

Invitation to the Ordinary General Assembly Meeting

Greetings,

Board of Directors of Masraf Al Rayan has the honour to invite all shareholders to the annual Ordinary General Assembly Meeting that will be held at 6.30 p.m. on Wednesday, 18th March 2020 in Al-Majlis Ballroom, Doha Sheraton Hotel. In case the required quorum is not reached in the first meeting, a second meeting will be held on Monday, 30 March 2020 at same time and venue.

Message from the Chairman & Managing Director

Dear Respected Shareholders,

On behalf of Masraf Al Rayan's Board of Directors, I am pleased to welcome you and present the report of the Board of Directors for the financial year ended 31 December 2019.

We have ended 2019 taking a significant step forward, with remarkable accomplishments achieved through enhanced focus and confidence in Masraf Al Rayan's brand, which provided benefits to our shareholders and the society as a whole.

Masraf Al Rayan has exerted great efforts during the past year to implement the strategy set by the Board of Directors anchored on transparency and trustworthiness, with utmost consideration on good governance, attention to enhancing the competencies of employees and their use of technology-based banking services, and continued focus on improving the banking solutions provided to customers.

We have recently announced the financial results achieved by Masraf Al Rayan during 2019, with net profit amounting to 2.178 billion Qatari Riyals, a growth of 2.3% compared to the previous year, which is satisfactory in light of the conditions in the region in general, the high borrowing and deposit costs in particular, as well as the impact of regulations issued by the Qatar Central Bank with regard to provisioning on financial assets.

Masraf Al Rayan's assets grew by 9.4%, resulting from increases in financing activities, investments as well as customer deposits, while maintaining one of the lowest non-performing financing ratios globally at 1.01%, and one of the best operational efficiency ratios regionally.

The Board of Directors has proposed distributing cash dividends to shareholders of QR 0.225 per share or 22.5% of the paid-up capital, achieving a return of 5.5%, which – in our view – exceeds many returns on investment in the local and global markets, thus fulfilling the interest of shareholders, while strengthening the financial solvency of Masraf Al Rayan.

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

We believe in the importance of developing a modern IT infrastructure that will cater to the increasing and diverse needs of customers. We will continue in the future to work in this direction and will focus on creating new products that are aligned with this change.

Masraf Al Rayan also continues to fulfill its obligation towards the environment and society, and is committed to its responsibilities in preserving them, as it considers a solid corporate social responsibility culture the main pillar for the continuity of life itself that will provide capabilities for future generations in creating an advanced and conscious society.

Finally, on behalf of the Board of Directors of Masraf Al Rayan, I am honored to convey my highest gratitude and appreciation to His Highness Sheikh Tamim bin Hamad Al Thani, the Emir of Qatar, may God protect him, and I also thank His Excellency Sheikh Abdullah bin Saud Al Thani, the Governor of Qatar Central Bank and to His Excellency Sheikh Mohammed bin Hamad Al Thani, the Deputy Governor, for their support to all national banks, and in implementing the means which would meet the needs of the financial market in the State of Qatar, its stability, and the maintenance of its reputation.

I would like to thank all the employees of Masraf Al Rayan, whom we consider the cornerstone of our success, and I would like also to thank our clients and shareholders who gave us confidence and support to perform our duty.

Dr. Hussain Ali Al Abdulla
Chairman & Managing Director

Agenda

1. Presentation and approval of the Board of Directors report on the activities of Masraf Al Rayan and its financial position for the fiscal year ended on 31st December 2019 and the future plan of the Bank for the year 2020.
2. Presentation of Shari'ah Supervisory Board report on compliance of Masraf Al Rayan to Shari'ah rules for fiscal year ended on 31st December 2019.
3. Discussion and approval of the External Auditor's report on the Financial Statements of Masraf Al Rayan as presented by the Board of Directors for the fiscal year ended on 31st December 2019.
4. Discussion and approval of the financial Statements for Masraf Al Rayan for the fiscal year ended on 31st December 2019.
5. Discussion and approval of the proposals of the Board of Directors regarding appropriation and cash dividend of QR 0.225 per share, representing 22.5% of the paid-up capital for the fiscal year 2019 and acknowledge the General Assembly with the Profits distribution Policy.
6. Discussion and approval of the Corporate Governance Report of Masraf Al Rayan for the year 2019.
7. To hear and discuss the External Auditor's report on the requirement of Article (24) of the Corporate Governance Code of Companies and Legal Entities listed on Primary Market issued pursuant to Resolution No. (5) of 2016 of the Board of Directors of Qatar Financial Markets Authority 'QFMA'.
8. Approval of the Board of Director's recommendations concerning the appointment of the Shari'ah Supervisory Board of Masraf Al Rayan for the coming 3 years 2020-2022 and giving the power to the Board of Directors to add a new member/members or to fill any vacancy in the board and to fix their remunerations and any other issues related to them during the period mentioned.
9. Discussion and approval of absolving the Chairman and Members of Board of Directors from all responsibilities for the fiscal year ended on 31st December 2019, fixing their remuneration for the year ended on 31st December 2019 and approve the new guide of rules of compensation and the remuneration of the Board of Directors.
10. Appointing the External Auditors of Masraf Al Rayan for fiscal year 2020 and approve their fees.
11. Approval of the guide of nomination and election of the Board Members and approval of Related Party Transaction Policy.
12. Election of 7 members to be Board members for 3 years (2020-2022).

Notes

1. All Shareholders are requested to be present at the meeting venue one hour before the start time of the meeting, to register their attendance and to receive the participation form.
2. If you are unable to attend the meeting for any reason, please authorize another shareholder to attend the meeting on your behalf, using the proxy form over leaf, duly signed by you. In case of the company, the form must be signed by the authorized person(s) and company stamp must be affixed.
3. It is not permitted to grant proxy to a non-shareholder of the Bank or to a member of the Board of Directors. The number of shares held by a proxy holder must not exceed 5% of the total Bank's share (375,000,000 shares).
4. A Statement will be prepared containing details mentioned in Article No. 122 of Commercial Companies Law No. 11 of year 2015. These details include remuneration granted to the Chairman and Members of the Board of Directors in cash and in kind as well as their bonuses and the amounts spent on advertisement and donations. This statement will be made available at the Shareholders' Affairs Unit of Masraf Al Rayan one week prior to the General Assembly Meeting.
5. This invitation shall be considered a legal invitation for all shareholders without the need of sending private invitations through the mail in accordance with Law No. (11) for 2015.

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 Shari'a Supervisory Board has reviewed the products and operational activities presented to it as well as the 2019 Balance Sheet and Income Statement and are of the opinion that the latter do not contravene with Shari'a 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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Masraf Al Rayan (Q.P.S.C.)

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 matter	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: <ul style="list-style-type: none"> - 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. 	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: <ul style="list-style-type: none"> - 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment of financial assets (continued)	
<ul style="list-style-type: none"> 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. <p>Refer to the following notes of the consolidated financial statements:</p> <ul style="list-style-type: none"> 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 	<p>We have assessed whether the related disclosures of this area are adequate in accordance to the requirements of Equate Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and applicable provision of QCB regulations.</p>
IT systems and controls over financial reporting	
<p>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.</p> <p>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.</p>	<p>Our audit approach relies on automated controls and therefore procedures were designed to test access and control over IT systems. Our audit procedures included:</p> <ul style="list-style-type: none"> 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.

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 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.

For Deloitte & Touche
Qatar Branch
Walid Slim
Partner
License No. 1319
QFMA Auditor License No. 120156

20 January 2020
Doha, Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2019 QAR '000	2018 QAR '000
ASSETS		
Cash and balances with Qatar Central Bank	3,122,860	3,026,994
Due from banks	6,035,090	1,512,865
Financing assets	74,837,309	72,515,286
Investment securities	21,378,706	19,222,111
Investment in associates	527,398	525,859
Fixed assets	227,731	188,979
Other assets	267,427	302,119
TOTAL ASSETS	106,396,521	97,294,213
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		
LIABILITIES		
Due to banks	19,367,191	16,546,010
Customer current accounts	7,526,683	7,268,816
Sukuk financing	3,333,998	1,721,339
Other borrowings	2,002,003	2,052,993
Other liabilities	1,948,849	1,931,221
TOTAL LIABILITIES	34,178,724	29,520,379
EQUITY OF INVESTMENT ACCOUNT HOLDERS		
EQUITY	58,085,882	54,300,051
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	23,604	9,768
Foreign currency translation reserve	(9,703)	(13,809)
Other reserves	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	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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2019 QAR '000	2018 QAR '000
Income from financing activities	3,710,384	3,538,629
Income from investing activities	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	388,083	315,138
Foreign exchange gain (net)	162,380	152,479
Share of results of associates	19,832	21,904
Other income	9,708	7,900
TOTAL INCOME	5,220,975	4,874,278
Staff costs	(395,380)	(374,583)
Depreciation	(17,578)	(14,589)
Other expenses	(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	(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	(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)	0.290	0.284