300,051
Shari'a-compliant risk management instruments	75,992	–	–	75,992	75,992
	75,992	**–**	**82,942,486**	**83,018,478**	**83,018,478**

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8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2019	2018
Cash on hand	399,001	535,568
Cash reserve with QCB*	2,603,254	2,476,799
Current account with QCB	120,605	14,627
	3,122,860	**3,026,994**

* The cash reserve with QCB represents a mandatory reserve not available for the daily operations of the Bank.

9. DUE FROM BANKS

	2019	2018
Current accounts	912,922	628,378
Wakala placements with banks	3,627,306	380,494
Commodity murabaha receivable	1,490,000	487,827
Accrued profit receivable	5,035	16,569
Allowance for impairment*	(173)	(403)
	6,035,090	**1,512,865**

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.9.

10. FINANCING ASSETS

	2019	2018
a) By type		
Receivables and balances from financing activities:		
Murabaha	55,138,706	53,960,332
Ijarah	18,472,205	15,421,063
Istisna'a	1,136,071	1,009,207
Musharaka	6,062,257	6,281,030
Others	392,640	378,307
Accrued profit receivable	428,547	351,450
Total receivables and balances from financing activities	**81,630,426**	**77,401,389**
Deferred profit	(6,155,715)	(4,297,229)
Allowance for impairment - Performing (Stages 1 and 2)*	(309,533)	(283,896)
Allowance for impairment - Non-performing (Stage3)*	(310,254)	(280,754)
Profit in suspense*	(17,615)	(24,224)
Net financing assets	**74,837,309**	**72,515,286**

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.9.

The total non-performing financing assets net of deferred profit at 31 December 2019 amounted to QAR 759,037 thousand representing 1.01% of the gross financing assets net of deferred profit (2018: QAR 609,529 thousand, representing 0.83% of the gross financing assets net of deferred profit).

b) Movement in the allowance for impairment and profit in suspense on financing assets

	2019	Profit in suspense	Total 2019
Balance as at 1 January	564,650	24,224	588,874
Charge for the year	241,853	3,712	245,565
Recoveries / reversals during the year	(187,023)	(10,321)	(197,344)
Write off during the year	(34)	–	(34)
Effect of foreign currency movement	341	–	341
Balance at 31 December	**619,787**	**17,615**	**637,402**

	2018	Profit in suspense	Total 2018
Balance as at 1 January	155,660	10,020	165,680
Impact of initial application	424,203	–	424,203
Charge for the year	265,686	14,748	280,434
Recoveries / reversals during the year	(280,277)	(544)	(280,821)
Write off during the year	(179)	–	(179)
Effect of foreign currency movement	(443)	–	(443)
Balance at 31 December	**564,650**	**24,224**	**588,874**

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10. FINANCING ASSETS (continued)

c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector-wise

	Corporate			SME			Retail			Real estate			Total 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2019	41,192	67,657	173,004	2,212	3,213	68,789	8,422	7,731	38,528	6,831	146,638	24,657	58,657	225,239	304,978
Charge for the year	4,043	26,440	42,233	412	542	60,410	12,389	21,462	25,746	3,282	35,211	13,395	20,126	83,655	141,784
Recoveries/reversals during the year	(31,070)	(26,090)	(63,902)	(958)	(2,121)	(30,965)	(3,844)	(3,696)	(17,387)	(4,071)	(6,600)	(6,640)	(39,943)	(38,507)	(118,894)
Write off during the year	–	–	(34)	–	–	–	–	–	–	–	–	–	–	–	(34)
Effect of foreign currency movement	–	–	–	–	–	–	150	156	35	–	–	–	150	156	35
Balance at 31 December 2019	**14,165**	**68,007**	**151,301**	**1,666**	**1,634**	**98,234**	**17,117**	**25,653**	**46,922**	**6,042**	**175,249**	**31,412**	**38,990**	**270,543**	**327,869**

	Corporate			SME			Retail			Real estate			Total 2018		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2018	–	–	76,599	–	–	44,336	–	–	26,765	–	–	17,980	–	–	165,680
Impact of initial application	82,720	78,637	–	6,629	3,380	–	1,520	59	–	39,110	212,148	–	129,979	294,224	–
Charge for the year	25,117	20,975	127,931	1,343	2,713	25,456	11,235	10,400	25,194	1,273	3,948	33,270	38,968	38,036	211,851
Recoveries/reversals during the year	(66,645)	(31,955)	(31,520)	(5,760)	(2,880)	(869)	(3,970)	(2,659)	(13,381)	(33,552)	(69,458)	(26,593)	(109,927)	(106,952)	(72,363)
Write off during the year	–	–	(6)	–	–	(134)	–	–	(39)	–	–	–	–	–	(179)
Effect of foreign currency movement	–	–	–	–	–	–	(363)	(69)	(11)	–	–	–	(363)	(69)	(11)
Balance at 31 December 2018	**41,192**	**67,657**	**173,004**	**2,212**	**3,213**	**68,789**	**8,422**	**7,731**	**38,528**	**6,831**	**146,638**	**24,657**	**58,657**	**225,239**	**304,978**

d) By sector

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2019
Government and related agencies	37,166,679	1,423,762	–	–	1,367	38,591,808
Non-banking financial institutions	574,796	–	–	–	340	575,136
Industry	258,239	–	–	–	2,623	260,862
Commercial	4,599,850	75,557	–	–	150,616	4,826,023
Services	2,233,248	3,523,034	–	38,928	21,960	5,817,170
Contracting	1,526,501	6,642	–	–	77,237	1,610,380
Real estate	4,561,976	13,653,324	1,138,814	499,977	144	19,854,235
Personal	4,266,138	162,157	–	5,527,352	132,122	10,087,769
Other	812	–	–	–	6,231	7,043
	55,188,239	**18,844,476**	**1,138,814**	**6,066,257**	**392,640**	**81,630,426**
Less: Deferred profit						(6,155,715)
Allowance for impairment - Performing (Stages 1 and 2)						(309,533)
Allowance for impairment - Non-performing (Stage 3)						(310,254)
Profit in suspense						(17,615)
						74,837,309

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2018
Government and related agencies	38,677,873	1,558,509	–	–	28,523	40,264,905
Non-banking financial institutions	597,057	–	–	–	56	597,113
Industry	195,392	–	–	–	3,531	198,923
Commercial	4,042,735	298,814	–	456,086	114,336	4,911,971
Services	510,205	657,068	–	22,832	88,661	1,278,766
Contracting	1,824,128	5,596	–	–	33,004	1,862,728
Real estate	4,154,513	12,963,261	1,011,124	599,047	2,747	18,730,692
Personal	4,017,846	225,190	–	5,203,808	106,380	9,553,224
Other	617	1,381	–	–	1,069	3,067
	54,020,366	**15,709,819**	**1,011,124**	**6,281,773**	**378,307**	**77,401,389**
Less: Deferred profit						(4,297,229)
Allowance for impairment - Performing (Stages 1 and 2)						(283,896)
Allowance for impairment - Non-performing (Stage 3)						(280,754)
Profit in suspense						(24,224)
						72,515,286

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11. INVESTMENT SECURITIES

	2019			2018		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Debt type investments – Fixed profit rate	1,881	–	1,881	4,372	–	4,372
Accrued profit receivable	11	–	11	3	–	3
	1,892	**–**	**1,892**	**4,375**	**–**	**4,375**
Debt-type investments classified at amortised cost						
Fixed profit rate	1,898,971	–	1,898,971	1,350,495	–	1,350,495
Government of Qatar Sukuk	1,356,252	17,750,000	19,106,252	1,323,060	16,200,000	17,523,060
Accrued profit receivable	41,610	210,745	252,355	35,925	183,781	219,706
Allowance for impairment*	(35,301)	–	(35,301)	(34,831)	–	(34,831)
	3,261,532	**17,960,745**	**21,222,277**	**2,674,649**	**16,383,781**	**19,058,430**
Investments classified as fair value through equity						
• Equity type investments	36,467	118,070	154,537	48,939	95,511	144,450
• Debt type investments – Fixed profit rate	–	–	–	14,601	–	14,601
Accrued profit receivable	–	–	–	255	–	255
	36,467	**118,070**	**154,537**	**63,795**	**95,511**	**159,306**
	3,299,891	**18,078,815**	**21,378,706**	**2,742,819**	**16,479,292**	**19,222,111**

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.9.

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the year totalling QAR 651 thousand (2018: QAR 5,809 thousand), due to significant and prolonged reduction in fair values.

The cumulative change in fair value of investments designated as fair value through equity during the year is as follows:

	2019			2018		
	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Balance at 1 January	10,241	(473)	9,768	5,525	(2,451)	3,074
Net change in fair value	21,643	(1,208)	20,435	11,576	(3,831)	7,745
Transferred to consolidated income statement on sale	(6,357)	–	(6,357)	(6,587)	–	(6,587)
Transferred to consolidated income statement due to impairment	–	651	651	–	5,809	5,809
Share of other comprehensive income of associates	(893)	–	(893)	(273)	–	(273)
Net fair value movement	14,393	(557)	13,836	4,716	1,978	6,694
Balance at 31 December	**24,634**	**(1,030)**	**23,604**	**10,241**	**(473)**	**9,768**

12. INVESTMENT IN ASSOCIATES

Associates' movement during the year is as follows:

	2019	2018
Balance at 1 January	525,859	520,287
Share of results	19,832	21,904
Cash dividend received	(17,400)	(16,059)
Share of other comprehensive income	(893)	(273)
Balance at 31 December	**527,398**	**525,859**

Name of the Company	Country	Company's activities	Ownership %	
			2019	2018
National Mass Housing ("NMH")	Oman	Real estate services	20.00	20.00
CI San Trading ("Ci San")	Qatar	Investing and trading	50.00	50.00
Kirnaf Finance Company ("Kirnaf")	Saudi Arabia	Leasing	48.76	48.76
Daman Insurance – Beema ("Daman")	Qatar	Insurance	20.00	20.00
Linc Facility Services ("Linc")	Qatar	Facility management	33.50	33.50

All investments are not listed.

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12. INVESTMENT IN ASSOCIATES (continued)

The financial position, revenue and results of associates are as follows:

2019	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	166,964	131,934	1,065,476	1,196,492	102,916
Total liabilities	23,549	66,736	294,870	819,845	10,864
Total revenue	56	47,771	–	74,067	109,356
Net profit / (loss)	(3,342)	2,465	–	41,818	33,841
Share of profit recognised	(668)	800	–	8,364	11,336

2018	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	153,342	133,614	1,065,476	1,154,878	131,936
Total liabilities	6,585	69,683	294,870	802,909	17,725
Total revenue	3,954	47,771	–	74,067	123,634
Net profit / (loss)	(365)	2,297	–	44,166	35,807
Share of profit recognised	(73)	1,149	–	8,833	11,995

13. FIXED ASSETS

	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2019	95,816	91,547	49,529	109,398	51,613	397,903
Additions	27	9,881	4,429	4,568	38,221	57,126
Disposals	–	(3,613)	(651)	(336)	–	(4,600)
Transfers during the year	–	2,525	2,798	4,308	(9,631)	–
Effect of foreign currency movement	553	(313)	37	(1,328)	–	(1,051)
Balance at 31 December 2019	**96,396**	**100,027**	**56,142**	**116,610**	**80,203**	**449,378**
Accumulated depreciation:						
Balance at 1 January 2019	4,439	70,335	34,177	99,973	–	208,924
Depreciation for the year	2,254	5,171	4,398	5,755	–	17,578
Disposals	–	(2,195)	(489)	(443)	–	(3,127)
Effect of foreign currency movement	71	(467)	11	(1,343)	–	(1,728)
Balance at 31 December 2019	**6,764**	**72,844**	**38,097**	**103,942**	**–**	**221,647**
Net book value:						
At 31 December 2019	**89,632**	**27,183**	**18,045**	**12,668**	**80,203**	**227,731**

	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2018	96,859	89,256	45,435	105,464	19,361	356,375
Additions	–	1,742	3,570	4,909	34,990	45,211
Transfers during the year	–	1,927	811	–	(2,738)	–
Effect of foreign currency movement	(1,043)	(1,378)	(287)	(975)	–	(3,683)
Balance at 31 December 2018	**95,816**	**91,547**	**49,529**	**109,398**	**51,613**	**397,903**
Accumulated depreciation:						
Balance at 1 January 2018	3,929	67,098	30,601	94,796	–	196,424
Depreciation for the year	539	4,196	3,775	6,079	–	14,589
Effect of foreign currency movement	(29)	(959)	(199)	(902)	–	(2,089)
Balance at 31 December 2018	**4,439**	**70,335**	**34,177**	**99,973**	**–**	**208,924**
Net book value:						
At 31 December 2018	**91,377**	**21,212**	**15,352**	**9,425**	**51,613**	**188,979**

14. OTHER ASSETS

	2019	2018
Accrued profit	7,707	9,605
Prepayments and other receivables	220,320	236,552
Advances to suppliers	39,400	55,962
	267,427	302,119

Other receivables include positive fair value of Shari'a-compliant risk management instruments amounting to QAR 20,213 thousand (2018: QAR 80,287 thousand).

15. DUE TO BANKS

	2019	2018
Current and short-term investment accounts	18,180	138,316
Commodity murabaha payable	2,127,992	856,505
Short-term Murabaha facilities from banks	433,584	272,310
Wakala payable	14,815,657	14,193,217
Repurchase agreements	1,888,927	1,023,428
Profit payable to banks	82,851	62,234
	19,367,191	16,546,010

Wakala payable includes various facilities with maturities up to one year and carries profit rates of 0.02% to 3.15% (2018: maturities up to 6 months and carries a profit rate of 0.05% to 3.50%).

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16. CUSTOMER CURRENT ACCOUNTS

	2019	2018
By sector:		
Government	955,119	896,080
Non-banking financial institutions	20,909	12,249
Corporate	3,300,618	3,399,605
Individuals	3,250,037	2,960,882
	7,526,683	**7,268,816**

17. SUKUK FINANCING

The Group has issued the following debt securities under its sukuk programs:

Instrument	Issuer	Issued amount	Issued on	Maturity	Profit rate
Sukuk	MAR Sukuk Limited	USD 100 million	20 November 2018	20 November 2023	3-month USD LIBOR + 1.75% p.a. payable quarterly
Sukuk	MAR Sukuk Limited	USD 90 million	21 November 2018	21 November 2023	3-month USD LIBOR + 1.75% payable quarterly
Sukuk	MAR Sukuk Limited	USD 500 million	13 November 2019	21 November 2024	Fixed rate of 3.025% payable semi-annually
Sukuk	Tolkien Funding Sukuk No.1 Plc	GBP 221 million	20 February 2018	20 July 2052	3-month Sterling LIBOR + 0.8% payable quarterly

18. OTHER BORROWINGS

Other borrowings are USD floating rate syndications that are priced at spreads over LIBOR and which have residual maturities of 1 to 3 years. The movement in other borrowings issued by the Group during the year is as follows:

	2019	2018
Balance at 1 January	2,052,993	–
Issuances during the year	182,025	2,042,356
Repayments during the year	(10,055)	–
Amortisation of transaction cost	4,707	582
Reclassified as Due to banks	(236,632)	–
Profit payable on borrowings	8,965	10,055
Balance at 31 December	**2,002,003**	**2,052,993**

When the residual maturity of the borrowing is less than one year from the reporting date, the financial instrument is reclassified from 'Other borrowings' to 'Due to banks'.

19. OTHER LIABILITIES

	2019	2018
Dividend payable	850,953	772,758
Acceptances	213,961	227,259
Manager's cheque and prepaid cards	157,320	150,609
Unearned commission	153,867	183,142
Funds received against dividend payment on behalf of customers	105,556	116,115
Other staff provisions	92,925	86,226
Social and sports fund (Note 39)	54,460	53,260
Provision for employees' end of service benefits (a)	46,083	43,262
Accrued expenses	38,914	55,753
Allowance for impairment for off balance sheet exposures subject to credit risk	36,035	47,011
Negative fair value of Shari'a-compliant risk management instruments	17,893	75,992
Others	180,882	119,834
	1,948,849	**1,931,221**

a) Provision for employees' end of service benefits

	2019	2018
Balance at 1 January	43,262	37,476
Provisions made during the year	5,627	7,972
Paid during the year	(2,806)	(2,186)
Balance at 31 December	**46,083**	**43,262**

20. EQUITY OF INVESTMENT ACCOUNT HOLDERS

a) By type

	2019	2018
Saving accounts	6,532,105	4,365,748
Term accounts	47,948,623	46,050,982
Short-term investment accounts	3,255,255	3,559,045
Profit payable to equity of investment account holders	348,823	323,859
Share in the fair value reserve	1,076	417
	58,085,882	**54,300,051**

b) By sector

	2019	2018
Government	24,854,240	25,205,751
Non-banking financial institutions	49,357	65,035
Retail	21,432,964	17,329,527
Corporate	11,399,422	11,375,462
Profit payable to equity of investment account holders	348,823	323,859
Share in the fair value reserve	1,076	417
	58,085,882	**54,300,051**

In accordance with QCB circular No. 87/2008, no risk reserve is deducted from the profit related to the equity of investment account holders and the total risk reserve is transferred from the shareholders' profit as an appropriation.

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20. EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

c) Share of equity of investment account holders in the net profit

	2019	2018
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	3,727,378	2,504,034
Masraf's Mudaraba income	(3,564,985)	(2,365,861)
Return on investment account holders	162,393	138,173
Support provided by Masraf	1,328,529	1,187,941
Return on investment account holders after Masraf's support	**1,490,922**	**1,326,114**

	2019 %	2018 %
Rates of profit allotment:		
More than one year deposits	3.84	2.85
One year deposits	2.49	2.49
Six months deposits	1.58	1.59
Three months deposits	1.45	1.45
Short-term investment accounts	0.99	0.99
Saving accounts	1.36	1.40
Saving accounts-millionaire	1.58	1.60

21. EQUITY

a) Share capital

	2019	2018
Authorised, issued and paid up		
7,500,000,000 shares at QAR 1 each	**7,500,000**	**7,500,000**

On 16 June 2019, upon the instructions of the QFMA and following the approval of the shareholders obtained at the Bank's extraordinary general assembly meeting held on 25 February 2019, the Bank effected a 10:1 stock split on its shares of capital stock, adjusting the nominal value to one Qatari Riyal per share (QAR 1 per share) instead of QAR 10 per share (Note 1).

b) Legal reserve

	2019	2018
Balance at 1 January	2,278,783	2,065,741
Transfer from retained earnings (i)	217,840	213,042
Balance at 31 December	**2,496,623**	**2,278,783**

(i) According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. At 31 December 2019, the Group transferred to legal reserve 10% of the net profit for the year (2018: 10% of the net profit).

c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. As of 31 December 2019, an amount of QAR 62 million has been transferred to the risk reserve (2018: QAR 67 million).

d) Fair value reserve

This reserve comprises changes in fair value of equity-type investments classified as fair value through equity.

	2019	2018
Balance at the 1 January	9,768	3,074
Net unrealised gains	21,511	8,162
Transferred to consolidated income statement	(6,357)	(6,587)
Transferred to consolidated income statement due to impairment	651	5,809
Share of other comprehensive income of associates	(893)	(273)
Share of equity of investment account holders in the fair value reserve	(1,076)	(417)
Net fair value movement	13,836	6,694
Balance at 31 December (shareholders' share)	**23,604**	**9,768**

Fair value reserve represents unearned gains, being not available for distribution unless realised and charged to the consolidated income statement.

e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on Shari'a-compliant risk management instruments that hedge the Group's net investment in foreign operations.

f) Other reserves

This represents the Group's share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2019	2018
Balance at 1 January	118,910	113,001
Share of results of associates	19,832	21,904
Dividend from associates transferred to retained earnings	(4,000)	(4,000)
Other movement	(11,337)	(11,995)
Balance at 31 December	**123,405**	**118,910**

g) Proposed dividend

The Board of Directors in its meeting held on 20 January 2020 proposed a cash dividend of 22.5% (2018: 20%) of the share capital amounting to QAR 1,687.5 million (2018: QAR 1,500 million).

This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

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22. NON-CONTROLLING INTEREST

This represents the Group's non-controlling interest in Al Rayan (UK) Limited (30%) and Al Rayan Bank PLC (31.16%) (31 December 2018: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

23. INCOME FROM FINANCING ACTIVITIES

	2019	2018
Income from Murabaha	2,437,252	2,428,363
Income from Istisna'a	68,223	69,571
Income from Ijarah	949,746	783,340
Income from Musharaka	255,163	257,355
	3,710,384	**3,538,629**

24. INCOME FROM INVESTING ACTIVITIES

	2019	2018
Income from investment in debt-type instruments	804,074	728,061
Dividend income	2,528	5,718
Income from inter-bank placements with Islamic banks	113,843	87,082
Net gain / (loss) on sale of equity-type investments	6,895	11,489
Net gain on sale of debt-type investments	3,314	5,979
Fair value (loss) / gain on investment securities carried as fair value through income statement	(66)	(101)
	930,588	**838,228**

25. NET FEE AND COMMISSION INCOME

	2019	2018
Commission on financing activities	234,697	186,852
Commission on trade finance activities	103,134	94,026
Commission on banking services	53,387	37,856
	391,218	318,734
Fee and commission expenses	(3,135)	(3,596)
	388,083	**315,138**

26. FOREIGN EXCHANGE GAIN

	2019	2018
Dealing in foreign currencies	162,559	152,764
Revaluation of assets and liabilities	(179)	(285)
	162,380	**152,479**

27. OTHER INCOME

	2019	2018
Rental income	2,401	2,492
Miscellaneous	7,307	5,408
	9,708	**7,900**

28. STAFF COSTS

	2019	2018
Salaries, allowances and other staff costs	381,010	359,524
Staff indemnity costs	5,627	7,972
Staff pension fund costs	8,743	7,087
	395,380	**374,583**

29. OTHER EXPENSES

	2019	2018
Rent and maintenance	63,357	65,946
Advertising expenses	23,173	39,149
Board of Directors' remuneration (Note 35c)	18,614	19,683
Legal, professional and consulting fees	21,149	48,530
Information technology	31,665	28,026
Shari'a Board compensation	2,073	1,616
Other operating expenses	85,654	76,301
	245,685	**279,251**

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30. CONTINGENT LIABILITIES AND COMMITMENTS

a) Capital commitments

The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these rent agreements are as follows:

	2019	2018
Payable not later than 1 year	14,271	15,251
Payable later than 1 year and not later than 5 years	21,925	30,518
	36,196	45,769

b) Contingent liabilities

	2019	2018
Unutilised credit facilities	418,711	630,007
Guarantees	12,355,598	14,389,848
Letters of credit	715,239	1,047,117
	13,489,548	16,066,972

c) Other undertakings and commitments

	2019	2018
Profit rate swap	562,551	3,834,929
Unilateral promise to buy/sell currencies	25,226,828	17,396,419
	25,789,379	21,231,348
Capital commitments in respect of Head Office building under construction	392,325	418,320

d) Other matter

Certain processes and related controls of a subsidiary of the Group have been placed under a formal review by the regulator. The management of the Group believes that the ongoing review is positive based on the fact that a positive indication was given by the regulator in their exit meeting, hence, no provision is required to be booked as the final report is yet to be issued by the regulator.

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	Other GCC	Europe	North America	Others	Total
2019						
Cash and balances with QCB	3,106,512	–	16,348	–	–	3,122,860
Due from banks	5,132,177	7,848	868,095	26,306	664	6,035,090
Financing assets	62,935,642	3,331	7,997,341	–	3,900,995	74,837,309
Investment securities	19,898,321	919,377	14,053	–	546,955	21,378,706
Investment in associates	122,967	404,431	–	–	–	527,398
Fixed assets	197,986	–	29,745	–	–	227,731
Other assets	187,736	–	79,691	–	–	267,427
TOTAL ASSETS	**91,581,341**	**1,334,987**	**9,005,273**	**26,306**	**4,448,614**	**106,396,521**
Due to banks	10,577,208	4,594,930	3,145,920	–	1,049,133	19,367,191
Customer current accounts	6,570,425	59,117	878,461	4,058	14,622	7,526,683
Sukuk financing	2,466,798	–	867,200	–	–	3,333,998
Other borrowings	–	–	2,002,003	–	–	2,002,003
Other liabilities	1,887,347	–	61,502	–	–	1,948,849
Total liabilities	21,501,778	4,654,047	6,955,086	4,058	1,063,755	34,178,724
Equity of investment account holders	47,987,077	2,788,774	7,109,115	149,123	51,793	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**69,488,855**	**7,442,821**	**14,064,201**	**153,181**	**1,115,548**	**92,264,606**

	Qatar	Other GCC	Europe	North America	Others	Total
2018						
Cash and balances with QCB	3,019,938	–	7,056	–	–	3,026,994
Due from banks	862,808	5,194	578,601	64,614	1,648	1,512,865
Financing assets	58,739,128	69,453	10,192,332	–	3,514,373	72,515,286
Investment securities	18,162,980	647,214	186,237	–	225,680	19,222,111
Investment in associates	120,760	405,099	–	–	–	525,859
Fixed assets	162,499	–	26,480	–	–	188,979
Other assets	242,949	–	59,170	–	–	302,119
TOTAL ASSETS	**81,311,062**	**1,126,960**	**11,049,876**	**64,614**	**3,741,701**	**97,294,213**
Due to banks	12,285,748	2,753,427	591,520	–	915,315	16,546,010
Customer current accounts	6,176,380	60,764	1,011,820	282	19,570	7,268,816
Sukuk financing	694,175	–	1,027,164	–	–	1,721,339
Other borrowings	–	236,740	1,816,253	–	–	2,052,993
Other liabilities	1,879,181	–	52,040	–	–	1,931,221
Total liabilities	21,035,484	3,050,931	4,498,797	282	934,885	29,520,379
Equity of investment account holders	47,003,421	2,312,439	4,929,978	3,590	50,623	54,300,051
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**68,038,905**	**5,363,370**	**9,428,775**	**3,872**	**985,508**	**83,820,430**

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31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2019							
Cash and balances with QCB	–	–	–	3,122,860	–	–	3,122,860
Due from banks	–	–	–	6,035,090	–	–	6,035,090
Financing assets	19,465,145	1,671,182	14,245	519,446	9,331,552	43,835,739	74,837,309
Investment securities	429,775	13,067	–	622,305	–	20,313,559	21,378,706
Investment in associates	28,683	–	–	441,969	–	56,746	527,398
Fixed assets	–	–	–	–	–	227,731	227,731
Other assets	–	–	–	–	–	267,427	267,427
TOTAL ASSETS	**19,923,603**	**1,684,249**	**14,245**	**10,741,670**	**9,331,552**	**64,701,202**	**106,396,521**
Due to banks	–	–	–	19,367,191	–	–	19,367,191
Customer current accounts	25,013	194,842	735	20,908	3,250,037	4,035,148	7,526,683
Sukuk financing	–	–	–	3,333,998	–	–	3,333,998
Other borrowings	–	–	–	2,002,003	–	–	2,002,003
Other liabilities	–	–	-	–	–	1,948,849	1,948,849
Total liabilities	25,013	194,842	735	24,724,100	3,250,037	5,983,997	34,178,724
Equity of investment account holders	15,943	39,788	728	2,577,452	21,432,963	34,019,008	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**40,956**	**234,630**	**1,463**	**27,301,552**	**24,683,000**	**40,003,005**	**92,264,606**

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2018							
Cash and balances with QCB	–	–	–	3,026,994	–	–	3,026,994
Due from banks	–	–	–	1,512,865	–	–	1,512,865
Financing assets	18,283,156	1,818,342	36,005	596,959	9,097,527	42,683,297	72,515,286
Investment securities	339,308	15,446	5,192	257,097	–	18,605,068	19,222,111
Investment in associates	29,351	–	–	438,332	–	58,176	525,859
Fixed assets	–	–	–	–	–	188,979	188,979
Other assets	–	–	–	–	–	302,119	302,119
TOTAL ASSETS	**18,651,815**	**1,833,788**	**41,197**	**5,832,247**	**9,097,527**	**61,837,639**	**97,294,213**
Due to banks	–	–	–	16,546,010	–	–	16,546,010
Customer current accounts	21,172	240,576	847	12,251	2,960,882	4,033,088	7,268,816
Sukuk financing	–	–	–	1,721,339	–	–	1,721,339
Other borrowings	–	–	–	2,052,993	–	–	2,052,993
Other liabilities	–	–	–	–	–	1,931,221	1,931,221
Total liabilities	21,172	240,576	847	20,332,593	2,960,882	5,964,309	29,520,379
Equity of investment account holders	62,610	869,430	73,194	2,186,009	17,329,526	33,779,282	54,300,051
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**83,782**	**1,110,006**	**74,041**	**22,518,602**	**20,290,408**	**39,743,591**	**83,820,430**

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32. MATURITY PROFILE

	Up to 3 months	3-6 months	6 months-1 year	1-5 years	Over 5 years	Total
2019						
Cash and balances with QCB	519,606	–	–	–	2,603,254	3,122,860
Due from banks	5,900,931	–	–	14,374	119,785	6,035,090
Financing assets	8,421,618	1,517,892	4,117,936	11,029,816	49,750,047	74,837,309
Investment securities	624,173	113,399	636,592	11,713,512	8,291,030	21,378,706
Investment in associates	–	–	–	–	527,398	527,398
Fixed assets	–	–	–	–	227,731	227,731
Other assets	267,427	–	–	–	–	267,427
TOTAL ASSETS	**15,733,755**	**1,631,291**	**4,754,528**	**22,757,702**	**61,519,245**	**106,396,521**
Due to banks	15,055,904	1,965,055	2,080,065	146,382	119,785	19,367,191
Customer current accounts	7,526,683	–	–	–	–	7,526,683
Sukuk financing	–	–	–	2,466,798	867,200	3,333,998
Other borrowings	–	–	–	2,002,003	–	2,002,003
Other liabilities	1,948,849	–	–	–	–	1,948,849
Total liabilities	24,531,436	1,965,055	2,080,065	4,615,183	986,985	34,178,724
Equity of investment account holders	32,986,983	7,660,852	8,322,585	9,115,462	–	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**57,518,419**	**9,625,907**	**10,402,650**	**13,730,645**	**986,985**	**92,264,606**
MATURITY GAP	**(41,784,664)**	**(7,994,616)**	**(5,648,122)**	**9,027,057**	**60,532,260**	**14,131,915**

	Up to 3 months	3-6 months	6 months-1 year	1-5 years	Over 5 years	Total
2018						
Cash and balances with QCB	550,195	–	–	–	2,476,799	3,026,994
Due from banks	1,123,747	–	–	389,118	–	1,512,865
Financing assets	6,183,239	1,121,351	5,757,332	12,612,246	46,841,118	72,515,286
Investment securities	2,368,350	281,983	257,301	5,301,078	11,013,399	19,222,111
Investment in associates	–	–	–	–	525,859	525,859
Fixed assets	–	–	–	–	188,979	188,979
Other assets	302,119	–	–	–	–	302,119
TOTAL ASSETS	**10,527,650**	**1,403,334**	**6,014,633**	**18,302,442**	**61,046,154**	**97,294,213**
Due to banks	14,893,998	1,652,012	–	–	–	16,546,010
Customer current accounts	7,268,816	–	–	–	–	7,268,816
Sukuk financing	3,507	–	–	690,668	1,027,164	1,721,339
Other borrowings	10,055	–	–	2,042,938	–	2,052,993
Other liabilities	1,845,837	26,759	35,413	23,212	–	1,931,221
Total liabilities	24,022,213	1,678,771	35,413	2,756,818	1,027,164	29,520,379
Equity of investment account holders	33,301,904	7,316,377	10,208,044	3,473,726	–	54,300,051
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**57,324,117**	**8,995,148**	**10,243,457**	**6,230,544**	**1,027,164**	**83,820,430**
MATURITY GAP	**(46,796,467)**	**(7,591,814)**	**(4,228,824)**	**12,071,898**	**60,018,990**	**13,473,783**

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33. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Profit for the year attributable to equity holders of the Bank	2,178,399	2,130,415
Weighted average number of shares outstanding during the year (thousand)1	7,500,000	7,500,000
Basic earnings per share (QAR) (Restated)	0.290	0.284

[1] Retroactively adjusted for the stock split effected on 16 June 2019 (Note 1)

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

34. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	2019	2018
Cash on hand and balances with QCB excluding cash reserve	519,606	550,195
Due from bank	6,035,090	1,239,827
	6,554,696	1,790,022

35. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant equity holders and entities over which the Group and the equity holders exercise significant influence, directors and executive management of the Group.

Transactions with related parties

a) Consolidated statement of financial position items

	2019	2018
Liabilities		
Equity of investment account holders - customer	3,167,419	3,098,096

b) Consolidated income statement items

	2019	2018
Return on equity of investment account holders - customer	76,724	72,908

c) Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2019	2018
Financing	478	584

The remuneration of directors and other members of key management during the year were as follows:

	2019	2018
Remuneration to Board of Directors including meeting allowances (Note 29)	18,614	19,683
Salaries and other benefits to key management	15,633	15,706

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36. SHARI'A-COMPLIANT RISK MANAGEMENT INSTRUMENTS

A) Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

B) Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of Shari'a-compliant risk management instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the fair value of Shari'a-compliant risk management instruments.

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
2019							
Shari'a-compliant risk management instruments							
Profit rate swaps	8,285	6,963	562,551	–	–	245,531	317,020
Unilateral promise to buy/sell currencies	11,928	10,930	25,226,828	9,828,237	15,398,591	–	–
	20,213	17,893	25,789,379	9,828,237	15,398,591	245,531	317,020
2018							
Shari'a-compliant risk management instruments							
Profit rate swaps	28,777	26,818	3,834,929	–	3,250,240	256,248	328,441
Unilateral promise to buy/sell currencies	51,510	49,174	17,396,419	12,841,981	4,554,438	–	–
	80,287	75,992	21,231,348	12,841,981	7,804,678	256,248	328,441

37. ZAKAT

Zakat is directly borne by the equity holders. The Group does not collect or pay Zakat on behalf of its equity holders in accordance with the Articles of Association.

38. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

39. SOCIAL RESPONSIBILITY

Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 54.5 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2019 (2018: QAR 53.3 million) for the support of sports, cultural and charitable activities.

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40. COMPARATIVE INFORMATION

IFRS 7, "Financial Instruments: Disclosures", requires the carrying amounts of financial assets and liabilities measured at amortised cost and fair value through other comprehensive income to be disclosed. As such, the profit receivable and profit payable have been reclassified to each of the respective account balances and their respective impact in the cash flow statement. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative period.

In accordance with the requirements of IAS 1, "Presentation of Financial Statements", the Group has reclassified its comparative figures for 2018 and 2017 in its consolidated financial statements as follows:

	31 December 2018 (Previously reported)	Reclassification	31 December 2018 (Reclassified)
Due from banks	1,496,296	16,569	1,512,865
Financing assets	72,163,836	351,450	72,515,286
Investment securities	19,005,273	216,838	19,222,111
Other assets	886,976	(584,857)	302,119
Due to banks	16,483,776	62,234	16,546,010
Sukuk financing	1,717,832	3,507	1,721,339
Other borrowings	2,042,938	10,055	2,052,993
Other liabilities	2,007,017	(75,796)	1,931,221
		–	

	31 December 2017 (Previously reported)	Reclassification	31 December 2017 (Reclassified)
Due from banks	3,311,900	21,293	3,333,193
Financing assets	72,097,080	172,454	72,269,534
Investment securities	23,423,469	217,721	23,641,190
Other assets	636,466	(411,468)	224,998
Due to banks	25,123,319	60,027	25,183,346
Other liabilities	1,904,529	(60,027)	1,844,502
		–	

The effect of the reclassification on the comparative cash flow statement for the year ended 31 December 2018 is as follows:

	31 December 2018 (Previously reported)	Reclassification (Reclassified)	31 December 2018
Change in due from banks	396,012	–	396,012
Change in financing assets	(475,699)	(178,996)	(654,695)
Change in other assets	(183,847)	178,113	(5,734)
Change in profit receivable from investments	–	883	883
Change in due to banks	(8,639,543)	2,206	(8,637,337)
Change in other liabilities	(147,317)	(15,768)	(163,085)
Change in profit payable on sukuk financing and other borrowings	–	13,562	13,562

supplementary

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At 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK

A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2019	2018
ASSETS		
Cash and balances with QCB	3,106,512	3,005,836
Due from banks	4,853,023	967,015
Financing assets	66,923,186	65,046,838
Investment securities	20,060,211	18,315,122
Investment in subsidiaries and associates	1,117,700	1,107,326*
Fixed assets	197,053	161,769
Other assets	180,350	240,966
TOTAL ASSETS	**96,438,035**	**88,844,872**
LIABILITIES		
Due to banks	19,348,223	16,545,358
Customer current accounts	6,309,191	5,830,990
Sukuk financing	2,517,726	694,175
Other borrowings	2,002,003	2,052,993
Other liabilities	1,877,345	1,977,813
TOTAL LIABILITIES	**32,054,488**	**27,101,329**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**51,025,167**	**48,934,200**
EQUITY		
Share capital	7,500,000	7,500,000
Legal reserve	2,496,623	2,278,783
Risk reserve	1,636,268	1,574,695
Fair value reserves	340	7,111
Retained earnings	1,725,149	1,448,754
TOTAL EQUITY	**13,358,380**	**12,809,343**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY	**96,438,035**	**88,844,872**

Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned in Notes 3b for investment in subsidiaries and associates which are carried at cost, less impairment if any.

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FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(B) INCOME STATEMENT OF THE PARENT BANK

	2019	2018
Net income from financing activities	3,401,437	3,253,961
Net income from investing activities	895,888	803,413
Total net income from financing and investing activities	**4,297,325**	**4,057,374**
Fee and commission income	365,618	296,050
Fee and commission expense	(443)	(527)
Net fee and commission income	**365,175**	**295,523**
Foreign exchange gain	160,298	152,851
Other income	9,461	9,849
TOTAL INCOME	**4,832,259**	**4,515,597**
Staff costs	(281,005)	(278,724)
Depreciation	(11,760)	(11,135)
Other expenses	(187,453)	(207,117)
Finance expense	(823,086)	(752,334)
TOTAL EXPENSES	**(1,303,304)**	**(1,249,310)**
Net reversals on due from banks	240	392
Net (impairment losses) / recoveries and reversals on financing assets	(51,446)	15,794
Net reversals / (impairment losses) on investment securities	615*	(4,527)*
Net reversals on off balance sheet exposures subject to credit risk	10,976	16,092
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	**3,489,340**	**3,294,038**
Less: Return to investment account holders	(1,379,072)	(1,230,536)
NET PROFIT FOR THE YEAR	**2,110,268**	**2,063,502**

* This includes impairment loss recognized against investment in a subsidiary amounting to QAR nil representing losses for the year ended 31 December 2019 (31 December 2018: QAR nil thousand representing losses for the year ended 31 December 2018).