

البنك الأهلي
ahlibank



Board of Directors' Report &
Consolidated Financial
Statements for the Year 2020

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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 675.2 million in 2019. Loans and advances grew by 6% compared to December 2019, reaching QAR 33.513 million. Investments decreased by 5.94% compared to December 2019, reaching QAR 7.074 million, while the Total Capital Adequacy Ratio in December 2020 achieved a healthy rate of 17.69%, 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 Bank's 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 Jassem Al-Thani
Chairman & Managing Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AHLI BANK Q.P.S.C.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Ahli Bank 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 matters 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 loans and advances to customers

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.

How our audit addressed the key audit matter

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.

Key audit matter

How our audit addressed the key audit matter

Impairment of loans and advances to customers (continued)

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; and
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.

- 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.

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

4 February 2021
State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	2020 QR '000	2019 QR '000
ASSETS		
Cash and balances with central bank	2,871,877	1,400,654
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
Property and equipment	251,785	263,570
Other assets	335,359	225,634
TOTAL ASSETS	47,555,265	43,914,880
LIABILITIES		
Due to banks and central bank	4,620,856	4,443,230
Certificate of deposits and commercial papers	–	20,000
Customer deposits	26,940,562	25,499,852
Debt securities	7,321,378	5,492,008
Other borrowings	1,602,812	1,641,601
Other liabilities	794,590	859,477
TOTAL LIABILITIES	41,280,198	37,956,168
EQUITY		
Share capital	2,429,663	2,313,965
Legal reserve	1,791,853	1,723,847
Risk reserve	753,108	679,837
Fair value reserve	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 AbdulAziz Bin Jassem Al-Thani
Chairman & Managing Director

Hassan Ahmed AlEfrangi
Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

	2020 QR '000	2019 QR '000
Interest income	1,756,386	1,835,902
Interest expense	(782,895)	(1,009,569)
NET INTEREST INCOME	973,491	826,333
Fee and commission income	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	42,072	32,307
Income from investment securities	49,580	43,977
Other operating income	4,640	5,293
TOTAL OPERATING INCOME	1,247,328	1,110,507
Staff costs	(176,284)	(168,048)
Depreciation	(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	(112,701)	(106,400)
	(567,268)	(435,274)
PROFIT FOR THE YEAR	680,060	675,233
Earnings per share (QAR)	0.280	0.278

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	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	586	15,768
Realised during the year	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital QR '000	Legal reserve QR '000	Risk reserve QR '000	Fair value reserve QR '000	Retained earnings QR '000	Total equity QR '000
Balance as at 1 January 2019	2,103,604	1,656,324	631,078	(11,489)	1,121,114	5,500,631
Adoption of IFRS 16	-	-	-	-	(1,387)	(1,387)
Restated Balance as at 1 January 2019	2,103,604	1,656,324	631,078	(11,489)	1,119,727	5,499,244
Total comprehensive income for the year						
Profit for the year	-	-	-	-	675,233	675,233
Other comprehensive loss	-	-	-	11,477	-	11,477
Total comprehensive income for the year	-	-	-	11,477	675,233	686,710
Transfer to risk reserve	-	-	48,759	-	(48,759)	-
Transfer to legal reserve	-	67,523	-	-	(67,523)	-
Transfer to social and sports fund	-	-	-	-	(16,881)	(16,881)
Contributions by and distributions to equity holders:						
Bonus issue	210,361	-	-	-	(210,361)	-
Dividend paid	-	-	-	-	(210,361)	(210,361)
Total contributions by and distributions to equity holders	210,361	-	-	-	(420,722)	(210,361)
Balance as at 31 December 2019	2,313,965	1,723,847	679,837	(12)	1,241,075	5,958,712

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

	Share capital QR '000	Legal reserve QR '000	Risk reserve QR '000	Fair value reserve QR '000	Retained earnings QR '000	Total equity QR '000
Balance as at 1 January 2020	2,313,965	1,723,847	679,837	(12)	1,241,075	5,958,712
Total comprehensive income for the year						
Profit for the year	-	-	-	-	680,060	680,060
Other comprehensive loss	-	-	-	392	-	392
Total comprehensive income for the year	-	-	-	392	680,060	680,452
Transfer to risk reserve	-	-	73,271	-	(73,271)	-
Transfer to legal reserve	-	68,006	-	-	(68,006)	-
Transfer to social and sports fund	-	-	-	-	(17,002)	(17,002)
Contributions by and distributions to equity holders:						
Bonus issue	115,698	-	-	-	(115,698)	-
Dividend paid	-	-	-	-	(347,095)	(347,095)
Total contributions by and distributions to equity holders	115,698	-	-	-	(462,793)	(347,095)
Balance as at 31 December 2020	2,429,663	1,791,853	753,108	380	1,300,063	6,275,067

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 QR '000	2019 QR '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	680,060	675,233
Adjustments for:		
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	30,646	28,852
Net gain on investment securities	(41,337)	(35,988)
Profit before changes in operating assets and liabilities	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	(18,861)	(20,628)
Net cash generated from /(used in) investing activities	457,800	(1,555,183)
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 generated from financing activities	1,443,486	749,833
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as at 1 January	3,164,536	5,529,691
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	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