

البنك الأهلي  
ahlibank



Board of Directors' Report &  
Consolidated Financial  
Statements for the Year 2017

# Board of Directors' Report

## Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure to announce to the shareholders that Ahlibank achieved positive results for the year ended 31 December 2017.

2017 was a challenging year which tested our resilience and ability to be dynamic, capitalising on our continuing efforts for building solid foundations and ensure stability. Our performance was characterised by its flexibility and quick response to changes, and I am pleased to report a steady performance of our Bank for the year 2017, achieving a profit of QAR 639,712 thousand compared to QAR 631,748 thousand for the year 2016, with earnings per share equal to QAR 3.19 (QAR 3.15 in 2016). Total assets grew to reach QAR 39.88 billion compared to QAR 38.16 billion at the end of 2016.

The Bank continues to have a quality credit portfolio, whereby Non-Performing Loans (NPL), (excluding performing loans under watch list) stood at 0.99% by year end, which remains a relatively low percentage and controlled NPL ratio.

As a result of the stable performance for the year 2017, and taking into consideration the benefit of the shareholders and the Bank, and to support the Bank's growth and expansion and its capital adequacy ratio, and to build additional reserves to hedge against future risks which will ensure a long term value for the shareholders, the Board recommended and approved the distribution of cash dividends at the rate of 10% and free shares at the rate of 5%.

Stability of the Bank's funding remained a prime focus for the Board of Directors to comply with regulatory ratios as well as provide strong financial foundations for continued growth. A major achievement for 2017 was the highly successful and well timed second US\$ 500 million five-year bond issue, with a competitive 3.5% fixed coupon. The continued support of the Bank's geographically diverse international investors demonstrated great confidence in Qatar and the Bank. We also established our US\$ 500 Million Commercial Papers and Certificates of Deposits Programme to assist the Bank's diversification of short term liquidity as well as ability to achieve competitive cost of funds.

2017 was a year we led the way. Our Bank was 'first-to-market' with Visa PayWave technology and was recognised as the first Visa PayWave issuer in Qatar. We upgraded our ATM network and launched our CDM network giving customers within our community access to a competitive range of self-service banking facilities.

Support for our Qatari community was unwavering with products launched for our esteemed Qatari customers by way of exclusive loan rates for new Personal and Buyout loans, and mortgages.

Our Corporate Banking department continues to support projects that contribute to our community, abide by our values, and deepen our strong relationships with our customers to increase our quality assets and maintain our margins.

# Independent Auditors' Report to the Shareholders of Ahli Bank QSC

In addition to honouring colleagues for their long-service and commitment to our Bank, we added a new category of 'Outstanding Performing Qataris'. This was to recognise our Qatari colleagues for their dedication and hard work to our Bank, as they grow and develop the Bank and themselves, along and with other future Qatari leaders. Each person was deservedly recognised, and we thank them once again for their valued efforts.

It is an honour to extend our sincere appreciation and gratitude to His Highness Sheikh Tamim Bin Hamad Al-Thani, the Emir, may God protect him, and to His Excellency the Prime Minister Sheikh Abdullah Bin Nasser Al-Thani and His Excellency the Minister of Finance and His Excellency the Minister of Economy and Trade for their confident leadership. We also extend appreciation to His Excellency Sheikh Abdullah Bin Saud Al-Thani, the Governor of Qatar Central Bank, and his deputy, Sheikh Fahad Bin Faisal Al-Thani, and all the Qatar Central Bank staff for their unwavering support and dedication to the Banking community.

To our customers, I convey our genuine appreciation for their trust and continued support. And to you, dear shareholders, we offer our thanks and gratitude for the support and encouragement you have provided.

Finally, on behalf of the Board and the Bank's shareholders, we would like to express our appreciation to the Bank's management team and employees for the results achieved during 2017, for without your daily efforts they would not be possible.

In conclusion, I ask God Almighty to help us progress to greater prosperity and success, and to lead us in being a true and valued member of the community we hold so dearly.

**Al Salamu Alaikum**

**Faisal Bin AbdulAziz Bin Jassem Al-Thani**  
Chairman & Managing Director

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Ahli Bank QSC (the "Bank") and its subsidiaries (together the Group), which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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.

The key audit matters noted below relate to the consolidated financial statements.

### Key audit matter

#### Impairment of loans and advances to customers

As at 31 December 2017 and 2016, loans and advances to customers represent 72.4 and 70.4 percent respectively (QR. 28.9 billion at 31 December 2017 and QR. 26.9 billion at 31 December 2016 respectively) of the Group's total assets.

There is a risk that loans and advances to customers are impaired and no such reasonable impairment provisions are provided in accordance to requirements of International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank regulations, considering the areas of management assumptions and judgments. Accordingly, loans and advances to customers might be with carrying amounts greater than estimated recoverable amounts.

Refer to Notes 4b(iii), 5a(ii) & 10 of the consolidated financial statements that provide details regarding the impairment of loans and advances to customers.

#### How the matter was addressed in our audit

Assessed and tested the design and operating effectiveness of the relevant controls over loans and advances origination, monitoring, impairment data and calculations. In addition, IT controls for impairment systems were tested.

By selecting samples of loans and advances to customers using our professional sampling techniques and any requirements prescribed by Qatar Central Bank, we checked whether there is an objective evidence that an impairment exists on these loans and advances and assessed the reasonableness of impairment provisions in accordance to the IFRS requirements and applicable provisions of Qatar Central Bank regulations. This included the considerations to direct and indirect default indicators as prescribed by Qatar Central Bank regulations and IFRS.

We assessed whether the related disclosures of this area were adequate in accordance to requirements of International Financial Reporting Standards and Qatar Central Banks, as applicable.

### Impairment of Investment securities

As at 31 December 2017 and 2016, investment securities represent 15.3 and 14.7 percent respectively (QR. 6.1 billion at 31 December 2017 and QR 5.6 billion at 31 December 2016 respectively) of the Group's total assets. As disclosed in Note 11 to the consolidated financial statements, the Bank's investment securities consist of available for sale and held to maturity financial assets. Available for sale financial assets are measured at fair value, while held to maturity financial assets are measured at amortised cost. Furthermore, the management consideration to impairment of available for sale and held to maturity financial assets was disclosed in Notes 3c(vi) & 11.

There is a risk is that investment securities are impaired and no such reasonable impairment losses are provided in accordance to requirements of International Financial Reporting Standards (IFRSs), and the applicable guidance of Qatar Central Bank regulations, considering the areas of management assumptions and judgments. Accordingly, investment securities might be with carrying amounts greater than estimated recoverable amounts.

### How the matter was addressed in our audit

Assessed and tested the design and operating effectiveness of the relevant controls over the investment securities impairment.

By selecting samples of investment securities using our professional sampling techniques, we checked whether there is an objective evidence that an impairment exists on these investment securities and assessed the reasonableness of impairment losses in accordance to the IFRS requirements and the applicable guidance of Qatar Central Bank regulations.

We assessed whether the related disclosures of this area were adequate in accordance to requirements of International Financial Reporting Standards and Qatar Central Banks guidance, as applicable.

### Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors Report which we obtained prior to the date of this auditors' report and the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of

assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors 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 guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management 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 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 financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for

the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

### For Deloitte & Touche

Qatar Branch  
**Walid Slim**, Partner  
License No. 319  
QFMA Auditor License No. 120156  
January 31, 2018  
Doha, Qatar

## Consolidated Statement of Financial Position

As at 31 December

	2017 QR '000	2016 QR '000
<b>ASSETS</b>		
Cash and balances with central bank	1,979,872	1,789,297
Due from banks	2,202,199	3,261,913
Loans and advances to customers	28,936,299	26,861,405
Investment securities	6,099,869	5,570,902
Property and equipment	258,608	275,186
Other assets	406,553	406,507
<b>TOTAL ASSETS</b>	<b>39,883,400</b>	<b>38,165,210</b>
<b>LIABILITIES</b>		
Due to banks and central bank	3,982,103	1,276,265
Certificate of deposits and commercial paper	418,534	2,237,629
Customer deposits	23,568,578	25,010,862
Debt securities	3,624,368	1,810,625
Subordinated debt	–	182,000
Other borrowings	2,192,233	1,886,949
Other liabilities	803,740	900,681
<b>TOTAL LIABILITIES</b>	<b>34,589,556</b>	<b>33,305,011</b>
<b>EQUITY</b>		
Share capital	2,003,433	1,908,031
Legal reserve	1,589,767	1,525,796
Risk reserve	631,078	609,505
Fair value reserves	12,530	11,801
Retained earnings	1,057,036	805,066
<b>TOTAL EQUITY</b>	<b>5,293,844</b>	<b>4,860,199</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>39,883,400</b>	<b>38,165,210</b>

These consolidated financial statements were approved by the Board of Directors on 17 January 2018 and were signed on its behalf by:

**Faisal Bin AbdulAziz Bin Jassem Al-Thani**  
Chairman & Managing Director

**Mahmoud Malkawi**  
Acting Chief Executive Officer

## Consolidated Statement of Income

For the year ended 31 December

	2017 QR '000	2016 QR '000
Interest income	1,599,796	1,282,427
Interest expense	(765,353)	(547,359)
<b>Net interest income</b>	<b>834,443</b>	<b>735,068</b>
<b>Net fee and commission income</b>	<b>173,613</b>	<b>168,789</b>
Foreign exchange gain	23,245	17,070
Income from investment securities	6,627	31,173
Other operating income	6,484	6,560
<b>Net operating income</b>	<b>1,044,412</b>	<b>958,660</b>
Staff costs	(182,694)	(172,658)
Depreciation	(26,794)	(27,858)
Net (impairment loss)/recoveries on loans and advances to customers	(66,674)	10,819
Impairment loss on investment securities	(18,767)	(43,531)
Other expenses	(109,771)	(93,684)
	(404,700)	(326,912)
<b>Profit for the year</b>	<b>639,712</b>	<b>631,748</b>
<b>Earnings per share</b>	<b>3.19</b>	<b>3.15</b>

## Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2017 QR '000	2016 QR '000
<b>Profit for the year</b>	<b>639,712</b>	<b>631,748</b>
<b>Other comprehensive income for the year</b>		
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
<b>Available-for-sale financial assets:</b>		
Realised during the year	504	(9,065)
Fair value loss during the year	(23,160)	(58,055)
Net amount of impairment transferred to profit or loss	23,317	43,531
Amortised during the year on reclassification to loans and receivables	68	55
<b>Other comprehensive profit/(loss) for the year</b>	<b>729</b>	<b>(23,534)</b>
<b>Total comprehensive income for the year</b>	<b>640,441</b>	<b>608,214</b>

## Consolidated Statement of Changes in Equity

For the year ended 31 December

	Share capital QR '000	Legal reserve QR '000	Risk reserve QR '000	Fair value reserves QR '000	Retained earnings QR '000	Total equity QR '000
<b>Balance as at 1 January 2016</b>	<b>1,817,173</b>	<b>1,462,621</b>	<b>536,353</b>	<b>35,335</b>	<b>688,873</b>	<b>4,540,355</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	–	–	–	–	631,748	631,748
Other comprehensive loss	–	–	–	(23,534)	–	(23,534)
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(23,534)</b>	<b>631,748</b>	<b>608,214</b>
Transfer to risk reserve	–	–	73,152	–	(73,152)	–
Transfer to legal reserve	–	63,175	–	–	(63,175)	–
Transfer to social and sports fund for the year	–	–	–	–	(15,794)	(15,794)
<b>Transactions with equity holders, recognised directly in equity</b>						
Contributions by and distributions to equity holders:						
Bonus issue	90,858	–	–	–	(90,858)	–
Dividend paid	–	–	–	–	(272,576)	(272,576)
<b>Total contributions by and distributions to equity holders</b>	<b>90,858</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(363,434)</b>	<b>(272,576)</b>
<b>Balance as at 31 December 2016</b>	<b>1,908,031</b>	<b>1,525,796</b>	<b>609,505</b>	<b>11,801</b>	<b>805,066</b>	<b>4,860,199</b>
	Share capital QR '000	Legal reserve QR '000	Risk reserve QR '000	Fair value reserves QR '000	Retained earnings QR '000	Total equity QR '000
<b>Balance as at 1 January 2017</b>	<b>1,908,031</b>	<b>1,525,796</b>	<b>609,505</b>	<b>11,801</b>	<b>805,066</b>	<b>4,860,199</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	–	–	–	–	639,712	639,712
Other comprehensive income	–	–	–	729	–	729
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>729</b>	<b>639,712</b>	<b>640,441</b>
Transfer to risk reserve	–	–	21,573	–	(21,573)	–
Transfer to legal reserve	–	63,971	–	–	(63,971)	–
Transfer to social and sports fund for the year	–	–	–	–	(15,993)	(15,993)
<b>Transactions with equity holders, recognised directly in equity</b>						
Contributions by and distributions to equity holders:						
Bonus issue	95,402	–	–	–	(95,402)	–
Dividend paid	–	–	–	–	(190,803)	(190,803)
<b>Total contributions by and distributions to equity holders</b>	<b>95,402</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(286,205)</b>	<b>(190,803)</b>
<b>Balance as at 31 December 2017</b>	<b>2,003,433</b>	<b>1,589,767</b>	<b>631,078</b>	<b>12,530</b>	<b>1,057,036</b>	<b>5,293,844</b>

# Consolidated Statement of Cash Flows

## For the year ended 31 December

	2017 QR '000	2016 QR '000
<b>Cash flows from operating activities</b>		
Profit for the year	639,712	631,748
<b>Adjustments for:</b>		
Net impairment /(recoveries) on loans and advances to customers	66,674	(10,819)
Impairment loss on investment securities	18,767	43,531
Depreciation	26,794	27,858
Net loss on write off of property and equipment	64	–
Net gain on sale of available-for-sale securities	(4,017)	(24,006)
<b>Profit before changes in operating assets and liabilities</b>	<b>747,994</b>	<b>668,312</b>
<b>Change in due from central bank</b>	<b>189,487</b>	<b>(83,834)</b>
Change in loans and advances to customers	(2,142,590)	(2,804,670)
Change in other assets	(46)	(60,549)
Change in due to banks and central bank	2,705,838	(1,362,024)
Change in customer deposits	(1,442,284)	4,626,772
Change in certificate of deposits and commercial paper	(1,819,095)	687,729
Change in other liabilities	(112,934)	(64,568)
<b>Net cash (used in)/from operating activities</b>	<b>(1,873,630)</b>	<b>1,607,168</b>
<b>Cash flows from investing activities</b>		
Acquisition of investment securities	(2,525,908)	(1,831,074)
Proceeds from sale of investment securities	1,983,941	1,067,037
Acquisition of property and equipment	(10,280)	(40,286)
<b>Net cash used in investing activities</b>	<b>(552,247)</b>	<b>(804,323)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt securities	1,813,743	1,810,625
Proceeds /(repayment) from other borrowings	305,284	(167,917)
Repayment of subordinated debt	(182,000)	–
Dividends paid	(190,803)	(272,576)
<b>Net cash from financing activities</b>	<b>1,746,224</b>	<b>1,370,132</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(679,653)</b>	<b>2,172,977</b>
Cash and cash equivalents as at 1 January	3,977,475	1,804,498
<b>Cash and cash equivalents as at 31 December</b>	<b>3,297,822</b>	<b>3,977,475</b>
<b>Operational cash flows from interest and dividend</b>		
Interest received	1,538,790	1,265,364
Interest paid	734,070	500,621
Dividends received	2,610	7,167