

البنك الأهلي
ahlibank



Board of Directors' Report &
Consolidated Financial
Statements for the Year 2019

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 2019.

In 2019, we made excellent progress in all our divisions and our performance was steady and consistent. We continued pursuing our goals by supporting the Bank's overall vision "To be at the heart of the community" and aiming to support the sustainable growth of our customers and our community.

Our performance was a testament of our approach to deliver solid and steady financial performance for the year ended December 31, 2019 and I am pleased to report positive results for our Bank for the year 2019, achieving a net profit of QAR 675.2 million compared to QAR 665.6 million for the year 2018, with Loans and Advances growing by 14.8% over December 2018 to QR 31,591 million. The Bank's investment Securities grew by 27.1% over December 2018 to QR 7,521 million and the Total Capital Adequacy Ratio as of December 2019 stood at a healthy 18%, reflecting the strong capital position of the Bank.

As a result of our solid performance for the year 2019, and taking into account maximisation of shareholders' wealth, the Bank's internal capital requirements, liquidity and balance sheet growth projections, the Board has proposed as the dividend distribution for the year 2019 a cash dividend of 15% (QR 0.15 per share) and a bonus share of 5% (One new share for every 20 shares).

The Bank has successfully met one of its Key Strategic Objectives of improving Stable Funding by completing the third bond issuance for

US\$ 500 Million under its US\$ 1.5 Billion EMTN Programme in the International Debt Capital markets. The bond issuance was oversubscribed by more than three times with orders from over 85 investors from Asia, MENA and Europe. This clearly demonstrates the continued vote of confidence from international investors in both Qatar and Ahlibank.

As a further testimony to our financial performance and asset quality, Ahlibank continues to enjoy higher Credit Ratings; A2/P1 from Moodys and is the second highest Rated conventional Bank in Qatar after QNB. Fitch Ratings has also affirmed the Bank's Long Term Issuer Default Rating (IDR) at 'A'."

I am pleased to say that we achieved all this without compromising the Bank's corporate governance and internal controls. We are investing further in tightening processes and improving our systems for reporting suspicious transactions through strong cyber security, to safeguard our customer's information and transactions data. In this context, we are cooperating closely with our regulators.

We are continuing our commitment to embrace innovative technologies and to ensure that reliable services are provided around-the-clock. The bank has been making significant investment in technology infrastructure including capacity improvements and digital banking that will improve the customer experience and servicing them better and more efficiently. As part of the next phase of our journey, the emphasis will be to enrich our Omni-Channel experience by enhancing the Mobile and Internet Banking platforms, as well as launching a new, feature rich, E-Wallet product.

Independent Auditors' Report to the Shareholders of Ahli Bank QPSC

We also continued with our branch strategy by renovating our branch in Al Wakra to serve and support our customers better. Our branch network is now supplemented by over 70 ATMs that are strategically located around Qatar to ensure optimum usage of the network. Our contactless ATM machines offer both cash withdrawal and cash deposit services to enable our customers to conveniently do their day-to-day banking.

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 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 2019.

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

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 (together the Group), which comprise the consolidated statement of financial position as at 31 December 2019, 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 and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities 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.

Key audit matter	How the matter was addressed in our audit
Impairment of financial assets <p>The Group's financial assets, both on and off balance sheet, amount to QAR 48.2 billion and QAR 44.5 billion as at 31 December 2019 and 2018 respectively. In addition, the expected credit loss (ECL) provisioning recognized for the year ended 31 December 2019 amounted to QR 132.0 million.</p> <p>IFRS 9 is a complex accounting standard that requires considerable judgements, which were key in the development of models to measure expected credit losses on financial assets carried at amortized cost or at FVOCI (debt instruments). There is a risk that financial assets are impaired and inadequate impairment provisions are provided which are not in accordance with the requirements of IFRS 9 and the applicable provisions of Qatar Central Bank regulations.</p>	<p>We have assessed and tested the design and operating effectiveness of the relevant controls over data governance, methodologies, inputs and assumptions used by the Group in calculating impairment allowances.</p> <p>In addition, our work performed include the below procedures, among others on the Group's IFRS 9 ECL model:</p> <ul style="list-style-type: none"> For a selection of individual exposures, performed a detailed credit review and challenged the Group's staging and impairment allowance calculation. Review and assess the appropriateness of the data, assumptions and methodologies used within the Bank's IFRS9 ECL model (PD, LGD, and EAD) and customer internal rating systems.

Key audit matter	How the matter was addressed in our audit
Impairment of financial assets (continued)	
<p>Financial assets might be inaccurate due to:</p> <ul style="list-style-type: none"> – The methodologies used to develop probability of default (PD); loss given default (LGD); and (exposure at default EAD) are inappropriate. – Inappropriate segmentation of portfolios is used to develop risk parameters. – The number and range of forward-looking scenarios are not representative of an appropriate range of possible outcomes. – Extrapolation techniques used to project scenarios and parameters (PD, LGD, and EAD) in future periods are inappropriate. – The methodology used to allocate a probability to each scenario is inappropriate or unsupported. – Significant increases (or reductions) in credit risk (movements between Stage 1, Stage 2 and Stage 3) are not completely or accurately identified on a timely basis. – Assumptions incorporated in the ECL model are not updated on a timely basis. <p>Refer to the following notes of the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 3c – Significant accounting policies on financial assets and financial liabilities • Note 4 – Financial risk management • Note 7 – Accounting and classification of financial assets and liabilities • Note 8 – Cash and balances with central bank • Note 9 – Due from banks • Note 10 – Loans and advances to customers • Note 11 – Investment securities • Note 13 – Other assets 	<ul style="list-style-type: none"> – Assessment on whether significant increase in credit risk (SICR) indicators are present for the financial assets portfolio based on IFRS9 and Qatar Central Banks guidance and the possible implications on the ECL staging and expected provisioning. – Assessment of the ECL methodology, macroeconomic scenarios weightage, model validation/testing, including post model adjustments on a sample basis. <p>We have assessed whether the related disclosures of this area are adequate in accordance to the requirements of International Financial Reporting Standards and Qatar Central Bank, as applicable.</p>

Key audit matter	How the matter was addressed in our audit
IT systems and controls over financial reporting	
<p>We identified IT systems and controls over financial reporting as an area of focus because the Bank's financial accounting and reporting systems are vitally dependent on complex technology. The extensive volume and variety of transactions processed daily raises a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively.</p> <p>A particular area of focus related to logical access management and segregation of duties. The underlying principles are important because they ensure that changes to applications and data are appropriate, authorised and monitored. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.</p>	<p>Our audit approach relies on automated controls and therefore procedures were designed to test access and control over IT systems. Our audit procedures included:</p> <ul style="list-style-type: none"> • Update the IT understanding on applications relevant to financial reporting including the core banking system, Treasury system, and the Swift messaging and the infrastructure supporting these applications. • Testing the key automated input / processing and output controls relevant to business processes. • Testing the IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations. • Assessing accuracy and completeness of computer generated information used in financial reporting.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors Report and supplementary information 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 internal controls.

- 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 regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we are also of the opinion that proper books of account were maintained by the Group and the content of the directors' report are in agreement with the Group's consolidated financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Central Bank Law, Qatar Commercial Companies' Law and the Bank's Articles of Association were committed during the year which would materially affect the Group's financial position or performance.

For Deloitte & Touche

Qatar Branch

Walid Slim

Partner

License No. 319

QFMA Auditor License No. 120156

6 February 2020

Doha, Qatar

Consolidated Statement of Financial Position

As at 31 December

	2019	2018
	QR '000	(Restated) QR '000
ASSETS		
Cash and balances with central bank	1,400,654	2,405,551
Due from banks	2,913,310	4,102,161
Loans and advances to customers	31,591,106	27,515,381
Investment securities	7,520,606	5,917,269
Property and equipment	263,570	247,835
Other assets	225,634	214,695
TOTAL ASSETS	43,914,880	40,402,892
LIABILITIES		
Due to banks and central bank	4,443,230	5,734,793
Certificate of deposits and commercial papers	20,000	495,672
Customer deposits	25,499,852	21,765,432
Debt securities	5,492,008	3,665,725
Other borrowings	1,641,601	2,507,690
Other liabilities	859,477	732,949
TOTAL LIABILITIES	37,956,168	34,902,261
EQUITY		
Share capital	2,313,965	2,103,604
Legal reserve	1,723,847	1,656,324
Risk reserve	679,837	631,078
Fair value reserve	(12)	(11,489)
Retained earnings	1,241,075	1,121,114
TOTAL EQUITY	5,958,712	5,500,631
TOTAL LIABILITIES AND EQUITY	43,914,880	40,402,892

These consolidated financial statements were approved by the Board of Directors on 16 January 2020 and were signed on its behalf by:

Sh. 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

	2019	2018
	QR '000	QR '000
Interest income	1,835,902	1,744,638
Interest expense	(1,009,569)	(915,351)
Net interest income	826,333	829,287
Fee and commission income	209,321	191,143
Fee and commission expense	(6,724)	(6,584)
Net fee and commission income	202,597	184,559
Foreign exchange gain - net	32,307	25,340
Income from investment securities	43,977	50,923
Other operating income	5,293	11,014
Net operating income	1,110,507	1,101,123
Staff costs	(168,048)	(172,779)
Depreciation	(28,852)	(24,181)
Net impairment loss on loans and advances to customers	(131,974)	(126,193)
Other expenses	(106,400)	(112,404)
	(435,274)	(435,557)
Profit for the year	675,233	665,566
Earnings per share (QAR)	0.292	0.288

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2019 QR '000	2018 QR '000
Profit for the year	675,233	665,566
Other comprehensive income/ (loss) for the year		
Items that are or may be reclassified subsequently to profit or loss:		
Movement in fair value reserve (Debt Instruments - IFRS 9):		
Realised during the year	81	(196)
Net change in fair value during the year	15,768	(5,191)
Items that may not be reclassified subsequently to profit or loss:		
- Net change in fair value of investments in equity instruments designated at FVOCI (IFRS 9)	(4,372)	(2,225)
Other comprehensive income/ (loss) for the year	11,477	(7,612)
Total comprehensive income for the year	686,710	657,954

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 reserve QR '000	Retained earnings QR '000	Total equity QR '000
Balance as at 1 January 2018	2,003,433	1,589,767	631,078	12,530	1,057,036	5,293,844
Adoption of IFRS 9	-	-	-	(16,407)	(217,778)	(234,185)
Restated Balance as at 1 January 2018	2,003,433	1,589,767	631,078	(3,877)	839,258	5,059,659
Total comprehensive income for the year						
Profit for the year	-	-	-	-	665,566	665,566
Other comprehensive loss	-	-	-	(7,612)	-	(7,612)
Total comprehensive income for the year	-	-	-	(7,612)	665,566	657,954
Transfer to legal reserve	-	66,557	-	-	(66,557)	-
Transfer to social and sports fund	-	-	-	-	(16,639)	(16,639)
Transactions with equity holders, recognised directly in equity						
Contributions by and distributions to equity holders:						
Bonus issue	100,171	-	-	-	(100,171)	-
Dividend paid	-	-	-	-	(200,343)	(200,343)
Total contributions by and distributions to equity holders	100,171	-	-	-	(300,514)	(200,343)
Balance as at 31 December 2018	2,103,604	1,656,324	631,078	(11,489)	1,121,114	5,500,631
	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)
Transactions with equity holders, recognised directly in equity						
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 Cash Flows

For the year ended 31 December

	2019	2018
	QR '000	(Restated) QR '000
Cash flows from operating activities		
Profit for the year	675,233	665,566
Adjustments for:		
Net impairment loss on loans and advances to customers	131,974	126,193
Depreciation	28,852	24,181
Net gain on disposal of property and equipment	–	(5,310)
Net gain on financial investments and mark to market of equity classified as FVTPL (IFRS 9)	(35,988)	(44,275)
Profit before changes in working capital	800,071	766,355
Change in due from central bank	(171,407)	(92,028)
Change in loans and advances to customers	(4,263,160)	1,211,640
Change in other assets	(10,939)	(6,198)
Change in due to banks and central bank	(1,291,563)	1,744,859
Change in customer deposits	3,734,420	(1,902,141)
Change in certificate of deposits and commercial paper	(475,672)	76,617
Change in other liabilities	118,445	50,117
Net cash (used in) / generated from operating activities	(1,559,805)	1,849,221
Cash flows from investing activities		
Net proceeds from (purchase)/ sale of investment securities	(1,534,555)	285,805
Net acquisition of property and equipment	(20,628)	(8,097)
Net cash (used in) / generated from investing activities	(1,555,183)	277,708
Cash flows from financing activities		
Proceeds from issuance of debt securities	1,826,283	–
Net (repayment)/proceeds from other borrowings	(866,089)	305,283
Dividends paid	(210,361)	(200,343)
Net cash generated from financing activities	749,833	104,940
Net (decrease) / increase in cash and cash equivalents	(2,365,155)	2,231,869
Cash and cash equivalents as at 1 January	5,529,691	3,297,822
Cash and cash equivalents as at 31 December	3,164,536	5,529,691
Operational cash flows from interest and dividend		
Interest received	1,747,326	1,670,107
Interest paid	913,512	843,639
Dividends received	7,989	6,648