



Board of Directors'
Corporate Governance Report
2017

Important Note: *The original language of this report is the Arabic language. This is a translation of the Arabic report. Thus, any differences between the report and its translation will be weighed in favor of the Arabic version.*

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Introduction

Sound corporate governance is the main factor for winning the confidence of the market, shareholders and investors; it is also an important factor in bolstering confidence in Masraf Al Rayan as a bank that intends to reasonably maintain its sustainability and ability to succeed in the face of current and potential future challenges. Masraf Al Rayan's vision of sound corporate governance also includes its role as a part of the Qatari economy and a contributor to its success, as well as a financial institution delivering Islamic banking services, and its role in compliance with anti-money laundering and financing terrorism within the local, regional and international mechanism in all relevant jurisdictions in which it has transactions; and ultimately its responsibilities towards society and the environment.

Believing in this vision and its responsibilities, Masraf Al Rayan has been keen on following the best practices of sound governance and adopting the principles of corporate governance issued by Qatar Central Bank (QCB) as per circular No. (68/20150) on 26th July 2017 as well as "The Corporate Governance Code for Companies and Legal Entities Listed on the Main Market", issued by Qatar Financial Market Authority (QFMA) and which was published in the official gazette on the 15th of May 2017.

Masraf Al Rayan has adhered by these regulations throughout 2017. issued all necessary reports, and made the required disclosures transparently, thus maintaining Shareholders' confidence.

Masraf Al Rayan Ownership

Top 10 Shareholders (as on 31 December 2017)

	Name	Type	Nation	Shares	Percentage
1	Qatar Holding Company	Government	Qatar	89,300,000	11.91%
2	Qatar Armed Forces Investment Portfolio	Government	Qatar	69,857,478	9.31%
3	Qatar Investment Authority	Government	Qatar	31,292,000	4.17%
4	Pensions Fund – General Retirement and Social Insurance Authority	Government	Qatar	21,674,633	2.89%
5	Al Watani Fund 3	Commercial	Qatar	15,144,407	2.02%
6	Al Taybeen Company S.P.C	Commercial	Qatar	14,909,255	1.99%
7	Ithmar Construction and Commerce	Commercial	Qatar	14,030,793	1.87%
8	Burooq Commercial	Commercial	Qatar	13,950,000	1.86%
9	SH. Hamad bin Abdullah Al Thani	Individual	Qatar	12,800,000	1.71%
10	Al Watani Fund 4	Commercial	Qatar	11,868,580	1.58%

Board Members Ownership of Masraf Al Rayan, Titles, and Committee Memberships

Name	Title and Committees	Nationality	Status	Shares as of 31DEC2017		
				Frozen	Available	Mortgaged
Dr .Hussain Ali Al Abdulla	Chairman and Managing Director	Qatar	Not Independent Non-Executive	100,000	700,000	0
General Retirement and Social Insurance Authority (Qatar) represented by Mr. Turki Mohammed Al Khater	Vice Chairman Executive committee Chairman Risks and policies committee member	Qatar	Not Independent Non-Executive	100,000	21,574,633	0
Qatar Holding Company Represented by H.E. SH. Faisal bin Saud Al-Thani	Nominations and Governance Member Group Investment Committee Chairman	Qatar	Not Independent Non-Executive	100,000	89,200,000	0
Ministry of Defense - Qatar Armed Forces Represented by Mr. Nasser Jarallah Al Marri	Remuneration and Compensation Committee Chairman Risks and Policies Committee Member Group Investment Committee Member Audit and Compliance Committee Member	Qatar	Not Independent Non-Executive	100,000	69,757,478	0
Ministry of Interior - Employee Loans Fund Represented by Dr. Menahi Khalid M . A . Alhajri	Executive committee Member Nominations and Governance Committee Chairman	Qatar	Not Independent Non-Executive	0	0	0
H.E. SH. Ali bin Jassim Al Thani	Executive Committee Member	Qatar	Independent* Non-Executive	100,000	1,541,795	0
H.E. SH. Nasser bin Hamad bin Nasser Al Thani	Executive Committee Member Remuneration and Compensation Committee Member, Group Investment Committee Member	Qatar	Independent* Non-Executive	100,000	0	0
Mr. Abdulla Ahmed Al Maleki Aljahni	Remuneration and Compensation Committee Member Nomination and Governance Committee Member Audit and Compliance Committee Member	Qatar	Independent* Non-Executive	100,000	211,492	0
Taskeen Business and Investment Company Represented by Mr. Ali Mohammed Ali Al Obaidli	Risks and Policies Committee Member Audit and compliance Committee Member	Qatar	Not Independent Non-Executive	100,000	0	0

* Independence is defined in the relevant section that follows

Board Charter

The Corporate Governance Charter has been placed with the objective to lay out a framework of responsibility and control at Masraf Al Rayan, as well as the setup of a management whose methodology is based on respect for values in accordance with the relevant laws and regulations. Masraf Al Rayan believes that following the Charter will enhance the long-term trust of Shareholders, clients, employees, and all stakeholders as well as firmly cementing the position of Masraf Al Rayan as a leader within capital markets.

The Board Charter is binding for the Members of the Board of Directors of Masraf Al Rayan, and the Board

of Directors is responsible for ensuring the implementation of this Charter and its execution by all employees of Masraf Al Rayan.

As in previous years, Masraf Al Rayan's Board of Directors remained committed in 2017 to work according to its charter which was endorsed by the new board of directors at the time as per resolution no. 8\4\2014 issued in 21/7/2014 work is currently underway to update it in 2018.

The charter contained in detail the functions of the board, its responsibilities and duties of the board members on the basis of the governance's regulations issued by each of Qatar Central Bank and Qatar Market Authority to the effect. The charter was published on the Masraf Al Rayan website to be available for shareholders and the public.

Board Duties and Responsibilities

Masraf Al Rayan is operated by an effective Board that is collectively responsible for appropriately supervising the Bank's Management. In addition to the responsibilities stipulated in Board Charter, the Board responsibilities include the following as well:

- Approving the strategic goals of the company and appointing Management, replacing it,
- setting its bonus, reviewing Management performance, ensuring succession planning for Management.
- Assuring the compliance of Masraf Al Rayan with relevant rules and regulations, the Articles of Association of Masraf Al Rayan, as well taking on the responsibility of protecting Masraf Al Rayan from illegal operations and practices, or that is arbitrary or inappropriate.
- The Board is entitled to delegate some of its authority and to form specialized committees to perform specific roles and functions. In such case, the Board provides detailed instructions about the duty or delegation, subject to preceding Board approval in specific matters.
- Nevertheless, even if the Board has delegated one or more of its functions, the Board remains responsible for all duties and responsibilities that it has delegated.

Board Members' Entrusted Responsibilities

Each Board Member owes due diligence and care towards executing their instituted and stipulated responsibilities in adherence to relevant rules and regulations, including the Corporate Governance Code for Companies Listed in Markets Regulated By The Qatar Financial Markets Authority, and the Board Charter.

Board Members are required to always operate based on clear information, in good faith, with the due diligence and care required, and assuring the best interests of the Company and all Shareholders.

The Board Members are also required to work effectively towards complying with their commitments to Masraf Al Rayan.

Chairman of the Board of Directors' Duties

The Chairman of the Board of Directors is responsible for the proper functioning of the Board of Directors, in an appropriate and effective manner; including that Board Members obtain complete and

correct information in a timely manner. The Chairman may not be a Member of any of the Board's Committees as stipulated in Board Charter. The duties and responsibilities of the Chairman include, but are not limited to, the following:

- Ensure that the Board discusses all core issues in an efficient and timely manner.
- Approval of the agenda for each meeting of the Board of Directors, taking into account any issue raised by any member of the Board of Directors, and the Chairman may delegate this task to a member of the Board; however, the Chairman remains in charge of the said Member executing the task in an appropriate manner.
- Encourages all Members of the Board to participate fully and effectively in the conduct of the affairs of the Board in order to assure that the Council works for the benefit of Masraf Al Rayan.
- Ensure effective communication with Shareholders and delivering their opinions to the Board of Directors.
- Gives Non-Executive Board Members, in particular, the opportunity to effectively participate and to encourage constructive relations between Executives and Non-Executives Board members.
- Ensure conduct of annual evaluation of the Board's performance.

Board of Directors Formation

The new Board of Directors of Masraf Al Rayan was elected for the fourth term in 2017. The formation of the board was as follows:

Members of the Board of Directors of Masraf Al Rayan –4th term (2017-2019)

Name	Title	Nation
Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari
General Retirement and Social Insurance Authority(Qatar) represented by Mr. Turki Mohammed Al Khater	Vice Chairman	Qatari
Qatar Holding company Represented by H.E.SH. Faisal bin Saud Al-Thani	Board Member	Qatari
Ministry of Defense Qatar armed forces Represented by Mr. Nasser Jarallah Al Marri	Board Member	Qatari
Ministry of Interior Employees loans Fund Represented by Dr. Menahi Khalid M . A . Alhajri	Board Member	Qatari
H.E.SH . Ali bin Jassim bin Ali Al Thani	Board Member	Qatari
H.E.SH. Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari
Mr. Abdulla Ahmed Almaleki Aljahni	Board Member	Qatari
Taskeen business and investment company Represented by Mr. Ali Mohammed Ali Al Obaidli	Board Member	Qatari

The Board

Masraf Al Rayan's Board composition has changed since its formation based on the last elections held in 2014. Mr. Nasser Jaralla Al Marri succeeded Dr. Thani Abdulrahman Al Kuwari as a representative of the Qatar Armed Forces in 2016, and Mr. Turki Mohammad Al Khater has been elected as Vice Chairman of the Board. Accordingly, the new Board formation was as follows:

About the Board of Directors

Dr. Hussain Ali Abdulrahman Al Abdulla (Chairman)

Ph.D. Economics

Masters in Special Law

Holds the following positions:

- Minister of State
- Board Member - Qatar Investment Authority
- Board Member - The Supreme Council for Economic Affairs
- Chairman and Managing Director - Masraf Al Rayan
- Chairman – Kirnaf Finance (Kingdom of Saudi Arabia)
- Board Member - Gulf Investment Corporation (Kuwait)
- Board Member - Volkswagen (Germany)

Mr. Turki Mohammed Khalid Al Khater (Vice Chairman)

Representing General Retirement and Social Insurance Authority

Bachelors in Economics and Social Sciences

Holds the following positions:

- Vice Board Chairman - Masraf Al Rayan
- Head - General Retirement and Social Insurance Authority
- Board Chairman - United Development Company
- Board Member - «Ooredoo»

H. E. Sheikh Faisal Bin Saud Al-Thani

Representing Qatar Holding Company

Bachelors in Finance

Holds the following positions:

- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment
- Head of Industrial Investments Directorate - Qatar Investment Authority
- Board Member - Qatar Electricity and Water Corporation
- Board Member - Mowasalat

Mr. Nasser Jaralla Al Marri

Representing Ministry of Defense - Qatar Armed Forces

Masters in Accounting and Finance

Holds the following positions:

- Head of Financial affairs – Ministry of Defense
- Board Member - Masraf Al Rayan
- Board Member – United Development Company
- Chairman - Al Rayan Investment
- Board Member - Vodafone
- Chairman - Qatar Armed Forces Investment Portfolio
- Board Member - Civil and Military Pension Investments Committee
- Vice Chairman - Qatar Steel
- Board Member - Qatar Mining

Dr. Menahi Khalid M. A. Al Hajri

Representing Ministry of Interior Employees Loans Fund

Ph.D. Commercial Jurisprudence
Masters in Special Law
Holds the following positions:
Board Member - Masraf Al Rayan

Sh. Ali bin Jassim Al Thani

Masters in Economics and Political science
Holds the following positions:

- Board Member – Qatar Insurance and Reinsurance Company
- Board Member – Masraf Al Rayan

Sh. Nasser bin Hamad bin Nasser Al Thani

Masters of Business Administration (MBA)
Holds the following positions:
Board Member - Masraf Al Rayan

Mr. Abdulla Ahmad Al Malki Al Juhani

Bachelors of Management and Economics
Holds the following positions:

- Board Member - Masraf Al Rayan
- Vice Chairman of Insurance Committee - Qatar Chamber
- Board Member - Qatar Business Council

Mr. Ali Mohammed Ali Al Obaidly

Represents Ttaskeen for Investment and Business
Holds the following Positions:

- Board Member – Masraf Al Rayan
- Executive Officer – Ezdan Holding Group
- Board Member – Wedam Food Company
- Board Member – Medical Care Group

Independence of Board Members

The definition of the independent member differs between the definition of the principles of governance in banks issued by Qatar Central Bank late in July 2015, and what was mentioned in “system of Governance of Companies and Legal Entities listed in the main Market “issued by QFMA and was published in the official gazette on 15th of May 2017 as regards the number of owned shares. The board includes 3 independent members. As for Executive Members, there are none in Masraf Al Rayan Board, bearing in mind that Dr. Hussain Al Abdulla, who also holds the position of Managing Director, does not carry out any day-to-day executive responsibilities. The Group CEO is the Head of the Executive Management of the Bank, while the Managing Director only acts as a link between the Board and the Executive Management. The positions of Chairman of the Board of Directors (Managing Director) and Group Chief Executive Officer (General Manager) have been distinctly separated, and the Chairman is not a Member of any of the Board Committees. The duties of the Chairman of the Board of Directors have been detailed in the Corporate Governance Policy in accordance with Article 8 of the QFMA Corporate Governance Code.

Non-Executive Board Members' Duties

The duties of the Non-Executive Board Members include, but are not limited to, the following:

- Participation in the Meetings of the Board of Directors and to give an independent opinion about strategic issues, performance and accountability, resources, key appointments and operation standards.
- Ensure that priority be given to the interests of Masraf Al Rayan and the Shareholders in the event of any conflict of interests.
- Participation in the Audit Committee of Masraf Al Rayan.
- Monitoring the performance of the company in achieving its agreed upon objectives and targets, and the review of the performance reports, including the Annual Reports as well semi-annual and quarterly.
- Oversight of the development of special procedures for Masraf Al Rayan Corporate Governance and to oversee its application accordingly.
- To make available their skills, experience, and diverse competencies and qualifications to the Board of Directors or its various Committees through regular attendance of Board meetings and their effective participation in General Assembly meetings and their understanding of the views of Shareholders in a balanced and fair manner.
- It is permissible for the majority of Non-Executive Members of the Board to request an independent consultant at the expense of Masraf Al Rayan; for any issue related to the Bank.

Board Meetings

The Board of Masraf Al Rayan has convened 7 times throughout 2017 on the following dates:

- First Meeting: 16/01/2017
- Second Meeting: 22/03/2017
- Third Meeting: 02/04/2017
- Fourth Meeting: 24/04/2017
- Fifth Meeting: 07/08/2017
- Sixth Meeting: 16/10/2017
- Seventh Meeting: 12/12/ 2017

The Board of Masraf Al Rayan executes its duties and responsibilities according to what has been stated in the Articles of Association and Memorandum of Association of Masraf Al Rayan, in alignment with both the Qatar Central Bank Corporate Governance Instructions and the Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority. The Board is considered collectively responsible for supervising the Management of Masraf Al Rayan in the appropriate manner that is in compliance with the Charter of the Board. The Board also approves the strategic objectives and adopts the policies that are the controls for Masraf Al Rayan.

Secretary of the Board of Directors

The position of Secretary of the Board of Directors is held by Mr. Ghassan Al-Rihawi since the inception of the Bank in 2006. Mr. Al-Rihawi previously held the position of Secretary of the Board of the Chamber of Commerce and Industry - Qatar from 2002 -2006 and has managerial experience of over 35 years in the State of Qatar. The Secretary's duties include recording, preparing, and saving all Minutes of the Meetings of the Board under the supervision of the Chairman. He is also charged with ensuring communications and liaison between the Members and the Board as well as the Board and other stakeholders inclusive of Shareholders and Management. The Board Secretary also ensures the ability of Members

to reach the Minutes of the Meetings, information, documents, and records related to Masraf Al Rayan in full and expeditiously. He is also responsible for giving Shareholders the ability to reach ownership details, records of Shareholders, records of Board Members, Articles and Memorandum of Associations and any other documents which provide any preference or privilege over the assets of Masraf Al Rayan and related parties agreements.

Other Duties and Responsibilities of the Board

Board Members are granted full and prompt access to information, documents, and records related to the Company, the Executive Management of Masraf Al Rayan is committed to provide the Board and its Committees with required all documents and information. Members of the Board are keen to attend the meetings of the Nominations and Governance Committee, the Remuneration and Compensation Committee, the Internal Audit Committee, internal auditors and representatives of the External Auditors, and of the General Assembly. The Board of Directors has adopted an induction program which has been developed to ensure that Members, when elected, have a proper understanding of the functioning of the Company, its operations, and that they are fully aware of their responsibilities. The Members of the Board are responsible for the good understanding of their roles and duties, and they are responsible to educate themselves in financial matters, commercial, industrial, and in the operations of the Company and its functions; and to this end the Board must adopt or follow appropriate and official training courses that aim to endorse the skills of Board Members and their knowledge. The Board of Directors works to keep its members informed constantly on the latest developments in the field of corporate governance and best practices in this regard, and the Board may delegate the responsibility to the Internal Audit Committee or the Nominations and Governance Committee or any other entity it deems appropriate. The Articles of Association of Masraf Al Rayan include in Article number (32) clear procedures for the dismissal of Board Members in the event of absence from Board Meetings.

Sharia Supervisory Board

The general assembly of Masraf Al Rayan approved of the appointment of Sharia supervisory Board for a three years term for 2017-2019 and it was as follows:

- His Honor Sheikh \ Dr. Waleed Bin Hadi -Chairman
- His Honor Sheikh \ Dr. Abdull Sattar Abu Ghuddah-Member
- His Honor Sheikh \ Dr. Mohamed Ahmeen-Member

The work of the Sharia Supervisory Board includes review of contracts, answering Sharia related questions, placing solutions for difficulties that arise during implementation. The Supervisory Board also oversees the Bank operations of Masraf Al Rayan to ensure the proper implementation of its decisions, and to ensure that banking operations are done in accordance with Sharia regulations. The Supervisory Board also presents its report annually for each financial year to the Ordinary General Assembly Meeting.

Board Committees

The established Board Committees continued to perform their duties throughout 2017 as per their terms of reference which have been updated in alignment with changes introduced to the formation of the board of directors in 2017 as per the decision of the board No.2017/3/4 issued on 24 April 2017. Accordingly, the Committees in 2016 were as follows:

Executive Committee

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

Audit and Compliance Committee

- Mr. Abdullah Ahmed Al Malki -Chairman
- Mr. Nasser Jaralla Al Marri- Member
- Mr. Ali Mohamed Al Obeidli -Member

Remuneration and Compensation Committee

- Mr. Nasser Jaralla Al Marri-Chairman
- Sh. Nasser bin Hamad Al Thani -Member
- Mr. Abdulla Ahmad Al Malki-Member

Nominations and Governance Committee

- Dr. Menahi Khalid M. A. Al Hajri-Chairman
- Mr. Abdulla Ahmad Al Malki- Member
- Sh. Faisal bin Saud Al Thani -Member

Risk and Policies Committee

- Mr. Ali Mohammed Al Obaidly-Chairman
- Mr. Nasser Jaralla Al Marri-Member
- Mr. Turki Mohammed Khalid Al Khater-Member

Group Investment Committee

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

Executive Committee

The Executive Committee is considered one of the most important Committees as it helps the Board review Masraf Al Rayan activities and undertakes studies of matters which shall be presented to the Board, such as credit transactions or other activities of Masraf Al Rayan that require Board approval.

The Committee is the one to prepare the recommendations that are to be presented to the Board.

The most important duties of the Executive Committee are:

- Review of the main functions of the Board
- Discussing and passing items that fall under the purview of the Board or those that develop between Board Meetings.
- Providing reports and recommendations to the Board as and when needed.
- Approving financial matters as per the delegation of authority matrix.

- Endorse risk policy.
- Recommendation to approve policies, rules, and any additions or amendments.
- Approving or recommending limits/ceilings for transactions with new banks and countries that the Bank deals, with and making the necessary amendments.

The Committee has held the following meetings during the year 2017:

- First Meeting: 10/01/2017
- Second Meeting: 13/03/2017
- Third Meeting: 30/07/2017
- Fourth Meeting: 05/10/2017
- Fifth Meeting: 04/12/2017

Audit and Compliance Committee

The majority of the Members of this Committee should be independent with an Independent Member chairing the Committee. The Committee has the following responsibilities:

- Appoint the External Auditors Annually and approve contract policy.
- Supervise and monitor the independence of the external auditors and their objectivity and
- discuss with them the nature and scope of the audit and effectiveness in accordance with international auditing standards and international financial reporting standards (IFRS).
- Review letter of appointment of the external auditor, his work plan and any queries he requested from Senior Management of the bank as well as the responses of the Management.
- Ensure coordination between the external and internal auditors.
- Meeting the Chief Financial Officer of the Bank or designate and arrange meetings with the internal and external auditors at least once a year.
- Study any important and unusual issues included, or which will be included, in the financial statements.
- Appointing, or dismissing, the Head of the Internal Audit and supervising the role's effectiveness.
- Supervising and monitoring the Internal Audit Department, ensuring their independence, as well as discussing and recommending the annual plan and appropriate training.
- Reviewing of internal controls systems, and endorsing both external and internal audit reports.
- Reviewing and recommending approval of the Internal Audit Charter annually.
- Supervision of the Compliance Function which monitors, determines, evaluates, provides consultancy, and raises reports regarding risks of non-compliance with laws, regulations, and applicable standards. As well as determining its position in the organizational structure in a way that ensures its necessary independence and effectiveness. Moreover, ensuring that it is provided with adequate resources, swift and clear channels for reporting to the Committee and the Executive Management, as well as ensuring that it is has sufficient authority to reach information in a clear and sufficient policy.
- Revision of the quarterly reporting by the Compliance Function.
- Developing rules to be approved by the Board of Directors allowing the staff of the bank to report confidentially their concerns regarding any issues that are likely to raise suspicion, and to ensure appropriate arrangements for an independent and fair investigation about these issues while preserving confidentiality and protecting the staff from any retaliation (Whistleblower

Protection Policy).

- Overseeing the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports, review the data and reports in particular with regards to their compliance with accounting, transparency, listing in the market and disclosure standards.
- Ensure that the Internal Audit responsibilities include review of the Compliance Function.
- Review of the impact of new regulations on Masraf Al Rayan.
- Consider any other matters assigned by the Board of Directors.

The Audit Committee held the following meetings during the year 2017:

- First meeting: 23/04.2017
- Second meeting: 08/08/2017
- Third meeting: 16.10/2017
- Fourth meeting: 12/12/2017

Remuneration and Compensation Committee

The Committee has the following responsibilities:

- Determining the remuneration policy at the Bank, including the emoluments of the Chairman and all Members of the Board and the Senior Executive Management.
- Updating regulations of the rewards and compensation whenever the need arises.
- Proposing remuneration of the Members of the Board of Directors and Executive Management, taking into account the following:
 - The value of awards granted to members of the Board of Directors and Executive Management in similar financial institutions, local and regional.
 - Profits and achievements of the bank during the financial year and compare them with the results of previous years. Economic and financial conditions during the fiscal year.
 - Responsibilities and scope of tasks of the Board members and Senior Executive Management.
 - Observing the relevant articles in Masraf Al Rayan Articles of Association that determine the value of the bonuses for the Members of the Board of Directors.
 - Proposing the bases that determine the annual bonuses for staff.
 - Presenting the remuneration policy and principles to Shareholders in a General Assembly Meeting for approval and public announcement.

The Committee had a meeting on 12/01/2017.

Risk and Policies Committee

The Committee has the following responsibilities:

A. Operational Risk

- Review of the effectiveness of Risk Management at Bank level as a whole
- Evaluating new significant risks that affect the Bank

- Identifying new Strategic Risks inclusive of institutional issues such as regulatory framework, business development, and other similar issues
- Reviewing the Key Risk Indicators and identifying issues that require the attention of the Board on a quarterly basis
- Review of significant operational losses
- Review of all Risk Policies annually

B. Credit Risk

- Review of Credit Policies annually
- Instituting and reviewing the Credit Authority as needed, and at least once annually
- Review of and ratification of maximum counterparty limits, other financial institutions and countries, when needed and at least once annually
- Review of past-dues and delinquencies to recommend suitable provisions
- Review of write-off or return to profitability vs. provisioning levels
- Review and monitoring of the raised legal cases and collection

C. Monitoring Reputational Risk and other Risks not mentioned above

D. Policies

Study, develop and update of policies that require Board approval

The committee held the following meetings in 2017:

- First Meeting : 10/01/2017
- Second Meeting: 01/08/2017
- Third Meeting 09/10/2017
- Fourth Meeting 04/12/2017

Nominations and Governance Committee

The Committee has the following responsibilities:

- Adoption and publication of its terms of reference showing its authority and role.
- Supervise the implementation steps for the call for nominations to the Board, and consider applications received to ensure matching of applicants for membership conditions.
- Determining qualifications for Board membership, including independence.
- Ensure that candidates can give sufficient time to carry out their duties as members of the Board as well as their skills, knowledge and experience and professionalism, technical, academic and personality.
- Consider any conditions or requirements relating to the nomination or election or appointment of Board members from Qatar Central Bank or any other authority.
- Evaluate candidates for Senior Executive Management positions, and submit recommendations to

the Board of Directors.

- Perform an annual self-assessment of the Board's performance.
- Follow-up Board Committees' self-assessments.
- Supervise Board structure and composition of its Committees.
- Review the annual Corporate Governance report of Masraf Al Rayan, and to recommend its approval by the Board. Placing an induction program for new Members and suggesting training for them as and when required.

The Committee held two meetings in the year 2017:

- The first meeting: 12/01/2017
- The Second Meeting 02/03/2017

Group Investment Committee

Committee Responsibilities:

- To prepare, study, and develop investment policies for the Group that includes the broad lines for investment and identification of assets and prohibited investments.
- Review and approve the investment activities of the Group, place limits on single transaction investments or for cumulative annual limit as per Investment Policy.
- To supervise the management of the Group's investment portfolio to monitor compliance with Investment Policy.
- Review investment portfolio performance by comparing actual vs. expected returns, as well as comparing it to market performance indices approved by the Board, taking into account compliance with policies and directions and risk level.
- Review of periodic analysis and Management Reporting.
- To approve investment sector limits.
- To approve investment country limits.
- To review investment strategies whenever the need arises.
- Other duties and responsibilities and having authority as per Board delegation.
- Preparing reports and presenting them to the Board to disclose investment decisions which were made, policies, and investments performance.
- To carry out any other assignments whenever requested, as per the changes in the policies of the Board or Qatar Central Bank regulations, or Qatar Financial Markets Authority regulations, needed as per market developments.
 - To approve investment deals according to the set limits by the Committee and to raise recommendations for deals with higher limits to be approved by the Board.
 - Invite experts and / or concerned personnel to Committee meetings to provide opinions in technical areas.

The Committee held the following meetings during the year 2017:

- First Meeting: 23/04/2017
- Second Meeting: 24/07/2017
- Third Meeting: 10/10/2017
- Fourth Meeting: 05/12/2017

Board Remuneration

The Remuneration and Compensation Committee discussed the Board of Directors' bonus and that of the

Senior Management and connected it to profit and achievements that the bank had realized during the fiscal year and comparing it with the results of previous years. The Committee also takes into consideration the economic and financial position during the fiscal year, the responsibilities and scope of duties of the Board Members and the Senior Executive Management must be taken into consideration and that bonuses must be within the permitted level in the Articles of Association, related regulations, and the instructions of Qatar Central Bank.

List of Bonus, Fees and Allowances of Members of the Board of Masraf Al Rayan

The list of bonuses, allowances and compensations of Board Members is reviewed and updated on an annual basis by the Nominations and Compensation Committee; where the regulatory guidance is included regarding these compensations. As for the year 2017, they will be submitted to the Committee's meeting scheduled to be held on 9/1/2018.

To recommend their approval in case there is no obstacle or objection. They will later be referred to the Board to approve them before being submitted to Masraf Al Rayan General Assembly meeting to endorse them. The list includes a review of regulations on which the list was based, the Board's relevant regulations and the bases on which remunerations of Board members and the supreme management of Masraf Al Rayan are defined. It also includes the previous guidelines of QCB's relevant regulations.

Policies

Masraf Al Rayan is committed in its operations to follow an adopted group of policies that determine the framework and controls on all activities. These policies are updated and amended through the Policies and Development Committee before approval by the Board; on a regular and an as-needed basis.

Masraf Al Rayan follows updated policies and reviewed policies which include:

1. Internal Audit Policy
2. Compliance Policy
3. Investment Policy

4. Finance Policy
5. Corporate Governance Policy
6. Anti-Money Laundering and Combating of Financing of Terrorism Policy
7. Credit Policy
8. Personnel Policy
9. Whistleblower Protection Policy
10. Customer Acceptance Policy
11. Succession Policy
12. Sharia Policy
13. Risk Monitoring Policy
14. Stress Testing Policy
15. Liquidity Risk Management Policy
16. Internal Capital Adequacy Assessment Process Policy (ICAAP)
17. IT Policy
18. Code of Conduct
19. Foreign Support Policy

Company Compliance with Rules and Conditions Governing Disclosure and Listing on the Market

Masraf Al Rayan Board of Directors is committed to the principles of transparency in performing its business with regards to the requirements of disclosure on all that may affect the financial

performance of the bank or the movement of its shares' prices. Information of the Board members was provided to Qatar Financial Markets Authority as well as to Qatar Exchange to make known their ownership of shares. The Board Charter identifies the responsibilities of the Board and its committees.

The Board is also keen to provide Qatar Exchange with financial statements and clarifications as set by the Qatar Exchange regulations, in addition, the Board publishes the financial statements once approved by the Board of Directors according to the Commercial Companies Law, Qatar Central Bank regulations, Qatar Exchange rules, and the regulations of Qatar Financial Markets Authority. Financial statements are published supported with external auditors' report who confirms in his reports that the reports and financial statements of Masraf Al Rayan are issued in conformity to the international accounting and auditing standards and that the external auditor has obtained all the data and information that are necessary to perform the audit. The financial statements and the External Auditors' reports are published on the Qatar Exchange website and on the local media and some GCC newspapers according to what is stated in the Articles of Association of Masraf Al Rayan and the Commercial Companies Law number 11 of the year 2015.

Company Compliance with Internal Control Systems for Risk Identification and Management

The Board of Directors gives special attention to setting internal control systems by clearly determining its responsibilities including its position in the organization chart and its relationship with other departments in a way that would ensure its independence and effectiveness. The Board provides adequate resources and fast and clear reporting lines to the Board of Directors and senior management and provide it with necessary authority to have access to information within the frame of clear and adequate policy and procedures and making annual revisions to these policies. The Board ensures that the duties of the Internal Audit include the audit of activities of the Compliance Function. In addition to the above, the Executive Management in collaboration and coordination with the Compliance Function takes the necessary corrective and disciplinary action if any violations are discovered, and submits periodical reports to the Board on matters related to the compliance policies and procedures in order to help in improving them.

Internal Controls inclusive of Financial, Investment, and Risk Management

The internal controls and compliance officers form the first line of tools used by management in order to supervise and review compliance with regulatory guidance and instructions. The officers escalate reports as and when needed directly to the Executive Management or the Board of Directors; accordingly the Board is fully aware of the results of the internal controls. This means that:

- Evaluating and granting credit - Anti-Money Laundering
- Investment - Insuring Assets
- Liquidity - Related Parties and Conflict of Interest
- Market Risks - Compliance with rules, regulations, and
- Capital Adequacy Risks supervisory instructions
- Concentrations Risks - Internal and External Audit
- Foreign Exchange Risks - Performance Evaluation
- Profit Rate Risks - Disclosures to relevant parties
- Pricing - Operational and Accounting Risks
- Profitability and Balances - Legal Risks

In addition to policies related to employees (regulating their employment, cost, incentive schemes, growth and development, enhancing code of conduct), and other policies, are all being reviewed to ensure implementing the best standards and compliance with the regulatory requirements. Then the Internal Audit reviews the functions of the Compliance Officer and Risk Officer to provide reasonable assurance to the Audit Committee of the Board of Directors that these functions are being carried out at a

reasonable level of competency and to highlight issues of concern. All of which are also governed by the Policies set forth by the Board (mentioned above in Policies). The evaluation of the Board and Senior Management in how they have applied the systems of internal controls is conducted inclusive of reporting the number of times the Board has been notified about control issues, inclusive of risks, and the way the Board has addressed these issues. The internal controls work has not revealed other than ordinary issues which have been addressed routinely by each of the Risk Officer and the Compliance Officer within the set policies which did not require Board level intervention. The control departments continually attempt to uncover areas of potential failure of application of internal controls, or even weaknesses in implementation, and they are responsible for follow-up to ensure rectification of the issues raised. The internal control activities are distributed between the control departments, they continually carry out inspections, comprehensively, and raise issues to the Executive Management about findings, observations, violations, and such in order to take the necessary corrective action. There has been no emergency that influences or that may influence the financial performance of the Bank.

Risk Management Operations and Internal Control Procedures

Masraf Al Rayan Board is responsible for managing risks, and the Board has delegated the Executive Management with the authority to take decisions necessary to monitor risks on a daily basis and to manage them via comprehensive controls at a high level. The Bank has in turn placed risk management controls to ensure sound risk management throughout the Bank. The wise governance and oversight of risk management stems from the Board and is managed at the level of departments, which is done through many means inclusive of weekly and monthly management informative reports and key risk indicators and risk registers of the Bank. Departments also put in place the standards used to keep risks within acceptable limits. These limits are set either by the Board to suit risk appetite and evaluate its significance, or set by the respective concerned departments to provide quality service. The Bank has established various appropriate levels of committees from Board level all the way to Bank Managements level. The enterprise risk model followed by Masraf Al Rayan has three main defensive lines, where The appropriate responsibilities and authorities are assigned to each of the defensive lines, and the Bank's committees perform as per their delegated authority at the various levels from as high as the Board, Board Committees, Executive Management Committees, and even at staff levels. Risk Management is carried out by independent functions headed by experts such as the Chief Risk Officer, Head of Compliance, and Head of Internal Audit; and their departments identify, assess, monitor, provide consultation, and raise reports about the various risks of non-compliance with applicable laws, regulations, and standards. Internal control objectives are summed up in protecting the Bank's assets, monitoring available resources, reasonably assuring accounting information, identifying authorities and responsibilities as well as ensuring conformity, and following a clear policy in selection of suitable cadre at the various managerial levels.

Processes Applied by the Bank to Determine, Evaluate, and Manage Risks Stress Testing

The measurement and monitoring of various risks is a vital concern in assuring the health of financial institutions and the financial system as a whole. And in this regard, stress testing has been widely used by international financial institutions and especially by regulatory entities to verify the ability of banks and other financial institutions to withstand the different risk factors. The idea behind stress testing is to assess the effects of exceptional but credible situations on the financial position of the Bank as well as other entities. Several quantitative technical methods have been utilized which can be divided into two main categories: sensitivity testing and scenario testing. The Bank has complied with the QCB regulatory requirements related to Basel recommendations; the Bank conducts tests to cover the various risks that affect the Bank as a single entity (Firm Specific Scenarios), which include credit risks, liquidity risks, market risks, and operational risks; the Bank also 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 Department aim to measure the Bank's ability to

withstand future losses which it might be exposed to in light of specific scenarios about future economic factors starting with what is known as the base scenario, i.e. the scenario of the situation remaining as it is, and several other scenarios that vary in their degree of severity of the assumptions made. Specifically, these tests aim to discover whether the Bank will continue to have viable assets sufficient to face the potential losses in case the worst scenario occurs. In this way, the Bank is able to present a realistic view of its exposure sensitivity an ability to withstand potential shocks to the economy, if a situation was to develop in the worse direction as well as evaluate the Bank's ability to sustain various shocks as a result of market risk and credit risk. These tests are conducted based on the Bank's current financials and the data collected about the risks that the bank is facing by the risk management function of the Bank. Financial stress testing of the Bank allows taking the appropriate actions and to determine whether the Bank's position is solid, and that is through determining what financial assets the Bank has to be able to meet its financial obligations and to cover its potential future losses in the worse possible assumptions scenario, and whether it can continue to act as a financial agent without government support through financial assistance, or to seek support from other financial support sources in the private finance market, inclusive of options to go through merger. These are all assumptions that enable the Bank to hedge its position and provide studied options in case of any negative developments. The Bank has complied with all QCB regulations concerning stress testing and has complied with providing the reports necessary for that.

Credit Risks

Risk is an integral part of the financial industry, especially in today's world economy condition and the increasing aggressiveness of competition and the size of financial transactions as well as technological developments and the need for larger banks. That is why proper risk management assists the Bank in succeeding and ensures its continuity in the banking sector with acceptable returns and reduced risks. The Bank's Credit Policy is considered the pillar of the Credit Risk Management's function. That is why the Bank is keen to develop a comprehensive tool to evaluate credit by placing a comprehensive Credit Policy that contains the framework of standards and conditions and guidance for granting credit through following a standardized approach in the process of credit evaluation & management, which provides unified system with sufficient flexibility. The Bank extends credit facilities only after the applicants meet a set of requirements namely, a clearly identified purpose of the requested facility, adequacy of sources of repayment, customer creditworthiness and experience, acceptable risk level as per MAR approved risk level, as per MAR approved risk appetite, and sufficient collaterals to protect the Bank's rights -should the client face difficulty in repayment or stopped altogether- without any losses. Credit is given through the Four levels of the Credit Committee of the Bank which consists of the following:

- Retail Credit Committee for credit facility limits up to QR 15 Million
- Group Credit Committee for credit facility limits up to QR 150 Million
- Executive Committee for credit facility limits up to QR 300 Million
- Board Committee for credit facility limits above QR 300 Million

Accordingly no one individual has unilateral lending authority for non-personal lending.

Credit Risk Management

The Credit Risk Management in Masraf Al Rayan follows a number of procedures to identify, assess, measure and monitor risks associated with any financing by adopting the following processes:

Criteria of the Credit Risk Management

- Determining credit types and sectors (economic) for which the Bank may extend financing.
- Establishing a limit cap for group exposure as well as pricing modules.
- Determining types of collaterals, their mechanism of evaluation, the approved professional agents which conduct the evaluation, its financing to collateral value, and taking precautionary steps to protect the bank against any such risk by obtaining property insurance and periodical evaluation of these collaterals.
- Placing conditions for approval of credit inclusive of information that must be obtained prior to granting of credit facilities, and granting the delegation to grant credit facilities, and establishing independent review of credit and conditions for rating of credit and provisioning.
- Establishing the level of risk that the Board approves to enter into while financing.
- Preparing independent credit recommendations for Business Units.
- Disclosure of all the information related to the client to the Credit Committee with all transparency so that a well advised credit decision is made.
- Enhancing the role of monitoring and managing credit to ensure the necessary follow up is done to complete all the documentation and collateral as per the Credit Committee recommendation to activate the limits in the electronic system.
 - Implementing an internal credit rating system that takes into consideration both quantitative and qualitative aspects of the client and their position in the market and the presented collaterals that would assist in taking a proper credit decision.
 - Implementing stress testing on the facilities provided in order to bolster the process of
 - identifying and controlling the risks and providing the tools that would complement risk management with the objective of arriving at an overall evaluation of credit risks.

Implementation of Sound Measures to Determine Credit Risks

Granting credit facilities is based on sound measures and includes the following:

- Having a client request or credit application that is duly signed by a sufficiently authorized delegate.
- Obtaining sufficient information in order to make a comprehensive evaluation of the client and types of risk underlying the requested facility, as well as to be able to rate the client as per the Bank's internal credit rating system.
- Knowledge of the customer's reputation, experience, market share (economic sector), and purpose of finance.
- Studying the nature of the current and future risks of the credit applicant, their industry, and sensitivity to the economic developments, and assess the relation between associated risks and profit.
- Evaluating the sources of repayment and customer's commitment to settle previous debts and type of the acceptable collaterals.
- Obtaining all the collaterals and completing their evaluation.
- Analysis of the client's financial position using updated audited financials.
- Supporting the application with Qatar Credit Bureau reporting on the client to understand the nature and volume of existing facilities of the client and history.
- Establishing credit limit caps for all on & off-balance sheet items, credit limit caps for industry, countries, and establishing credit limit caps based on the customer risk rating.
- Establishing credit limit caps which can be extended for equity at one obligor level, group level, and inter-related relations level, as well as those with overlapping interests.
- Observing QCB regulations regarding lending.
- Approving the modus operandi of Stress Testing which includes policy, framework, methodology, and assuring the definition and identification of the suitable factors related to credit risk and assigning the associated responsibilities and their consequences, as well as presenting

them to the specialized Committees to support in taking the related decisions.

Existence of Procedures to Handle and Follow-up Credit

The procedures for handling credit include:

- Existence of a filing system to handle customers' files and update its information and documents on periodic basis.
- Follow-up the execution of the credit facilities to make sure that everything is complying with the procedures, policies, laws and compliance regulations namely, the client's current financial position, existence of sufficient securities with coverage suitable to the current status of the customer, and the client's utilization of the facilities.
- Follow up on utilization of credit limits, this task is made through a portfolio updated report submitted on periodical basis.
- Internal credit rating of the client which helps in: granting financing and follow up its quality, facility pricing, determining credit portfolio characteristics and credit concentration, determining defaulting accounts and sufficiency of its provisions.
- Periodic monitoring of any credit risk or defaulting sectors for business units to take the necessary action.
- Issuing of periodic reports and advising Business Units and Management as needed.
- Credit Risk Administration is an independent unit whose task consists of reviewing credit approval conditions, collaterals, facilities agreements, and all operational matters prior to releasing credit, inclusive of activating the approved limits and issuing required reports.

Existence of Sufficient Procedures to Monitor Credit Risks

Risk monitoring procedures include the following:

- Internal controls to make sure that any exception or deviation in the credit policy or credit procedures and credit limits and / or regulations is reported.
- A Collection Unit to detect defaulted credit at an early stage through generating a daily past dues report and advise the concerned business unit in order to avoid it in future.
- Periodic review of the delegation of authority of those authorized to sign, and the associated documentation.
- Updating the Bank's Credit Policy to develop it and improve it with the latest changes and variables to improve risk management.
- The Bank conducts a regular periodic review of all the approved credit facilities granted as per its delegation to monitor its portfolio status, exposures, credit concentrations, and sector performance. The Bank also follows up on all credit facilities, increases in limits, and follows up and monitors completion of collateralization, and takes the necessary actions at the appropriate times. Moreover, non-active facilities are reviewed, as well as risk rating based exposures inclusive of all limits granted, and recommendations are made, if any, to the Board.
- Risk Management establishes an area of common grounds with the business units in order to exchange information and create a risk aware culture that is aligned with the Bank's strategy.
- Risk Management activities are ongoing and continually enhanced in line with the Bank's strategy.
- Adopting and using systems to evaluate client risks in accordance with Basel guidelines and QCB regulations.

Market Risks

The way the Bank handles market risk essentially did not change because it still relies on using the latest banking standards, depending on Qatar Central Bank regulations, and the principles of Basel II while using the expertise of internationally experienced staff. To mitigate these risks, the bank diversifies its activities in different countries, sectors, products and client segments and takes proactive steps to manage these risks. The relevant staff monitors several risks linked to the market such as foreign exchange risks, profit rates, pricing, liquidity, general investments, clients' deposits investments commodities prices, liquidity and capital adequacy. Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the Management to assist in taking proper decisions and monitor the market risks as required. These reports include daily reports such as reports on the market reaction and daily reports on the performance of the Qatar Exchange, a weekly report on the Treasury in addition to the monthly report to the Assets and Liabilities Committee (ALCO) which shows the budget position, banking ratios, and stress tests on budget, gap analysis in assets and liabilities. ALCO members are from the Senior Management and this report is discussed in its monthly meeting where decisions are made and followed up.

Credit Limits for Banks and Countries

In compliance with Qatar Central Bank regulations, credit limits are recommended to be set for banks that Masraf Al Rayan has business relationships with as well as credit limits for countries as per their rating. The Board approves these limits and they are thereafter presented to the QCB.

Operational Risk

In its effort to mitigate the associated Operational Risks, the Bank applied policies, methodological procedures to evaluate and to monitor and to manage systems and to report any weakness therein. This includes effective segregation of tasks, restricting system access, and adopting effective procedures to delegate authority and to make reconciliations. In addition to continuous learning and education to employees, ongoing performance evaluation, and also having established a new advanced system to monitor and evaluate operational risk indicators, inclusive of the database and potential losses.

Operational Risk Mitigation

In an effort to encourage better risk management practices, MAR is keenly interested in efforts to better mitigate and manage operational risk. MAR has controls and programs in place to reduce the exposure, frequency, or severity of an event and hence, manage risk exposures. MAR controls are examined to know whether the control is truly reducing risk, or merely transferring exposure from the operational risk area to another business sector.

Best Practices Implemented to Mitigate Operational and Systems Risks

- Maintaining ISO23301 certification for business continuity by complying with best practices standards.
- Maintaining ISO27001 certification for information technology security by upgrading the Information security management system (ISMS).
- Implementing a specialized system for managing operational risks (SAS) to manage operational risk indicators inclusive of analysis and follow up of incidents and operational losses.
- Implementing a real time monitoring system of suspicious transaction (AML) and integrating it with SWIFT to intercept any transaction suspected of being related to money laundering while the transactions are taking place before their completion.
- Preemptively monitoring potential fraudulent transactions on a 24/7 basis to detect and prevent fraud

on Masraf Al Rayan ATM Cards and Credit Cards.

- Protection of the Bank's valuable data in a preemptive manner to hedge against any emergency by keeping a copy of the Bank's data at Meeza disaster recovery center at Qatar Foundation's Science and Technology Park, and keeping an extra copy of the important data at a data center in the city of Nice, France.
- Using an advanced Malware Prevention System to prevent phishing.
- Conducting intrusion vulnerability tests on Masraf Al Rayan IT systems.
- Successfully participating in a Cyber Security Drill organized by the Ministry of Transport and Communications.
- Increasing the number of users of the Operational Risk Database and enabled Branch Management and Credit Risk Management to utilize the Issues and Action Plans portion to manage documentation in order to ensure that there are no lapses in completion or timeliness.
- Training Operational Risk Management in one of the best risk training programs (CRMCP) to increase their performance and enhance their work.
- Developing a monitoring system for information security incidents.
- Covering intolerable risks via insurance.

Credit Rating of Masraf Al Rayan

Moody's Investors Service, ("Moody's") has upgraded Masraf Al Rayan's (MAR) long term issuer ratings to A1 from A2 and Counterparty Risk (CR) Assessment to Aa3(cr) from A1(cr). The outlook on the long-term ratings has changed to stable from positive. The upgrade of Masraf Al Rayan's ratings reflects consistently strong asset quality performance, strong profitability and capital metrics and continued business diversification.

"The upgrade is a confirmation of the bank's conservative & prudent business strategy and its strong solvency and financial performance indicators made possible by a strong Qatari economy and very well regulated financial sector,"

*Dr. Hussain Al Abdulla
Chairman & Managing Director*

The rating upgrade by Moody's took into account Masraf Al Rayan's consistently strong asset quality performance (since it commenced operations in 2006) with a current non-performing financings (NPFs analogous to non-performing loans) of around 0.10% of total financing assets. Masraf Al Rayan has maintained a solid return on assets at around 2.5% since 2011 (2.4% for the first six months of 2016) compared to Qatari banks average return on assets of 1.68% as of June 2016.

Also, Masraf Al Rayan has always maintained strong capitalization levels with tangible common equity (TCE) to risk weighted assets at around 21% as of December 2015. Masraf Al Rayan capital levels compare both favorably to the 17% local average and the 13% median for banks with baa2 baseline credit assessments.

External Auditor

The General Assembly of Masraf Al Rayan, in their Meeting held on February 23, 2016, approved the appointment of the External Auditors KPMG for the financial year 2016. KPMG selection has been presented to the General Assembly after their presentation has been recommended by the Audit

Committee and obtaining the Qatar Central Bank approval in this regard. KPMG were contracted due to their application of best practices and their maintaining independence and refraining from entering into conflict of interests relationships. The External Auditors also attend the General Assembly to present their annual report and responds to inquiries. It is noteworthy that KPMG has been selected again bearing in mind the restriction on the number of consecutive years for selecting the same external auditors, which has been set by both QCB and QFMA at 5 years; thus, 2017 was exceptional for KPMG to be selected as External Auditors in line with the regulations. And it will be mandatory to select another external auditor for the year 2018.

Duties of the External Auditor

An independent and qualified External Auditor is to be appointed based on the recommendation made by the Audit Committee to the Board of Directors, and the General Assembly Resolution for the External Auditor's firm to conduct an annual independent audit and quarterly review. The aim of the audit is to provide reasonable assurance to the Board of Directors and Shareholders that the financial statements have been prepared in accordance with the best practices, international standards, and are governed by applicable laws and relevant regulations and standards that govern the preparation of financial statements; and that they represent exactly the financial position and performance in all material respects. The External Auditor should adhere to the best professional standards, and Masraf Al Rayan is committed not to contract them to provide any advice or services that may result in a conflict of interest, and thus the External Auditors are considered to be independent completely off Masraf Al Rayan and its Board of Directors, and have no absolutely no conflict of interest in their relations with Masraf Al Rayan. The External Auditor is accountable to the Shareholders and owes Masraf Al Rayan the duty of due professional care required when an audit conducted, the External Auditor also has the duty to inform Regulatory Authorities in the event of failure of the Board to take appropriate action in regards to any suspicious matters raised or identified by the External Auditor.

Shareholders' Rights

The Board of Directors of Masraf Al Rayan is keen to protect its Shareholders as per what is specified in related rules, regulations, and the Articles of Association; whereas each shareholder's share entitles them to the same rights as another Shareholder with the same amount without bias in their claim to the Bank's assets and/or in the divided profits as described in the Articles. It also allows Shareholders the right to use their voting rights via proxy.

Shareholder Register

Qatar Central Securities Depository company (QCSD) maintains shareholder records of listed companies, and because the Shareholder information changes in real-time as long as the market is open; the QCSD provides this information freely at the following times:

- When General Assembly Meeting (GAM) or Extraordinary General Assembly Meeting (EGAM) is held.
- At the time of profit distribution.
- At the time of an acquisition or merger.
- When a capital increase through subscription is carried out.
- At the time an entity changes its legal status.

- Any other situation as determined by the QFMA.

Masraf Al Rayan requests this Shareholder information from QCSD as needed and in such cases. E.g. the information is requested on the day of holding the GAM or EGAM, where this information is needed to record presence and quorum and to distribute profits to Shareholders (given that in cases other than the listed above, a period of 30 days is required between each request).

Masraf Al Rayan also assures the Shareholder the right to obtain the following information: register of Members of the Board of Directors, the Bank's Memorandum of Association and Articles of Association, any documents that give any right or preference to the assets of the Bank, and contracts with related parties, and any other documents that are required as per the guidance of QFMA and at the fees stipulated by QFMA.

Accessing Information

Masraf Al Rayan provides its Shareholder information which has been obtained from Qatar Exchange upon request as per the rules, regulations, and related Articles and Corporate Governance guidelines.

All the while the information is available on the internet on Masraf Al Rayan's electronic website www.alrayan.com for ease of access to the most important information for shareholders, investors, and other stakeholders.

Conflict of Interest and Insider Transactions

Masraf Al Rayan is committed to the adoption and the declaration of general rules and procedures governing its entry in any business transaction with a related party. In any case, Masraf Al Rayan refrains from entering into any business transaction with a related party, or to sign with them, except in compliance with the Bank's policy for Related Parties. Such policy must ensure that the principles of transparency, fairness and disclosure are applied, and requires the approval of any such transaction with a related party by a majority of Shareholders in a vote in which the said related party that does not vote. In case any question of a conflict of interest or a business deal between Masraf Al Rayan Bank and a Member of the Board or any related party to the Board Member during a meeting of the Board, that the topic is discussed in the absence of the Member concerned, who has absolutely no right to participate in the vote on the deal. And in any case such deal must be done according to market prices and on a purely commercial basis, and must not include conditions contrary to the interest of the company.

Fair Treatment of Shareholders and Voting Rights

The Articles of Association of Masraf Al Rayan state that each Shareholder has the right to attend General Assembly meetings, Shareholders who are minors or interdicted may be represented by proxy via their legal representative or guardian, while entities that are Shareholders may delegate a person as an official legal representative via written delegation in compliance with legal precedents.

Shareholders who attend the General Assembly have the right to discuss the items on the Agenda, direct questions to the External Auditors, and the Board has to respond to the questions of the Shareholders in as much detail as possible that would not expose the Bank to any risks, and if the Investor deems the answer insufficient then they may revert to the General Assembly whose decision is mandatorily executable. Furthermore, the Articles of Association of Masraf Al Rayan stipulate that each Shareholder has a number of votes that is equivalent to the number of Shares that they have.

Shareholders' Rights in Election of Board Members

Masraf Al Rayan is keen to apply the principle of giving Shareholders information about the candidates to the Membership of the Board before election, including a description of the candidates' skills, professional and technical experience, and other qualifications. The instructions of the Ministry of Commerce and Economy issued in their circular dated February 23, 2016, in line with the decision of the QFMA; voting in the elections of the boards of the listed companies in the Market shall be as stipulated in Article 96 of the Companies Law Number 11 of 2015, which states:

“For each share there shall be one vote, to be given by the shareholder to whomever they select from amongst the candidates, and the shareholder may distribute their votes amongst several candidates; however, a single share may not be used to vote for more than one candidate.”

Shareholders' Profit Distribution Rights

The distribution of profits is completely based on the financial results achieved by Masraf Al Rayan at the end of each year, in addition to compliance with the rules, regulations, and related guidance especially from Qatar Central Bank with respect to all forms of reserves (legal reserve, risk reserve, fair value reserve) the Board annually assesses different scenarios of which the best chosen and presented to the Ordinary General Assembly Meeting in detail showing the profits earned and their distribution. The General Assembly has the right to accept the recommendation or amend it.

Capital Structure, Shareholder Rights, and Significant Deals

Banks rely mainly in their income on lending to individuals and corporations, and Qatar Central Bank issues regulations on maximum credit limits whether for one deal or for cumulative volume of deals for each one client or one sector.

Other Stakeholders' Rights

The Corporate Governance Policy adopted by Masraf Al Rayan ensures fully respecting all parties to the transactions inclusive of stakeholders. The human resources policy ensures fairness and justice between employees without prejudice to race, gender, or religion. Management annually allocates bonuses to employees reciprocating the profits and their individual efforts using a methodical studied approach. At the same time, the Whistleblower Protection Policy approved by the Board gives each employee the opportunity to deliver their complaints to Management without fear of reprisal or consequences and fully maintaining their rights. Masraf Al Rayan employees comply with a Code of Conduct that includes the business ethics.

Masraf Al Rayan's Corporate Social Responsibility

The principles of Corporate Social Responsibility, especially towards society and the environment, have been increasingly associated with its sound corporate governance. Masraf Al Rayan believes in the importance of its Corporate Social Responsibility and is keen to support individuals and groups practice their role in building a better society. Masraf Al Rayan keen on participating in public causes that are of concern to society, that involve protecting the environment, protection of natural resources, and avoiding damaging the environment. Masraf Al Rayan also supports healthy practices and supports sports, charity, and activities that benefit society and bolster national objectives. There are numerous efforts that Masraf Al Rayan has taken part in throughout 2016 in relation to corporate social responsibility, here is a list of some of them:

- Supporting the Qatar Red Crescent charitable activities
- Supporting the sports activities of Al Jaish Club and Lakhwia Club
- Supporting the activities of the General Authority for Minors' Affairs

- Participating in conferences on information security in the financial sector
- Sponsored Qatar's Men's Open Tennis Tournament
- Participated in the Banks' Football Tournament organized by QCB as part of ensuring financial inclusion of people with disabilities.
- The Bank trained customer services employees on dealing with people with disabilities, basic unified Arabic sign language, in coordination with the Qatari Center Of Social Cultural For The Deaf
- Conducted a comprehensive training program about dealing with employees and clients with disabilities in cooperation with Shafallah Center (part of the Qatar Foundation for Social Work)
- Receiving two batches of enrollees in the Azizya Youth Center of the Ministry of Culture and Sports (the Plan Your Future Camp) as part of the Bank's effective participation in building the future of Qatari youth as part of corporate social responsibility

On a humanitarian and health awareness front, the Bank has also participated in Hamad Hospital's field blood donation drive (which has become an annual activity) as part of its support of the medical establishment's programs. Masraf Al Rayan has also participated in several conferences both local and international, educational and professional, that promote the development of youth, the future generation, and pioneers. The Bank has also, at the behest of the Qatar Central Bank, participated in a regional workshop conducted by the Gulf Monetary Council, which aims to pave the way for establishing an advanced unified Arabian Gulf monetary system and an infrastructure that would allow the creation of the unified Gulf Central Bank; a workshop which has focused on the analytical and operational abilities, as well as the recommendations that need to be made regarding legislation, that are required for the eventual unification of the GCC currencies.

Dr. Hussain Ali Al Abdullah
Chairman and Managing Director