





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



His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Father Amir

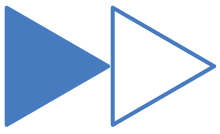


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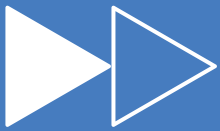


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Financial Highlights

2020 Total Assets
QAR 47,555 million

2020 Net Profit
QAR 680,06 million

| QAR '000s | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------------------|------------|------------|------------|------------|------------|------------|
| Net Profit | 680,060 | 675,233 | 665,566 | 639,712 | 631,748 | 647,720 |
| Total Assets | 47,555,265 | 43,914,880 | 40,402,892 | 39,883,400 | 38,165,210 | 32,298,955 |
| Total Loans | 33,512,690 | 31,591,106 | 27,515,381 | 28,936,299 | 26,861,405 | 24,044,609 |
| Total Liabilities | 41,280,198 | 37,956,168 | 34,902,261 | 34,589,556 | 33,305,011 | 27,758,600 |
| Shareholders' Equity | 6,275,067 | 5,958,712 | 5,500,631 | 5,293,844 | 4,860,199 | 4,540,355 |
| Return on Average Assets | 1.50% | 1.66% | 1.73% | 1.70% | 1.84% | 2.06% |
| Return on Average Equity | 11.33% | 11.85% | 12.61% | 12.63% | 13.61% | 15.06% |
| Cost to Income Ratio | 25.63% | 27.37% | 28.10% | 30.57% | 30.69% | 29.02% |
| Capital Adequacy Ratio | 17.70% | 18.01% | 18.24% | 16.94% | 15.62% | 16.25% |

Credit Ratings

Fitch Ratings 2020

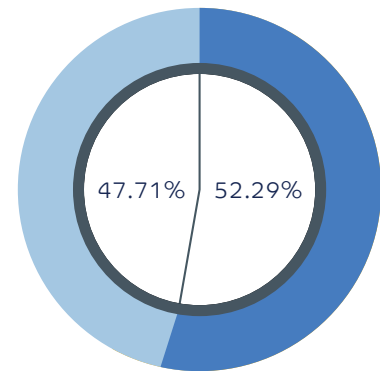
| | |
|--|------|
| Long-Term Issuer Default Rating (IDR) | A |
| Short-Term Issuer Default Rating (IDR) | F1 |
| Support Rating | 1 |
| Bank Viability Rating | BBB- |

Moody's 2020

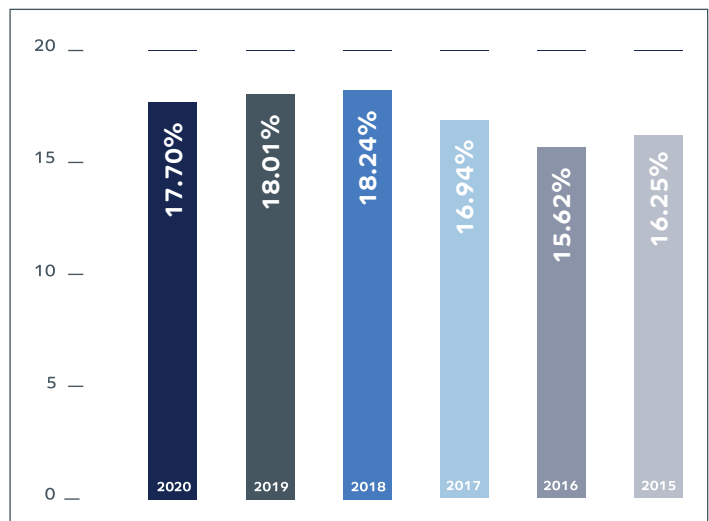
| | |
|--|--------|
| Long-Term Issuer Default Rating (IDR) | A2 |
| Short-Term Issuer Default Rating (IDR) | Prim-1 |
| Baseline Credit Assessment | baa3 |

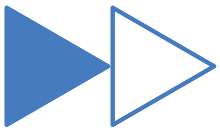
Shareholding Structure 2020

- Qatari firms, individuals and others
- Qatar Investment Authority directly and through subsidiaries



Capital Adequacy Ratio





Board of Directors' Report



Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present Ahlibank's Annual Report for the year ended 31 December 2020.

The Bank continued to implement its strategy to achieve stable financial performance, which is reflected in the results of the fiscal year 2020, despite the fact that 2020 was a year filled with difficulties and challenges.

I am also pleased to announce positive results for our Bank for the year 2020. Net profit reached QAR 680.06 million, compared to QAR 675.23 million in 2019. Loans and advances grew by 6.1% compared to December 2019, reaching QAR 33.513 million. Investments decreased by 5.9% compared to December 2019, reaching QAR 7.074 million, while the Total Capital Adequacy Ratio in December 2020 achieved a healthy rate of 17.7%, reflecting the Bank's strong financial position.

As a result of our steady performance in 2020, and taking into consideration the preservation of shareholders' rights, the stability of the Bank's financial position, liquidity expectations and the balance sheet, the Board of Directors proposed a cash dividend of 15% (QAR 0.15 per share) for the year 2020.

Within the framework of implementing the Bank's strategy of improving stable financing, Ahlibank successfully completed the fourth bond issuance for \$500 million under its US\$ 2.0 Billion EMTN Programme in the International Debt Capital markets, at a fixed rate of 1.875%, which reflects the confidence of international investors in the State of Qatar and Qatari financial institutions.

It is my pleasure to announce that Moody's has affirmed

Ahlibank's Credit Rating at A2/P1, as a further testimony to the Bank's performance. Fitch Ratings has also affirmed Ahlibank's Long Term Issuer Default Rating (IDR) at 'A'.

Additionally, the Bank has continued to develop its business at various levels and adopt innovative technology to provide distinctive services to customers. The online and mobile banking services systems have been updated and the Bank has also launched its social media platforms, ensuring it is always at the heart of the community.

Qatarization was also a priority for the Bank. We are continually working to increase the percentage of Qatari employees and attract Qatari cadres.

The Banks' success is derived from the competence and dedication of our people, the loyalty and trust of our customers and the unwavering support of our shareholders, who are the foundations for our success.

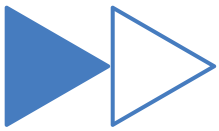
Emanating from the Board's firm belief that proper Corporate Governance is fundamental to ensuring proper management and control of the Bank in the interest of all stakeholders, the Board took the necessary actions to ensure that the Bank is compliant with applicable Governances Regulations as well as disclosure and financial

reporting requirements of Qatar Stock Exchange. I would like to thank the Board of Directors, the Bank's management team and employees for their efforts, enabling the results achieved during 2020.

On behalf of the Board of Directors, I extend our sincere appreciation and gratitude to His Highness Sheikh Tamim Bin Hamad Al-Thani, the Amir for his wise leadership, may God protect him, and to His Excellency the Prime Minister and Minister of Interior Sheikh Khalid Bin Khalifa Bin Abdulaziz Al-Thani and His Excellency the Minister of Finance and His Excellency the Minister of Commerce and Industry for their guidance and support. We also extend appreciation to His Excellency Sheikh Abdulla Bin Saoud Al-Thani, the Governor of Qatar Central Bank, and his deputy, Sheikh Mohammed Bin Hamad Bin Qassim Al-Abdullah Al-Thani, and all the Qatar Central Bank staff for their dedication to the Banking community.

In conclusion, I ask God Almighty to help us along our journey as we move forward to achieve even greater prosperity and success, contributing to our community and the vision of our beloved country.

Faisal Bin Abdulaziz Bin Jassim Al-Thani
Chairman and Managing Director



Board of Directors



Sheikh Faisal Bin AbdulAziz Bin Jassem Al-Thani

He has been serving on the Board of Ahlibank since 2005, and as Chairman of the Board since 2011. He is a holder of a Bachelor of Finance degree, from Suffolk University, Boston, United States of America.

Position and Ownership of Shares as at December 31, 2020

Chairman & Managing Director, and he owns (25,725,840) shares

Election/Appointment: 2020
End of Tenure: 2022
Status: Non-Executive



Sheikh Jassem bin Mohammed Bin Hamad Al-Thani

He has been serving as a member of the Board of Directors of Ahlibank since 2014. He has been Deputy Chairman of the Board since 26/08/2020, and a member of the Board of Directors of the Mohammed Bin Hamad Holding Company (Qatar). He holds a Bachelor's degree in Business Administration from the University of Plymouth, London, United Kingdom.

Position and Ownership of Shares as at December 31, 2020

Deputy Chairman of the Board of Directors. He represents Trans Orient Establishments that owns (25,725,777 shares). He owns (25,782,873) shares.

Election/Appointment: 2020
End of Tenure: 2022
Status: Non-Executive



Sheikh Nasser Bin Ali Bin Saud Al-Thani

He has been serving on the Board of Ahlibank since 1997, and has been the Deputy Chairman from 2013 until 31/05/2020. He resigned from his position as a board member on 31/05/2020 and was reappointed as an independent member on 29/07/2020 after obtaining the approval of the Qatar Central Bank. He is also a Board Member of Trust Bank (Algeria), Trust Insurance Company (Algeria), Trust Insurance Company (Libya), Trust Investment, Oman Reinsurance, Jordanian Expatriates Investment Holding, World Trade Centre (Qatar), Al-Sari Trading Company (Qatar). He holds a Bachelor's Degree in Business Administration.

Position and Ownership of Shares as at December 31, 2020

Member of the Board of Directors; he owned (25,940,292 shares) on the date of his resignation.

Election/Appointment: 2020
End of Tenure: 2022
Status: Executive



Sheikh Fahad Bin Falah Bin Jassem Al-Thani

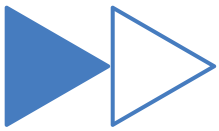
He has been serving on the Board of Ahlibank since 2015. He holds a Bachelor of Finance degree from George Washington University, United States of America.

Position and Ownership of Shares as at December 31, 2020

Board Member and he did not personally own any shares.

He represents Al Maha Capital, which owns (47,549,859) shares

Election/Appointment: 2020
End of Tenure: 2022
Status: Independent-Non-Executive



Board of Directors



Sheikh Salman Bin Hassan Al-Thani

He has been serving on the Board of Ahlibank since May 2017. He is currently the Chief Financial Officer at Qatar Foundation, overseeing the finance, strategy and risk functions. He holds a Bachelor's Degree in Banking and Financial Studies from Qatar University.

Position and Ownership of Shares as at December 31, 2020

Board Member and he does not personally own any shares. He represents Qatar Investment Authority that owns (1,159,092,930) shares as at December 2020.

Election/Appointment: He was appointed by Qatar Investment Authority in March 2017. End of Tenure: Tenure ends upon a written notification from Qatar Investment Authority. Status: Non-Executive



Mr. Nasser Abdullatif Al-Abdullah¹

He has been serving on the Board of Ahlibank since May 2020. He is currently the Senior Associate, Fixed income-Liquid Security, and Qatar Investment Authority.

Position and Ownership of Shares as at December 31, 2020

Board Member and he does not personally own any shares. He represents Qatar Investment Authority that owns (1,159,092,930) shares as at December 2020.

Election/Appointment: He was appointed by Qatar Investment Authority in March 2020. End of Tenure: Tenure ends upon a written notification from Qatar Investment Authority. Status: Non-Executive

¹ Mr. Nasser Al-Abdullah was appointed to replace Sheikh Faisal bin Thani Al Thani by virtue of the letter of the QIA, dated 03/05/2020



Mr. Victor Nazeem Reda Agha

He has been serving on the Board of Ahlibank since 2005. He is currently the General Director of Al-Sadd Travel Agency (Qatar) and Al-Sadd Exchange Company (Qatar). He is a Board Member of Doha Insurance Company and Al-Majda Real Estate Investment Company.

Position and Ownership of Shares as at December 31, 2020

Board Member, and he does not personally own any shares. He represents Al-Majda Real Estate Investment Company, which owns (26,741,137) shares.

Election/Appointment: 2020
End of Tenure: 2022
Status: Independent – Executive



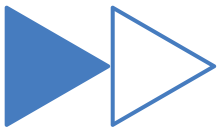
Mr. Ahmed Abdulrahman Nasser Fakhro

He has been serving on the Board of Ahlibank since 1995. He is a Board Member of Qatar Cinema and Film Distribution Company (Doha).

Position and Ownership of Shares as at December 31, 2020

Board Member and he owns (72,787,701) shares.

Election/Appointment: 2020
End of Tenure: 2022
Status: Executive



Chief Executive Officer's Statement

It is our honor to present to you the Ahlibank annual report for the year ending on December 31, 2020. Despite the various challenges and exceptional circumstances that took place in 2020 due to the

negative repercussion caused by the Coronavirus COVID-19 pandemic that impacted the world's economic and financial conditions, Ahlibank, adopted necessary precautionary measures to reduce the risks

arising from the pandemic, be it from the perspective of the Bank's customers, or the health and safety of its employees.

The Bank demonstrated excellence in the financial and banking services provided to customers, by applying well studied strategies on all levels. The Bank also displayed a steady performance during the year, in addition to a clear development in technology, especially in the digital arena.

Our strength and resilience succeeded after being put to the test during 2020, despite not reaching our target growth. This would not have been achieved without the



diligence of its strategic pillars, which have been established over the past years, especially as they are considered one of the Bank's most competitive advantages. Even during the lockdown, and the transition to remote working, the Bank's spread of operations in various regions of Qatar through multiple branches and the wide network of ATMs contributed to continuing to provide services to our customers without interruption.

Due to the invested efforts, the Bank continued to achieve many important accomplishments and improved financial performance with a net profit of QR 680.1 million in 2020 compared to QR 675.2 million in 2019. Ahlibank continued to implement its strategy while achieving important milestones such as improvement in financial performance, an increase in the Bank's business, in addition to the successful completion of the fourth bond issuance for US\$ 500 Million under its US\$ 2.0 Billion EMTN Programme in the international debt capital markets. This demonstrates a continued vote of confidence from international investors in both Qatar and Ahlibank.

The Return on Average Assets (ROAA) and Return on Average Equity (ROAE) stood at 1.5% and 11.3% respectively, despite an increase in balance sheet size and the shareholder

equity base. The total capital adequacy ratio in December 2020 reached a good rate of 17.7% reflecting the strong financial position of the Bank.

In 2020, total assets increased from QR 43,915 million to QR 47,555 million recording a 8.3% growth compared to the same period in December 2019. Loans and advances increased from QR 31, 591 million to QR 33,513 million, recording a 6.1% growth compared to December 2019. Net Interest Income for the full year increased by 18% year-on-year.

In addition, Ahlibank continued to adopt a conservative policy of loan loss provisions by increasing the net provision charge from QR 131.97 million in 2019 to QR 247.64 million for 2020. The additional provisions were taken as a precautionary measure to meet the COVID-19 and economic challenges.

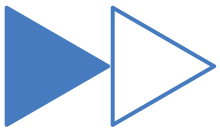
In 2020, Al Rabeh Savings Programme was launched with a new prize structure, in which the grand prize value reaches QR 2,022,000. This highlights the importance of instilling and promoting a culture of savings amongst citizens in general and residents, especially since the customers' chances of winning rises with the increase in their deposits, continuity, and retention period, giving them the opportunity to make a major change in their lives and fulfill their future dreams.

This year, Ahlibank has also been keen on improving the development of Fraud alert systems for suspicious transfers or transactions and upgrading cybersecurity and governance systems, with the aim of protecting our customers' information and data as well as combating fraud and forgery.

Alongside the various achievements that Ahlibank has earned was the "Best Bank for Treasury Services Qatar 2020", awarded by the Global Banking and Finance Review. Ahlibank continues to enjoy higher Credit Ratings A2/from Moodys. Fitch Ratings has also affirmed Ahlibank's Long Term Issuer Default Rating (IDR) at 'A'.

In conclusion, I want to extend my sincere gratitude and appreciation to the Board of Directors of Ahlibank and the members of the Executive Committee for their constant guidance and support. I also want to direct my appreciation to our employees for their tireless efforts, and constant pursuit of the Bank's strategic goals in parallel to overcoming the significant challenges and their contribution to this outstanding performance for the year 2020. I would also like to thank our customers and shareholders for their exceptional loyalty and confidence in Ahlibank.

Hassan Ahmed AlEfrangi
Chief Executive Officer



Retail & Private Banking



“Ahlibank launched a renovated state-of-the-art Online and Mobile banking platform featuring a new look and feel with an easy-to-use interface providing our customers with a more personal, customised and secure way of banking.”

Ahmed Shehata

Acting DCEO - Retail & Private Banking

There is no denying that 2020 has been a challenging year due to the negative effects that arose from the spread of the Coronavirus pandemic (Covid-19). However, the steadfast performance of the personal banking of Ahlibank and its resilience to the various obstacles, are yet another evidence of the competence of our employees and the strength of our strategy, which

the Bank has adopted over the past years. In addition to the quality of our services, offers and products, which have continuously been the close link that reinforces the good relationship we have with our customers. This contributed to a large recovery in sales volume across our products, especially in the fourth quarter, where acquisition rates exceeded expectations against the background of the Corona pandemic (Covid- 19).

While the Bank insurance fee income book grew by 11%, various Life and Investment insurance solutions were offered to its retail, premium, and private customers through MetLife partner. The distribution strategy depends primarily on the branches’ team and cross-sell to the bank’s customers. The effort of attaining every achievement was driven by our highly motivated staff who was in return, rewarded, for the unbridled enthusiasm and dedication shown.

Ahlibank did not remain idle in the face of widespread jobs, income losses, and the great pressure that has come to threaten its customers due to the Coronavirus pandemic (Covid-19).

Rather, it has been a forerunner in supporting SMEs through Qatar’s national development strategy. Once the crisis had been identified, a series of immediate actions had been implemented to help customers manage their finances and business. Those additional measures included interest-free credit card payment plans, abolition of transfer fees, minimum-balance exemptions for SME customers and more. Other specific services were also designed to assist customers with managing their finances and businesses, and loan instalment holidays. Alongside interest-free credit card instalment payment plans, removed Remittance charges, and account minimum balance waivers for SME customers, among others.



Retail & Private Banking

Ahlibank has also been keen to adapt its services to the new restrictions and quarantine procedures adopted, especially after the changing behavior of customers and their inclination towards other solutions for the completion of their bank transactions. This precipitated the Bank's launch of a renovated state-of-the-art Online and Mobile banking platform. This service offers a very sophisticated and flexible platform that features a new look and feel with an easy-to-use interface providing our customers with a more personal, customised and secure way of banking.

In addition, the Bank also seeks to strengthen its presence through various social media channels, (Facebook, Instagram and LinkedIn) in order to ensure continuity of communication with its customers.

Moreover, the period post the spread of the Coronavirus (Covid-19) pandemic, witnessed the Bank's reliance on only 20% of its total employees in the various branches to adhere to social distancing. Ahlibank has sought to expand the number of ATMs to 85 in 2021; as currently, 72 have been implemented in various major

locations in Qatar. These ATMs carry out all banking transactions such as: Cash withdrawals, Cash & Cheque deposits, Bill Payments, Transfers and generate or change PINs for their cards through our ATM network, with a vision of providing the highest levels of service, as well as new and secure payment solutions that provide greater convenience to the Bank's customers.

The Bank had decided to postpone all retail loan premiums without imposing any deferral charges for two months, during 2020 (March and April premiums), thereby reassuring many customers, especially those affected by the global health crisis. Ahlibank also offered financing facilities to purchase shares in QLM Life and Medical Insurance IPO.

The year 2020 was also marked by the launch of the "Al Rabeah" program with its new award structure, which is the oldest and most popular program in the State of Qatar. This program has always emphasized the importance of inculcating and encouraging a culture of savings among citizens in general. In addition to its customers in particular, especially since the chances of customers profits increase

with their deposits and the increase of the retention period, which in turn lead to a major difference in their lives and help them achieve their personal and family dreams.

Ahlibank and Visa International signed an exclusive five-year strategic partnership to support Qatar's growing digital payments sector, in 2020. This collaboration would contribute to the introduction of a range of card-based payment products, as well as the development of advanced technical solutions to improve the payment experience of the Bank's customers. The partnership will also provide global-level solutions to its growing customer base to enrich their experience.

On another front, Ahlibank launched the "Visa Infinite" credit card, which offers holders a new lifestyle tailored to their special needs and exceptional benefits. The launch of this prestige card comes within the interest in the customer and in rewarding the latter. It also continues the creation of a variety of banking services and products that meet the expectations of customers in accordance with their status and privacy and therefore strengthening the Bank's position in the Qatari market.

Adding to that, to reinforce the usage of the Visa Credit card, Ahlibank celebrated Qatar National Day when they launched the Credit Card Usage that initiated giving Visa credit cardholders up to 10% cashback upon usage.

The bank`s credit card acquisition strategy is mainly to acquire high income customers including cross selling to Premium and Private banking customers, introduction of segment specific credit cards, welcome package, smart STIP on visa credit cards and travel package as well as new partnerships for affinity credit cards.

Partnering with Tawfeeq Travel, one of the largest leading travel and tourism agencies in the State of Qatar, provided advice and travel experiences summary. Under this cooperation, Ahlibank card holders are able to replace Pearl points with tickets via many airline companies of their own choice through the branches of Tawfeeq Travel.

In the same year, Ahlibank concluded a partnership agreement with Al Meera company, whereby the Bank`s credit card holders will be able

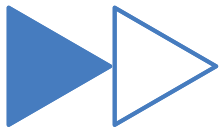
to exchange Pearl Rewards points for Meera Rewards points in its the loyalty program.

To provide customers with a wider choice, Ahlibank partnered up with several fashion, F&B and lifestyle retail stores. Customers were able to exchange their Pearl Points for reward vouchers from global outlets such as: Virgin Mega Store, Massimo Dutti, Boggi, Zara Home, Oculis in addition to Paul Café, Eataly and many other retail stores.

2020 was a year of accomplishments for Ahlibank`s Private Banking. Ahlibank continued offering the best products and services when it came to its Private Banking customers` financial requirements. We used new technologies and communication tools to better serve our clients in order to assure a safe and healthy environment while maintaining and strengthening this relationship. Despite 2020 being a challenging year globally and locally, Private Banking continued to perform well, making 2020 one of the most profitable year.

Outlook

A banking experience worthy of our customers is at the center of our interest. We provide them with innovative products and rely on sophisticated electronic channels and digital platforms that allow us to meet all their requirements. We also strive to develop the competencies of our employees, operations, products and techniques. We are focused on building our goals on strong foundations and providing diverse portfolios and distinct solutions based on the needs and goals of our customers. Looking ahead, we will continue to develop operational processes and offer a wide range of retail products to enable our customers to diversify their portfolios. Digital acquisitions, improved customer experience and the development of our employee abilities will form the basis of the 2021 Retail Banking Capacity Enhancement Plan.



Wholesale Banking



“The Bank has continued to finance contractors working on government projects, so that we can contribute to writing a new chapter that will make Qatar’s history shine.”

Ahmad M. Noun

Deputy CEO - Wholesale Banking

During 2020, Ahlibank maintained its strong performance against the backdrop of the economic challenges and fluctuations caused by the Covid-19 pandemic; this demonstrated the strength of our close relationship with our clients. Perhaps what reflects this strength most, is the Ahlibank liquidity support and continued commitment to its corporate clients.

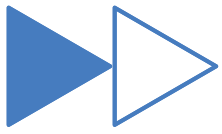
Ahlibank has worked efficiently to address all risks and constraints witnessed in 2020, particularly with the change in customer behaviour and the decline in the performance of most economic sectors, by adopting new and innovative solutions and strategies tailored to the domestic market, as well as by designing new models for the application of wholesale banking services, such as those implemented through QCB and QDB, to counter the negative impact of the Covid-19 pandemic to the maximum extent possible.

These measures included: Special loans at subsidized interest rates, deferral of payment of loans to affected sectors, reduction of interest rates on loans to affected sectors, and the implementation of the National Guarantee Programme (via QDB) to respond to the fallout from COVID-19 and support small businesses.

At a time when the hospitality, travel and retail sectors have declined significantly, the contracting sector has continued to operate, especially in the projects that fall within the context of the 2022 World Cup in Qatar. Therefore, the Bank has continued to finance contractors working on government projects, so that we can contribute to writing a new chapter that will make Qatar’s history shine.

Outlook

On the part of our promising outlook for the year 2021, we look forward to further financing various sectors, especially as life returns to normal and the embargo imposed on the State of Qatar is lifted.



International Banking

“The Bank has continued to implement its ambitious strategies, resulting in many significant achievements and an improved financial performance, as well as an increase in the Bank’s business.”

Trevor Bailey

Head of International Banking

The International Banking Department has been, and continues to be, the mirror that reflects the aspirations of Ahlibank to external stakeholders. In 2020, the department proved once again its superiority in maintaining the pace of the Bank's development, thereby enhancing its position and the confidence of international investors in its competencies.

Despite the global health situation and the restrictions imposed by the Corona pandemic (Covid-19), which led to the cancellation of the prominent IMF and Sibos Annual Events and international Roadshows, the Bank was able to conduct a series of international "virtual" meetings with the world's major banking institutions and investors.

As a result of these efforts, the Bank has continued to implement its ambitious strategies, resulting in many significant achievements and an improved financial performance, as well as an increase in the Bank's business and its success in the fourth issue of USD500 million worth of bonds in the global debt bond markets, which is another evidence to the confidence of domestic and global investors in Ahlibank and financial institutions in the State of Qatar.

Ahlibank was able to move forward towards realizing one of its main strategic

objectives, as it set a successful benchmark in the global debt bond markets with the support of the key international relationship banks, namely Barclays Bank, Mizuho Securities, QNB Capital and Standard Chartered Bank. There was a strong demand for bonds by international investors, and this led to good geographical diversity, as European investors garnered (34%), Asian investors (32%), UK investors (24%), and Middle East and North Africa investors (10%). As a result, the Bank was able to complete the process of issuing the fourth tranche of bonds worth USD500 million in the global debt securities markets under the USD 2 Billion Euro Medium Term Note Program (EMTN). The rate of return (coupon) on these bonds reached 1.875% after registering an oversubscription by more than 3 times with orders from over 122 investors from Europe, Asia, the United Kingdom, the Middle East and North Africa, which proves the confidence that global investors place in the State of Qatar and the stable financial position of Ahlibank.

As another example of our performance, Ahlibank continues to maintain excellent enjoy Credit Ratings of A2 and A from Moody's and Fitch, respectively, both with a stable outlook.

In addition, in 2020, Ahlibank has continued to extend the tenor of its committed funding

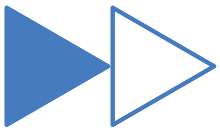
with committed bilateral facilities of USD 50 Million and USD 250 Million being extended until July 2022 and November 2023, respectively.

Moreover, we continued in 2020 to promote our important initiatives "Know Your Customer" (KYC) and Anti-Money Laundering in cooperation with the Compliance Department of the Ahlibank.

Finally, we regularly maintain contact with our well-established international investor base. We also cooperate internally with other departments and work hand in hand to catch up on promising future opportunities in the coming months, in order to continue to support the Bank's growth.

Outlook

Within the framework of international banking, we will endeavor to prioritize the Bank's long-term stable financing requirements with a view to supporting the needs of customers and meeting regulatory responsibilities. This will be done in line with the Bank's main strategic objectives within the "Fortress Balance Sheet Strategy". In return, we will ensure that the bank is in a strong position to overcome the most difficult market conditions that the world is currently facing due to the Coronavirus (Covid-19) pandemic.



Treasury & Investments

“The Treasury Department’s proactive and dynamic liquidity strategy played a vital role in the Bank’s ability to navigate through the unprecedented fallout

of the COVID-19 pandemic, and ensured that we were able to support our customers to the best of our abilities whilst contributing to an outstanding financial performance in 2020.”

Derek Kwok
Head of Treasury & Investments

2020 was truly a remarkable year, with the outbreak of the COVID-19 pandemic drastically changing the social & financial landscape globally. Qatar has not been immune to this crisis, where the Treasury and Investment Department has been at the forefront of Ahli Bank's efforts to respond to this unprecedented challenge.

The Treasury Department's dynamic approach towards cashflow & liquidity management proved critical in enabling the Bank to successfully navigate the unforeseen market turmoil presented by the pandemic. Our long-standing focus on diversifying the liability base helped to minimise concentration risks, and ensured that the Bank was well positioned to respond to the unheralded crisis.

In alignment with government measures aimed at supporting the domestic economy, the department collaborated with internal stakeholders to support the Bank's customers during this difficult period by ensuring availability of adequate funding to support balance sheet expansion.

Treasury successfully leveraged its strong network of international counterparties to bolster our non-resident deposit base, improving the diversity of liquidity sources for short and medium term funding, and our access to competitive market pricing.

The department continued its focus on developing client activity to assist our effort to grow the customer deposit base and fee driven income. Wholesale and Retail Banking successfully broadened their active customer base through our continued efforts to expand the availability of Treasury products and solutions, thereby creating bespoke instruments to match our client's needs.

This helped to create an optimal liquidity environment for the Bank, improving Treasury's interest expense efficiency whilst delivering outstanding growth in FX & other fee income.

Despite the challenges that affected global markets, the Bank's Investment Portfolio of marketable securities proved resilient in delivering a strong result in 2020. Proactive portfolio management and effective utilisation of liquidity saw the portfolio exceed its performance targets to register an exceptional and robust result.

The success of the Treasury and Investment Department in delivering upon its mandate helped the Bank to achieve a strong full year financial performance, while creating new opportunities aimed at realising our future aspirations.

In recognition of our achievements in 2020, the

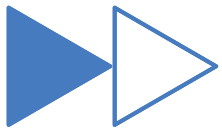
Global Banking and Finance Review awarded Ahli Bank two accolades, being the "Best Bank for Treasury Services - Qatar 2020" and "The Next 100 Global Awards 2020 – Treasury".

Outlook

Strong leadership and proactive measures from the Government & the QCB have ensured the continued strength and resilience of the Qatar economy. The outlook for 2021 appears promising with economic conditions gradually normalising amid the ongoing rollout of the COVID-19 vaccine, & the improving regional geopolitical environment.

The continued commitment to major infrastructure investments as part of the Qatar National Vision 2030 remains a primary focus & economic driver, with the FIFA World Cup Qatar 2022 now less than 2 years away and Qatar's hosting of the XXI Asian Games to be held in 2030.

The Treasury and Investment Department remains focused on achieving its goals and objectives in 2021, and will continue to collaborate with all internal business units and stakeholders to deliver an increased financial performance for our shareholders.



Information Technology

“To get digital transformation projects to succeed, we need to involve staff from all areas of the bank at every stage. When people feel they are part of

the process and have an equal stake in the project they will go the extra mile and take initiatives to overcome the many obstacles in this journey.”

Suresh Kumar
Head of Information
Technology



The unprecedented pandemic outbreak in 2020 raised many new challenges in the way the bank needed to operate. The IT department was integral to ABQ taskforce response strategy to enable the majority of the bank staff to continue to work remotely without adversely affecting the quality of services provided to our customers.

When called upon the IT department put together an effective, efficient and secure strategy for all critical bank department staff to work remotely. This encompassed putting in place a new secure remote access solution, procuring laptops and swiftly training users to get on-board on this new platform. Concurrently, relevant changes were made to the existing loans structure and a new Covid product was launched in compliance with central bank directives. In summary although the pandemic contributed to new challenges that affected the banks daily operations and project implementation, the IT team was able to contribute in a timely manner and put in place effective technology solutions and relevant controls to overcome them.

In addition, one of ABQ IT department's top priority during the challenging times was focusing on its digital transformation program initiatives and enhancing the

core system resiliency. In line with the digital transformation program, the bank strived to provide best of class digital banking experience to our customers. We proceeded with our strategy to become the digital banking partner of choice by putting in place a roadmap to rollout multiple digital products that provide fast, easy and safe banking experience to our customers. In line with this roadmap, many key projects were initiated, including an upgrade of the existing Retail Online and Mobile Banking platform, launch of the new AhliPay Mobile Wallet and the upgrade of our Card systems.

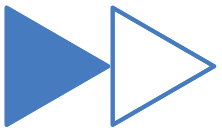
Many of these initiatives were strategically selected, as they will lay the foundations for the bank to provide more diverse products in the future including Prepaid cards, Tokenization and enhanced integration to other systems. One of the significant achievement's on this front was the successful launch our new Retail Online and Mobile banking system in December 2020, which has significantly enriched the quality of services provided to our customers.

The bank has also made significant advancements on the IT infrastructure area, by strategically moving from physical to virtualized environments. This in tandem with other initiatives including adoption of the

latest infrastructure and consolidation of databases have significantly improved the stability, performance and security of the IT environment. Prudently, the IT team have also redesigned the network architecture to use both the primary Telco service providers (Ooredoo and Vodafone) for our ATM connectivity to ensure better diversity and competitive costing.

Outlook

As we progress to the next phase of our digital transformation roadmap, the team will look to redesign the current business processes with a view of improving efficiency, reducing cost and increasing the quality of customer service. To achieve this ABQ IT department will work with relevant stakeholders and leverage new technologies including Business Process Management (BPM), Document Management, Smart Digital Branch and legacy systems to create automated and digitized workflows. We envision that the business will be able to harness the competitive advantage brought about by these new solutions to build strategic capabilities and further enhance the banks position in the local market.



Human Resources



“During the pandemic, Ahlibank fulfilled its promise to supporting the community, both as a bank and as an employer, and nurtured a flexible environment for employees and customers alike.”

Saad Al Kaabi

Head of Human Resources

During the unprecedented circumstances of covid-19, our utmost focus was the safety and welfare of our human capital while complying with Qatar State’s precautionary measures. Having reliable technologies and strong business continuity measures, helped us not only recover, but also transform to cope with the new norm.

In 2020 and despite Covid-19 outbreak ramifications, we continued to attract Qatari talent and provided them with needed development through mentoring and online training. We also took an active part in ‘Kawader’ platform, the national recruitment platform managed by Ministry of Administrative Development, Labour & Social Affairs and we were successful in hiring nationals through it.

The annual Ahlibank Long Service Award Ceremony recognised the commitment and loyalty of 60 long-serving

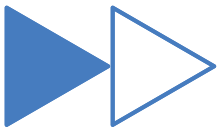
employees in 2020 who were awarded by the CEO, Mr. Hassan AlEfrangi, for completing 5, 10, 15, 20 and 25 years of service in the Bank.

Outlook

As an organisation, the pandemic crisis has affirmed that we have incredibly loyal, hardworking and dedicated workforce. We also learnt how to blend to remote working to overcome the new challenges. The precautionary measures to safeguard our workforce from the Covid-19 crisis have been very vital. Going forward, it will be critical to continue our support to the most vulnerable employees in a way that helps them continue their job.

We should remember what scientist Albert Einstein once said “Learn from yesterday, live for today, and hope for tomorrow.”

“As an organisation, the pandemic crisis has affirmed that we have incredibly loyal, hardworking and dedicated workforce.”



Corporate Social Responsibility



At the Heart of the Community.

Ahlibank is a key component of Qatari society and is committed to social responsibility towards this community. Pursuant to this approach, and in accordance with the general policy of the QCB and the QFMA Governance Code as per Article 39 thereof, the Bank has been active in contributing to the wellbeing and welfare of society and people and in preserving natural resources and the environment.

Affirming its role in social responsibility, the Bank has again donated to Qatar Society for Rehabilitation of Special Needs for Ramadan related initiatives.

As part of Breast Cancer Awareness Month, the Bank has launched a campaign to raise awareness of the disease, its causes, prevention, diagnosis, and treatment in collaboration with the Qatar Cancer Society (QCS).

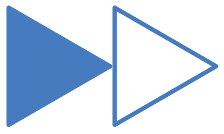
Recognising the importance of sports in Qatari society, the Bank organised sports activities involving its employees and their families to promote a culture of sports and healthy life as part of the Qatar National Sports Day. The Bank has also supported the Al-Markhya Club.

During 2020, the Bank continued its mission to support key areas contributing to raising public awareness, while offering personal and financial support.

The Bank organised a Blood Donation campaign in partnership with Hamad Medical Corporation, to help support the Blood Bank in Qatar and raise awareness about the importance of donating blood.

In recognition of the efforts of our employees until 31 December 2020, the Bank honoured 60 employees for their years of service at the Bank, where it held a celebration in honour of

employees who had long served the Bank, their commitment and their personal contribution to the Bank's success.



Risk Management



“Risk Management’s role is to recognize, analyze, anticipate, and mitigate the Systematic and Specific Risks that affect the financial market. The role of Risk Management is consistently evolving to cope with the changes in the risk business model. At Ahlibank we are committed to adopt best practices to ensure that we are moving forward, which depicts the Bank’s perseverance to always move forward and overcome challenges that may arise along the way, with the spirit of resilience.”

Kareem M. Salem
Acting Chief Risk Officer

The year 2020 was economically challenging year, locally and globally due to the epidemic saturation, we in Risk Management are involved in the identification, analysis, evaluation, acceptance, measurement, control, and management of all financial and non-financial risks that could have a negative impact on the Bank’s performance and reputation. The major risks associated with Ahlibank’s business were identified to be credit and market risks, which include foreign exchange risk, interest rate risk, equity price risk, liquidity risk, operational risk, and IT Security Risk.

Ahlibank’s risk management policies have been developed to:

- Ensure adherence to regulation
- Identify and analyse these risks
- Set appropriate risk limits and controls
- Identify different approval levels
- Monitor the risks and adherence to limits

The risk management function is not responsible for the complete elimination of risks that are typically embedded in any banking business. Its primary objective is to anticipate risks through set procedures and measures, and to minimise the impact of

the Bank’s exposure to them. Where the Bank seeks to earn competitive returns above a degree of assumed risk, the risk management function reviews the Bank’s risk profile and appetite, and financially evaluates the risk for its potential impact on the Bank’s income and asset value, taking into consideration changes in the political, economic, and market conditions. The risk management function relies on the competence, experience, and dedication of its professional staff, risk management best practices, sound policies and procedures and an ongoing investment in technology and training.

The Board of Directors and Executive Management Team are involved in the establishment of all the risk processes, and the periodic oversight and guidance of the risk management function. The Board of Directors reviews and approves, at least annually, the Bank’s key risk management policies, including the Bank’s risk appetite. The risk management processes are subject to additional scrutiny by independent internal and external auditors and the Bank’s regulators, with periodic reporting to the Risk and Compliance Committee; all of which help to further strengthen the risk management best practices.

Risk Management

The risk management control process at Ahlibank is based on detailed policies and procedures that encompass:

- Business line accountability for all risks taken, whereby each business line is responsible for developing a plan that includes adequate risk/return parameters as well as risk acceptance criteria.
- A credit risk function that entails risk identification, measurement, monitoring, follow-up, and control of each credit relationship. This ensures that the correct approval authorisations are obtained and a uniform risk management standard, including risk ratings, is followed and correctly assigned to each credit relationship and product. It also makes certain that all standards are in line with business policies, which are clearly understood, monitored, and are in agreement with the overall credit policy and the Board approved risk framework.
- The ongoing assessment of portfolio credit risk and approval parameters of new products, leads to an integrated limit

structure that permits management to control exposures and monitors the assumption of risk against predetermined approved tolerances. The Board of Directors establishes comprehensive limits for each major type of risk which are then sub-allocated to individual lines of business and to business units.

The highlights of developments in the major risk areas with respect to the business, namely, credit, market, operational, IT Security, and Anti-Fraud risks are as follows:

Credit Risk

Credit risk is that of potential financial loss due to failure of a counter-party to perform according to agreed terms. This arises principally from corporate, retail, and private banking lending, trade finance, treasury, and investment activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure broad diversification and the mitigation of credit risk whereby potential risk concentrations by country, product, industry, and risk

grade are regularly reviewed to avoid excessive exposure and to ensure broad diversification.

Credit risk is actively managed by a rigorous process from initiation to approval and disbursement with all day-to-day management activities conducted in accordance with the Bank's well-defined Credit Policy (CP), and ensuring strict compliance with the regulations of the Qatar Central Bank (QCB).

The Risk Management Department, in active collaboration with the business lines, sets, reviews and modifies risk parameters to control the overall risk profile of the portfolio. Negative trends in portfolio quality are measured and immediately addressed by reviewing and modifying the risk acceptance criteria or adjusting the risk structures.

The portfolio is actively monitored through a series of focused risk reports as defined in the CP. These reports track a series of credit problem indicators and monitor compliance with the borrower's credit and collateral conditions. In 2020, the aggregate amount of non-performing loans and advances to amounted

to QAR 852.17 million, which represents 2.48 % of total loans and advances to customers (2019: QAR 693.48 million, 2.16% of total loans and advances to customers).

The risk management activity is supervised at executive level by the Credit Committee. This Committee is responsible for:

- Approval of credit policy and procedures.
- Approval of credit strategies and risk approval criteria for retail products.
- Credit approval for corporate credit granting, increasing and renewing. (Within its authority, it can delegate approval authority to risk and the Head of Business Units)
- Approval of annual renewal of country limits.
- Recommending to the Executive Committee risk policies and credit approvals outside of its authority.
- Determining credit pricing and security guidelines.
- Monitoring the portfolio risk profile of the Bank, and recommending measures to address any negative trend.
- Reviewing the Expected Credit Losses (ECL) calculation results on a

monthly basis and approve quarterly reports prior to submission to the regulator.

- Reviewing and approve the amendments related to the IFRS9 requirements, including the migration of accounts to different stages.
- Ensuring the adequacy of impaired assets provisions under the Special Assets Committee.

Ahlibank's Risk Management Department is responsible for the establishment of a comprehensive credit risk culture within the Bank's various lines of business. Through constant interaction with the business units and training of staff on credit risk techniques, it is pleasing to see that across the Bank's business lines the level of understanding of credit risk and overall risk awareness has substantially increased over the years.

The Risk Management Department is supporting the enhancement and development of a series of tools and techniques, such as rating models and scorecards. These tools support credit risk measurement and portfolio management. Regular stress testing and ICAAP reports are

performed in compliance with QCB guidelines. The Bank's credit risk exposure is also closely monitored with the aim of detecting any early-warning signals in order to take timely corrective action.

Market and Liquidity Risk

Market Risk

Market risk is defined as the current and prospective risk to earnings and capital arising from adverse movements in market parameters, such as foreign exchange rates, interest rates and commodity prices. Ahlibank does not engage in speculations transaction, nor is the Bank engaged in complex derivative for trading activities and accordingly it has a limited appetite for proprietary trading. Consequently, market risk exposures of the Bank is primarily related to interest rate risk in the banking book and exchange rate risks that generally arise as a result of the Bank's day-to-day business activities and client facilitation activities. In order to measure and manage these risks, the Bank uses various risk metrics such as notional limits for investments/exposures, Net Open Currency Position (NOCP), Value-at-Risk (VaR), Earning at Risk (EaR), Duration

Risk Management

of Equity (DoE)/Economic Value of Equity (EVE), trigger levels for stop loss and etc. The limits for these market risk indicators are set at very conservative levels to reflect the limited risk appetite of the Bank for these types of risks.

Liquidity Risk

Liquidity risk is the risk that the Bank may not be able to generate sufficient cash flow at a reasonable price to meet its expected and or unexpected claims. The Bank's liquidity risk management priority is to be able to meet (even under adverse conditions) all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at a reasonable cost.

The Bank uses various tools for measurement and monitoring of liquidity risk such as the structural liquidity gap position, dynamic cash flow position, liquidity ratios and stress testing through scenario analysis. The Bank also has developed a Liquidity Contingency Plan (LCP) which outlines the overall approach and actions the

Bank would undertake to manage its liquidity position during stressed conditions. Various indicators for LCP are monitored on a daily basis.

Operational Risk

Operational risk refers to losses resulting from the inadequacy or failure of internal processes and systems or the materialisation of adverse external events. The Bank maintains an efficient operational risk management framework to measure, monitor and mitigate operational risks. The Bank performs Operational Risk Self-Assessments (ORSA) every 2 years for all main processes with the aim of identifying and subsequently finding mitigants for the possible new risks. Operational incidents incurring in the course of business are reported and analysed to identify root causes and define corrective measures to avoid repetition.

For important processes, Key Risk Indicators (KRI) have been defined to monitor performance in line with set objectives. The Operational Risk Committee (ORC) approves ORSAs, monitors KRIs and reviews operational incidents with the aim

of taking, when needed, corrective measures, such as introducing new or modified controls.

The Bank's Business Continuity Plan (BCP), comprises of extensive plans that are designed to minimise business interruption arising from internal and external disruptions, such as natural disasters or power failures. Our BCP is tested periodically in line with QCB requirements. As part of BCP, the Bank has also put in place a Disaster Recovery Plan (DRP) prescribing the recovery process and the restoration of critical computer systems, including the local area network, database servers, internet, intranet, and email in the event of an interruption caused by a disaster. In 2019, the essential functions of the BCP and DRP were successfully tested to establish adequate levels of preparation to face a contingency scenario, thereby, complying with regulatory as well as auditing requirements.

Information Security Risk

Information Security Risk refers to the impacts to an organization affecting its assets that could occur due to the internal or external

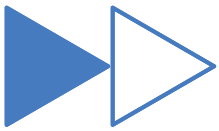
threats and the vulnerabilities associated with the bank operation resulting from the use of information systems and the environments in which those systems operate. The primary goal of Information Security Risk is to analyse the weak-points and provide the required boundaries on the bank systems to mitigating information security-related risk; this is done through the selection, implementation, maintenance, and continuous monitoring of security controls to protect the bank assets from compromise or to limit the damage, should a compromise occur.

Anti-Fraud Risk

By virtue of their nature of business and operating environment banks continue to be exposed to fraud risks; the scale and impact of which continues to grow. The Board of Directors of Ahlibank recognize the significance of protecting the Bank, its people and assets against multiple risks that could arise due to the negative impact of fraud. The Board acknowledges the importance of a robust anti-fraud framework to strengthen the overall governance of the Bank.

The Anti-Fraud Unit, within Risk Management, supports the Bank's management in promoting a work environment with a focus on vigilance, investigating incidents associated with fraud, and strengthening internal controls to prevent and detect fraud.

The Bank aims to continue its business operations supported by a culture influenced by the highest standards of ethics and conduct. The Anti-Fraud Policy, together with the Bank's Code of Ethics and Business Conduct advocates the importance of consistent ethical behavior and business practices.



Corporate Governance

Dear Shareholders,

Greetings,

This Corporate Governance report is based on (i) the Commercial Companies Law No. 11 of 2015, (ii) the Corporate Governance Instructions issued by Qatar Central Bank in circular no. (68/2015) dated 07/26/2015 (“Governance

Instructions”), and (iii) the Corporate Governance Code for Companies and Legal Entities Listed on the Main Market issued by the Qatar Financial Markets Authority Board resolution No. (5) of 2016 (“Governance Code”) collectively referred to as (“Governance Regulations”).

The Bank continued to implement its strategy to achieve stable financial performance, which is reflected in the results of the fiscal year 2020, despite the fact that 2020 was a year filled with difficulties and challenges.

I am also pleased to announce positive results for our Bank for the year 2020. Net profit reached QAR 680.06 million, compared to QAR 675.23 million in 2019. Loans and advances grew by 6.1% compared to December 2019, reaching QAR 33.513 million. Investments decreased by 5.9% compared to December 2019, reaching QAR 7.074 million, while the Total Capital Adequacy Ratio in December 2020 achieved a healthy rate of 17.7%, reflecting the Bank's strong financial position.

As a result of our steady performance in 2020, and taking into consideration the preservation of shareholders' rights, the stability of the Bank's financial position, liquidity expectations and the balance sheet, the Board of Directors proposed a cash dividend of 15% (QAR 0.15 per share) for the year 2020.

Within the framework of implementing the Bank's strategy of improving stable financing, Ahlibank successfully completed the fourth bond issuance for \$500 million under its US\$ 2.0 Billion EMTN Programme in the International Debt Capital markets, at a fixed rate of 1.875%, which reflects the confidence of international investors in the State of Qatar and Qatari financial institutions.

It is my pleasure to announce that Moody's has affirmed

Ahlibank's Credit Rating at A2/P1, as a further testimony to the Bank's performance. Fitch Ratings has also affirmed Ahlibank's Long Term Issuer Default Rating (IDR) at 'A'.

Additionally, the Bank has continued to develop its business at various levels and adopt innovative technology to provide distinctive services to customers. The online and mobile banking services systems have been updated and the Bank has also launched its social media platforms, ensuring it is always at the heart of the community.

Qatarization was also a priority for the Bank. We are continually working to increase the percentage of Qatari employees and attract Qatari cadres.

The Banks' success is derived from the competence and dedication of our people, the loyalty and trust of our customers and the unwavering support of our shareholders, who are the foundations for our success.

Emanating from the Board's firm belief that proper Corporate Governance is fundamental to ensuring proper management and control of the Bank in the interest of all stakeholders, the Board took the necessary actions to ensure that the Bank is compliant with applicable Governances Regulations as well as disclosure and financial

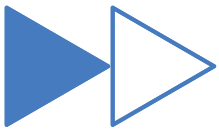
reporting requirements of Qatar Stock Exchange.

I would like to thank the Board of Directors, the Bank's Management Team and employees for their efforts, enabling the results achieved during 2020.

In conclusion, I ask God Almighty to help us along our journey as we move forward to achieve even greater prosperity and success, contributing to our community and the vision of our beloved country.

Faisal Bin Abdulaziz Bin Jassim Al Thani

Chairman and Managing Director



1. Introduction

1.1 This Corporate Governance report is based on (i) the Commercial Companies Law No. 11 of 2015, (ii) the Corporate Governance Instructions issued by Qatar Central Bank in circular no. (68/2015) dated 07/26/2015 (“Governance Instructions”), and (iii) the Corporate Governance Code for Companies and Legal Entities Listed on the Main Market issued by the Qatar Financial Markets Authority Board resolution No. (5) of 2016 (“Governance Code”) collectively referred to as (“Governance Regulations”).

1.2 Corporate Governance comprises the processes and controls which govern the way the Bank is managed, and its activities are reported, including the functioning of its internal controls, having proper policies and procedures in place, having effective management and promoting greater transparency.

1.3 The Board of Directors of Ahlibank QSC (the “Bank”) is committed to applying

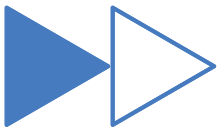
Corporate Governance and to continuously enhancing and improving the Bank’s governance principles and framework in the benefit of the Bank, its stakeholders, including the shareholders, and to ensure that the main principles and purposes of Corporate Governance are in place, and such principles include, without restriction (i) protecting shareholders and maximising their wealth, (ii) increasing awareness and responsibility at the level of the Board, (iii) ensuring equal treatment amongst shareholders, (iv) compliance with the rules of applicable laws and regulations, (v) enhancing transparency and disclosure, and (vi) avoiding any mix between the roles and responsibilities of the Board and Executive Management.

1.4 In order to achieve proper application of Corporate Governance, the Board is committed to applying the Governance Regulations and ensuring continuous application of ethical standards to protect

the rights of shareholders and stakeholders, protecting the interests of minority shareholders, focusing on disclosure of information and ensuring its transparency, as well as setting the roles and responsibilities of the Board of Directors and its committees, and Senior and Executive Management and Management Committees.

1.5 Throughout the year ended 31 December 2020, and to ensure that proper Corporate Governance is applied, the Board exercised effective oversight in promoting high levels of transparency, disclosure, fairness and accountability, applying a clear segregation of roles and responsibilities between the Board of Directors and Executive Management.

1.6 This report was prepared to reflect on the Bank’s application of Governance Regulations as at 31 December 2020 and includes disclosures required under the Governance Regulations.



2. The Board of Directors

2.1 Composition of the Board

A. In accordance with article 26 of the Bank's Articles of Association, the Board shall consist of nine members, out of which, (i) six members are chosen by election for a period of three years, and they were elected for the period 2020-2022, (ii) Qatar Investment Authority ("QIA") appoints two members to represent it on the Board, and (iii), one independent member will be appointed and removed by a decision of the Board of Directors.

B. The positions of the Chairman of the Board and the Chief Executive Officer of the Bank are separated and are not held by the same individual.

C. Members of the Board possess personal qualities such as integrity and good reputation, and hold the proper educational qualifications, experience and skills to professionally and effectively carry out responsibilities and assigned roles, and to provide leadership and oversight in the best interest of the Bank and its shareholders.

2.2 Roles and Responsibilities of the Board

A. The Board shall carry out its duties and responsibilities according to the Board Charter and in light of the provisions of the Law and Governance Rules. A summary of the main roles and responsibilities of the Board is set out below:

I. Provide, develop and re-evaluate the work strategies, objectives and policies, and approve, supervise and review the internal control systems.

II. Approve, evaluate and develop the Bank's organisational structure, and determine the functions, competences, duties and responsibilities of the Executive Management roles.

III. Form committees; set up their work programmes and determine their powers, duties and responsibilities; delegate the powers of decision taking and determine the powers of signature on behalf of the Bank.

IV. Evaluate the current and future risks to which the bank may be exposed; adopt risk policies and ensure compliance with their procedures.

V. Supervise the implementation of and to evaluate and develop the programmes and procedures of work ensuring their adequacy and suitability.

VI. Appoint and supervise the internal control department; ensure its impartiality and independency.

VII. Nominate and contract with an External Auditor with high efficiency and competency, and to determine his fees.

VIII. Review the reports of Executive Management, Internal Audit and External Audit, and approve the interim and final accounts of the Bank.

IX. Verify the validity and credibility of the Financial Statements, final account of the Bank and the results of the Bank's business and uphold the rights of depositors and shareholders.

X. Ensure transparency and openness in disclosing all significant matters that affect the performance of the Bank, the results of the Bank's business, and the obligations and transactions of relevant parties as well as all interrelated interests.

XI. Support and clarify the Corporate Governance values and rules of professional conduct by adopting the policies and rules of Corporate Governance.

XII. Organise the nomination process of Board Members in a transparent manner, and disclose information on the nomination procedures to the shareholders.

XIII. Carry out any duties or responsibilities, which the Board sees as necessary in order to achieve the Bank's objectives.

XIV. Approve the annual plan of training and education in the Bank, which include programs introducing the Bank's activities and governance related matters.

B. In addition to the foregoing, the Board Members shall pay special attention to the following duties:

i. Being actively involved in Board meetings and providing input to Board activities.

ii. Ensure compliance with giving priority to the Bank's interests and its shareholders in matters that may lead to conflict of interests between the Bank and relevant parties.

iii. Assisting and providing opinion on the Bank's strategic and business planning processes and constructively challenging proposals on strategy.

iv. Express independent opinions with respect to

the Bank's strategies and policies, evaluate the Bank's performance, and assess the adequacy and quality of human resources in the Bank as well as the approved labour standards.

v. Observe the Bank's performance in achieving its objectives and goals; review the periodical performance reports and provide skills, experiences, specialisations and qualifications to serve the best interests of the Bank and its shareholders.

vi. Supervise and develop the application of Corporate Governance and its applications within the Bank.

vii. Perform any additional task and responsibility entrusted by the Board/Board Chairman.

C. The Board shall be mainly responsible towards the shareholders, other parties, Qatar Central Bank, Qatar Financial Markets Authority, Qatar Exchange and other official authorities in the State of Qatar.

D. The Board shall hold a minimum of six meetings annually in line with Article 34 of the Bank's Articles of Association. According to Article 35, all Board meetings shall be held upon a notice issued by the Chairman or by his deputy in case of the absence of the Chairman. The Board shall be convened upon a request of two Board Members, at least 15 days prior to the date of the planned meeting. The request shall set out date, time and place of

meeting, while the notice shall provide a brief description for the planned agenda during the meeting. In this respect, the Board convened eight (8) times in 2020.

E. The Board represents all shareholders and is committed to achieving what is in the best interest of the Bank and performing their duties with responsibility, good faith, diligence and care.

F. The Board Members shall have immediate and full access to information, documents and Bank-related records.

G. The General Assembly must be attended by the Board Members, including Chairman of the Board committees, and the invitation is sent to Companies Control Department at the Ministry of Commerce and Industry, Qatar Central Bank, External Auditor, Qatar Financial Markets Authority, Qatar Exchange, and key employees in the Bank, such as Chief Executive Officer, his deputies, Head of Internal Audit and others.

H. The "Board of Directors Charter" is distributed annually to new and existing (or appointed) Board Members with a view to ensuring that they are fully and appropriately aware of both the functioning and the operations of the Bank, as well as their responsibilities.

I. The Board charter is based on the requirements of the Governance Regulations and it is binding to the Board.

J. The Board Charter includes, in general, that the Board members shall have qualifications and adequate knowledge and expertise that enable them to perform their supervisory functions while having the ability to provide professional contributions with regard to strategies, operational activities, risk assessment and management, compliance with laws, executive regulation, accountability, financial reports and communications. The Board Members shall devote enough time to perform their responsibilities towards the Bank.

K. The Board members have unrestricted access to the board manual, which includes the Bank's Articles of Association, Governance Instructions, Governance Code, relevant policies and rules.

L. Every Board Member shall perform duties with due diligence and loyalty and shall comply with institutional authority as defined in the relevant laws and regulations, including the Corporate Governance Code issued by the Qatar Financial Markets Authority and the Board of Directors Manual.

M. All Board Members shall always work on the basis of clear information and with good faith and the diligence required for serving the best interests of the Bank and all its shareholders.

N. All Board Members shall work effectively to comply with their responsibilities towards the Bank.

O. The Bank's Articles of Association include clear measures to dismiss the Board Members in case of absence from the Board meetings.

Article 33 of the Bank's Articles of Association stipulates that, "If a Board Member is absent from three consecutive meetings of the Board or four non-consecutive meetings without an excuse accepted by the Board, such a Board Member shall be deemed resigned".

2.3 Board Members

A. The current Board consists of the following members:

Sheikh Faisal Bin AbdulAziz Bin Jassem Al-Thani

He has been serving on the Board of Ahlibank since 2005, and as Chairman of the Board since 2011. He is a holder of a Bachelor of Finance degree, from Suffolk University, Boston, United States of America.

Position and Ownership of shares as at December 31, 2020

Chairman & Managing Director, and he owns (25,725,840) shares

Election/Appointment: 2020
End of tenure: 2022
Status: Non-Executive

Sheikh Jassem bin Mohammed bin Hamad Al Thani

He has been serving as a member of the Board of Directors of Ahlibank since 2014. He has been Deputy Chairman of the Board since 26/08/2020, and a member of the Board of Directors of the Mohammed Bin Hamad Holding Company (Qatar). He holds a Bachelor's degree in Business Administration from the University of Plymouth, London, United Kingdom.

Position and Ownership of shares as at December 31, 2020

Deputy Chairman of the Board of Directors. He represents Trans Orient Establishments that owns (25,725,777 shares). He owns (25,782,873) shares.

Election/Appointment: 2020
End of tenure: 2022
Status: Non-Executive

Sheikh Nasser Bin Ali Bin Saud Al-Thani

He has been serving on the Board of Ahlibank since 1997, and has been the Deputy Chairman from 2013 until 31/05/2020. He resigned from his position as a board member on 31/05/2020 and was reappointed as an independent member on 29/07/2020 after obtaining the approval of the Qatar Central Bank. He is also a Board Member of Trust Bank (Algeria), Trust Insurance Company (Algeria), Trust Insurance Company (Libya), Trust Investment, Oman

Reinsurance, Jordanian Expatriates Investment Holding, World Trade Centre (Qatar), Al-Sari Trading Company (Qatar). He holds a Bachelor's Degree in Business Administration.

Position and Ownership of shares as at

December 31, 2020

Member of the Board of Directors; he owned (25,940,292 shares) on the date of his resignation.
Election/Appointment: 2020

End of tenure: 2022

Status: Executive

Sheikh Fahad Bin Falah Bin Jassem Al-Thani

He has been serving on the Board of Ahlibank since 2015. He holds a Bachelor of Finance degree from George Washington University, United States of America.

Position and Ownership of shares as at

December 31, 2020

Board Member and he did not personally own any shares. He represents Al Maha Capital, which owns (47,549,859) shares



Election/Appointment: 2020
End of tenure: 2022
Status: Independent-Non-Executive

Sheikh Salman Bin Hassan Al-Thani

He has been serving on the Board of Ahlibank since May 2017.

He is currently the Chief Financial Officer at Qatar Foundation, overseeing the finance, strategy and risk functions.

He holds a Bachelor's Degree in Banking and Financial Studies from Qatar University.

Position and Ownership of shares as at December 31, 2020

Board Member and he does not personally own any shares. He represents Qatar Investment Authority that owns (1,159,092,930) shares as at 31/12/2020.

Election/Appointment: He was appointed by Qatar Investment Authority in March 2017.

End of tenure: Tenure ends upon a written notification from Qatar Investment Authority.
Status: Non-Executive

Mr. Nasser Abdullatif Al-Abdullah¹

He has been serving on the Board of Ahlibank since 03/05/2020. He is currently the Senior Associate, Fixed income-Liquid Security, Qatar Investment Authority.

Position and Ownership of shares as at December 31, 2020

Board Member and he does not personally own any shares. He represents Qatar Investment Authority that owns (1,159,092,930) shares as at 31/12/2020.

Election/Appointment: He was appointed by Qatar Investment Authority in March 2020.

End of tenure: Tenure ends upon a written notification from Qatar Investment Authority.
Status: Non-Executive

Mr. Victor Nazeem Reda Agha

He has been serving on the Board of Ahlibank since 2005. He is currently the General Director of Al-Sadd Travel Agency (Qatar) and Al-Sadd Exchange Company (Qatar).

He is a Board Member of Doha Insurance Company and Al-Majda Real Estate Investment Company.

Position and Ownership of shares as at December 31, 2020

Board Member, and he does not personally own any shares. He represents Al-Majda Real Estate Investment Company, which owns (26,741,137) shares

Election/Appointment: 2020
End of tenure: 2022
Status: Independent – Executive

Mr. Ahmed Abdulrahman Nasser Fakhro

He has been serving on the Board of Ahlibank since 1995. He is a Board Member of Qatar Cinema and Film Distribution Company (Doha).

Position and Ownership of shares as at December 31, 2020

Board Member and he owns (72,787,701) shares

Election/Appointment: 2020
End of tenure: 2022
Status: Executive



2.4 Board meetings and attendance

The table below clarifies the attendance of the Board Members in the eight (8) Board meetings in 2020. Noting that the absence of a member was for personal reasons, which the committee accepted, the absent member appointed a currently serving committee member as their proxy to act on their behalf.

| Name | Position | Attendance |
|---|--------------------------------|------------|
| Sheikh Faisal Bin AbdulAziz Bin Jassem Al-Thani | Chairman and Managing Director | 8/8 |
| Sheikh Jassem Bin Mohammed Bin Hamad Al-Thani | Deputy Chairman | 8/8 |
| Sheikh Nasser Bin Ali Bin Saud Al-Thani | Board Member | 6/8 |
| Sheikh Fahad Bin Falah Bin Jassem Al-Thani | Board Member | 8/8 |
| Mr. Nasser Abdullah Abdul Latif | Board Member | 6/8 |
| Sheikh Salman Bin Hassan Al-Thani | Board Member | 8/8 |
| Mr. Victor Nazeem Reda Agha | Board Member | 8/7 |
| Mr. Ahmed Abdulrahman Nasser Fakhro | Board Member | 8/8 |

2.5 Main issues reviewed by the Board in 2020

A. Approve the Interim Financial Statements.

B. Take the necessary measures to issue the fourth medium-term note offering of \$500 million for a period of 5 years to support liquidity and stable financing.

C. Review and approval of the Bank's organisation chart.

D. Different resolutions which relate to the Bank's operations, policies and strategies.

2.6 Total remuneration paid to the Board Members:

The total remuneration paid to the Board Members are:

i. An amount of QAR 12,250,000 in Board fees for the year 2019 paid during 2020 after it was approved by the General Assembly.

ii. An amount of QAR 3,700,000 for attendance allowance and membership of the committees for the year 2020.

2.7 Board Secretary

A. The Board has a Board Secretary, whose functions include recording, coordinating, and maintaining the minutes of all the Board's meetings and reports submitted by or to the Board, and providing them to the Board Members when needed.

B. Under the direction of the Chairman, the Board Secretary

shall distribute information and coordinate among the Board Members and other stakeholders.

C. The current Board Secretary is holder of a Bachelor of Law degree and has over 15 years legal experience. He held several senior positions in local and international companies in the legal consultancy field and as Secretary of the Board of Directors. In addition, he attended several courses related to his job as the Board Secretary and participated in Corporate Governance conferences and seminars.

² Absent from two meetings held between the date of his resignation 31/05/2020 until the date of his appointment as an independent member on 29/07/2020

³ Note that Sheikh Faisal bin Thani Al Thani had attended a meeting out of two until 03/05/2020.

2.8 Board Committees

In accordance with the Governance Rules, and to increase the efficiency of the Board's control over the various activities and functions of the Bank, the Board has established committees, and delegated to such committees specific responsibilities and authorities to act on behalf of the Board. During the year 2020, Board committees, each in accordance with its relevant roles and responsibilities, reviewed

different matters and passed resolutions or otherwise issued recommendations to the Board, covering areas and activities of the bank including lending, approval of tenders and purchases, approval of policies, review and approval of remunerations and bonuses, and several other matters which are in the normal course of business.

During the year 2020, each of the Board Committees passed resolutions or otherwise issued recommendations

to the Board on certain matters which fall within the scope of its authorities. Each of the Board Committees submitted a full year report to the Board about its work and recommendations. The absence of any Committee member from any meeting was for a personal excuse acceptable to the relevant committee, where a Committee member (if any) was assigned to act on behalf of the absentee in attendance and voting.

The Board Committees are:

A. Audit Committee

i. The Audit Committee is composed of three members:

| Name | Position | Attendance |
|---|----------|------------|
| Sheikh Jassem Bin Mohammed Bin Hamad Al-Thani | Chairman | 6/6 |
| Sheikh Fahad Bin Falah Bin Jassem Al-Thani | Member | 6/6 |
| Sheikh Salman Bin Hassan Al-Thani | Member | 6/6 |

ii. Roles and Responsibilities of the Audit Committee:

a) Consider recommendations, make necessary recommendations to the Board with regard to appointing the external auditors, determine audit fees, evaluate the external auditor in terms of qualifications, experience, resources, independence, objectivity, effectiveness, and respond to any questions in order to terminate a contract of the external auditors or dismiss them.

b) Audit and review the Financial Statements before submitting them to the Board, with focus on the following:

- Any changes in accounting policies and procedures.
- Significant amendments resulting from the audit.
- Compliance with accounting standards.
- Compliance with the instructions of Qatar Central Bank and Qatar Financial Markets Authority.
- Compliance with legal and regulatory requirements applicable in the State of Qatar.

c) Discuss problems and reservations arising from the interim and final audits, and any other matters the Committee needs to discuss with the external auditors.

d) Review the contents of regular reports required or prepared by regulatory authorities, and then

respond to these reports by the Bank.

e) Review the adequacy and completion of the plan and scope of Internal Audit, ensure coordination between the internal and external auditors and make sure that the internal audit process has sufficient and effective resources to carry out its responsibilities on an annual basis.

f) Review the adequacy and completion of the Audit Plan and provide adequate resources to meet its annual plan on an annual basis.

g) Consider the results of Internal Audit reports, along with any special reports required for the purposes of work, particularly with regard to high-risk observations, and executive management's responses, and follow up

the implementation of the scheduled points within the prescribed deadline.

h) The Committee shall submit to the Board any issue related to its scope of work or matters Committee deems necessary in order to inform the Board or take the appropriate decision by the Board.

B. Risk and Compliance Committee

i. The Risk and Compliance Committee is composed of three members.

| Name | Position | Attendance |
|---|----------|------------|
| Sheikh Faisal Bin AbdulAziz Bin Jassem Al-Thani | Chairman | 3/3 |
| Mr. Ahmed Abdulrahman Nasser Fakhro | Member | 3/3 |
| Mr. Nasser Abdullatif Al-Abdullah ⁴ | Member | 2/3 |

ii. Responsibilities and Powers of the Committee:

a) Review the scope of risk and compliance functions and authorities and duties of Directors of these departments.

b) Make sure that there are policies in place to manage all types of risks faced by the Bank and ensure the compatibility of these policies with applicable legal and regulatory requirements and the effectiveness of the Internal Control System and Risk Management.

c) Review the reports submitted by the Risk Management and review steps

taken to assess, monitor and control credit, operational and market risks.

d) Review the adequacy and completion of the Compliance Plan, including training on compliance, monitoring and reporting, and provide adequate resources for the compliance function, in order to meet its annual plan on an annual basis.

e) Consider any matters referred by the Board to the Committee.

f) Make recommendations to the Board and present such recommendations to the Board for obtaining approval over the resignation or dismissal of the

Head of Risk and Compliance and their employees.

g) Evaluate the performance of Head of Compliance and Risk Management and approve their salaries and allowances and other matters pertaining to the salaries of all employees working in these departments (Subject to the applicable directives of the Bank with regard to the policies of salaries and remuneration).

h) Review arrangements that enable employees, with confidence, to report concerns about possible violations in the financial reports or other important issues along with making sure that the necessary arrangements are in place to

⁴ The first meeting was attended by Mr. Victor Agha before the committees were reconstituted on 26/08/2020, where Mr. Nasser Al Abdullah replaced Mr. Victor Agha

manage an independent and appropriate investigation into such matters.

i) The Committee shall submit to the Board any issue related to its scope of work or matters the Committee

deems necessary, in order to inform the Board or take the appropriate decision by the Board.

C. Governance, Nominations and Remuneration Committee (“GNR”)

The Governance, Nominations and Remuneration Committee is composed of three members.

| Name | Position | Attendance |
|---|----------|------------|
| Sheikh Faisal Bin AbdulAziz Bin Jassem Al-Thani | Chairman | 4/4 |
| Sheikh Nasser bin Ali Al Thani ⁵ | Member | 3/4 |
| Mr. Ahmed Abdulrahman Nasser Fakhro | Member | 4/4 |

i. Roles and Responsibilities of the Committee:

a) Study, prepare and develop strategies, policies, systems, plans and budgets based on the directives of the Board.

b) Approve the general structure of the system of remuneration, incentives and advantages in accordance with the Bank’s Articles of Association, Central Bank guidelines and the Governance Regulations and the Remuneration Policy.

c) Approve systems, procedures and controls for granting remuneration and allowances and update them, where necessary.

d) Make recommendations to the Board about the total amount of bonuses and remuneration based on the annual performance evaluation.

e) Make recommendations to the Board of Directors about remuneration, allowances of the Board Members and the Board’s committees.

f) Determine the bonuses and remuneration paid to the Chief Executive Officer and his deputies in accordance with the annual performance evaluation system and to the Head of Audit Department, Head of Compliance and the Chief Risk Officer.

g) Carry out any other responsibilities delegated to the Committee by the Board to achieve the goals of the Bank.

h) The committee also approved the bank’s succession plan as per the governance-related instructions.

ii. Other responsibilities of the Committee include:

a) Approve the opening and closing dates for nomination for Board membership.

b) Receive nomination requests for Board membership.

c) Evaluate nominees for Board membership based on the principle of fitness, suitability and qualification.

d) When the evaluation is completed, the Committee shall submit the results of evaluation and its recommendation to the Board, which in turn will notify the Central Bank along with a list of nominees with the personal questionnaire of the nominee, and the remaining documents and papers required two weeks prior to the convocation of the General Assembly meeting.

The list sent to the Central Bank shall be signed by the Chairman of the Board.

e) Review the membership of the Board Committees, when required.

f) The Committee shall meet three (3) times in a year. The Chairman of the Committee or his representative may invite the Committee to convene whenever necessity arises. The Committee held four (4) meetings during 2020.

⁵ The first meeting was attended by Sheikh Faisal bin Thani Al-Thani before the committees were reconstituted on 26/08/2020 when he was replaced by Sheikh Nasser bin Ali Al-Thani

D. Executive Committee

i. The Executive Committee consists of three members who are:

| Name | Position ⁶ | Attendance |
|---|-----------------------|------------|
| Sheikh Nasser Bin Ali Bin Saud Al-Thani | Chairman | Executive |
| Mr. Ahmed Abdulrahman Nasser Fakhro | Member | Executive |
| Mr. Victor Nazeem Reda Agha | Member | Executive |

ii. Responsibilities and Powers of the Committee:

a) The Committee is responsible to approve any credits or loans, which are in excess of Executive Management limits.

b) Manage and operate the Bank's affairs according to the Annual Budget, Business Plan, and instructions related to

the financial, administrative, operational, and credit policies approved by the Board, from time to time.

c) Exercise authority delegated to the Committee by the Board regarding granting, renewing, and following up credit and investing and employing the funds, wherein the value of which exceeds the powers of the Executive Management.

d) Approve various systems and banking products, plans and budgets within the policies approved by the Board.

e) Assume any other responsibilities entrusted to the Committee by the Board to achieve the objectives of the Bank.

The Committee meets at the request of its Chairman or Chief Executive Officer or the Board whenever necessary. The Committee issues its written resolutions by circulation without a meeting. The committee did not hold any meetings in 2020

⁶ The status of executive members is determined by the fact that they are members of the Executive Committee.

E. Tender Committee

i. The Tender Committee consists of three members who are:

| Name | Position | Attendance |
|---|----------|------------|
| Sheikh Faisal Bin AbdulAziz Bin Jassem Al-Thani | Chairman | 1/1 |
| Sheikh Nasser Bin Ali Bin Saud Al-Thani | Member | 1/1 |
| Mr. Ahmed Abdulrahman Nasser Fakhro | Member | 1/1 |

ii. Roles and Responsibilities of the Committee:

a) Receive bids, procurement offers and have them documented.

b) Consider the offers of sale or purchase of properties and lands owned by the Bank or the Bank desires to own and make the necessary recommendations thereon to the Board.

c) Review and approve the administrative, financial and technical requirements for all tenders and auctions.

d) Consider and decide on tenders and purchase orders wherein the value of which exceeds a certain authority of Executive Management.

e) Approve the Committees authorised by the Tender Committee to open the bids and tenders submitted thereto.

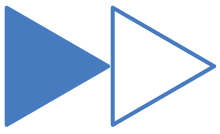
f) When making recommendations to an accreditation body, the Committee is entitled not to adhere to the lowest price submitted thereto. In this case,

the Committee shall disclose its justification within its recommendations submitted to the accreditation body.

The Committee meets at the request of its Chairman or Chief Executive Officer or the Board whenever necessary. The Committee issues its written resolutions by passing them without a meeting. The Committee met only once time during year 2020.

2.9 External Advisors

A. The Board and its Committees may retain counsels or consultants with respect to any issue relating to the Bank's affairs. Costs and expenses incurred pursuant to the appointment of independent advisors or consultants shall be borne by the Bank.



3. Management



3.1 The top management of the Bank is composed of the Bank's senior employees who report to the Board or to the CEO. Management is responsible for preparing the Bank's organisational chart, which shall be finally approved by the Board.

3.2 Members of the Management shall contribute to the implementation and development of sound governance in collaboration with the Board and to ensure that operations are carried out in an efficient manner, and in compliance with the Bank's applicable policies and procedures and applicable laws and regulations.

3.3 Currently, the Management of the Bank is composed of the following:

Hassan Ahmed Al-Efrangi
Chief Executive Officer

He did not own shares in the Bank as at 31/12/2020

Mahalingam Shankar
Deputy CEO Finance, Operations, and Technology.

He did not own shares in the Bank as at 31/12/2020

Ahmed Shehata
Acting Deputy CEO Retail and Private Banking

He did not own shares in the Bank as at 31/12/2020

Mohamed Al Namla
Deputy CEO Business Support Services and Human Resources

He did not own shares in the Bank as at 31/12/2020

Saad Al-Kaabi
Head of Human Resources

He did not own shares in the Bank as at 31/12/2020

Trevor Bailey
Head of International Banking

He did not own shares in the Bank as at 31/12/2020

Johny AlKhoury
General Counsel and Board Secretary

He did not own shares in the Bank as at 31/12/2020

Maher Barakat
Head of Internal Audit

He did not own shares in the Bank as at 31/12/2020

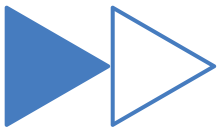
Derek Kwok
Head of Treasury and Investment

He did not own shares in the Bank as at 31/12/2020

Kareem Salem
Acting Chief Risk Officer

He did not own shares in the Bank as at 31/12/2020

The total Bonus paid to the Senior Management for 2019, which was paid during 2020, amounted to QAR 8,950,000.



4. Internal Controls Over Financial Reporting (ICFR)



4.1 Management Report on ICFR

A. The Board is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR). The Bank's ICFR has been designed and implemented pursuant to the Governance Regulations, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Bank's financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICFR includes disclosure of the controls and procedures designed to prevent misstatements.

B. The Board in its meeting 6/2018 adopted the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), for evaluating internal controls, and an evaluation of the design of internal controls over financial reporting has been conducted as at 31 December 2020 based on COSO requirements.

C. Design and implementation of ICFR was assessed by the Company's external auditors Ernst and Young being an independent accounting firm, which issued a reasonable assurance report on the Bank's assessment of ICFR.

4.2 Risks of Financial Reporting

A. The main risks in financial reporting are that either financial statements do not present a true and fair view due to inadvertent or intentional errors or the publication of financial statements not being done

on a timely basis. A lack of fair presentation arises when one or more financial statement amounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions made based on such financial statements.

B. To confine those risks of financial reporting, the Bank established ICFR with the aim of providing reasonable but not absolute assurance against material misstatements and assessed the effectiveness of the Bank's ICFR based on the framework established by COSO, which recommends the establishment of specific objectives to facilitate the design and evaluate adequacy of a control system.

C. The COSO Framework includes 17 basic principles, and five components:

- i. Control environment
- ii. Risk assessment
- iii. Control activities
- iv. Information and communication
- v. Monitoring

D. Controls covering each of the 17 principles and five components have been identified and documented.

E. As a result of establishing ICFR, management has adopted the following financial statement objectives:

- i. Existence / Occurrence: assets and liabilities exist and transactions have occurred.
- ii. Completeness: all transactions are recorded, account balances are included in the financial statements.

iii. Valuation / Measurement: assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts.

iv. Rights and Obligations and Ownership: rights and obligations are appropriately recorded as assets and liabilities.

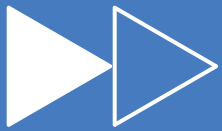
v. Presentation and Disclosures: classification, disclosure and presentation of financial reporting is appropriate.

F. However, any internal control system, including ICFR, no matter how well designed and operated, can provide only reasonable, but not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICFR may not prevent all errors and fraud.

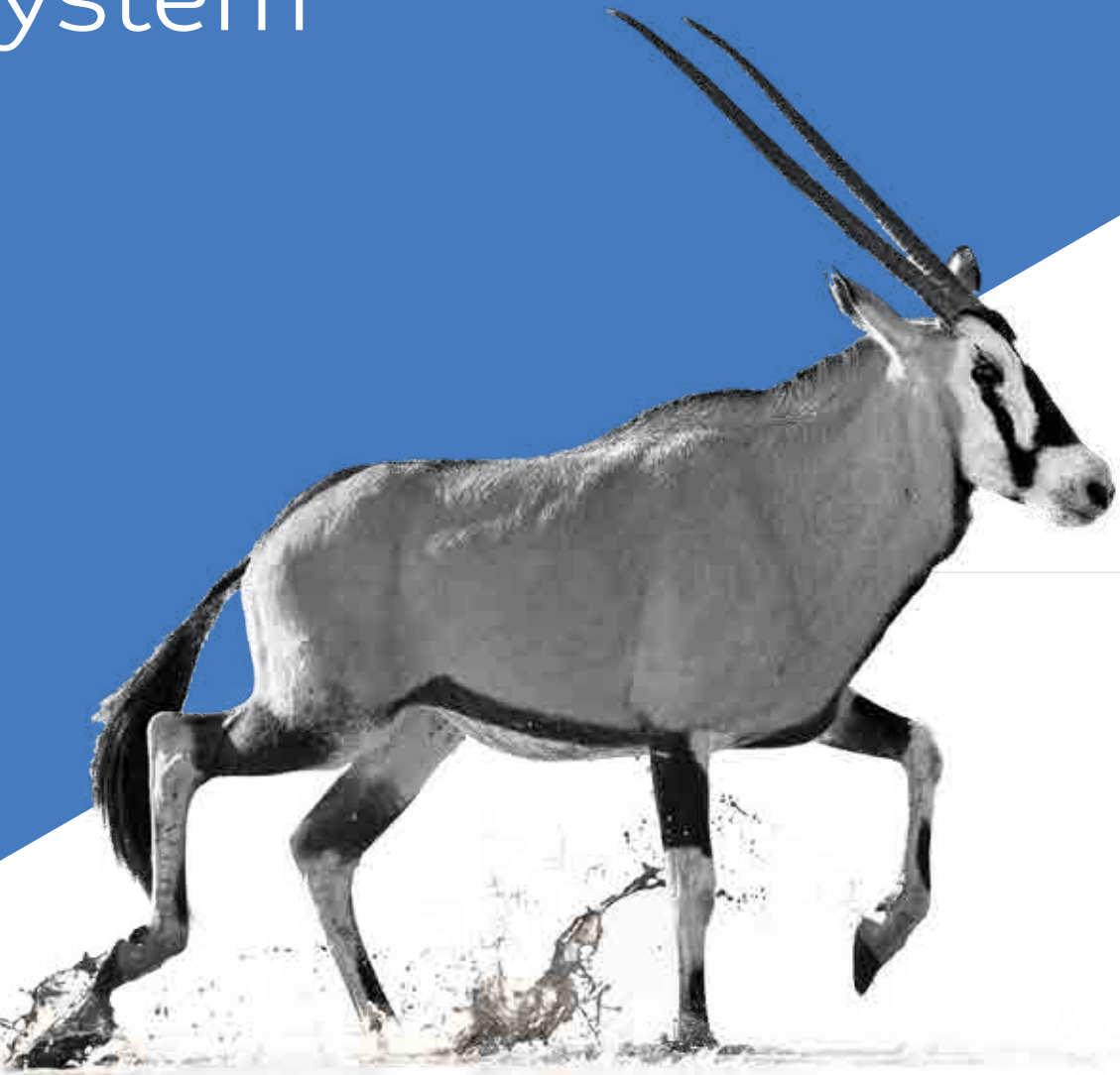
G. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

4.3 Risks of Financial Reporting

A. Controls within the system of ICFR are performed by all business functions and infrastructure functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of ICFR involves staff based in various functions across the organization.



5. Organisation of the Internal Control System



5.1 Functions Involved in the System of ICFR

A. Controls within the system of ICFR are performed by all the bank's supervisory work with reviewing the validity of the books and records that underlie the consolidated financial statements. As a result, the operation of ICFR involves staff, based in various functions across the organization.

5.2 Controls to Minimize the Risk of Financial Reporting Misstatement

A. The system of ICFR consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the consolidated financial statements. Such controls are integrated into the operating process and include those which:—

- i. are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties;
- ii. operate on a periodic basis such as those which are performed as part of the annual consolidated financial statement preparation process;
- iii. are preventative or detective in nature;
- iv. have a direct or indirect impact on the consolidated financial statements themselves. Controls which have an indirect effect on the consolidated financial statements include entity level controls and Information

Technology general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item;

v. feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

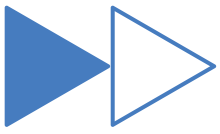
5.3 Measuring Design, Implementation and Operating Effectiveness of Internal Control

A. For the financial year 2020, the Bank has undertaken a formal evaluation of the adequacy of the design, implementation and operating effectiveness of the system of ICFR considering:

- i. The risk of misstatement of the consolidated financial statement line items, considering such factors as materiality and the susceptibility of the financial statement item to misstatement; and
- ii. The susceptibility of identified controls to failure, considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

B. These factors, in aggregate, determine the nature, timing and extent of evidence that management requires in order to assess whether the design, implementation and operating effectiveness of the system of ICFR is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICFR evaluation. Information from other sources also form an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings.

C. The evaluation has included an assessment of the design, implementation, and operating effectiveness of controls within various processes including Loans and advances to customers, Customer deposits, Treasury, Commission income, Investment, Financial reporting and disclosures. The evaluation also included an assessment of the design, implementation, and operating effectiveness of entity level controls, information technology general controls, and disclosure controls. As a result of the assessment of the design, implementation, and operating effectiveness of ICFR, management did not identify any material weaknesses and concluded that ICFR is appropriately designed, implemented, and operated effectively as of 31 December 2020.



6. Ahlibank Shareholding Structure

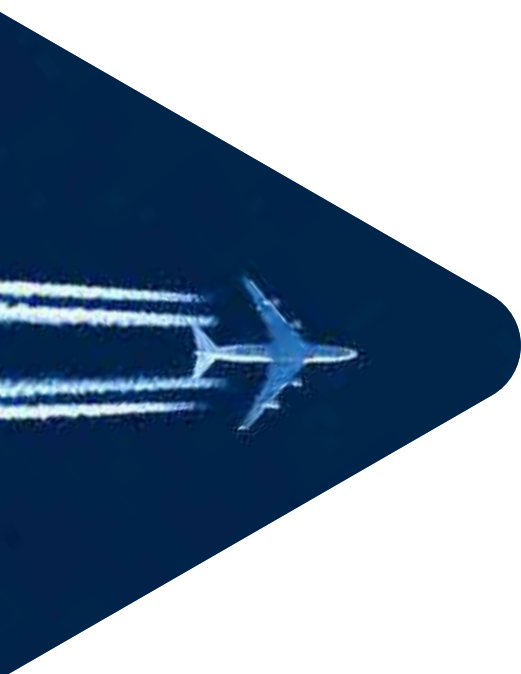
6.1 Shareholding distribution according to Nationality

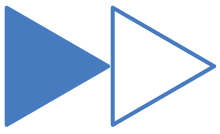
A. Ahlibank is a 100% Qatari owned bank. The shareholding of major shareholders in the Bank is distributed as follows:

| Main Shareholders (5% and more) | Classification | Nationality | Number of shares | Share of the capital |
|--|----------------|-------------|------------------|----------------------|
| Qatar Investment Authority (Directly and Indirectly) | Governmental | Qatari | 1,159,092,930 | 47.71% |

6.2 Shareholding distribution according to number of Shareholders

| Number of Shares | Number of Shareholders | Governmental | Private | Share of the capital |
|-----------------------|------------------------|--------------|---------|----------------------|
| More than one million | 121 | 2 | 119 | 97.01% |
| 500,000 to million | 40 | 0 | 40 | 1.11% |
| 250,000 to 500,000 | 44 | 0 | 44 | 0.61% |
| 100,000 to 250,000 | 100 | 0 | 100 | 0.64% |
| Less than 100,000 | 637 | 0 | 637 | 0.64% |





7. Compliance



7.1 Disclosures

A. As part of Ahlibank's compliance with the Governance Instruction and Governance Code, the necessary actions have been taken, inter alia, in respect of the following:

i. The Board Members regularly attended or were represented in the Board of Directors and Board Committees, in order to achieve the best interest of the Bank and all shareholders without discrimination while elevating the interest of the Bank, shareholders and all stakeholders.

ii. During the year 2020, and in compliance with the Governance Regulations and practices, the Board of Directors performed self-assessment, based on attendance and participation of a director in the Board and committees' meetings, and independence assessment. At Board level, an annual assessment exercise for the performance of the Board and its committees is conducted by the GNR which was then reported to the Board for review and recommendations.

iii. The Chairman and Members of the Board of Directors have been notified of the obligations in Articles 98 of the Commercial Companies Law and Article 7 of the Governance Code and they signed an undertaking not to combine holding positions where it is prohibited to do so in accordance with the provisions thereof.

iv. The Bank's Articles of Association are constantly reviewed to ensure their

compliance with the Governance Regulations.

v. The Bank has complied with the requirements of transparency and disclosure on Qatar Exchange with respect to disclosing its quarterly and year-end results and other general disclosures.

vi. The Bank has established mechanisms within its governance structure and policies to protect the right of stakeholders and procedures to receive their complaints, proposals and notifications, and to handle them confidentially. And this includes the whistleblowing policy which allows confidential disclosure of any complaints or unethical acts, disclosure & transparency policy and the bank's corporate governance guide.

B. As for non-compliance;

i. The Chairman of the Board of Directors of Ahlibank Sheikh Faisal Bin AbdulAziz Al-Thani is a member of the Board Committees contrary to the Governance Code, as the Governance Instructions issued by Qatar Central Bank in circular no. (68/2015) dated on 26/7/2015 prohibits the Chairman of the Board to be a member of the Audit Committee without prohibiting his membership of the remaining committees. This is given that the constitution of the Board and Board Committees was reported to the supervisory authorities.

ii. The Bank's AoA and Board Charter state that the Board shall be comprised of nine directors. However, the Board is currently comprised of eight

members only. Noting that the Board has appointed Sheikh Nasser as an independent member following his resignation.

7.2 Additional Disclosures

A. Regulatory Penalties

i. No penalties which have been imposed on the Bank and which fall within the ambit of clause 2 of Article 4 of the Governance Code, during the financial year ended 31 December 2020, were material in value or have any adverse impact on the Bank's activities and operations, nor resulted out of any fraudulent or illegal activities of the Bank.

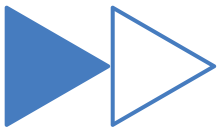
B. Legal Cases

i. During the year 2020, the Bank filed several cases for recovery of debts, and where necessary, provisions have been taken in accordance with the QCB and IFRS rules and regulations as disclosed in the Bank's financial statements.

ii. None of the cases filed against the Bank is material in nature or may have an adverse impact of the Bank's financial status of its operations and activities. Also, the judgments issued against the bank during the year 2020 were not of material value that may affect the bank's business

C. Compliance with Listing and Disclosure Rules

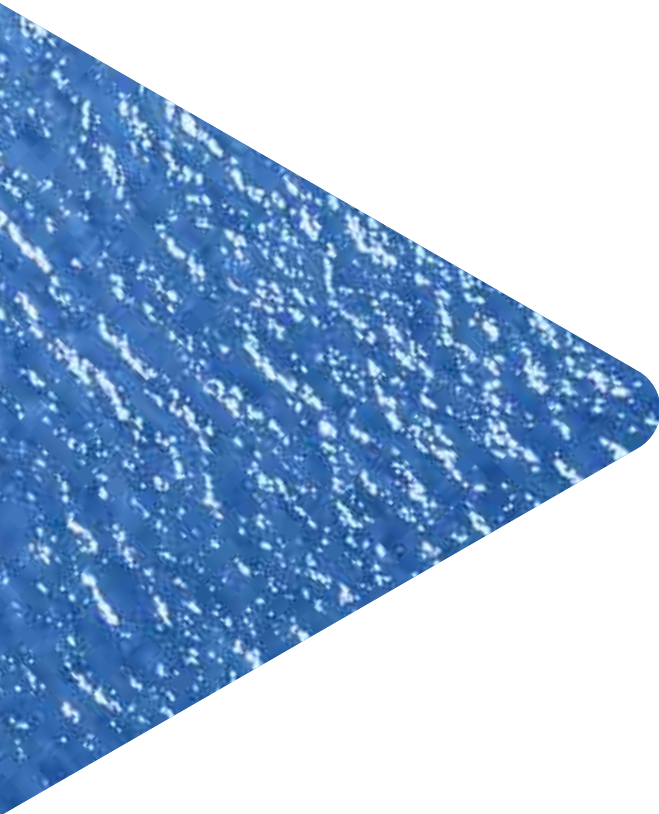
i. In the year 2020, the Bank fully complied with all listing and disclosure requirements set forth under the relevant laws and regulations.

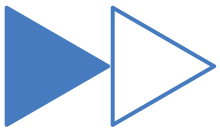


8. Legal Structure of the Bank



| Name | Legal Form |
|----------------------------|---|
| Ahlibank (Q.S.C.) | <p>Qatari Public Shareholding Company</p> <p>The Bank was established under a decree No. (40) of the year 1983 dated on 16/6/1983. The Bank started activity on 4/8/1984. The Bank is licensed to practice banking business by Qatar Central Bank under license No.: SL/ 13/1984</p> |
| Ahli Brokerage Company LLC | <p>A wholly owned subsidiary of Ahlibank QSC</p> <p>Ahli Brokerage Company was established with a capital of (50) million Qatari Riyals. The company is approved by Qatar Central Bank and is licensed from the Qatar Financial Markets Authority (QFMA) and is a member of Qatar Exchange. The company started operations on 24/7/2011 in the trading of Financial Securities.</p> |
| ABQ Finance Limited | <p>A wholly owned subsidiary of Ahlibank QSC</p> <p>ABQ Finance Limited is a company registered in the Cayman Islands and its purpose is to issue the European Medium Term Notes.</p> |





9. Governance of the Bank



9.1 The Bank seeks to comply with the Governance Instructions issued by the Qatar Central Bank and all requirements of Corporate Governance, taking into account the international standards and practices followed in the field of Corporate Governance. The Bank has particularly been committed to the requirements and rules of disclosure applicable in Qatar Exchange and Qatar Financial Markets Authority. At the time of this report, the Bank has not committed any material violation of the legal and regulatory requirements, which may affect its financial position.

9.2 The Bank has a robust Corporate Governance structure which has been documented and communicated through internal policies and compliance with laws and regulations, and which include without limitation:

| S/N | Subject |
|-----|---|
| 1 | The Bank's Memorandum and Articles of Association |
| 2 | Qatar Central Bank Law |
| 3 | Governance Instructions (Qatar Central Bank) |
| 4 | Governance Code (Qatar Financial Markets Authority) |
| 5 | The Board Charter |
| 6 | Roles and Responsibilities of the Board Committees |
| 7 | Functions and powers of Executive Management |
| 8 | Voice recording policy |
| 9 | Whistle-blowing policy and procedures |
| 10 | Conflict of Interest policy |
| 11 | Governance Policy |
| 12 | Reward policy |
| 13 | Dividend Policy |
| 14 | Related Party Transactions Policy |

9.3 The Bank's Policies are updated frequently or whenever needed and their approval is centralised with the GNR Committee. A brief about the Bank's policies include the following:

A. Policy of Dealing with Personal Account

This policy explains the concept of disclosure and undertaking in the trading of investment activities (through a form prepared for this purpose). It also details the rules and procedures for trading in such activities, in addition to the available and named practices and periods of banning trading for the Board, Executive Management and the Bank's employees. The policy also includes records of those having access, and which is under the responsibility of the Head of Compliance.

B. Whistle-blowing Policy

This policy adopts the principle of "Whistle-blowing" in the event of any prohibited, illegal or non-professional practices. It also provides full protection for the employee who raised any allegations. Based on this policy, the Bank has an Independent Committee to study the cases of prohibited practices and take the disciplinary action in that regard, which may lead to dismissal from the position held. The policy also includes standards of compliance with good corporate governance, ethics, integrity and credibility that should be followed in practicing the banking business. It also involves the prohibited, non-legal, non-professional practices that lead to misconduct and misbehaviour. These practices include conflict of

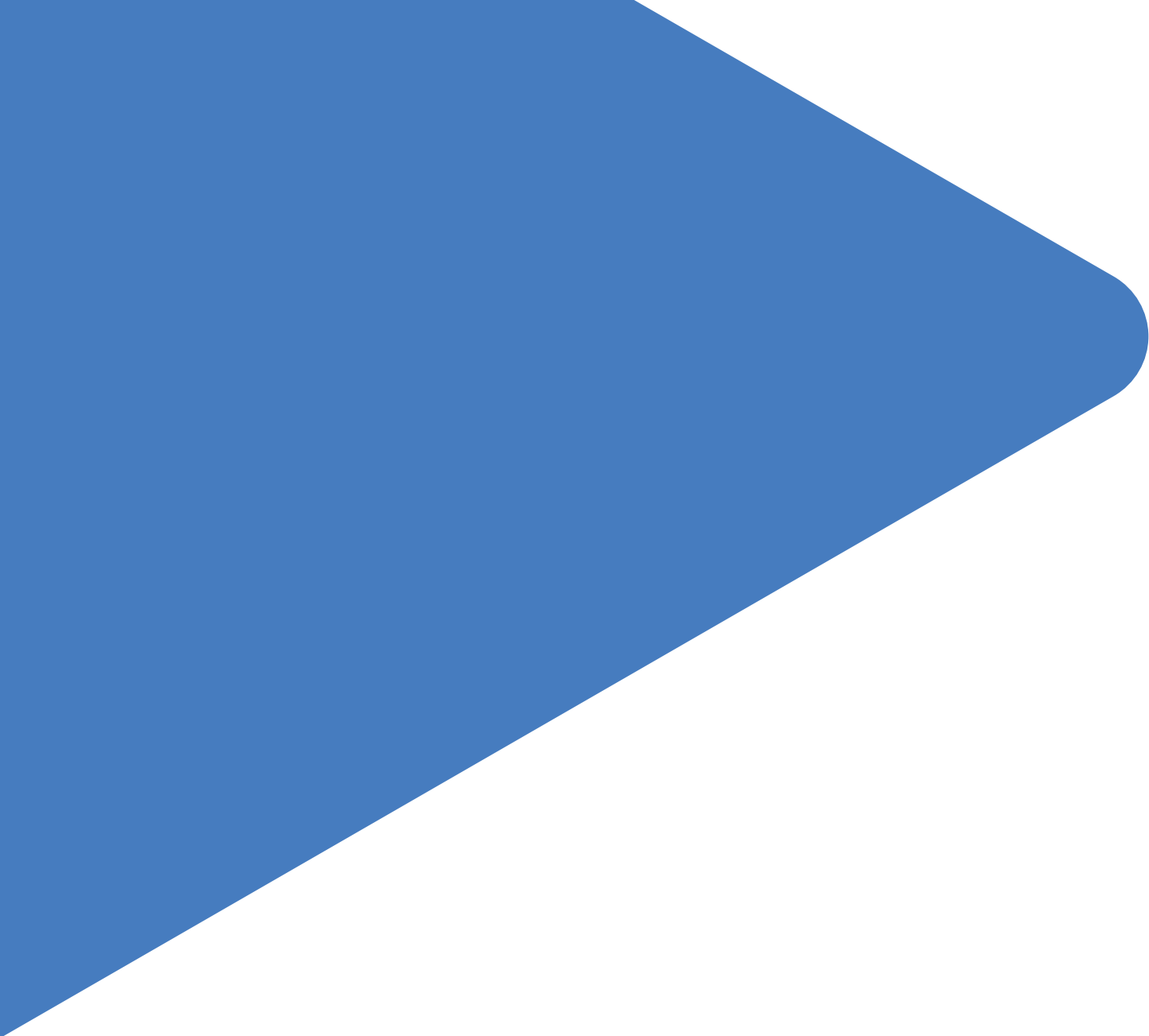
interest practices between the employee and the Bank or the customer, or any other parties.

C. Commercial Companies Law

The Bank is committed to applying the provisions of the Commercial Companies Law, which describes matters that should be followed in case of presence of any interests, whether directly or indirectly, of the Chairman or any Board Member or one of the Directors in contracts, projects and arrangements, which are concluded with the Bank.

D. Instructions of Qatar Central Bank

All facilities granted to the Chairman and the Board Members and their families and relatives shall be presented to the Board of Directors in each meeting



to make sure that these transactions were conducted in accordance with the limits and controls set by the Qatar Central Bank.

E. Code of Professional Ethics and Practices

The code obligates all employees not to use any internal information for personal interest to avoid conflict of interests. The signature of all employees on this Charter means their knowledge and compliance therewith.

F. Human Resources Policy

This policy includes prohibited acts by employees, whether inside the Bank or with any parties outside the Bank, that may lead to a conflict of interest and it explains the disciplinary procedures and sanctions imposed in this regard.

G. Communication Policy

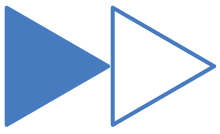
This policy shows the communication channels of the key personnel of the Bank from various functional levels with the relevant parties.

H. Corporate Governance Guidelines

This is a comprehensive guide for Corporate Governance

I. Disclosure and Transparency Policy

This policy sets the requirements for disclosure and transparency in accordance with the Governance Regulations and other regulatory requirements



10. External Auditors



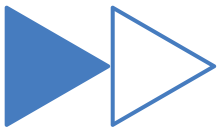
10.1 The External Auditor of the Bank shall be nominated by the Board during the General Assembly meeting, after obtaining the approval of Qatar Central Bank in order to appoint the Auditor for a maximum period of five years, as per Qatar Central Bank regulations. The re-appointment of the External Auditor shall be considered only after two years of last appointment.

10.2 The Bank's Articles of Association determine the mechanism of appointing the Auditor and its duties and rights to review, at any time, the books, records, and

documents of the Bank, and to attend the meetings of the General Assembly and express its opinion regarding the Audit. The Auditor of the Bank for the financial year ending 31 December 2020 is Ernst & Young and their fees for the year 2020 amounted to QAR 990,000. The Audit Committee has the responsibility to discuss the Auditor's report and make its recommendations in this regard to the Board.

10.3 The Auditor shall be fully independent and shall attend the meetings of the General Assembly of the Bank.

10.4 As instructed by Qatar Central Bank, the Bank shall not proceed with any financial transactions or provide any facilities to the Auditor or its employees or members of their families to avoid any conflict of interest.



11. Internal Control



11.1 The Bank follows an Internal Control System approved by the Board. The Board and Senior Management shall participate in approving all policies and methods to address general risks and to ensure compliance with the different laws and regulations.

11.2 The Bank adopts the principle of three-level defence model for enterprise Risk Management as follows:

A. The First Level of Defence

This level is represented in various departments that define the risks and submit reports thereon; it includes departmental policies and procedures, employee roles, responsibilities and training, and management oversight

of activities in line with agreed policies and procedures and the Bank's Corporate Governance framework.

B. The Second Level of Defence

This level includes the Risk Management Department, Compliance Department and Legal Affairs Department, according to their authorities and duties, to mitigate the risks, which fall within their powers. These departments ensure that the Bank carries out its activities within the appropriate risk limits and ensure compliance with the applicable legal and regulatory requirements. The Risk and the Compliance Departments issue periodical reports to the Risk and Compliance Committee of the Board.

C. The Third Level of Defence

This level includes the Internal Audit Department, which shall carry out periodic reviews and evaluation to ensure the efficiency of internal controls and provide assurance that the first and second lines of defence achieve control objectives. This department submits periodic reports about its activities to the Audit Committee.

11.3 As at 31 December 2020, there were no failures in the Bank's controls which had any material adverse impact on the financial position of the Bank or its operations in general.

11.4 Risk Management

A. The Risk Management function ensures that:

- i. Risk policies, procedures and methodologies are tailored in a manner that is in line with the regulatory guidelines and are consistent with the risk appetite of the Bank.
- ii. The overall business strategy and business activities conducted within the Bank are consistent with the risk appetite approved by the Board.
- iii. Appropriate Risk Management architecture and systems are developed and implemented for the Bank.
- iv. Adequate monitoring of portfolios' risks and limitations across the Bank.

B. The Risk Management function relies on the competence, experience, and dedication of its professional staff for performing the above-mentioned activities. Furthermore, the Board of Directors/Board approved Committee and Executive Management Team are involved in the establishment of various risk processes and provide the periodic oversight and guidance of the Risk Management function. The Risk Management processes are subject to additional scrutiny by independent

internal and external auditors, and the Bank's regulators, with periodic reporting to the Board/Board.

C. The approved Committee, functions in order to help further strengthen Risk Management best practices.

D. The Risk Management Department shall make its recommendations under the supervision of the Risk and Compliance Committee. These recommendations are reviewed by the Board, which adopts the main Risk Management policies at least once every year.

E. The Risk Management Department shall identify, analyse, evaluate, accept, measure, manage, and control all financial and non-financial risks that may have a negative impact on the performance and reputation of the Bank. The main risks associated with the business of the Bank are represented in the credit, operational, and market risks, which include foreign currency exchange, interest rates, stock prices, and liquidity, in addition to the operational risks, fight against circumvention, and reputation-related risks.

F. The Bank, as part of the conservative policy for

managing the market risks, applies conservative limits and restrictions in order to harmonise with the investment and trading portfolio and to be compatible with the business development needs and market conditions.

G. The Operational Risk Committee approves on an annual basis, the self-assessment process for the operational risks arising to execute the various banking businesses in the Bank. The Committee shall conduct a periodic follow-up and provide the appropriate controls, if necessary, in light of the nature and quality of these risks and their frequency and causes.

H. In case of disasters, the Recovery Plan and Business Continuity Plan is held by an independent External Auditor and the Qatar Central Bank.

I. Risk Management monitors internal and external fraud attempts, and investigates, and recommends course of action for additional measures for fraud risk mitigation.

J. IT Risk Security acts to identify, monitor, and manage potential information security or technology risks, whether internal or external, with the goal of mitigation or minimising their negative or

adverse impact.

K. The Bank's Risk Department is constantly focused on the market dynamics and related risks and adapts to any changes and trends through an amending of our risk-based approach, policies and procedures. A main approach to managing risks is through our annual review and update of the Bank's risk appetite through renewing and updating the Bank's "Risk Appetite Framework" to cover changes in the market risk factors whether systematic or specific to the Bank's existing and /or new products. The Bank's risk policies at a wider scale include credit risk, market risk, operation risk, and fraud risk, and the risk related policies have been renewed and updated to cope with the local market, address the latest regulatory amendments, as well as adding new guidelines to match with the Bank's overall risk appetite.

11.5 Compliance

A. The Compliance Management is responsible for identifying, documenting and assessing the non-compliance risks associated with the Bank's business activities. The non-compliance risks include risk of legal / regulatory sanctions, material financial loss and loss of reputation

as a result of non-compliance with relevant laws, procedures, rules and standards.

B. The Compliance function ensure that appropriate policies, procedures, systems and controls are established and maintained across the Bank to monitor the day-to-day operations, in order to comply with the AML/CFT law, FATCA and CRS regulations. Moreover, compliance function will review and assess regularly (at a minimum Yearly), the effectiveness of these policies to prevent money laundering and terrorist financing and prevent tax evasion risks.

C. Results of compliance assessments are reported to the Board Risk and Compliance Committee and relevant Executive Management persons on a quarterly basis (3 months).

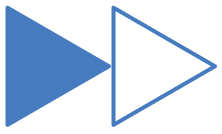
11.6 Internal Audit

A. The role of internal auditing is key in setting the control environment over the bank's operations by providing independent and objective opinion or advice to improve performance. It also

helps the bank achieve its strategic objectives through disciplined methodology for assessing the effectiveness of Risk Management, control, and governance procedures followed.

B. Internal audit represents the bank's third line of defence. Its powers are derived from the charter approved by the bank's audit committee, which is functionally subordinate to the Audit Committee and administratively subordinate to the CEO.

C. The Bank's Internal Audit Department has adopted QCB and QFMA guidelines in addition to the International Professional Practices Framework (IPPF), developed by the Institute of Internal Auditors (IIA).



12. Management Committees



The Bank has a number of internal committees, which manage the day-to-day operations and activities of the Bank. Amongst the Bank's Management Committees are:

The Asset-Liability Committee

A. The committee regularly holds its meetings over the year, and shall be responsible for managing the assets and liabilities of the Bank and complying with and following up the approved liquidity policy.

Special Assets Committee

A. The Committee is responsible for Special Assets, being assets of the Bank, which require monitoring and control in order to prevent loss, ensure recovery, restructuring, collection or legal actions.

B. The Committee is responsible for ensuring that recovery actions are taken with respect to all special assets and that the applicable regulatory requirements for provisioning on special assets are implemented in accordance with regulatory requirements and internal policies.

Credit Committee

A. The Committee holds regular monthly meetings to review the Corporate Banking, Retail Banking, and Private Banking exposures and to discuss the Corporate Banking Pipeline. Approvals on facilities take place by circulation, while any exception or elevations are discussed during the committee meetings.

B. The Committee exerts all possible efforts to ensure the quality of the Bank's assets

and mitigate the risks inherited in the lending business.

Investment Committee


A. The Committee regularly holds its meetings over the year and is responsible for reviewing the investment strategy of the Bank to ensure maximising the assets return, while maintaining the boundaries within the regulatory requirements.

Operations Risk Committee

A. The Committee holds meetings on a quarterly basis to review the Operational Risk incidents and the required action plan to rectify it. The Committee is also responsible for the Disaster Recovery Plan and follow-up for the required procedures to keep the Disaster recovery site ready for any unanticipated risks.



13. Related Party Transactions



13.1 The Board of Directors adopted the Related Parties Policy to regulate the relationship between said parties and the bank.

13.2 During the year 2020, and in accordance with the instructions of the Qatar Central Bank, all transactions related to the Board Members, and the facilities granted to them and to their families, relatives, and subsidiaries, were presented during each Board meeting to ensure that such transactions have been conducted in accordance with the permitted limits set by the Qatar Central Bank, and after obtaining the necessary approvals.

13.3 As of December 31/12/2020, no major party related transactions were recorded in the bank's records that may require shareholder approval.

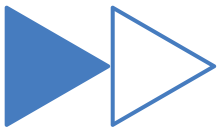
13.4 The Bank has a Related Party Transactions Policy, which governs related party transactions and the related procedures, as well as establishment of a related party transactions register.

13.5 Pursuant to the Related Party Transactions policy, the Bank's Risk department shall hold a special register (the "Register") of all related Party Transaction within the Bank, which shall include details of

all Related Party Transactions.

13.6 The Register of Related Party Transactions shall be made available for inspection by the Bank's shareholders who are entitled to inspect the Register without any fees and the Bank is committed to updating the mentioned Register on periodical basis in a way that reflects the factual situation of the Related Party Transaction.

13.7 The Risk Management department shall have the obligation to frequently update the Register in order to at all time reflect the names and details of the Related Parties and Related Party Transaction.



14. Shareholders' Rights



14.1 The shareholder shall have the right to examine the Register of Shareholders in the Bank during the official working hours of the Bank free of any charge. Every interested party is entitled to request the correction of data contained in the record, especially if any person is logged or removed from the record without justification, based on Article No. 11 of the Bank's Articles of Association. The shareholder is entitled to obtain a copy of the Bank's Articles of Association.

As the Bank is listed in the Qatar Exchange, the Bank shall comply with the provisions of the internal regulation of the market, regulations, laws and instructions regulating trading of securities in the State by disclosing and providing information and documents required for all shareholders.

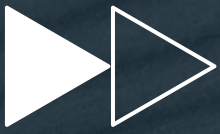
14.2 Chapter Five of the Bank's Articles of Association

describe the shareholders' rights with regard the General Assembly of the Bank, fair treatment of the shareholders, the exercise of voting rights and the election of members. Chapter Seven includes the rights of shareholders related to dividend distribution. The Board proposes dividends distribution to shareholders in the General Assembly meeting and discuss and approve this distribution by the shareholders.

14.3 Pursuant to Article No. 50 of the Bank's by-laws, the Board is entitled to invite the General Assembly, if required, and may invite the General Assembly upon the request of the auditor or a number of shareholders representing at least 10% of the capital, provided that the auditor or the shareholders has reasons sufficient to justify their calling for a meeting.

14.4 Further, the Bank's Articles of Association was amended to protect the right of shareholders and to ensure that they are equal and shall have all the rights with relation to their shareholding in accordance with the provisions of the law and the relevant resolutions and regulations. This is reflected expressly in Article 8 of the Bank's Articles of Association. Further, Article 31 of the Bank's Articles of Association stated that the Board represents all the shareholders and shall protect their rights. Moreover, Articles 53 gave every shareholder the right to attend the General Assembly and to approve or object on any of its decisions and resolutions.

14.5 Accordingly, the shareholders enjoy all the rights granted to them under the relevant laws and regulations, including the Corporate Governance Instructions and System.



15. Corporate Social Responsibility

At the heart of the community.

15.1 Ahlibank is a key component of Qatari society and is committed to social responsibility towards this community. Pursuant to this approach, and in accordance with the general policy of the QCB and the QFMA Governance Code as per Article 39 thereof, the Bank has been active in contributing to the wellbeing and welfare of society and people and in preserving natural resources and the environment.

15.2 Affirming its role in social responsibility, the Bank has again donated to Qatar Society for Rehabilitation of Special Needs for Ramadan related initiatives.

15.3 As part of Breast Cancer Awareness Month, the Bank has launched a campaign to raise awareness of the disease, its causes, prevention,

diagnosis, and treatment in collaboration with the Qatar Cancer Society (QCS).

15.4 Recognizing the importance of sports in Qatari society, the Bank organized sports activities involving its employees and their families to promote a culture of sports and healthy life as part of the Qatar National Sports Day. The Bank has also supported the Al-Markhya Club...

15.5 During 2020, the Bank continued its mission to support key areas contributing to raising public awareness, while offering personal and financial support.

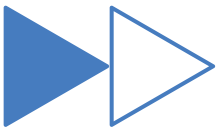
15.6 The Bank organized a Blood Donation campaign in partnership with Hamad Medical Corporation, to help support the Blood Bank in Qatar and raise awareness about the importance of donating blood.

15.7 In recognition of the efforts of our employees until 31 December 2020, the Bank honoured 60 employees for their years of service at the Bank, where it held a celebration in honour of employees who had long served the bank, their commitment and their personal contribution to the Bank's success.

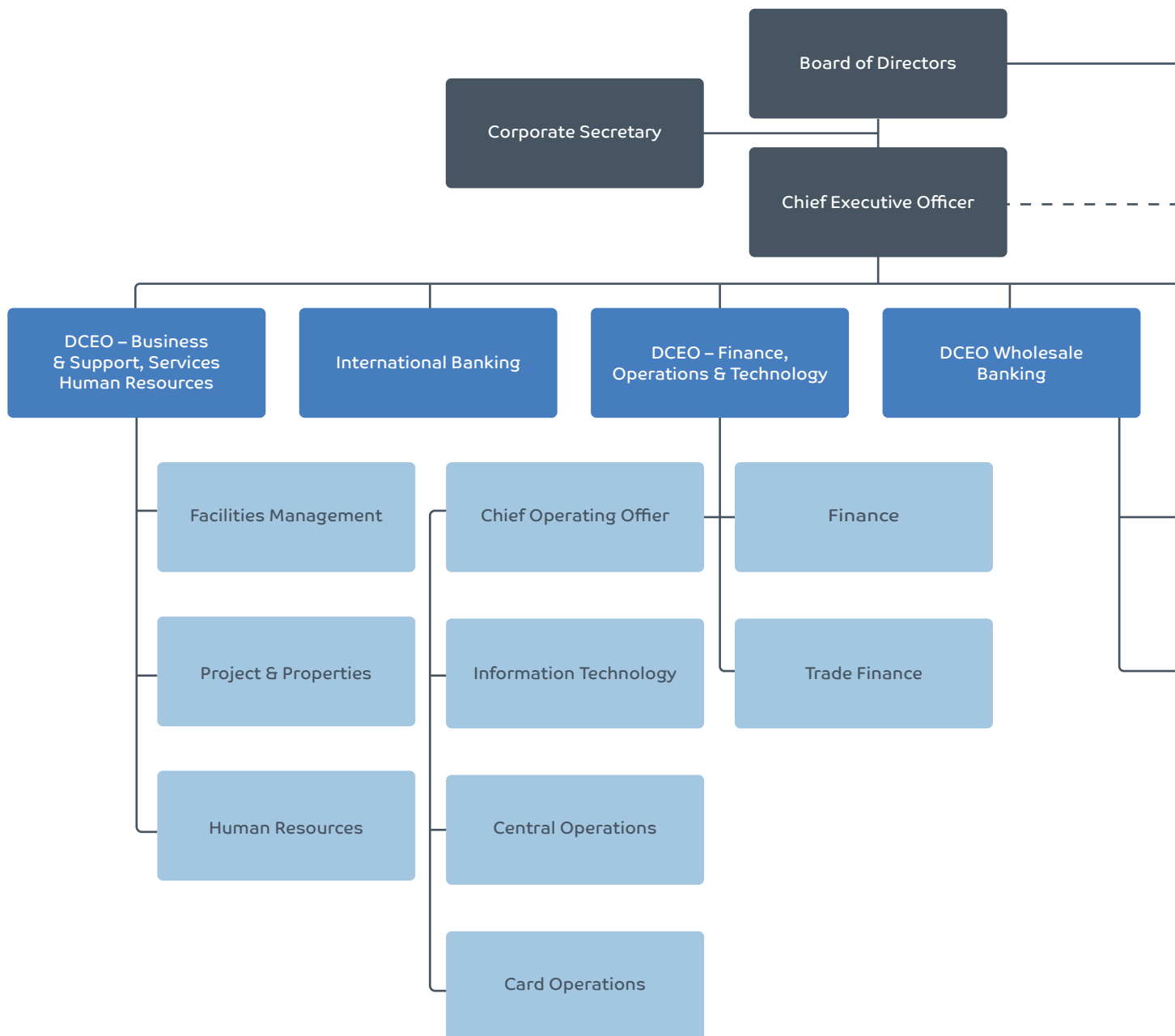
15.8 Affirming its role in Social Responsibility, the bank allocated 2.5% of its total net profit for the financial year ended 31/12/2019 - which amounted to QAR 16,630,000 - to support sports activities during 2020. Moreover, The bank continued to financially support sports, social and humanitarian activities.

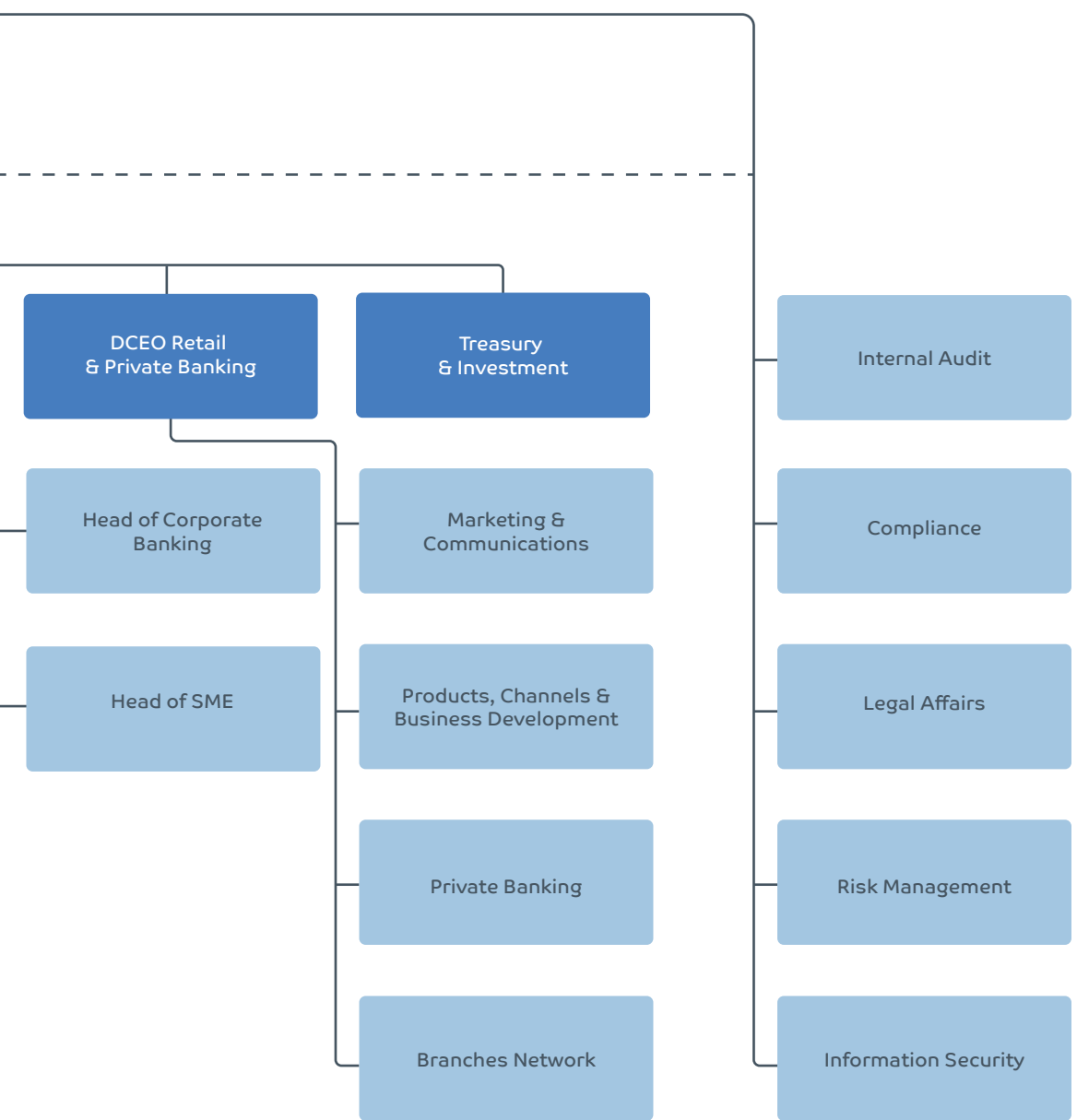


**Faisal Bin Abdul Aziz
Bin Jassem Al-Thani**
Chairman & Managing Director



Ahlibank Organisational Structure

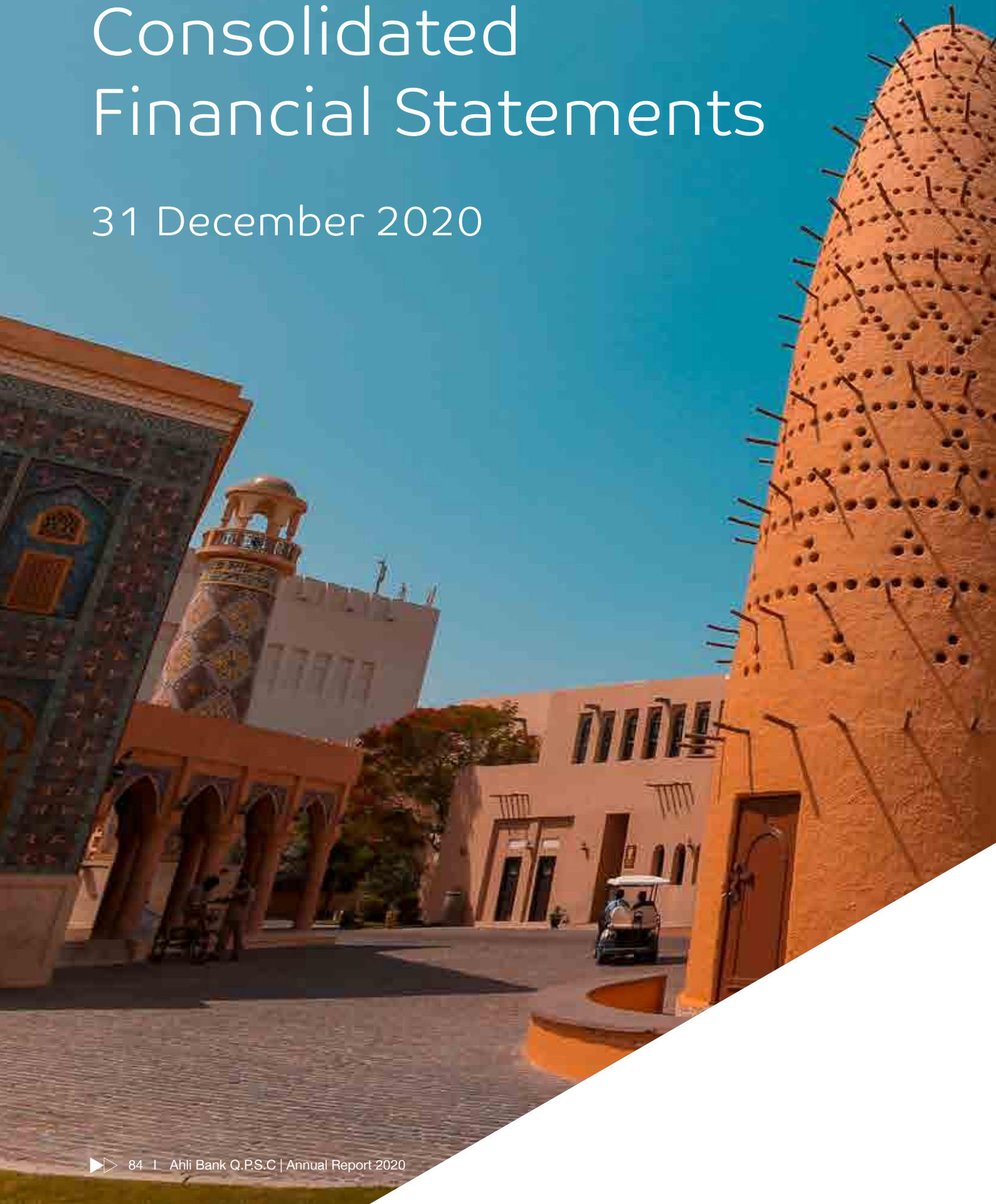


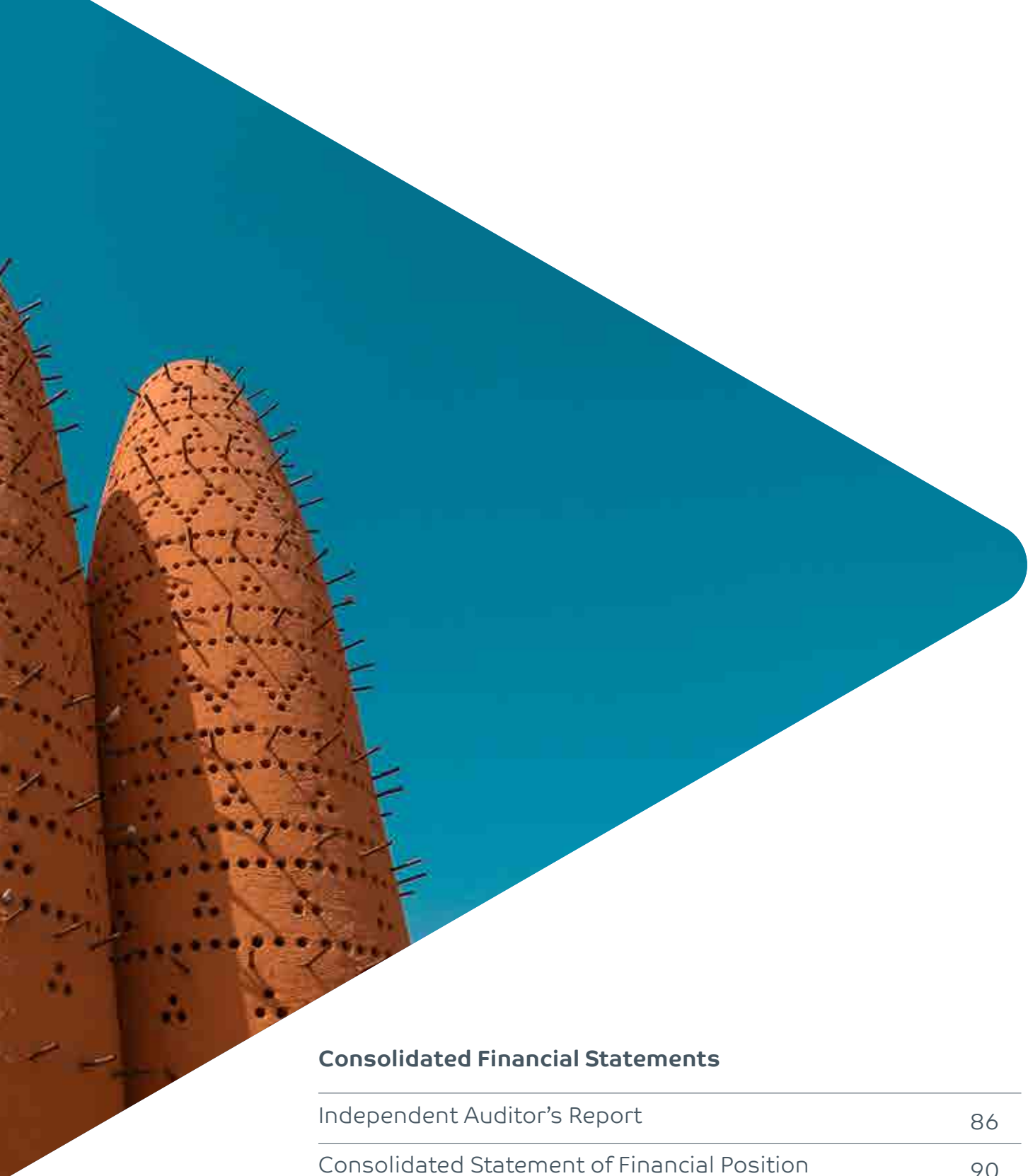




Consolidated Financial Statements

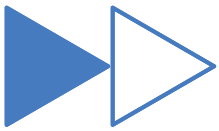
31 December 2020





Consolidated Financial Statements

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Independent Auditor's Report

To the Shareholders of Ahlibank Q.P.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ahlibank Q.P.S.C. (the "Bank"), and its subsidiaries (the "Group") as at 31 December 2020, which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank regulations.

Basis of 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Qatar, and we have fulfilled our other ethical responsibilities in accordance with these

requirements and IESBA Code. 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 that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter Impairment of Financial Assets

Due to the inherently judgmental nature of the computation of expected credit losses (“ECL”) for loans and advances, there is a risk that the amount of ECL may be misstated.

The key areas of judgement include:

1. The identification of exposure with a significant deterioration in credit quality
2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic variables etc
3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model

Determining the adequacy of impairment allowance on loans and advances to customers is a key area of judgement for the management. The Qatar Central Bank (“QCB”) regulations require banks to estimate impairment allowance in accordance with IFRS and the applicable provisions of QCB regulations. Notes 10 & 4.(b).(vi) to the consolidated financial statements provide details relating to the impairment of loans and advances.

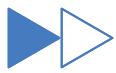
Due to the significance of loans and advances to customers, subjectivity in identifying impairment indicators and estimation uncertainty in measuring impairment allowances, this is considered a key audit matter.

How the Matter was Addressed in our Audit

Our audit procedures included the following:

- Read the Group’s IFRS 9 impairment policy and assessed compliance with the requirements of IFRS 9 and applicable QCB regulations
- Evaluated the Group’s criteria for the significant increase in credit risk (“SICR”) and the basis for classification of exposures into various stages considering the effect of COVID-19 and various relief measures implemented by the QCB. Selected a sample of exposures and tested the application of Group’s SICR criteria to assess the movements between stages
- Evaluated the Group’s forward-looking economic variables by comparing on a sample basis against supporting evidence, where applicable, and assessed the reasonableness of changes made to the economic scenarios to reflect the effect of COVID-19
- For probability of default (“PD”) used in the ECL calculation
- Evaluated the through-the-cycle (“TTC”) PDs by selecting a sample of exposures and comparing against supporting evidence and IFRS 9 methodology
- Selected a sample of exposures and tested the conversion of TTC PDs to point in time (“PIT”) PDs
- Tested the calculation of the Loss Given Default (“LGD”) used by the Group in the ECL calculations
- Assessed the modelled calculation by re-performing ECL calculations on a sample basis
- Assessed the impairment allowance for individually impaired loans and advances (stage 3) in accordance with IFRS and applicable provisions of QCB regulations

In addition, we considered, assessed and tested relevant controls over credit initiation, monitoring and settlement, and those relating to the calculation of impairment allowances.



Independent Auditor's Report

To the Shareholders of Ahlibank Q.P.S.C.

Report on the Audit of the Consolidated Financial Statements (continued)

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor, whose audit report dated 06 February 2020, expressed an unmodified opinion on those consolidated financial statements.

Other Information Included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The 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 a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks 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 the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of

management's 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 disclosures are 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 consolidated 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 the Board of Directors 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 Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are

therefore the key audit matters. We describe these matters in our auditor's report unless a law or regulation precludes 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 have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association and the amendments thereto, the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015, during the financial year that would have had a material adverse effect on the Group's financial position or the performance.

Ziad Nader

of Ernst & Young

Qatar Auditor's Register Number: 258

Date: 4 February 2021

State of Qatar

Ahlibank Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31, December 2020

| ASSETS | Note | 2020 QR '000 | 2019 QR '000 |
|-------------------------------------|------|---------------------|--------------|
| Cash and balances with central bank | 8 | 2,871,877 | 1,400,654 |
| Due from banks | 9 | 3,509,604 | 2,913,310 |
| Loans and advances to customers | 10 | 33,512,690 | 31,591,106 |
| Investment securities | 11 | 7,073,950 | 7,520,606 |
| Property and equipment | 12 | 251,785 | 263,570 |
| Other assets | 13 | 335,359 | 225,634 |
| TOTAL ASSETS | | 47,555,265 | 43,914,880 |

| LIABILITIES | Note | 2020 QR '000 | 2019 QR '000 |
|---|--------|---------------------|--------------|
| Due to banks and central bank | 14 | 4,620,856 | 4,443,230 |
| Certificate of deposits and commercial papers | | - | 20,000 |
| Customer deposits | 15 | 26,940,562 | 25,499,852 |
| Debt securities | 16 (a) | 7,321,378 | 5,492,008 |
| Other borrowings | 16 (b) | 1,602,812 | 1,641,601 |
| Other liabilities | 17 | 794,590 | 859,477 |
| TOTAL LIABILITIES | | 41,280,198 | 37,956,168 |

| EQUITY | Note | 2020 QR '000 | 2019 QR '000 |
|-------------------------------------|--------|---------------------|--------------|
| Share capital | 18 (a) | 2,429,663 | 2,313,965 |
| Legal reserve | 18 (b) | 1,791,853 | 1,723,847 |
| Risk reserve | 18 (c) | 753,108 | 679,837 |
| Fair value reserve | 18 (d) | 380 | (12) |
| Retained earnings | | 1,300,063 | 1,241,075 |
| TOTAL EQUITY | | 6,275,067 | 5,958,712 |
| TOTAL LIABILITIES AND EQUITY | | 47,555,265 | 43,914,880 |

These consolidated financial statements were approved by the Board of Directors on 17 January 2021 and were signed on its behalf by:

Sh. Faisal Bin Abdul-Aziz Bin Jassem Al Thani
Chairman & Managing Director

Hassan Ahmed AlEfrangi
Chief Executive Officer

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

Ahlibank Q.P.S.C.
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2020

| | | | |
|--|----|------------------|-------------|
| Interest income | 19 | 1,756,386 | 1,835,902 |
| Interest expense | 20 | (782,895) | (1,009,569) |
| NET INTEREST INCOME | | 973,491 | 826,333 |
| Fee and commission income | 21 | 185,791 | 209,321 |
| Fee and commission expense | | (8,246) | (6,724) |
| NET FEE AND COMMISSION INCOME | | 177,545 | 202,597 |
| Foreign exchange gain - net | 22 | 42,072 | 32,307 |
| Income from investment securities | 23 | 49,580 | 43,977 |
| Other operating income | 24 | 4,640 | 5,293 |
| TOTAL OPERATING INCOME | | 1,247,328 | 1,110,507 |
| Staff costs | 25 | (176,284) | (168,048) |
| Depreciation | 12 | (30,646) | (28,852) |
| Net impairment on investment securities | | (5,624) | (1,055) |
| Net impairment loss on loans and advances to customers | | (235,913) | (139,606) |
| Net (impairment) / reversal on other financial assets | | (6,100) | 8,687 |
| Other expenses | 26 | (112,701) | (106,400) |
| | | (567,268) | (435,274) |
| PROFIT FOR THE YEAR | | 680,060 | 675,233 |
| EARNINGS PER SHARE (QAR) | 27 | 0.280 | 0.278 |

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

Ahlibank Q.P.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31, December 2020

| | Note | 2020 QR '000 | 2019 QR '000 |
|----------------------------|------|----------------|--------------|
| Profit for the year | | 680,060 | 675,233 |

Other comprehensive income for the year

Items that are or may be reclassified subsequently to income statement:

| | | | |
|--|--------|-------|--------|
| Net change in fair value of debt instruments classified as FVOCI | 18 (d) | 586 | 15,768 |
| Realised during the year | 18 (d) | (194) | 81 |

Items that will not be reclassified subsequently to income statement

| | | | |
|--|--|---|---------|
| Net change in fair value of equity measured at FVOCI | | - | (4,372) |
|--|--|---|---------|

| | | | |
|--|--|------------|--------|
| Other comprehensive income for the year | | 392 | 11,477 |
|--|--|------------|--------|

| | | | |
|--|--|----------------|---------|
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 680,452 | 686,710 |
|--|--|----------------|---------|



The attached notes 1 to 33 form an integral part of these consolidated financial statements.



Ahlibank Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31, December 2020

| | Note | Share capital QR'000 | Legal reserve QR'000 |
|---|--------|-------------------------|-------------------------|
| Balance as at 1 January 2019 | | 2,103,604 | 1,656,324 |
| Adoption of IFRS 16 | | - | - |
| Restated Balance as at 1 January 2019 | | 2,103,604 | 1,656,324 |
| Total comprehensive income for the year | | | |
| Profit for the year | | - | - |
| Other comprehensive loss | | - | - |
| Total comprehensive income for the year | | - | - |
| Transfer to risk reserve | 18 (c) | - | - |
| Transfer to legal reserve | 18 (b) | - | 67,523 |
| Transfer to social and sports fund | 32 | - | - |
| Contributions by and distribution to equity holders: | | | |
| Bonus issue | 18 (a) | 210,361 | - |
| Dividend paid | 18 (e) | - | - |
| Total contributions by and distributions to equity holders | | 210,361 | - |
| Balance as at 31 December 2019 | | 2,313,965 | 1,723,847 |

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

| Risk reserve QR'000 | Fair value reserve QR'000 | Retained earnings QR'000 | Total equity QR'000 |
|--------------------------------|--------------------------------------|-------------------------------------|--------------------------------|
| 631,078 | (11,489) | 1,121,114 | 5,500,631 |
| - | - | (1,387) | (1,387) |
| 631,078 | (11,489) | 1,119,727 | 5,499,244 |
| - | - | 675,233 | 675,233 |
| - | 11,477 | - | 11,477 |
| - | 11,477 | 675,233 | 686,710 |
| 48,759 | - | (48,759) | - |
| - | - | (67,523) | - |
| - | - | (16,881) | (16,881) |
| - | - | (210,361) | - |
| - | - | (210,361) | (210,361) |
| - | - | (420,722) | (210,361) |
| 679,837 | (12) | 1,241,075 | 5,958,712 |

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

Ahlibank Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31, December 2020

| | Note | Share capital QR'000 | Legal reserve QR'000 |
|---|--------|-------------------------|-------------------------|
| Balance as at 1 January 2020 | | 2,313,965 | 1,723,847 |
| Total comprehensive income for the year | | | |
| Profit for the year | | - | - |
| Other comprehensive loss | | - | - |
| Total comprehensive income for the year | | - | - |
| Transfer to risk reserve | 18 (c) | - | - |
| Transfer to legal reserve | 18 (b) | - | 68,006 |
| Transfer to social and sports fund | 32 | - | - |
| Contributions by and distributions to equity holders: | | | |
| Bonus issue | 18 (a) | 115,698 | - |
| Dividend paid | 18 (e) | - | - |
| Total contributions by and distributions to equity holders | | 115,698 | - |
| Balance as at 31 December 2019 | | 2,429,663 | 1,791,853 |

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

| Risk reserve QR'000 | Fair value reserve QR'000 | Retained earnings QR'000 | Total equity QR'000 |
|--------------------------------|--------------------------------------|-------------------------------------|--------------------------------|
| 679,837 | (12) | 1,241,075 | 5,958,712 |
| - | - | 680,060 | 680,060 |
| - | 392 | - | 392 |
| - | 392 | 680,060 | 680,452 |
| 73,271 | - | (73,271) | - |
| - | - | (68,006) | - |
| - | - | (17,002) | (17,002) |
| - | - | (115,698) | - |
| - | - | (347,095) | (347,095) |
| - | - | (462,793) | (347,095) |
| 753,108 | 380 | 1,300,063 | 6,275,067 |

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

Ahlibank Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31, December 2020

| | Note | 2020 QR '000 | 2019 QR '000 |
|--|------|--------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the year | | 680,060 | 675,233 |
| <i>Adjustments for:</i> | | | |
| Net impairment loss on loans and advances to customers | | 235,913 | 139,606 |
| Net impairment loss on Investment securities | | 5,624 | 1,055 |
| Net impairment / (reversals) on other financial assets | | 6,100 | (8,687) |
| Depreciation | 12 | 30,646 | 28,852 |
| Net gain on investment securities | 23 | (41,337) | (35,988) |
| <i>Profit before changes in operating assets and liabilities</i> | | 917,006 | 800,071 |
| Change in due from central bank | | (63,903) | (171,407) |
| Change in loans and advances to customers | | (2,157,497) | (4,263,160) |
| Change in other assets | | (109,725) | (10,939) |
| Change in due to banks and central bank | | 177,626 | (1,291,563) |
| Change in certificate of deposits and commercial paper | | (20,000) | (475,672) |
| Change in customer deposits | | 1,440,710 | 3,734,420 |
| Change in other liabilities | | (81,889) | 118,445 |
| Net cash from/(used) in operating activities | | 102,328 | (1,559,805) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investment securities | | (388,314) | (2,806,531) |
| Proceeds from sale or maturity of investment securities | | 864,975 | 1,271,976 |
| Net acquisition of property and equipment | 12 | (18,861) | (20,628) |
| Net cash generated from /(used in) investing activities | | 457,800 | (1,555,183) |

| | Note | 2020 QR '000 | 2019 QR '000 |
|---|------|------------------|------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from other borrowings and debt securities | | 1,790,581 | 960,194 |
| Dividends paid | | (347,095) | (210,361) |
| Net cash from financing activities | | 1,443,486 | 749,833 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | | 2,003,614 | (2,365,155) |
| Cash and cash equivalents as at 1 January | | 3,164,536 | 5,529,691 |
| CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER | 29 | 5,168,150 | 3,164,536 |
| Operational cash flows from interest and dividend | | | |
| Interest received | | 1,780,994 | 1,747,326 |
| Interest paid | | 931,999 | 913,512 |
| Dividends received | | 8,243 | 7,989 |

1. REPORTING ENTITY

Ahlibank Q.P.S.C. (“the Bank”) is an entity domiciled in the State of Qatar and was incorporated in 1983 as a public shareholding company under Emiri Decree no. 40 of 1983. The commercial registration of the Bank is 8989. The address of the Bank’s registered office is Suhaim Bin Hamad Street, Al Sadd Area in Doha (P.O. Box 2309, Doha, State of Qatar). The consolidated financial statements of the Bank for the year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Group is primarily involved in corporate and retail banking and brokerage activities, and has 14 branches in Qatar.

During 2018, the Bank changed its legal name from Ahlibank Q.S.C. to Ahlibank Q.P.S.C. to comply with the provisions of the new Qatar Commercial Companies’ Law issued on 7 July 2015.

The principal subsidiaries of the Bank is as follows:

| Company's name | Country of incorporation | Company's Capital | Company's activities | Percentage of ownership 2020 | Percentage of ownership 2019 |
|--|--------------------------|-----------------------|----------------------|------------------------------|------------------------------|
| Ahli Brokerage Company L.L.C. (CR No 47943) | Qatar | QAR 50 million | Brokerage | 100 | 100 |
| ABQ Finance Limited | Cayman Islands | US \$ 1 | Debt Issuance | 100 | 100 |

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), the applicable provisions of the Qatar Central Bank (“QCB”) regulations.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items on the consolidated statement of financial position, which are measured at fair value:

- Derivatives
- Investments measured at fair value through profit or loss (“FVTPL”)
- financial investment measured at fair value through other comprehensive income (“FVOCI”)

Functional and Presentation Currency

These consolidated financial statements are

presented in Qatari Riyals (“QAR”), which is the Group’s functional currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousand.

Use of Estimates and Judgments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

(i) *Subsidiary*

Subsidiary is an investee controlled by the Group. The financial statement of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group 'controls' an investee if it is exposed to, or has right to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Group.

(ii) *Transactions eliminated on consolidation*

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

(b) Foreign Currency

Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date

of the transaction.

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

(c) Financial Assets and Financial Liabilities

(i) *Recognition and initial measurement*

The Group initially recognises loans and advances to customers, due from and due to banks, certificate of deposits and commercial papers, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) *Classification*

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

On initial recognition of an equity investment that

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice
- How the performance of the portfolio is evaluated and reported to the Group's management
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial

recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest ("the SPPI test"), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration of the time value of money. Instruments failing SPPI will be measured at FVTPL.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification takes place from the start of the first reporting period following the change.

Financial Liabilities

The Group has classified and measured its financial liabilities at amortised cost.

(iii) Derecognition

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

A financial asset (in whole or in part) is derecognised where:

- the rights to receive cash flows from the asset have expired
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset

The Group enters into transactions whereby it transfers assets recognised, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Modification of financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

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

Financial Liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated income statement.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

(vi) Measurement principles

Amortised cost measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5 (b) (i).

(vii) Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan commitments and financial guarantee contracts
- No impairment loss is recognised on equity investments

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

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

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

Measurement of ECL

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

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

Credit-impaired financial assets

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

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

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

(d) Cash and Cash Equivalents

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

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

(e) Loans and Advances to Customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method except for the financial assets which are classified to be measured at FVTPL, which are measured at fair value with changes recognised immediately in the consolidated income statement.

(f) Investment Securities

The 'investment securities' includes:

- Debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method
- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss
- Debt securities measured at FVOCI
- Equity investment securities designated as at FVOCI

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the same manner as for financial assets measured at amortised cost:

- Interest income using the effective interest method
- Expected credit losses and reversals
- Foreign exchange gains and losses

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument by instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never subsequently reclassified to consolidated income statement, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments , continue to be recognised in consolidated income statement, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(g) Derivatives

(i) Derivatives held for Risk Management purposes and hedge accounting

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that, have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial

assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

• Fair Value hedges

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized immediately in the consolidated income statement. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and recognized in the consolidated income statement.

As at 31 December 2020 and 2019, there was no fair value hedge.

• Cash flow hedges

In relation to cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as cash flow hedge reserve in other comprehensive income. The gains or losses on cash flow hedges initially recognized in the consolidated statement of comprehensive income are transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognized in the consolidated statement of comprehensive income, are included in the initial measurement of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising in the fair value of the hedging instrument are taken directly to the consolidated income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires, is terminated or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognized as cash flow hedge reserve in other comprehensive income is held therein until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized as cash flow hedge reserve in other comprehensive income is transferred to the consolidated income statement.

As at 31 December 2020 and 2019, there was no cash flow hedge.

(ii) Derivatives held for trading purposes

The Group's derivative trading instruments includes forward exchange contracts and interest rate and foreign currency swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, derivatives are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models as appropriate. The resulting gains or losses are included in the consolidated income statement.

(h) Property and Equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land is not depreciated.

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

| | |
|-------------------------|-----------|
| Buildings | 20 years |
| Leasehold improvements | 5 years |
| Furniture and equipment | 3-7 years |
| Motor Vehicles | 5 years |

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

Right of use assets and lease liabilities

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term lease. The Group recognizes lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Right-of-use assets*

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of leased liabilities recognised. The estimated useful life of the right of use asset is 2 to 8 years.

The carrying amounts of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying amount exceed the estimated recoverable amount, the asset is written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(i) Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of

impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Provisions

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

(k) Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

(l) Employee Termination Benefits and Pension Funds*End of service gratuity plans-Defined benefits plan*

The Group provides for end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits

are accrued over the period of employment. The provision of employees' end of service benefits is included in the other provisions within other liabilities.

Pension and provident fund plan-Defined contribution plan

Under Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

(m) Share Capital and Reserves

Incremental cost directly attributable to the issue of an equity instrument is deducted from the initial measurement of the equity instruments.

(n) Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in a separate note.

(o) Interest Income and Expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

For the financial assets that have become credit-impaired (stage 3) subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are

directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items in fair value hedges of interest rate risk.

Interest income on investment (debt) securities measured at FVOCI and measured at amortised cost is calculated using effective interest rate method and is also included in interest income.

(p) Fees and Commission Income and Expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction the services are received.

(q) Income from Investment Securities

Gains or losses on the disposal of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities but may be reclassified to another class of equity.

(r) Dividend Income

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

(s) Earnings per Share

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

(t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The chief executive officer is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. Income and expenses directly associated with each segment are included in determining operating segment performance.

(u) Fiduciary Activities

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

(v) Repossessed Collateral

Repossessioned collaterals in settlement of customers' debts are stated under "Other assets" at carrying value of debts or fair value if lower. According to QCB instructions, the Group should dispose of any land and properties acquired in settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended with the approval of QCB.

(w) Comparatives

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

(x) Parent Bank Financial Information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary information, is prepared following the same accounting policies as mentioned above except for; investment in subsidiaries which are not consolidated and is carried at cost.

(y) Application of New and Revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) effective as of 1 January 2020 as noted below:

| Description | Effective from |
|--|----------------|
| Definition of Material – Amendments to IAS 1 and IAS 8 | January 2020 1 |
| Definition of a Business – Amendments to IFRS 3 | January 2020 1 |
| Amendments to References to Conceptual Framework in IFRS Standards | January 2020 1 |

The adoption of the new and amended standards and interpretations do not have a material impact on the financial statements of the Group.

Standard issued but not yet effective

| Description | Effective from |
|---|----------------|
| Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | January 2021 1 |

| | |
|--|----------------|
| IFRS 17 Insurance Contracts | January 2023 1 |
| Amendments to References to Conceptual Framework in IFRS Standards | January 2021 1 |

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed above. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

(z) IBOR Transition:

IBOR Transition Effective from 1 January 2020, the Group has implemented amendments to

IFRS 9 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms. The amendments (referred as Phase I of IBOR transition project) addresses the hedge accounting requirements arising before IBOR and proposed a hedging relief for such hedges.

The Group is not a party to any hedging relationship linked to IBOR as at 31 December 2020.

Management is evaluating the Group's transition activities and preparedness for adopting alternate reference rates and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

4. FINANCIAL Risk Management

(a) Introduction and Overview

Risk Management

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's Risk Management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its Risk Management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Introduction

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

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

- **Risk Management Structure**

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

- **Executive Committee**

The Executive Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and managing and monitoring relevant risk decisions.

- **Risk Management Department**

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group. Each business group has a decentralised department which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and

4. FINANCIAL Risk Management (CONTINUED)

structured transactions. This function also ensures the complete capture of the risks in risk measurement and reporting systems.

- **Treasury**

Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure, as laid down by the Asset Liability Committee (ALCO) from time to time.

- **Internal Audit**

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

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

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

The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management

assesses the appropriateness of the allowance for impairment on a quarterly basis.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business departments have access to necessary and up-to-date information.

Frequent briefing is given to the senior management and all other relevant members of the Group on the utilization of market limits, analysis of VaR, proprietary investments and liquidity, plus any other risk developments.

Risk Mitigation

As part of its overall Risk Management strategy, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The risk profile is assessed before entering into any hedging transactions, which are authorised by the appropriate approval authority mechanism within the Group. The effectiveness of hedges is assessed by the Treasury and senior management (based on economic considerations too rather than purely the IFRS hedge based accounting regulations). The effectiveness of all the hedge relationships is monitored by risk department quarterly at each reporting period. In cases of ineffectiveness, the Group will continuously monitor the expected performance of the hedge and take mitigating action such as re-hedging wherever necessary to make the hedge more effective on the underlying instrument concerned.

The Group actively uses collaterals to reduce its credit risks (see Note 4(b) Credit risk below for more detail).

Excessive risk concentration

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

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

(b) Credit Risk

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

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

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities,
- For commercial lending, mortgages over real estate properties, inventory, trade receivables, cash and securities.
- For retail lending, mortgages over residential properties, cash or securities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

The Group also obtains corporate guarantees from parent companies for loans, advances and financing activities to their subsidiaries.

4. FINANCIAL Risk Management (CONTINUED)

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

| | 2020 QR '000 | 2019 QR '000 |
|--|-------------------|-------------------|
| Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows: | | |
| Balances with central bank | 2,305,096 | 1,187,516 |
| Due from banks | 3,509,604 | 2,913,310 |
| Loans and advances to customers | 33,512,690 | 31,591,106 |
| Investment securities - debt | 6,881,503 | 7,335,235 |
| Other assets | 178,319 | 44,958 |
| Total as at 31 December | 46,387,212 | 43,072,125 |
| Other credit risk exposures are as follows: | | |
| Contingent liabilities | 11,103,719 | 9,929,120 |
| Unutilized facilities | 10,529,733 | 11,021,603 |
| Total as at 31 December | 21,633,452 | 20,950,723 |
| Total credit risk exposure | 68,020,664 | 64,022,848 |

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

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region.

| At 31 December 2020 | Qatar QR'000 | Other GCC QR'000 | Europe QR'000 | Rest of the world QR'000 | Total QR'000 |
|--|-------------------|---------------------|------------------|--------------------------------|-------------------|
| Balances with central bank | 2,305,096 | - | - | - | 2,305,096 |
| Due from banks | 3,394,368 | 6,657 | 16,607 | 91,972 | 3,509,604 |
| Loans and advances to customers | 33,449,563 | 63,127 | - | - | 33,512,690 |
| Investment securities - debt | 6,313,063 | 433,956 | - | 134,484 | 6,881,503 |
| Other assets | 44,424 | 25,048 | 108,847 | - | 178,319 |
| Total | 45,506,514 | 528,788 | 125,454 | 226,456 | 46,387,212 |
| Other credit risk exposures are as follows: | | | | | |
| Guarantees and letters of credit | 10,907,276 | 1,091 | 32,602 | 162,750 | 11,103,719 |
| Unutilized facilities | 10,529,733 | - | - | - | 10,529,733 |
| Total | 21,437,009 | 1,091 | 32,602 | 162,750 | 21,633,452 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31, December 2020

4. FINANCIAL Risk Management (CONTINUED)

(ii) Concentration of risks of financial assets with credit risk exposure

| At 31 December 2019 | Qatar QR'000 | Other GCC QR'000 | Europe QR'000 | Rest of the world QR'000 | Total QR'000 |
|--|-------------------|---------------------|------------------|--------------------------------|-------------------|
| Balances with central bank | 1,187,516 | - | - | - | 1,187,516 |
| Due from banks | 2,848,672 | 5,536 | 17,332 | 41,770 | 2,913,310 |
| Loans and advances to customers | 31,523,331 | 67,775 | - | - | 31,591,106 |
| Investment securities - debt | 6,649,215 | 548,080 | - | 137,940 | 7,335,235 |
| Other assets | 42,846 | 2,112 | - | - | 44,958 |
| Total | 42,251,580 | 623,503 | 17,332 | 179,710 | 43,072,125 |
| Other credit risk exposures are as follows: | | | | | |
| Guarantees and letters of credit | 9,895,890 | 798 | 26,572 | 5,860 | 9,929,120 |
| Unutilized facilities | 11,021,603 | - | - | - | 11,021,603 |
| Total | 20,917,493 | 798 | 26,572 | 5,860 | 20,950,723 |

Industry Sectors

The following table breaks down the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorized by the industry sectors of the Group's counterparties.

| At 31 December 2020 | Gross maximum exposure 2020 QR'000 | Net maximum exposure 2020 QR'000 | Gross maximum exposure 2019 QR'000 | Net maximum exposure 2019 QR'000 |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Funded | | | | |
| Government | 10,467,204 | 10,455,999 | 10,687,708 | 10,681,631 |
| Government agencies | 177,808 | 177,638 | 201,422 | 201,306 |
| Industry | 1,144,903 | 1,129,822 | 1,253,072 | 1,238,167 |
| Commercial | 10,071,205 | 9,707,222 | 8,653,284 | 8,336,163 |
| Services | 12,363,809 | 12,235,230 | 10,495,752 | 10,423,092 |
| Contracting | 4,729,497 | 4,355,217 | 4,010,262 | 3,790,573 |
| Real estate | 5,756,087 | 5,706,004 | 5,685,460 | 5,664,910 |
| Personal | 2,799,049 | 2,620,080 | 2,909,233 | 2,736,283 |
| Total | 47,509,562 | 46,387,212 | 43,896,193 | 43,072,125 |
| Unfunded | | | | |
| Government institutions & semi government agencies | 2,533,155 | 2,533,145 | 1,009,090 | 1,009,028 |
| Services | 1,837,289 | 1,835,491 | 2,184,013 | 2,183,164 |
| Commercial and others | 17,263,008 | 17,251,019 | 17,757,620 | 17,750,233 |
| Total unfunded | 21,633,452 | 21,619,655 | 20,950,723 | 20,942,425 |
| Total | 69,143,014 | 68,006,867 | 64,846,916 | 64,014,550 |

Total maximum exposure net of tangible collateral is QAR 36.33 billion (2019: QAR 32.04 billion). The types of collateral obtained include cash, mortgages over real estate properties and pledges of shares.

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4. FINANCIAL Risk Management (CONTINUED)

(iii) Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilizes a ten-scale credit rating system of which rating 1-7 relate to performing and 8-10 relate to non-performing. Within performing, ORR 1 to 4 represents investment grade, ORR 5 to 6 represents sub-investment grade and ORR 7 represent watchlist. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavors

| | 2020 | | |
|--|------------------|----------------|----------------|
| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 |
| Balances with Central Bank and Due from banks | | | |
| Investment grade - ORR 1 to 4 | 5,750,714 | 10,046 | - |
| Sub-investment grade - ORR 5 to 7 | - | 55,041 | - |
| Substandard - ORR 8 | - | - | - |
| Doubtful ORR 9 | - | - | - |
| Loss - ORR 10 | - | - | - |
| Loss allowance | 5,750,714 | 65,087 | - |
| | (715) | (386) | - |
| Carrying amount | 5,749,999 | 64,701 | - |

| | 2020 | | |
|--|-------------------|------------------|----------------|
| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 |
| Balances with Central Bank and Due from banks | | | |
| Investment grade - ORR 1 to 4 | 20,057,707 | 738,319 | - |
| Sub-investment grade - ORR 5 to 7 | 9,777,340 | 3,194,875 | - |
| Substandard - ORR 8 | - | - | 18,844 |
| Doubtful ORR 9 | - | - | 5,869 |
| Loss - ORR 10 | - | - | 827,455 |
| Loss allowance | 29,835,047 | 3,933,194 | 852,168 |
| | (208,053) | (180,991) | (718,675) |
| Carrying amount | 29,626,994 | 3,752,203 | 133,493 |

continuously to improve upon the internal credit risk rating methodologies and credit Risk Management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

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

| 2020 | 2019 | | | |
|------------------|------------------|----------------|----------------|------------------|
| Total QR'000 | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
| 5,760,760 | 4,059,833 | 41,345 | - | 4,101,178 |
| 55,041 | - | 149 | - | 149 |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| 5,815,801 | 4,059,833 | 41,494 | - | 4,101,327 |
| (1,101) | (369) | (132) | - | (501) |
| 5,814,700 | 4,059,464 | 41,362 | - | 4,100,826 |

| 2020 | 2019 | | | |
|-------------------|-------------------|------------------|----------------|-------------------|
| Total QR'000 | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
| 20,796,026 | 18,805,765 | 281,845 | - | 19,087,610 |
| 12,972,215 | 9,756,060 | 2,869,614 | - | 12,625,674 |
| 18,844 | - | - | 15,751 | 15,751 |
| 5,869 | - | - | 152,084 | 152,084 |
| 827,455 | - | - | 525,647 | 525,647 |
| 34,620,409 | 28,561,825 | 3,151,459 | 693,482 | 32,406,766 |
| (1,107,719) | (118,302) | (149,848) | (547,510) | (815,660) |
| 33,512,690 | 28,443,523 | 3,001,611 | 145,972 | 31,591,106 |

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4. FINANCIAL Risk Management (CONTINUED)

(iii) Credit quality (continued)

| | 2020 | | |
|--|------------------|----------------|----------------|
| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 |
| Balances with Central Bank and Due from banks | | | |
| Investment grade - ORR 1 to 4 | 6,137,659 | - | - |
| Sub-investment grade - ORR 5 to 7 | 738,981 | 18,392 | - |
| Substandard - ORR 8 | - | - | - |
| Doubtful ORR 9 | - | - | - |
| Loss - ORR 10 | - | - | - |
| Loss allowance | 6,876,640 | 18,392 | - |
| | (12,520) | (1,009) | - |
| Carrying amount | 6,864,120 | 17,383 | - |

| | 2020 | | |
|--|------------------|----------------|----------------|
| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 |
| Balances with Central Bank and Due from banks | | | |
| Investment grade - ORR 1 to 4 | 1,772,980 | 27,234 | - |
| Sub-investment grade - ORR 5 to 7 | 1,391,786 | 258,904 | - |
| Substandard - ORR 8 | - | - | - |
| Doubtful ORR 9 | - | - | - |
| Loss - ORR 10 | - | - | - |
| Loss allowance | 3,164,766 | 286,138 | - |
| | (12,122) | (1,674) | - |
| Carrying amount | 3,152,644 | 284,464 | - |

At 31 December 2020 and 2019, none of the other financial assets were either past due or impaired and did not have any expected credit loss allowance recognised against them.

| 2020 | 2019 | | | | |
|------------------|------------------|----------------|----------------|----------------|------------------|
| | Total QR'000 | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
| 6,137,659 | 7,017,959 | - | - | - | 7,017,959 |
| 757,373 | 306,745 | 18,436 | - | - | 325,181 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 6,895,032 | 7,324,704 | 18,436 | - | - | 7,343,140 |
| (13,529) | (6,944) | (961) | - | - | (7,905) |
| 6,881,503 | 7,317,760 | 17,475 | - | - | 7,335,235 |

| 2020 | 2019 | | | | |
|------------------|------------------|----------------|----------------|----------------|------------------|
| | Total QR'000 | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
| 1,800,214 | 2,771,197 | 16,931 | - | - | 2,788,128 |
| 1,650,690 | 1,334,842 | 183,452 | - | - | 1,518,294 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 3,450,904 | 4,106,039 | 200,383 | - | - | 4,306,422 |
| (13,796) | (6,695) | (1,601) | - | - | (8,296) |
| 3,437,108 | 4,099,344 | 198,782 | - | - | 4,298,126 |

4. FINANCIAL Risk Management (CONTINUED)

(b) Credit Risk (Continued)

(iv) Collateral

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no discernible deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group.

The fair value of the collateral held against credit-impaired loans and advances as at 31 December 2020 is QR. 654.31 million (2019 : QR. 646.53 million).

(v) Write-off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB's approval.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. There was no amount written off during the year (2019: Nil).

(vi) Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its

quantitative analysis on a timely basis.

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

- i. Two notches downgrade for ratings from Aaa to Baa or one notch downgrade for ratings from Ba to Caa
- ii. Facilities restructured during previous twelve months
- iii. Facilities overdue by 45 days as applicable as at reporting date

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

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

Renegotiated financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not

related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Where possible, the Group seeks to restructure loans rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)
- the borrower is past due more than 90 days on any material credit obligation to the Group
- the borrower is internally rated 8, 9 or 10

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

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

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

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

Measurement of ECL

The key inputs into the measurement of ECL are the

term structure of the following variables:

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

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

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Also the regulatory required minimum haircuts are applied on the eligible collaterals to arrive at the LGD.

Forward looking information incorporated in ECL models

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically as per the IFRS 9 Policy of the Group.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In the case that none of the macro-economic parameters are statistically significant or the results of forecasted PDs are too deviated from the present forecast of the economic conditions, qualitative PD overlay is used by management based on portfolio analysis.

4. FINANCIAL Risk Management (CONTINUED)

(b) Credit Risk (Continued)

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

The Group calculated the PD based on the process described below:

1. Obtain the observed defaults rates (ODRs)
ODRs are computed for wholesale portfolio and each of the retail segment for which ECL is separately computed.
2. Obtain the value of the expected relevant economic variables

The various expected relevant economic indicators such as Nominal GDP, Oil & Gas product, good and service exports are sourced from IMF, World Economic Organization or any other data source as considered appropriate.

3. Transform the macroeconomic data from yearly to monthly data point

Historical and forecasted values of macroeconomic indicators considered for regression analysis purposes are generally provided at a yearly level. However, ODRs are computed at a monthly frequency. Accordingly, the group interpolates the macroeconomics data. The Group has adopted the cubic spline interpolation technique for interpolation of economic variable data

4. Perform regression analysis

Perform the ordinary least square (OLS) regression analysis of ODR for the each of the portfolio on the historical observed value of the economic indicators

5. Test the statistical significance of the model

Significance of the overall model as well as each of individual parameters are assessed based on various statistical tests such as adjusted R², F test and T test.

6. Forecast the Point in Time (PiT) default rate

Based on the projected value of the economic variables under different scenario and their coefficient value as determined based on the related

regression analysis, point in time (PiT) average default rate is estimated for each of ECL computation segment for each of the projected years.

Approach for scenario analysis

QCB advises banks to arrive at the final ECL as the scenario weighted ECL under different macroeconomic scenarios. Considering the same, the group has formulated the methodology for creation of macro-economic scenarios under the premise of economic baseline, upturn and downturn condition. Please refer to note 34 for details of for the inputs used to macro economic scenario analysis.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Based on the observed default rates, historical performance and other internal statistical studies the group calculates the ECL at a pool level for the below categories.

1. Mortgage Loan
2. Personal loan to residents
3. Personal loan to expats
4. Auto loans
5. Retail overdrafts

Outbreak of Coronavirus (COVID-19)

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. From the latter half of Q1-2020, the economic environment and business landscape of the Group have witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic coupled with the significant depression in the global crude oil prices. Tightening of market conditions, lockdowns, restrictions on trade and movement of people have caused significant disruptions to businesses and economic activities globally and across industries & sectors.

Government Measures

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the Qatar Central Bank (QCB), also instituted a host of measures to protect the stability

of country's economy. These measures include deferral of loan instalments for the affected sectors, partial waiver of interest, waiver of point of sale (POS) charges and ATM withdrawal charges (refer QCB circular no. 5/2020 for details).

Impact of COVID-19 on the Group

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are required to be based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken.

This is broadly consistent with guidelines issued by QCB which mandates that loan instalment deferment may not in its own trigger SICR as this might indicate short term liquidity problems. Similarly, any covenant breach having particular relevance to COVID-19 e.g. delay in submission of audited financial accounts etc. may not necessarily trigger SICR.

Banks must develop estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration should be given both to the effects of COVID-19 and QCB policy measures being undertaken. The Group uses latest available relevant projections for estimating forward looking economic variables/ scenarios.

The Management Credit Committee of the Group is primarily responsible for overseeing the Group's adequacy on ECL. It closely monitors the impact of COVID-19 by an ongoing review of the portfolio including a review by name of all significant exposures in the directly impacted industries and sectors. Affected customers are evaluated based on the stability of the business owner and business and any short-term cash flow mismatches are supported by the Group.

Retail lending to expats is expected to witness some impact in the short to medium term due to the pandemic and hence could lead to potential credit issues. The Group is fully committed to help its customers through this turbulent period as directed by the QCB. The Group continued to support

its customers through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Ministry of Health entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Group continually reviews its precautionary and administrative measures in response to changes on the ground.

Impact on SICR:

The exercise of the deferment option by a customer, in its own, is not considered by the Group as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Group's credit evaluation process especially given the current economic situation due to after effects of lock down, the Group obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

Impact on ECL:

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The econometric models have been developed and base its financial assets relationship with various relevant economic variables. The Group has updated its macroeconomic variables based on the latest available projections. Accordingly, real GDP on an average was assumed to decline 3.49% during 2020. The estimates of other relevant variables were also considered in line with the latest projections provided by leading economic agencies. Furthermore, the weightings assigned to each macro-economic scenario at the Group level as at 31 December 2020, were 60% to the Base Case 30% to Downside and 10% to the Upside Case. (31 December 2019: 62.5% to the Base Case, 18.75% to Downside and Upside Case). In managements best assessment Risks are sufficiently covered at this point of time. The management will continuously monitor the ongoing situation and continue to provide conservatively for any downside risks.

Sensitivity of ECL to future economic conditions

4. FINANCIAL Risk Management (CONTINUED)

The following table shows a comparison of the Group's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at 31 December 2020 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

| | 31 Dec 2020 Impact on ECL (QR '000) | 31 Dec 2019 Impact on ECL (QR' 000) |
|---|-------------------------------------|-------------------------------------|
| Sensitivity of impairment estimates | | |
| ECL on non-impaired loans under IFRS9 | 389,044 | 268,150 |
| Simulations | | |
| Upside case - 100% weighted - higher/ (lower) by | (150,769) | (148,241) |
| Base case - 100% weighted - higher/ (lower) by | (26,042) | 1,431 |
| Downside scenario - 100% weighted - higher/(lower) by | 102,341 | 143,470 |

Impact of COVID-19 on the Group (continued)

Accounting for modification loss and government grant

The Group has determined that the modifications due to deferment of instalment in line with QCB relaxation measures did not result in derecognition of financial assets.

QCB has issued zero rate repo facilities to the local Groups in Qatar in order to support the Groups liquidity who are extending loans to affected sectors at reduced rates and guarantees from the government of the State of Qatar. The Group has utilized zero rated repo facility up to 31 December 2020.

Further, the impact of day one modification loss and the benefit granted by QCB by way of reduced repo rates and bills discounting was not considered material for the year.

Estimates and judgement on COVID-19 pandemic

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of State of Qatar ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective

measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

The Group continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Group believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

(b) Credit Risk (Continued)*(vi) Inputs, assumptions and techniques used for estimating impairment (continued)***Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

31 December 2020

| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Exposure subject to ECL | | | | |
| – Loans and advances to customers | 29,835,047 | 3,933,194 | 852,168 | 34,620,409 |
| – Investment securities (Debt) | 6,876,640 | 18,392 | - | 6,895,032 |
| – Loan commitments and financial guarantees | 3,164,766 | 286,138 | - | 3,450,904 |
| – Due from banks | 5,750,714 | 65,087 | - | 5,815,801 |

ECL Opening balance as at 1 January 2020

| | | | | |
|---|----------------|----------------|----------------|----------------|
| – Loans and advances to customers | 118,302 | 149,848 | 547,510 | 815,660 |
| – Net impairment losses on investment securities (Debt) | 6,944 | 961 | - | 7,905 |
| – Loan commitments and financial guarantees | 6,695 | 1,601 | - | 8,296 |
| – Net impairment losses on due from banks | 369 | 132 | - | 501 |
| | 132,310 | 152,542 | 547,510 | 832,362 |

Net transfer between stages

| | | | | |
|---|----------------|-----------------|---------------|----------|
| – Loans and advances to customers | (1,582) | (35,009) | 36,591 | - |
| – Net impairment losses on investment securities (Debt) | - | - | - | - |
| – Loan commitments and financial guarantees | - | - | - | - |
| – Net impairment losses on due from banks | - | - | - | - |
| | (1,582) | (35,009) | 36,591 | - |

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4. FINANCIAL Risk Management (CONTINUED)

(b)Credit Risk (Continued)

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

Loss allowance (continued)

| | 31 December 2020 | | | |
|--|-------------------|-------------------|-------------------|------------------|
| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
| Charge for the year (net) | | | | |
| - Loans and advances to customers (including interest in suspense for Stage 3) | 91,333 | 66,152 | 134,574 | 292,059 |
| - Net impairment losses on investment securities (Debt) | 5,576 | 48 | - | 5,624 |
| - Loan commitments and financial guarantees | 5,427 | 73 | - | 5,500 |
| - Net impairment losses on due from banks | 346 | 254 | - | 600 |
| | <u>102,682</u> | <u>66,527</u> | <u>134,574</u> | <u>303,783</u> |
| Written off | | | | |
| - Loans and advances to customers | - | - | - | - |
| - Net impairment losses on investment securities (Debt) | - | - | - | - |
| - Loan commitments and financial guarantees | - | - | - | - |
| - Net impairment losses on due from banks | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Closing balance - as at 31 December 2020 | | | | |
| - Loans and advances to customers | 208,053 | 180,991 | 718,675 | 1,107,719 |
| - Net impairment losses on investment securities (Debt) | 12,520 | 1,009 | - | 13,529 |
| - Loan commitments and financial guarantees | 12,122 | 1,674 | - | 13,796 |
| - Net impairment losses on due from banks | 715 | 386 | - | 1,101 |
| | <u>233,410</u> | <u>184,060</u> | <u>718,675</u> | <u>1,136,145</u> |

31 December 2019

| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Exposure subject to ECL | | | | |
| – Loans and advances to customers | 28,561,825 | 3,151,459 | 693,482 | 32,406,766 |
| – Investment securities (Debt) | 7,324,704 | 18,436 | - | 7,343,140 |
| – Loan commitments and financial guarantees | 4,106,039 | 200,383 | - | 4,306,422 |
| – Due from banks | 4,059,833 | 41,494 | - | 4,101,327 |

ECL Opening balance as at 1 January 2019

| | | | | |
|---|---------|---------|---------|---------|
| – Loans and advances to customers | 133,329 | 166,254 | 328,642 | 628,225 |
| – Net impairment losses on investment securities (Debt) | 5,508 | 1,342 | - | 6,850 |
| – Loan commitments and financial guarantees | 14,302 | 2,792 | - | 17,094 |
| – Net impairment losses on due from banks | 273 | 117 | - | 390 |
| | 153,412 | 170,505 | 328,642 | 652,559 |

Net transfer between stages

| | | | | |
|---|----------|----------|--------|---|
| – Loans and advances to customers | (15,027) | (16,406) | 31,433 | - |
| – Net impairment losses on investment securities (Debt) | 381 | (381) | - | - |
| – Loan commitments and financial guarantees | - | - | - | - |
| – Net impairment losses on due from banks | - | - | - | - |
| | (14,646) | (16,787) | 31,433 | - |

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As at 31, December 2020

4. FINANCIAL Risk Management (CONTINUED)

(b) Credit Risk (Continued)

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

Loss allowance (continued)

| | 31 December 2019 | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 QR'000 | Stage 2 QR'000 | Stage 3 QR'000 | Total QR'000 |
| Charge for the year (net) | | | | |
| - Loans and advances to customers (including interest in suspense for Stage 3) | - | - | 187,435 | 187,435 |
| - Net impairment losses on investment securities (Debt) | 1,055 | - | - | 1,055 |
| - Loan commitments and financial guarantees | (7,607) | (1,191) | - | (8,798) |
| - Net impairment losses on due from banks | 96 | 15 | - | 111 |
| | (6,456) | (1,176) | 187,435 | 179,803 |
| Written off | | | | |
| - Loans and advances to customers | - | - | - | - |
| - Net impairment losses on investment securities (Debt) | - | - | - | - |
| - Loan commitments and financial guarantees | - | - | - | - |
| - Net impairment losses on due from banks | - | - | - | - |
| | - | - | - | - |
| Closing balance - as at 31 December 2020 | | | | |
| - Loans and advances to customers | 118,302 | 149,848 | 547,510 | 815,660 |
| - Net impairment losses on investment securities (Debt) | 6,944 | 961 | - | 7,905 |
| - Loan commitments and financial guarantees | 6,695 | 1,601 | - | 8,296 |
| - Net impairment losses on due from banks | 369 | 132 | - | 501 |
| | 132,310 | 152,542 | 547,510 | 832,362 |

(c) Liquidity Risk

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

(i) Management of liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

In addition, the Group maintains 4.5% of average customer deposits as a mandatory deposit with Qatar Central Bank.

The Group's Asset and Liability Committee (ALCO) monitors the maturity profile on an overall basis with ongoing liquidity monitoring by the Treasury.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31, December 2020

4. FINANCIAL Risk Management (CONTINUED)

(c) Liquidity Risk (Continued)

(ii) Maturity analysis (including all assets and liabilities)

| 31 December 2020 | Carrying amount QR' 000 | Less than 1 month QR' 000 |
|-------------------------------------|----------------------------|------------------------------|
| Cash and balances with central bank | 2,871,877 | 2,048,278 |
| Due from banks | 3,509,604 | 1,903,224 |
| Loans and advances to customers | 33,512,690 | 2,966,161 |
| Investment securities | 7,073,950 | 259,379 |
| Property and equipment | 251,785 | - |
| Others assets | 335,359 | 8,323 |
| Total | 47,555,265 | 7,185,365 |
| Due to banks and central bank | 4,620,856 | 3,915,560 |
| Customer deposits | 26,940,562 | 8,436,025 |
| Debt securities | 7,321,378 | - |
| Other borrowings | 1,602,812 | 1,212 |
| Other liabilities | 794,590 | 326,992 |
| Total equity | 6,275,067 | - |
| Total | 47,555,265 | 12,679,789 |
| Difference | - | (5,494,424) |

| 1-3 months QR' 000 | 3 months – 1 year QR' 000 | 1-5 years QR' 000 | More than 5 years QR' 000 |
|-----------------------|------------------------------|----------------------|------------------------------|
| 249,160 | 429,141 | 145,298 | - |
| 1,606,380 | - | - | - |
| 3,138,431 | 6,637,188 | 12,956,738 | 7,814,172 |
| - | 178,832 | 3,834,550 | 2,801,189 |
| - | - | - | 251,785 |
| 192,851 | 1,504 | 132,681 | - |
| 5,186,822 | 7,246,665 | 17,069,267 | 10,867,146 |
| 705,296 | - | - | - |
| 5,730,279 | 8,329,058 | 4,444,692 | 508 |
| - | 1,880,787 | 5,440,591 | - |
| - | 509,600 | 1,092,000 | - |
| 124,695 | 276,017 | 66,886 | - |
| - | - | - | 6,275,067 |
| 6,560,270 | 10,995,462 | 11,044,169 | 6,275,575 |
| (1,373,448) | (3,748,797) | 6,025,098 | 4,591,571 |

4. FINANCIAL Risk Management (CONTINUED)

(c) Liquidity Risk (Continued)

(ii) Maturity analysis (including all assets and liabilities) (Continued)

| 31 December 2019 | Carrying amount QR' 000 | Less than 1 month QR' 000 |
|---|----------------------------|------------------------------|
| Cash and balances with central bank | 1,400,654 | 620,432 |
| Due from banks | 2,913,310 | 1,330,878 |
| Loans and advances to customers | 31,591,106 | 1,895,556 |
| Investment securities | 7,520,606 | 203,601 |
| Property and equipment | 263,570 | - |
| Others assets | 225,634 | 10,422 |
| Total | 43,914,880 | 4,060,889 |
| Due to banks and central bank | 4,443,230 | 3,988,230 |
| Certificate of deposits and commercial papers | 20,000 | 20,000 |
| Customer deposits | 25,499,852 | 8,445,172 |
| Debt securities | 5,492,008 | 19,982 |
| Other borrowings | 1,641,601 | - |
| Other liabilities | 859,477 | 188,921 |
| Total equity | 5,958,712 | - |
| Total | 43,914,880 | 12,662,305 |
| Difference | - | (8,601,416) |

| 1-3 months QR' 000 | 3 months – 1 year QR' 000 | 1-5 years QR' 000 | More than 5 years QR' 000 |
|-----------------------|------------------------------|----------------------|------------------------------|
| 236,037 | 406,539 | 137,646 | - |
| 1,582,432 | - | - | - |
| 2,963,643 | 6,780,475 | 12,678,351 | 7,273,081 |
| 109,208 | 519,404 | 3,871,038 | 2,817,355 |
| - | - | - | 263,570 |
| 82,225 | 306 | 132,681 | - |
| 4,973,545 | 7,706,724 | 16,819,716 | 10,354,006 |
| 182,000 | 273,000 | - | - |
| - | - | - | - |
| 4,982,040 | 9,018,992 | 3,053,648 | - |
| - | - | 5,472,026 | - |
| - | 255,360 | 1,386,241 | - |
| 357,708 | 245,773 | 67,075 | - |
| - | - | - | 5,958,712 |
| 5,521,748 | 9,793,125 | 9,978,990 | 5,958,712 |
| (548,203) | (2,086,401) | 6,840,726 | 4,395,294 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31, December 2020

4. FINANCIAL Risk Management (CONTINUED)

(c) Liquidity Risk (Continued)

(ii) Maturity analysis (including all assets and liabilities) (Continued)

| 31 December 2020 | Carrying amount QR' 000 | Gross undiscounted cash flows QR' 000 | Less than 1 month QR' 000 |
|---|----------------------------|--|------------------------------|
| Non-derivative financial liabilities | | | |
| Due to banks and central bank | 4,620,856 | 4,621,987 | 3,916,544 |
| Customer deposits | 26,940,562 | 27,774,944 | 8,681,445 |
| Debt securities | 7,321,378 | 7,917,984 | 82,159 |
| Other borrowings | 1,602,812 | 1,647,980 | 2,970 |
| Total | 40,485,608 | 41,962,895 | 12,683,118 |

Derivative financial instruments

Risk Management:

| | | | |
|---------|--|-------------------|-------------------|
| Outflow | | 4,886,206 | 1,357,708 |
| Inflow | | (5,017,957) | (1,450,675) |
| | | 41,831,144 | 12,590,151 |

| 31 December 2019 | Carrying amount QR' 000 | Gross undiscounted cash flows QR' 000 | Less than 1 month QR' 000 |
|---|----------------------------|--|------------------------------|
| Non-derivative financial liabilities | | | |
| Due to banks and central bank | 4,443,230 | 4,453,961 | 3,996,384 |
| Certificate of deposits and commercial papers | 20,000 | 20,030 | 20,030 |
| Customer deposits | 25,499,852 | 26,063,907 | 8,564,110 |
| Debt securities | 5,492,008 | 5,994,966 | 68,509 |
| Other borrowings | 1,641,601 | 1,748,159 | 7,929 |
| Total | 37,096,691 | 38,281,023 | 12,656,962 |

Derivative financial instruments

Risk Management:

| | | | |
|---------|--|-------------------|-------------------|
| Outflow | | 4,265,879 | 1,628,287 |
| Inflow | | (4,255,222) | (1,626,241) |
| | | 38,291,680 | 12,659,008 |

| 1-3 months QR' 000 | 3 months – 1 year QR' 000 | 1-5 years QR' 000 | More than 5 years QR' 000 |
|-----------------------|------------------------------|----------------------|------------------------------|
| 705,443 | - | - | - |
| 5,741,431 | 8,659,370 | 4,692,182 | 516 |
| 36,779 | 2,241,335 | 5,557,711 | - |
| 3,403 | 549,095 | 1,092,512 | - |
| 6,487,056 | 11,449,800 | 11,342,405 | 516 |

| | | | |
|------------------|-------------------|-------------------|------------|
| 1,047,913 | 2,442,048 | 38,537 | - |
| (1,069,796) | (2,458,979) | (38,507) | - |
| 6,465,173 | 11,432,869 | 11,342,435 | 516 |

| 1-3 months QR' 000 | 3 months – 1 year QR' 000 | 1-5 years QR' 000 | More than 5 years QR' 000 |
|-----------------------|------------------------------|----------------------|------------------------------|
| 183,838 | 273,739 | - | - |
| - | - | - | - |
| 5,052,627 | 9,255,362 | 3,191,808 | - |
| 31,092 | 139,394 | 5,755,971 | - |
| 8,377 | 292,484 | 1,439,369 | - |
| 5,275,934 | 9,960,979 | 10,387,148 | - |

| | | | |
|------------------|------------------|-------------------|----------|
| 461,329 | 2,130,619 | 45,644 | - |
| (459,803) | (2,123,471) | (45,707) | - |
| 5,277,460 | 9,968,127 | 10,387,085 | - |

4. FINANCIAL Risk Management (CONTINUED)

(d) Market Risks

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as interest rates commodities prices, foreign exchange rates and equity prices.

(i) Management of market risks

The Group manages its market risks within the

regulatory framework of limits defined by the Qatar Central Bank. Setting the internal framework for the management of market risks and ensuring compliance with this methodology is the responsibility of the Asset and Liability Committee (ALCO) which consists of senior management including members of the Risk Management function. The Group is exposed to interest rate risk created as a result of assets and liabilities mismatch or off balance sheet instruments that mature or reprice over a given period.

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

| 31 December 2020 | Carrying amount QR' 000 | Repricing in: | |
|--|----------------------------|-------------------------------|------------------------|
| | | Less than 3 months QR' 000 | 3-12 months QR' 000 |
| Cash and balances with central bank | 2,871,877 | 1,000,487 | - |
| Due from banks | 3,509,604 | 3,394,356 | - |
| Loans and advances to customers | 33,512,690 | 5,484,991 | 26,949,925 |
| Investment securities | 7,073,950 | 53,403 | 180,052 |
| Property and equipment | 251,785 | - | - |
| Other assets | 335,359 | - | - |
| | 47,555,265 | 9,933,237 | 27,129,977 |
| Due to banks and central bank | 4,620,856 | 2,993,496 | - |
| Certificate of deposits and commercial paper | - | - | - |
| Customer deposits | 26,940,562 | 12,747,565 | 6,664,484 |
| Debt securities | 7,321,378 | 63,157 | 1,819,449 |
| Other borrowings | 1,602,812 | 1,602,812 | - |
| Other liabilities | 794,590 | - | - |
| Total equity | 6,275,067 | - | - |
| | 47,555,265 | 17,407,030 | 8,483,933 |
| Statement of financial position items | | (7,473,793) | 18,646,044 |
| Interest rate sensitivity gap | | (7,473,793) | 18,646,044 |
| Cumulative Interest rate sensitivity gap | | (7,473,793) | 11,172,251 |

Both interest rate gaps and foreign exchange rate fluctuations are managed within the prescribed board limits. All risk exposures are monitored and reported on a daily basis to senior management and any breaches are escalated immediately. In addition all trading activity is continuously being monitored at ALCO level.

(ii) Exposure to interest rate risk – non-trading portfolios
The principal risk to which non-trading portfolios

are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

Repricing in:

| 1-5 years QR' 000 | More than 5 years QR' 000 | Non-interest sensitive QR' 000 | Effective interest rate QR' 000 |
|----------------------|------------------------------|-----------------------------------|------------------------------------|
| - | - | 1,871,390 | 1.11% |
| - | - | 115,248 | 1.52% |
| 259,880 | 574,601 | 243,293 | 4.40% |
| 3,836,983 | 2,811,065 | 192,447 | 3.91% |
| - | - | 251,785 | - |
| - | - | 335,359 | - |
| 4,096,863 | 3,385,666 | 3,009,522 | |
| - | - | 1,627,360 | 0.76% |
| - | - | - | 2.03% |
| 4,444,692 | 508 | 3,083,313 | 1.90% |
| 5,438,772 | - | - | 3.41% |
| - | - | - | 2.44% |
| - | - | 794,590 | - |
| - | - | 6,275,067 | - |
| 9,883,464 | 508 | 11,780,330 | |
| (5,786,601) | 3,385,158 | (8,770,808) | |
| (5,786,601) | 3,385,158 | (8,770,808) | |
| (5,385,650) | 8,770,808 | - | |

4. FINANCIAL Risk Management (CONTINUED)

(d) Market Risks (Continued)

(ii) Exposure to interest rate risk – non-trading portfolios (Continued)

| 31 December 2019 | Carrying amount QR' 000 | Repricing in: | |
|--|----------------------------|-------------------------------|------------------------|
| | | Less than 3 months QR' 000 | 3-12 months QR' 000 |
| Cash and balances with central bank | 1,400,654 | - | - |
| Due from banks | 2,913,310 | 2,885,066 | - |
| Loans and advances to customers | 31,591,106 | 9,877,682 | 20,622,407 |
| Investment securities | 7,520,606 | 190,220 | 456,623 |
| Property and equipment | 263,570 | - | - |
| Other assets | 225,634 | - | - |
| | 43,914,880 | 12,952,968 | 21,079,030 |
| Due to banks and central bank | 4,443,230 | 4,131,197 | 273,000 |
| Certificate of deposits and commercial paper | 20,000 | 20,000 | - |
| Customer deposits | 25,499,852 | 12,196,307 | 7,679,922 |
| Debt securities | 5,492,008 | - | - |
| Other borrowings | 1,641,601 | 1,641,601 | - |
| Other liabilities | 859,477 | - | - |
| Total equity | 5,958,712 | - | - |
| | 43,914,880 | 17,989,105 | 7,952,922 |
| Statement of financial position items | | (5,036,137) | 13,126,108 |
| Off statement of financial position items | | (728,000) | 728,000 |
| Interest rate sensitivity gap | | (5,764,137) | 13,854,108 |
| Cumulative Interest rate sensitivity gap | | (5,764,137) | 8,089,971 |

Repricing in:

| 1-5 years QR' 000 | More than 5 years QR' 000 | Non-interest sensitive QR' 000 | Effective interest rate QR' 000 |
|----------------------|------------------------------|-----------------------------------|------------------------------------|
| - | - | 1,400,654 | - |
| - | - | 28,244 | 2.81% |
| 226,507 | 548,373 | 316,137 | 5.22% |
| 3,871,038 | 2,817,353 | 185,372 | 3.83% |
| - | - | 263,570 | - |
| - | - | 225,634 | - |
| 4,097,545 | 3,365,726 | 2,419,611 | |
| - | - | 39,033 | 2.57% |
| - | - | - | 2.40% |
| 3,023,548 | - | 2,600,075 | 2.87% |
| 5,492,008 | - | - | 3.64% |
| - | - | - | 3.64% |
| - | - | 859,477 | - |
| - | - | 5,958,712 | - |
| 8,515,556 | - | 9,457,297 | |
| (4,418,011) | 3,365,726 | (7,037,686) | |
| - | - | - | |
| (4,418,011) | 3,365,726 | (7,037,686) | |
| 3,671,960 | 7,037,686 | - | |

4. FINANCIAL Risk Management (CONTINUED)

(d) Market Risks (Continued)

(ii) Exposure to interest rate risk – non-trading portfolios (Continued)

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement and equity.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the interest sensitive non-trading financial assets and financial liabilities held at 31 December 2020, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate for fair value through other comprehensive income financial assets at 31 December 2020 for the effects of the assumed changes in interest rates and based on the assumption that there are parallel shifts in the yield curve. The effect of decreases in interest rates is expected to have an equal and opposite effect of the increases shown.

| Currency | Change in basis points | Sensitivity of net interest income | | Sensitivity of equity | |
|--------------|------------------------|------------------------------------|--------------|-----------------------|--------------|
| | | 2020 QR '000 | 2019 QR '000 | 2020 QR '000 | 2019 QR '000 |
| Qatari Riyal | 25 | 30,289 | 22,499 | - | - |
| US Dollar | 25 | 7,457 | 4,781 | 826 | 2,580 |

Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in statement of income; and
- Fair value reserves arising from increases or decreases in fair values of debt securities which are reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

(iii) Exposure to currency risk – non-trading portfolios

Foreign Currency Transactions

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group takes an exposure to the effect of fluctuation in prevailing foreign currency exchange rates on its consolidated financial position. The Board of Directors has set limits on the level of currency exposure, which are monitored daily.

The Group had the following net open positions at the year end:

| | 2020 QR '000 | 2019 QR '000 |
|--------------------------------|--------------|--------------|
| Net foreign currency exposure: | | |
| Pounds Sterling | 332 | 307 |
| Euro | 2,940 | 527 |
| USD | 493,195 | 346,858 |
| Other currencies | 78,566 | 77,325 |
| Total | 575,033 | 425,017 |

The others above include an exposure to Egyptian Pounds (EGP) amounting to QAR 69,861 thousand (2019: QAR 69,239 thousand). This exposure arises from the investment made in 2006.

The Group manages its currency exposures within limits laid down by the Board of Directors. Intra-day and overnight limits are laid down for each currency individually and in total. The Qatar Riyal is pegged to the US Dollar. Although the Group is not exposed to any currency risk due to the peg, limits are set for US Dollar exposures.

All other currency exposures are limited and the Group is not significantly exposed to the other currencies.

Sensitivity Analysis

| 1% change in currency exchange rate | Increase / (decrease) in profit or loss | | Increase / (decrease) in other comprehensive income | |
|-------------------------------------|---|-----------------|---|-----------------|
| | 2020 QR '000 | 2019 QR '000 | 2020 QR '000 | 2019 QR '000 |
| Pound Sterling | 3 | 3 | - | - |
| Euro | 29 | 5 | - | - |
| Other currencies | 786 | 773 | - | - |

Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. The Board has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Group's ALCO. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity, as a result of a change in the fair value of equity instruments held as fair value through profit and loss at the year end, due to change in equity indices, with all other variables held constant, is as follows:

| | Change in Equity price % | Effect on equity 2020 QR' 000 | Effect on Equity 2019 QR' 000 |
|---------------------|--------------------------|----------------------------------|----------------------------------|
| Market Index | | | |
| Qatar Exchange | 10% | 11,026 | 10,386 |

4. FINANCIAL Risk Management (CONTINUED)**(e)Operational Risks**

Operational Risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank manages its Operational Risk primarily through the Board approved Operational Risk Framework (ORF) consisting of the Operational Risk Policy (ORP) and the Operational Risk Committee (ORC), which has representation across all departments. The Bank utilizes a Basel III compliant approach known as 'Operational Risk Self-Assessment' (ORSA) process to assess, document and report the operational risks encountered in the course of normal business activity.

The ORC approves the ORSA every two years and reviews operational risks faced by various functions in the Bank on a regular basis throughout the year to track the status of open risks and pursuing appropriate controls wherever necessary. Furthermore both compliance and internal audit perform independent periodic reviews to assess adequacy of check and controls at any given point in time.

The Bank has a robustly documented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP). These documents outline the procedures to be followed in a disaster scenario. The BCP aims to establish the level of impact upon the Bank's business activity of having to operate from a different site in the event of an emergency or natural disaster. This includes access to critical computer systems, connectivity to local area network, database servers, internet, intranet and e-mails etc. This is a well-established process and takes place periodically throughout the year. The last Disaster Recovery (DR) test and Business Continuity (BC) was performed on 16 March 2020 and 19 November 2020 respectively. The completion of DR & BCP is signed off by all concerned departments to confirm tests were successfully carried out by them as well as a report circulated to all ORC members for their comments and reference. Both the BCP & DR processes were independently audited by the one of the Big 4 auditors as per QCB requirements and were found to be thorough and well implemented.

Basic firefighting training is provided to staff fire wardens periodically with the assistance of Civil Defense Authority. An evacuation drill is normally conducted annually as part of safety and security procedures across the branches network.

(f)Capital Management**Regulatory capital**

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

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

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

Regulatory capital

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

| | 2020 Basel III QR' 000 | 2019 Basel III QR' 000 |
|--------------------------------------|-----------------------------------|---------------------------|
| Common Equity Tier 1 (CET 1) Capital | | |
| Tier 1 capital | 5,910,617 | 5,611,617 |
| Tier 2 capital | 417,470 | 284,852 |
| Total regulatory capital | <u>6,328,087</u> | <u>5,896,469</u> |

Risk weighted assets

| | 2020 Basel III QR' 000 | 2019 Basel III QR' 000 |
|---|---------------------------|---------------------------|
| Risk weighted assets for credit risk | 33,594,238 | 30,679,200 |
| Risk weighted assets for market risk | 42,049 | 38,159 |
| Risk weighted assets for operational risk | 2,140,932 | 2,017,743 |
| Total risk weighted assets | 35,777,219 | 32,735,102 |

| | CET 1 ratio without capital conservation buffer | CET 1 ratio including capital conservation buffer | Tier 1 capital ratio including capital conservation buffer | Tier 2 capital ratio including capital conservation buffer | Total capital including capital conservation buffer and domestic systematic important bank buffer | Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge |
|--------------------------------|---|---|---|---|---|---|
| Minimum limit as per QCB | 6.0% | 8.50% | 10.50% | 12.50% | 12.50% | 13.50% |
| Actual 2020 | 16.52% | 16.52% | 16.52% | 17.69% | 17.69% | 17.69% |
| 2019 | 17.14% | 17.14% | 17.14% | 18.01% | 18.01% | 18.01% |

5. USE OF ESTIMATES AND JUDGMENTS

(a) Key Sources of Estimation Uncertainty

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

(i) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

(ii) Allowances for credit losses

Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL. Refer to note 4 (b)(vi) Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

Investments in debt securities are evaluated for impairment on the basis described in the significant accounting policies section.

(iii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are taken from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs, such as volatility, discount rates etc.

(iv) Right to use assets

Determining the Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Discounting of Lease Payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

(b) Critical Accounting Judgements in Applying the Group's Accounting Policies

(i) Valuation of financial instruments

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

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial Instruments Measured at Fair Value – Fair Value Hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| 31 December 2020 | Level 1 QR' 000 | Level 2 QR' 000 | Level 3 QR' 000 | Total QR' 000 |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| Derivative assets held for Risk Management | - | 136,405 | - | 136,405 |
| Investment securities (FVOCI/ FVTPL) | 937,288 | 81,263 | - | 1,018,551 |
| | <u>937,288</u> | <u>217,668</u> | <u>-</u> | <u>1,154,956</u> |
| Derivative liabilities held for Risk Management | - | 1,215 | - | 1,215 |
| | <u>-</u> | <u>1,215</u> | <u>-</u> | <u>1,215</u> |
| 31 December 2019 | Level 1 QR' 000 | Level 2 QR' 000 | Level 3 QR' 000 | Total QR' 000 |
| Derivative assets held for Risk Management | - | 16,054 | - | 16,054 |
| Investment securities (FVOCI/ FVTPL) | 1,133,791 | 80,641 | - | 1,214,432 |
| | <u>1,133,791</u> | <u>96,695</u> | <u>-</u> | <u>1,230,486</u> |
| Derivative liabilities held for Risk Management | - | 17,134 | - | 17,134 |
| | <u>-</u> | <u>17,134</u> | <u>-</u> | <u>17,134</u> |

During the year ending 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

Financial Instruments not Measured at Fair Value

Fair value of investment securities measured at amortised cost amounting to QAR 6,166,486 thousand as at 31 December 2020 (31 December 2019: QAR 6,333,266 thousand), which is derived using level 1 fair value hierarchy.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to call accounts, demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

(ii) Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 4(b) for further information.

Details of the Group's classification of financial assets and liabilities are given in Note 7.

(iii) Impairment of investments in debt securities

Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL. Refer to note 4 (b)(v) Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

(iv) Useful lives of property and equipment

The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

6. OPERATING SEGMENTS

For management purposes, the Group is organised into two major operating segments:

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

| | |
|---|--|
| Retail and private banking and wealth management | Principally handling individual customers' deposit and current accounts, providing consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. Private banking and wealth management represents servicing high net worth individuals through a range of investment products, funds, credit facilities, trusts and alternative investments. |
| Corporate banking, treasury, investments and brokerage subsidiary | Principally handling loans and other credit facilities, and deposit and current accounts for corporate and institutional customers and providing money market, trading and treasury services, as well as management of the Group's funding. The brokerage services are offered through the wholly owned subsidiary, Ahli Brokerage Company L.L.C. |

(i) Information about operating segments

| | Retail & private banking and wealth management QR' 000 | Corporate banking, treasury, investments and brokerage QR' 000 | Total QR' 000 |
|---|--|--|-------------------|
| 2020 | | | |
| Net interest income | 201,106 | 772,385 | 973,491 |
| Net fee and commission income | 52,461 | 125,084 | 177,545 |
| Foreign exchange gain - net | 16,138 | 25,934 | 42,072 |
| Income from investment securities | - | 49,580 | 49,580 |
| Other operating income | - | 4,640 | 4,640 |
| Total segment revenue | 269,705 | 977,623 | 1,247,328 |
| Other material non-cash items: | | | |
| Reversals/ (Impairment) losses and provisions | 3,133 | (250,770) | (247,637) |
| Reportable segment profit | 133,316 | 546,744 | 680,060 |
| Reportable segment assets | 7,863,763 | 39,691,502 | 47,555,265 |
| Reportable segment liabilities | 13,606,741 | 27,673,457 | 41,280,198 |
| | | | |
| | Retail & private banking and wealth management QR' 000 | Corporate banking, treasury, investments and brokerage QR' 000 | Total QR' 000 |
| 2019 | | | |
| Net interest income | 197,682 | 628,651 | 826,333 |
| Net fee and commission income | 51,639 | 150,958 | 202,597 |
| Foreign exchange gain - net | 16,866 | 15,441 | 32,307 |
| Income from investment securities | - | 43,977 | 43,977 |
| Other operating income | - | 5,293 | 5,293 |
| Total segment revenue | 266,187 | 844,320 | 1,110,507 |
| Other material non-cash items: | | | |
| Reversals/ (Impairment) losses and provisions | (799) | (131,175) | (131,974) |
| Reportable segment profit | 123,107 | 552,126 | 675,233 |
| Reportable segment assets | 7,378,633 | 36,536,247 | 43,914,880 |
| Reportable segment liabilities | 12,323,790 | 25,632,378 | 37,956,168 |

*There is no inter group transactions in the above segmental information.

7. FINANCIAL ASSETS AND LIABILITIES

(a) Accounting Classifications and Fair Values

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

Fair value through profit or loss

| | Debt instruments QR' 000 | Equity instruments QR' 000 | Derivative instruments QR' 000 |
|-------------------------------------|--------------------------------|----------------------------------|--------------------------------------|
| 31 December 2020 | | | |
| Cash and balances with central bank | - | - | - |
| Due from banks | - | - | - |
| Derivative assets | - | - | 136,405 |
| Loans and advances to customers | - | - | - |
| Investment securities: | | | |
| Measured at fair value | - | 181,045 | - |
| At amortised cost | - | - | - |
| | - | 181,045 | 136,405 |
| Derivative liabilities | - | - | 1,215 |
| Due to banks and central bank | - | - | - |
| Customer deposits | - | - | - |
| Debt securities | - | - | - |
| Other borrowings | - | - | - |
| | - | - | 1,215 |

Fair value through other comprehensive income

| Debt instruments QR' 000 | Equity instruments QR' 000 | Amortised cost QR' 000 | Total carrying amount QR' 000 | Fair value QR' 000 |
|-----------------------------|-------------------------------|---------------------------|----------------------------------|-----------------------|
| - | - | 2,871,877 | 2,871,877 | 2,871,877 |
| - | - | 3,509,604 | 3,509,604 | 3,509,604 |
| - | - | - | 136,405 | 136,405 |
| - | - | 33,512,690 | 33,512,690 | 33,512,690 |
| 826,104 | 11,402 | - | 1,018,551 | 1,018,551 |
| - | - | 6,055,399 | 6,055,399 | 6,166,486 |
| 826,104 | 11,402 | 45,949,570 | 47,104,526 | 47,215,613 |
| - | - | - | 1,215 | 1,215 |
| - | - | 4,620,856 | 4,620,856 | 4,620,856 |
| - | - | 26,940,562 | 26,940,562 | 26,940,562 |
| - | - | 7,321,378 | 7,321,378 | 7,321,378 |
| - | - | 1,602,812 | 1,602,812 | 1,602,812 |
| - | - | 40,485,608 | 40,486,823 | 40,486,823 |

7. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Accounting Classifications and Fair Values (Continued)

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

| | <i>Fair value through profit or loss</i> | | |
|---|--|----------------------------------|--------------------------------------|
| | Debt instruments QR' 000 | Equity instruments QR' 000 | Derivative instruments QR' 000 |
| 31 December 2019 | | | |
| Cash and balances with central bank | - | - | - |
| Due from banks | - | - | - |
| Derivative assets | - | - | 16,054 |
| Loans and advances to customers | - | - | - |
| Investment securities: | | | |
| Measured at fair value | - | 173,969 | - |
| At amortised cost | - | - | - |
| | - | 173,969 | 16,054 |
| Derivative liabilities | - | - | 17,134 |
| Due to banks and central bank | - | - | - |
| Certificate of deposits and commercial papers | - | - | - |
| Customer deposits | - | - | - |
| Debt securities | - | - | - |
| Other borrowings | - | - | - |
| | - | - | 17,134 |

Fair value through other comprehensive income

| Debt instruments QR' 000 | Equity instruments QR' 000 | Amortised cost QR' 000 | Total carrying amount QR' 000 | Fair value QR' 000 |
|-----------------------------|-------------------------------|---------------------------|----------------------------------|-----------------------|
| - | - | 1,400,654 | 1,400,654 | 1,400,654 |
| - | - | 2,913,310 | 2,913,310 | 2,913,310 |
| - | - | - | 16,054 | 16,054 |
| - | - | 31,591,106 | 31,591,106 | 31,591,106 |
| 1,029,061 | 11,402 | - | 1,214,432 | 1,214,432 |
| - | - | 6,311,335 | 6,311,335 | 6,333,266 |
| <u>1,029,061</u> | <u>11,402</u> | <u>42,216,405</u> | <u>43,446,891</u> | <u>43,468,822</u> |
| - | - | - | 17,134 | 17,134 |
| - | - | 4,443,230 | 4,443,230 | 4,443,230 |
| - | - | 20,000 | 20,000 | 20,000 |
| - | - | 25,499,852 | 25,499,852 | 25,499,852 |
| - | - | 5,492,008 | 5,492,008 | 5,492,008 |
| - | - | 1,641,601 | 1,641,601 | 1,641,601 |
| - | - | <u>37,096,691</u> | <u>37,113,825</u> | <u>37,113,825</u> |

8. CASH AND BALANCES WITH CENTRAL BANK

| | 2020 QR' 000 | 2019 QR' 000 |
|-------------------------|------------------|-----------------|
| Cash | 566,781 | 213,138 |
| Cash reserve with QCB* | 1,213,331 | 1,149,428 |
| Other balances with QCB | 1,091,278 | 38,088 |
| | 2,871,390 | 1,400,654 |
| Interest receivables | 487 | - |
| Total | 2,871,877 | 1,400,654 |

*The cash reserve with QCB is mandatory reserve not available for use in the Group's day to day operations.

9. DUE FROM BANKS

| | 2020 QR' 000 | 2019 QR' 000 |
|----------------------------------|------------------|-----------------|
| Current accounts | 115,248 | 28,244 |
| Placements | 3,390,774 | 2,867,834 |
| | 3,506,022 | 2,896,078 |
| Interest receivables | 4,683 | 17,733 |
| Allowance for impairment – IFRS9 | (1,101) | (501) |
| Total | 3,509,604 | 2,913,310 |

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

| | 2020 QR' 000 | 2019 QR' 000 |
|--|-------------------|-----------------|
| Loans | 30,951,846 | 26,553,574 |
| Overdrafts | 2,903,230 | 4,571,219 |
| Bills discounted | 184,562 | 613,355 |
| Acceptances | 241,657 | 314,083 |
| Other loans | 78,497 | 85,391 |
| | 34,359,792 | 32,137,622 |
| Deferred profit | (2,734) | (2,734) |
| Interest receivable | 263,351 | 271,878 |
| Allowance for impairment of loans and advances to customers – Performing (Stage 1 and 2) | (389,044) | (268,150) |
| Allowance for impairment of loans and advances to customers – Non performing (Stage 3) | (718,675) | (547,510) |
| Net loans and advances to customers (Note 10(a)(i)) | 33,512,690 | 31,591,106 |

The aggregate amount of non-performing loans and advances to customers amounted QAR 852.17 million, which represents 2.48% of total loans and advances to customers (2019: QAR 693.48 million, 2.16% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR 136.92 million of Interest in suspense (2019 : QR 87.26 million)

Note i: By operating segments

| | 2020 QR' 000 | 2019 QR' 000 |
|---------------------------------|-------------------|-----------------|
| Government and related agencies | 1,920,466 | 3,330,826 |
| Corporate | 25,035,656 | 21,734,422 |
| Retail | 6,556,568 | 6,525,858 |
| | 33,512,690 | 31,591,106 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31, December 2020

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

a) By Industry

| At 31 December 2020: | Loans QR' 000 | Overdrafts QR' 000 | Bills discounted QR' 000 | Acceptances QR' 000 | Other loans QR' 000 | Total QR' 000 |
|---|-------------------|--------------------|--------------------------|---------------------|---------------------|--------------------|
| Government and related agencies | 50,458 | 1,870,074 | - | - | - | 1,920,532 |
| Industry | 1,098,438 | 36,291 | - | 10,059 | 115 | 1,144,903 |
| Commercial | 9,715,315 | 266,375 | 20,066 | 65,795 | 3,654 | 10,071,205 |
| Services | 7,770,749 | 152,166 | 9,802 | 5,951 | 484 | 7,939,152 |
| Contracting | 3,890,054 | 523,704 | 154,694 | 159,852 | 560 | 4,728,864 |
| Real estate | 5,719,064 | 36,792 | - | - | 231 | 5,756,087 |
| Personal | 2,707,768 | 17,828 | - | - | 73,453 | 2,799,049 |
| | <u>30,951,846</u> | <u>2,903,230</u> | <u>184,562</u> | <u>241,657</u> | <u>78,497</u> | <u>34,359,792</u> |
| Less: deferred profit | | | | | | (2,734) |
| Interest receivables | | | | | | 263,351 |
| Allowance for impairment of loans and advances to customers | | | | | | <u>(1,107,719)</u> |
| | | | | | | <u>33,512,690</u> |

| At 31 December 2019: | Loans QR' 000 | Overdrafts QR' 000 | Bills discounted QR' 000 | Acceptances QR' 000 | Other loans QR' 000 | Total QR' 000 |
|---|-------------------|--------------------|--------------------------|---------------------|---------------------|-------------------|
| Government and related agencies | 74,271 | 3,256,595 | - | - | - | 3,330,866 |
| Industry | 1,184,013 | 60,143 | 800 | 8,060 | 55 | 1,253,071 |
| Commercial | 7,781,122 | 444,079 | 221,331 | 200,048 | 5,878 | 8,652,458 |
| Services | 6,136,422 | 217,829 | 15,555 | 2,327 | 410 | 6,372,543 |
| Contracting | 2,994,024 | 530,986 | 375,669 | 103,748 | 816 | 4,005,243 |
| Real estate | 5,571,695 | 39,532 | - | - | 248 | 5,611,475 |
| Personal | 2,811,927 | 22,055 | - | - | 77,984 | 2,911,966 |
| | <u>26,553,474</u> | <u>4,571,219</u> | <u>613,355</u> | <u>314,183</u> | <u>85,391</u> | <u>32,137,622</u> |
| Less: deferred profit | | | | | | (2,734) |
| Interest receivables | | | | | | 271,878 |
| Allowance for impairment of loans and advances to customers | | | | | | <u>(815,660)</u> |
| | | | | | | <u>31,591,106</u> |

c) Movement in Impairment Provisions on Loans and Advances to Customers

| | 2020 QR' 000 | 2019 QR' 000 |
|---------------------------------|------------------|--------------|
| Balance at 1 January | 815,660 | 628,225 |
| Provisions made during the year | 373,582 | 345,460 |
| Recoveries during the year | (81,523) | (158,025) |
| | 1,107,719 | 815,660 |
| Written off during the year | - | - |
| Balance at 31 December | 1,107,719 | 815,660 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31, December 2020

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in Impairment Provisions on Loans and Advances to Customers (Continued)

By internal business segment

| 2020 | <i>Corporates</i> | | |
|------------------------------------|--------------------|--------------------|--------------------|
| | Stage 1 QR' 000 | Stage 2 QR' 000 | Stage 3 QR' 000 |
| Balance at 1 January 2020 | 73,089 | 104,185 | 427,847 |
| Charge for the year | 102,234 | 52,823 | 169,473 |
| Recoveries during the year | (7,737) | (24,322) | - |
| Balance at 31 December 2020 | 167,586 | 132,686 | 597,320 |

| 2019 | <i>Corporates</i> | | |
|----------------------------|--------------------|--------------------|--------------------|
| | Stage 1 QR' 000 | Stage 2 QR' 000 | Stage 3 QR' 000 |
| Balance at 1 January 2019 | 87,235 | 132,962 | 233,961 |
| Charge for the year | 51,415 | 39,847 | 196,672 |
| Recoveries during the year | (65,561) | (68,624) | (2,786) |
| | 73,089 | 104,185 | 427,847 |

The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations.

| <i>Retail</i> | | | <i>Total</i> | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Stage 1 QR' 000 | Stage 2 QR' 000 | Stage 3 QR' 000 | Stage 1 QR' 000 | Stage 2 QR' 000 | Stage 3 QR' 000 |
| 45,213 | 45,663 | 119,663 | 118,302 | 149,848 | 547,510 |
| 11,983 | 15,223 | 21,846 | 114,217 | 68,046 | 191,319 |
| (16,729) | (12,581) | (20,154) | (24,466) | (36,903) | (20,154) |
| 40,467 | 48,305 | 121,355 | 208,053 | 180,991 | 718,675 |

| <i>Retail</i> | | | <i>Total</i> | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Stage 1 QR' 000 | Stage 2 QR' 000 | Stage 3 QR' 000 | Stage 1 QR' 000 | Stage 2 QR' 000 | Stage 3 QR' 000 |
| 46,094 | 33,292 | 94,681 | 133,329 | 166,254 | 328,642 |
| 14,208 | 16,923 | 26,395 | 65,623 | 56,770 | 223,067 |
| (15,089) | (4,552) | (1,413) | (80,650) | (73,176) | (4,199) |
| 45,213 | 45,663 | 119,663 | 118,302 | 149,848 | 547,510 |

11. INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

| | 2020 QR' 000 | 2019 QR' 000 |
|---|------------------|------------------|
| Investments measured at fair value through profit or loss (FVTPL) | 181,045 | 173,969 |
| Investments measured at fair value through other comprehensive income (FVOCI) | 841,971 | 1,043,207 |
| Investments measured at amortised cost (AC) | 5,997,531 | 6,240,649 |
| Total | 7,020,547 | 7,457,825 |
| Interest receivables | 66,932 | 70,686 |
| Impairment loss on debt securities | (13,529) | (7,905) |
| | <u>7,073,950</u> | <u>7,520,606</u> |

a) Fair Value through Profit or Loss (FVTPL)

| | 2020 | | 2019 | |
|---------------------------|-------------------|---------------------|-------------------|---------------------|
| | Quoted QR' 000 | Unquoted QR' 000 | Quoted QR' 000 | Unquoted QR' 000 |
| Mutual funds and equities | 111,184 | 69,861 | 104,730 | 69,239 |
| | <u>111,184</u> | <u>69,861</u> | <u>104,730</u> | <u>69,239</u> |

b) Fair Value through other Comprehensive Income (FVOCI)

| | 2020 | | 2019 | |
|--------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Quoted QR' 000 | Unquoted QR' 000 | Quoted QR' 000 | Unquoted QR' 000 |
| State of Qatar debt securities | 576,708 | - | 593,697 | - |
| Other debt securities | 253,861 | - | 438,108 | - |
| Equities | - | 11,402 | - | 11,402 |
| | 830,569 | 11,402 | 1,031,805 | 11,402 |

During the year, the Group recorded dividend of QAR 8,243 thousands (2019 : QAR 7,989 thousands) on these securities.

c) Amortised Cost

| | 2020 | | 2019 | |
|--------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Quoted QR' 000 | Unquoted QR' 000 | Quoted QR' 000 | Unquoted QR' 000 |
| State of Qatar debt securities | 5,253,742 | - | 5,186,945 | - |
| Other debt securities | 743,789 | - | 1,053,704 | - |
| | 5,997,531 | - | 6,240,649 | - |

12. PROPERTY AND EQUIPMENT

| | Land and building QR' 000 | Leasehold improvements QR' 000 | Furniture and equipment QR' 000 |
|------------------------------|------------------------------|-----------------------------------|------------------------------------|
| Cost: | | | |
| At 1 January 2020 | 217,091 | 103,363 | 186,238 |
| Acquisitions | - | 7,195 | 11,666 |
| At 31 December 2020 | 217,091 | 110,558 | 197,904 |
| Accumulated depreciation | | | |
| At 1 January 2020 | 60,393 | 86,071 | 165,833 |
| Depreciation for the year | 6,510 | 8,004 | 10,420 |
| At 31 December 2020 | 66,903 | 94,075 | 176,253 |
| Net carrying amounts: | | | |
| At 31 December 2020 | 150,188 | 16,483 | 21,651 |

| | Land and building QR' 000 | Leasehold improvements QR' 000 | Furniture and equipment QR' 000 |
|-----------------------------|------------------------------|-----------------------------------|------------------------------------|
| Cost: | | | |
| At 1 January 2019 | 217,091 | 101,449 | 167,524 |
| Adoption of IFRS 16 | - | - | - |
| Balance at 1 January 2019 | 217,091 | 101,449 | 167,524 |
| Acquisitions | - | 1,914 | 18,714 |
| Balance at 31 December 2019 | 217,091 | 103,363 | 186,238 |
| Accumulated depreciation: | | | |
| Balance at 1 January 2019 | 53,884 | 76,987 | 158,951 |
| Depreciation for the year | 6,509 | 9,084 | 6,882 |
| Balance at 31 December 2019 | 60,393 | 86,071 | 165,833 |
| Net carrying amounts: | | | |
| Balance at 31 December 2019 | 156,698 | 17,292 | 20,405 |

| Motor vehicles QR' 000 | Rights of use of assets QR' 000 | Capital work in progress QR' 000 | Total QR' 000 |
|---------------------------|------------------------------------|--|------------------|
| 156 | 23,959 | 51,593 | 582,400 |
| - | | - | 18,861 |
| 156 | 23,959 | 51,593 | 601,261 |
| 156 | 6,377 | - | 318,830 |
| - | 5,712 | - | 30,646 |
| 156 | 12,089 | - | 349,476 |
| - | 11,870 | 51,593 | 251,785 |
| Motor vehicles QR' 000 | Rights of use of assets QR' 000 | Capital work in progress QR' 000 | Total QR' 000 |
| 156 | - | 51,593 | 537,813 |
| - | 17,397 | - | 17,397 |
| 156 | 17,397 | 51,593 | 555,210 |
| - | 6,562 | - | 27,190 |
| 156 | 23,959 | 51,593 | 582,400 |
| 156 | - | - | 289,978 |
| - | 6,377 | - | 28,852 |
| 156 | 6,377 | - | 318,830 |
| - | 17,582 | 51,593 | 263,570 |

13. OTHER ASSETS

| | 2020 QR' 000 | 2019 QR' 000 |
|--|-----------------|-----------------|
| Profit receivable (Islamic) | 4,083 | 3,846 |
| Prepaid expenses | 27,803 | 23,553 |
| Positive fair value of derivatives (Note 30) | 136,405 | 16,054 |
| Sundry debtors | 19,143 | 30,485 |
| Advances and deposits | 1,469 | 1,615 |
| Repossessed collateral* | 132,681 | 132,681 |
| Others | 13,775 | 17,400 |
| | 335,359 | 225,634 |

14. DUE TO BANKS AND CENTRAL BANK

| | 2020 QR' 000 | 2019 QR' 000 |
|------------------------------|------------------|------------------|
| Balances due to central bank | 1,600,000 | 535 |
| Current accounts | 27,070 | 38,824 |
| Deposits | 2,993,386 | 4,394,209 |
| | 4,620,456 | 4,433,568 |
| Interest payables | 400 | 9,662 |
| Total | 4,620,856 | 4,443,230 |

15. CUSTOMER DEPOSITS

a) By Type

| | 2020 QR' 000 | 2019 QR' 000 |
|---------------------------|-------------------|-----------------|
| Current and call deposits | 3,871,067 | 3,131,830 |
| Saving deposits | 1,283,098 | 1,108,261 |
| Time deposits | 21,680,143 | 21,005,360 |
| | 26,834,308 | 25,245,451 |
| Interest payables | 106,254 | 254,401 |
| Total | 26,940,562 | 25,499,852 |

a) By Sector

| | 2020 QR' 000 | 2019 QR' 000 |
|---|-------------------|-----------------|
| Government | 4,068,205 | 4,634,670 |
| Government and semi government agencies | 4,285,108 | 4,528,324 |
| Corporate | 10,204,884 | 8,814,720 |
| Retail | 8,276,111 | 7,267,737 |
| | 26,834,308 | 25,245,451 |
| Interest payable | 106,254 | 254,401 |
| Total | 26,940,562 | 25,499,852 |

16. (a) DEBT SECURITIES

| | 2020 QR' 000 | 2019 QR' 000 |
|---|-------------------------|-------------------------|
| 3.625% Euro Medium Term Note – Maturing in April 2021 | 1,819,449 | 1,817,243 |
| 3.50% Euro Medium Term Note – Maturing in February 2022 | 1,817,630 | 1,815,599 |
| 3.125% Euro Medium Term Note – Maturing in September 2024 | 1,809,516 | 1,806,721 |
| 1.875% Euro Medium Term Note – Maturing in September 2025 | 1,811,626 | - |
| | 7,258,221 | 5,439,563 |
| Interest payable | 63,157 | 52,445 |
| Total | <u>7,321,378</u> | <u>5,492,008</u> |

16. (b) OTHER BORROWINGS

| | 2020 QR' 000 | 2019 QR' 000 |
|----------------------|------------------|-----------------|
| Term loan facilities | 1,602,812 | 1,641,601 |

The table below shows the other borrowings of the Bank as at 31 December 2020 and 2019:

| Currency | Coupon Rate | Maturity | Amount QR' 000 | Maturity | Amount QR' 000 |
|----------|----------------------------|---------------|-------------------|---------------|-------------------|
| USD | 3 MONTH LIBOR +110 Bps | November 2023 | 910,000 | June 2022 | 910,000 |
| USD | 3 MONTH LIBOR + 120 Bps | December 2021 | 109,200 | December 2021 | 109,200 |
| USD | 3 MONTH LIBOR + 85 Bps | July 2022 | 182,000 | July 2021 | 182,000 |
| USD | 3 MONTH LIBOR + 100 Bps | December 2021 | 182,000 | December 2020 | 182,000 |
| USD | 3 MONTH LIBOR + 100 Bps | December 2021 | 182,000 | December 2021 | 182,000 |
| USD | 3 MONTH LIBOR + 100 Bps | December 2021 | 36,400 | December 2020 | 72,800 |
| | | | 1,601,600 | | 1,638,000 |
| | | | 1,212 | | 3,601 |
| | | | 1,602,812 | | 1,641,601 |

17. OTHER LIABILITIES

| | 2020 QR' 000 | 2019 QR' 000 |
|--|----------------|----------------|
| Accrued expense payable | 89,747 | 86,193 |
| Other provisions (Refer (i) below) | 43,595 | 51,560 |
| Bills payable | 12,543 | 20,074 |
| Negative fair value of derivatives (Note 30) | 1,215 | 17,134 |
| Unearned income (Commission received in advance) | 96,670 | 108,112 |
| Cash margins | 229,272 | 184,675 |
| Dividend payable | 3,760 | 2,768 |
| Social and sports fund | 17,002 | 16,881 |
| Staff pension fund | 1,382 | 1,661 |
| Due in relation to acceptances | 241,657 | 314,183 |
| Allowance for impairment for loan commitments and financial guarantees | 13,796 | 8,296 |
| Others | 43,951 | 47,940 |
| | 794,590 | 859,477 |

(i) Other provisions

| | 2020 | | |
|-------------------------------|----------------------------|----------------------------|------------------|
| | Staff indemnity QR' 000 | Legal provision QR' 000 | Total QR' 000 |
| Balance at 1 January | 51,034 | 526 | 51,560 |
| Provisions made | 8,182 | - | 8,182 |
| | 59,216 | 526 | 59,742 |
| Provisions utilised | (15,647) | (500) | (16,147) |
| Balance at 31 December | 43,569 | 26 | 43,595 |
| | 2019 | | |
| | Staff indemnity QR' 000 | Legal provision QR' 000 | Total QR' 000 |
| Balance at 1 January | 47,196 | 526 | 47,722 |
| Provisions made | 7,647 | - | 7,647 |
| | 54,843 | 526 | 55,369 |
| Provisions utilised | (3,809) | - | (3,809) |
| Balance at 31 December | 51,034 | 526 | 51,560 |

18. CAPITAL AND RESERVES

(a) Share Capital

| In millions of shares (post split) | Ordinary shares | |
|---------------------------------------|-----------------|----------|
| | 2020 | 2019 |
| On issue at the beginning of the year | 2,313.96 | 2,103.60 |
| New shares issued (bonus issue) | 115.70 | 210.36 |

On issue at 31 December

At 31 December 2020 the authorised share capital comprised 2,429.66 million ordinary shares (2019: 2,313.96 million). These instruments have a par value of QAR 1. All issued shares are fully paid.

Qatar Investment Authority holds 47.71% of the ordinary shares of the Bank with the remaining shares held by members of the public and institutions (52.29%).

Bonus issue

On 26 February 2020, the Bank issued bonus shares (ordinary shares) at the rate of one share for every ten shares held by the ordinary shareholders upon obtaining approval from the shareholders in the Annual General Meeting held on 26 February 2020 (2019: one share for every ten shares)

(b) Legal Reserve

In accordance with Qatar Central Bank's Law No. 13 of 2012 as amended, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law and is subject to the approval of QCB. In the year ended 31 December 2020, the Group has transferred QAR 68.0 million being 10% of the net profits (2019: QAR 67.52 million).

(c) Risk Reserve

In accordance with Qatar central Bank circular 102/2011, 2.5% of the net loans and advances to customers is required to be maintained, except for facilities granted to government and facilities against cash collateral. The total amount of the transfer made to the risk reserve was QAR 73.27 million for the year ended 31 December 2020 (2019: 48.76 million)

18. CAPITAL AND RESERVES (CONTINUED)

(d) Fair Value Reserve

This reserve comprises the fair value changes recognised on financial assets measured at FVOCI.

| | 2020 QR' 000 | 2019 QR' 000 |
|--|-----------------|-----------------|
| At 1 January | (12) | (11,489) |
| Realised during the year | (194) | 81 |
| Net change in fair value of equity measured at FVOCI | - | (4,372) |
| Net change in fair value of debt instruments classified as FVOCI | 586 | 15,768 |
| At 31 December | <u>380</u> | <u>(12)</u> |

(e) Proposed Bonus Shares and Vividend

A cash dividend of QAR 0.15 per share amounting to QAR 364,449 thousands has been proposed by the Board of Directors for the year ended 31 December 2020 (2019: QAR 0.1 per share amounting to QAR 347,095 thousands).

The Board of Directors have proposed no bonus shares for the year ended 31 December 2020. (2019: one share for every twenty shares amounting to QAR 115,698 thousands).

The above proposed cash dividend and issue of bonus shares is subject to the approval of the shareholders in their Annual General Meeting.

19. INTEREST INCOME

| | 2020 QR' 000 | 2019 QR' 000 |
|----------------------------------|------------------|------------------|
| Balances with Qatar Central Bank | 3,109 | 7,660 |
| Due from banks | 38,974 | 87,200 |
| Debt securities | 252,608 | 230,964 |
| Loans and advances to customers | 1,461,695 | 1,510,078 |
| | <u>1,756,386</u> | <u>1,835,902</u> |

The amounts reported above include interest income , calculated using the effective interest method, that relate to the following items:

| | 2020 QR' 000 | 2019 QR' 000 |
|---|-------------------------|------------------|
| Financial assets measured at amortised cost | 1,701,521 | 1,807,018 |
| Financial assets measured at fair value | 54,865 | 28,884 |
| Total | <u>1,756,386</u> | <u>1,835,902</u> |

20. INTEREST EXPENSE

| | 2020 QR' 000 | 2019 QR' 000 |
|----------------------------------|-------------------------|------------------|
| Balances with Qatar Central Bank | 7 | 6,257 |
| Due to banks | 39,648 | 70,350 |
| Customer deposits | 505,398 | 712,387 |
| Others | 237,842 | 220,575 |
| | <u>782,895</u> | <u>1,009,569</u> |

The amounts reported above include interest expense, calculated using the effective interest method, on financial liabilities at amortised cost.

21. FEE AND COMMISSION INCOME

| | 2020 QR' 000 | 2019 QR' 000 |
|-----------------------------------|-------------------------|-----------------|
| Credit related fees | 97,274 | 113,784 |
| Brokerage fees | 6,631 | 14,303 |
| Banking services | 13,217 | 12,912 |
| Commission on unfunded facilities | 66,131 | 65,424 |
| Others | 2,538 | 2,898 |
| | <u>185,791</u> | <u>209,321</u> |

22. FOREIGN EXCHANGE GAIN - NET

| | 2020 QR' 000 | 2019 QR' 000 |
|--|-----------------|-----------------|
| Dealing in foreign currencies | 42,042 | 32,267 |
| Revaluation of assets and liabilities, including derivatives | 30 | 40 |
| | <u>42,072</u> | <u>32,307</u> |

23. INCOME FROM INVESTMENT SECURITIES

| | 2020 QR' 000 | 2019 QR' 000 |
|---|-----------------|-----------------|
| Net gains on investments including fair value gain on FVTPL | 41,337 | 35,988 |
| Dividend income | 8,243 | 7,989 |
| | <u>49,580</u> | <u>43,977</u> |

24. OTHER OPERATING INCOME

| | 2020 QR' 000 | 2019 QR' 000 |
|---------------|-----------------|-----------------|
| Rental income | 4,636 | 5,270 |
| Others | 4 | 23 |
| | <u>4,640</u> | <u>5,293</u> |

25. STAFF COSTS

| | 2020 QR' 000 | 2019 QR' 000 |
|--------------------------|-----------------|-----------------|
| Basic salaries | 77,098 | 77,598 |
| Staff pension fund costs | 3,709 | 3,559 |
| Staff indemnity costs | 8,182 | 7,647 |
| Training | 275 | 531 |
| Others | 87,020 | 78,713 |
| | 176,284 | 168,048 |

26. OTHER EXPENSES

| | 2020 QR' 000 | 2019 QR' 000 |
|----------------------------------|-----------------|-----------------|
| Professional fees | 11,492 | 9,107 |
| Communication and insurance | 17,055 | 16,668 |
| Board of directors' remuneration | 12,250 | 12,250 |
| Occupancy and maintenance | 9,489 | 9,169 |
| Computer and IT costs | 23,321 | 17,516 |
| Marketing Expenses | 4,602 | 5,497 |
| Printing and stationery | 3,075 | 2,705 |
| Others | 31,417 | 33,488 |
| | 112,701 | 106,400 |

27. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year:

| | 2020 QR' 000 | 2019 QR' 000 |
|---|-----------------|-----------------|
| Profit for the year attributable to the equity holders of the Bank - QAR '000 | 680,060 | 675,233 |
| Weighted average number of outstanding shares (post split) | 2,429,663,013 | 2,429,663,013 |
| Basic and Diluted Earnings per share (QAR) (2019 adjusted) | <u>0.280</u> | <u>0.278</u> |

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

The weighted average number of shares have been calculated as follows:

| | 2020 QR' 000 | 2019 QR' 000 |
|---|----------------------|----------------------|
| Qualifying weighted average shares at 1 January | 2,313,964,774 | 2,313,964,774 |
| Bonus shares issued during the year | 115,698,239 | 115,698,239 |
| Qualifying weighted average shares at 31 December | <u>2,429,663,013</u> | <u>2,429,663,013</u> |

28. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

a) Contingent Liabilities

| | 2020 QR' 000 | 2019 QR' 000 |
|---|-------------------|-------------------|
| Unutilized facilities-cancellable and non cancellable | 10,529,733 | 11,021,603 |
| Guarantees | 10,107,892 | 8,932,239 |
| Letters of credit | 995,827 | 996,881 |
| | <u>21,633,452</u> | <u>20,950,723</u> |

b) Other Commitments

| | 2020 QR' 000 | 2019 QR' 000 |
|------------------------------------|------------------|------------------|
| Forward foreign exchange contracts | 2,422,047 | 2,311,476 |
| Interest rate swaps | - | 728,000 |
| Total | 2,422,047 | 3,039,476 |

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and Letters of credit

Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credits, advance payment guarantees and endorsements liabilities from bills rediscounted.

29. CASH AND CASH EQUIVALENTS

| | 2020 QR' 000 | 2019 QR' 000 |
|--|------------------|------------------|
| Cash and balances with banks | 773,307 | 279,470 |
| Money market placements with original maturity of less than 3 months | 4,394,843 | 2,885,066 |
| | 5,168,150 | 3,164,536 |

30. DERIVATIVES

| At 31 December 2020: | Notional /expected amount by term to maturity | | |
|--|---|-----------------------------|-------------------------|
| | Positive fair value QR' 000 | Negative fair value QR' 000 | Notional amount QR' 000 |
| Derivatives held for trading/fair value hedges: | | | |
| Forward foreign exchange contracts | 136,405 | (1,215) | 2,422,047 |
| Interest rate swaps | - | - | - |
| Total | 136,405 | (1,215) | 2,422,047 |

| At 31 December 2019: | Notional /expected amount by term to maturity | | |
|--|---|-----------------------------|-------------------------|
| | Positive fair value QR' 000 | Negative fair value QR' 000 | Notional amount QR' 000 |
| Derivatives held for trading/fair value hedges: | | | |
| Forward foreign exchange contracts | 16,054 | (13,451) | 2,311,476 |
| Interest rate swaps | - | (3,683) | 728,000 |
| Total | 16,054 | (17,134) | 3,039,476 |

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

Derivative Product Types

Forwards exchange contracts are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Forwards exchange contracts are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

| Notional / expected amount by term to maturity | | | |
|--|--------------------------|----------------------|------------------------------|
| Within 3 months QR' 000 | 3 - 12 months QR' 000 | 1-5 years QR' 000 | More than 5 years QR' 000 |
| 771,280 | 1,650,767 | - | - |
| - | - | - | - |
| 771,280 | 1,650,767 | - | - |

| Notional / expected amount by term to maturity | | | |
|--|--------------------------|----------------------|------------------------------|
| Within 3 months QR' 000 | 3 - 12 months QR' 000 | 1-5 years QR' 000 | More than 5 years QR' 000 |
| 1,231,514 | 1,079,899 | 63 | - |
| - | 728,000 | - | - |
| 1,231,514 | 1,807,899 | 63 | - |

Derivatives held for Trading Purposes

Most of the Group's derivative trading activities relate to customer driven transactions as well as positioning and arbitrage. Positioning involves managing positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products.

Derivatives held for Hedging Purposes

The Group has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall consolidated statement of financial position exposures.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. Hedging of interest rate risk is also carried out by monitoring the duration of assets and liabilities and entering into interest rate swaps to hedge net interest rate exposures. Since hedging of net positions does not qualify for special hedge accounting, related derivatives are accounted for the same way as trading instruments.

31. FIDUCIARY ACTIVITIES

The Group provides investment brokerage and custody services to customers. Those assets that are held in a fiduciary capacity are excluded from these consolidated financial statements and amount to QAR 172,550 thousands at 31 December 2020 (2019: QAR 183,525 thousands).

32. SOCIAL AND SPORTS FUND

During the year, the Group made an appropriation of QAR 17,002 thousands (31 December 2019: QAR 16,881 thousands) representing 2.5% of the profit for the year ended 31 December 2020, pursuant to the Law No.13 of 2008 and further clarifications for the Law issued in 2010.

33. RELATED PARTIES

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

The Group enters into transactions with major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled, or significantly influenced by such parties. All the loans, advances and financing activities to related parties are given at market rates and these are performing and free of any allowance for possible credit losses.

The balances of related parties included in the consolidated financial statements are as follows:

| | 2020 | | 2019 | |
|---|-------------------------------|-------------------------|-------------------------------|-------------------------|
| | Board of Directors QR' 000 | Shareholders QR' 000 | Board of Directors QR' 000 | Shareholders QR' 000 |
| Assets: | | | | |
| Loans and advances to customers | 833,976 | - | 786,970 | - |
| Liabilities: | | | | |
| Customer deposits | 1,452,411 | 1,512,951 | 2,074,645 | 1,474,847 |
| Unfunded items: | | | | |
| Letters of guarantee, letters of credit, commitments and indirect credit facilities | 10,595 | - | 16,027 | - |
| Liabilities: | | | | |
| Interest and fee and commission income | 44,955 | - | 47,512 | - |
| Interest and fee and commission expense | 40,390 | 24,247 | 63,848 | 39,351 |
| Board of Directors' remuneration | 12,250 | - | 12,250 | - |

a) Transactions with Key Management Personnel

Key management personnel (other than Board of Directors) and their immediate relatives have transacted with the Group during the year as follows:

| | 2020 QR' 000 | 2019 QR' 000 |
|-------------|-----------------|-----------------|
| Other loans | 4,183 | 4,103 |

Key management personnel compensation for the year ended comprised:

| | 2020 QR' 000 | 2019 QR' 000 |
|---|-----------------|-----------------|
| Salaries and short term employee benefits | 33,867 | 21,407 |
| Post employment benefits | 4,929 | 11,051 |
| | 38,796 | 32,458 |

FINANCIAL STATEMENTS OF THE PARENT BANK

a) Statement of Financial Position – Parent Bank

| | 31 December 2020 QR' 000 | 31 December 2019 QR' 000 |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and balances with central bank | 2,871,876 | 1,400,653 |
| Due from banks | 3,509,604 | 2,913,310 |
| Loans and advances to customers | 33,512,690 | 31,591,106 |
| Investment securities | 7,073,950 | 7,520,606 |
| Investment in subsidiary | 50,000 | 50,000 |
| Property and equipment | 251,265 | 263,055 |
| Other assets | 335,097 | 225,278 |
| TOTAL ASSETS | 47,604,482 | 43,964,008 |
| LIABILITIES | | |
| Due to banks and central bank | 4,620,856 | 4,443,230 |
| Certificate of deposits and commercial paper | - | 20,000 |
| Customer deposits | 26,985,409 | 25,544,073 |
| Borrowings from subsidiary | 7,321,378 | 5,492,008 |
| Other borrowings | 1,602,812 | 1,641,601 |
| Other liabilities | 809,400 | 857,106 |
| TOTAL LIABILITIES | 41,339,855 | 37,998,018 |
| EQUITY | | |
| Share capital | 2,429,663 | 2,313,965 |
| Legal reserve | 1,859,168 | 1,723,460 |
| Risk reserve | 826,379 | 679,837 |
| Fair value reserve | 380 | (12) |
| Retained earnings | 1,149,037 | 1,248,740 |
| TOTAL EQUITY | 6,264,627 | 5,965,990 |
| TOTAL LIABILITIES AND EQUITY | 47,604,482 | 43,964,008 |

b) Income Statement – Parent Bank

| For the year ended 31 December | 2020 QR' 000 | 2019 QR' 000 |
|--|-----------------------|-----------------------|
| Interest income | 1,756,386 | 1,835,791 |
| Interest expense | (783,914) | (1,010,718) |
| Net interest income | <u>972,472</u> | <u>825,073</u> |
| Net fee and commission income | <u>170,958</u> | <u>188,469</u> |
| Foreign exchange gain - net | 42,072 | 32,307 |
| Income from investment securities | 49,580 | 43,977 |
| Other operating income | 4,640 | 5,293 |
| Net operating income | 1,239,722 | 1,095,119 |
| Staff costs | (173,231) | (165,032) |
| Depreciation | (30,462) | (28,616) |
| Impairment loss on loans and advances to customers | (247,637) | (131,974) |
| Other expenses | (109,068) | (96,564) |
| Profit for the year | <u><u>679,324</u></u> | <u><u>672,933</u></u> |

