



مصرف الريان

MASRAF AL RAYAN

**Board of Directors
Corporate Governance Report
2012**

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Introduction

Another year has been completed with the implementation of the corporate governance guidelines of listed companies in the state of Qatar. Companies earn more trust from their Shareholders and clients with the new experiences encountered as greater transparency is achieved and more information is available for everyone, especially with ease of access over the internet through websites. Implementation of corporate governance is now approaching the international standards set by global organizations specialized in the field. As with the previous two years, throughout 2012, banks and financial institutions in the state of Qatar have complied with the application of the sound corporate governance guidelines set forth by the Qatar Central Bank and the Qatar Financial Markets Authority.

Masraf Al Rayan has continued to comply with the governance guidelines, as has the banking sector, as per the second and third articles of the Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority.

Masraf Al Rayan Ownership

The largest 10 Shareholders of Masraf Al Rayan as of 31 December 2012 were:

	Name	Type	Nationality	Shares	Percent
1	Qatar Holding Company	Government	Qatar	89,200,200	%11.9
2	Qatar Armed Forces Portfolio	Government	Qatar	70,522,435	%9.4
3	Al Mirqab Capital	Commercial	Qatar	17,004,136	%2.3
4	Pensions Fund - General Retirement and Social Insurance Authority	Government	Qatar	16,615,075	%2.2
5	Burooq Commercial	Commercial	Qatar	13,950,000	%1.9
6	QFF	Government	Qatar	13,400,000	%1.8
7	Education and Health Fund	Government	Qatar	13,400,000	%1.8
8	Manazil Commercial	Commercial	Qatar	11,034,546	%1.5
9	Qatar National Fund 8	Commercial	Qatar	10,750,000	%1.4
10	Hamad Abdulla Al Thani	Individual	Qatar	9,800,000	%1.3

Board Charter

There have been no changes to the Board's Charter throughout 2012 and the Board has continued to operate under the same approved Charter which included detailed descriptions of the Board and its responsibilities and the duties of its Board Members based on the Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority. The Charter has been published on the electronic website of Masraf Al Rayan to be available for Shareholders and the public.

Board Duties and Responsibilities

Masraf Al Rayan is operated by an effective Board that is collectively responsible for appropriately supervising the Bank's Management.

In addition to the responsibilities stipulated in Board Charter, the Board responsibilities include the following as well:

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

Board Members' Entrusted Responsibilities

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

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

The Board Members are also required to effectively address their obligations towards Masraf Al Rayan.

Chairman of the Board of Directors' Duties

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

The Chairman may not be a Member of any of the Board's Committees as stipulated in Board Charter.

The duties and responsibilities of the Chairman include, but are not limited to, the following:

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

The Board

The Board has continued to operate throughout 2012 as per its previous year's formation, whereby it included 9 members as per article 23 of the Articles of Association. Accordingly, the General Assembly elected 7 Members and the remaining 2 were appointed by the Founding Members to represent them; namely Qatari Diar Real Estate Company and the General Retirement and Social Insurance Authority.

Board Members

	Name	Title	Nationality	Status	Frozen Shares as of 31/12/2012	Available Shares as of 31/12/2012	Mortgaged Shares as of 31/12/2012
1	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari	Not Independent Non-Executive	100,000	1,900,000	-
2	Sheikh Al Hussein bin Ali bin Ahmed Al Thani	Vice Chairman	Qatari	Independent Non-Executive	100,000	200,000	-
3	Sheikh Saleh Ali Abdul Rahman Al Rashed	Board Member	Saudi	Independent Non-Executive	100,000	-	7,400,000
4	Mr. Jassim Saif Ahmed Al Sulaiti <i>Representing Qatar Armed Forces Fund</i>	Board Member	Qatari	Independent Non-Executive	-	100,300	-
5	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari	Independent Non-Executive	100,000	-	-
6	Mr. Faisal AbdulWahid AlHammedi <i>Representing Qatari Diar Real Estate Investment Company</i>	Board Member	Qatari	Independent Non-Executive	-	32,000	-
7	Mr. Turki Mohammad Al Khater <i>Representing the General Retirement and Social Insurance Authority (Qatar)</i>	Board Member	Qatari	Independent Non-Executive	-	38,676	-
8	Mr. Abdullah Ahmad Al Maleki	Board Member	Qatari	Independent Non-Executive	100,000	241,004	-
9	Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE	Independent Non-Executive	100,000	-	-

About the Board of Directors

Dr. Hussain Ali Abdulrahman Al Abdulla

Chairman and Managing Director of Masraf Al Rayan

Ph.D . Economics

Holds the following positions:

- Vice Chairman - Qatar Holding
- Executive Board Member - Qatar Investment Authority
- Acting Chairman – Board of Directors - Qatar Exchange Board Member - Qatar Airways
- Board Member - Gulf Investment Corporation (Kuwait) Board Member - Volkswagen (Germany)
- Chairman - Al Rayan Investment

Sh. Al-Hussain bin Ali bin Ahmed Al Thani

Vice Chairman of Masraf Al Rayan

Bachelor of Law

Holds the following positions:

- Vice Chairman - Daman Islamic Insurance Company - Beema
- Chairman - Al-Hosn Investment Company SAOC (Oman)

Sh. Saleh Ali Abdulrahman Al-Rashid

Board Member of Masraf Al Rayan

Diploma of Commerce - Business Management

A well-known Businessman in the Kingdom of Saudi Arabia and holds the following positions:

- Chairman - The Gulf Union Cooperative Insurance Company (Saudi)
- Chairman - Global Investment Bank (Bahrain)
- Chairman - National Amlak Investment Company (Saudi)
- Chairman - AlKhomasia Fodder and Livestock Production Company
- Chairman - Supporting Supplies Company for Installments Ltd.
- Chairman - Al-Rashed & Al-Thunayan Auto Co.

Mr. Jassim Saif Ahmad Al Sulaiti

Board Member of Masraf Al Rayan representing Qatar Armed Forces

Bachelors of Mechanical Engineering - Business Administration

Holds the following positions:

- Brigadier- Commander of Maintenance Corps - Qatar Armed Forces
- Chairman - Mowasalat
- Board Member - Al Rayan Investment

Sh. Nasser bin Hamad bin Nasser Al Thani

Master's of Business Administration (MBA)

Board Member of Masraf Al Rayan

Holds the following positions:

- Board Member - Al Rayan Investment

Mr. Faisal Abdulwahid Al Hammadi

Master's of Finance

Chartered Financial Analyst (CFA)

Board Member of Masraf Al Rayan

Holds the following positions:

- Head of Asset Investments Management at Qatar Investment Authority
- Board Member - Al Rayan Investment

Mr. Turki Mohammed Khalid Al Khater

Board Member of Masraf Al Rayan representing General Retirement and Social Insurance Authority
Bachelors of Economics and Social Sciences

Holds the following positions:

- Head of the General Retirement and Social Insurance Authority
- Board Member - Qtel
- Board Member - Ahli United Bank (Bahrain)

Mr. Abdulla Ahmad Al Malki Al Juhani

Board Member of Masraf Al Rayan
Bachelors of Management and Economics

Mr. Khalf Sultan Al Dhaheri

Board Member of Masraf Al Rayan
Master's of Business Administration - Certified Accountant

Holds the following positions:

- Group Chief Operations Officer - Abu Dhabi National Bank (UAE)

Independence of Board Members

The elected Board of Masraf Al Rayan contains 8 independent Members while all its Members are Nonexecutive. It is important to note that His Excellency Dr. Husain Al Abdulla, who holds the position of Managing Director, does not carry out daily executive duties at Masraf Al Rayan. The Group Chief Executive Officer is the one who performs his duties as chief of the executive management and the Managing Director acts as a link between the Board and the Executive Management. A clear segregation has been put between the positions of Chairman of the Board (Managing Director) and the Chief Executive Officer (General Manager); furthermore, the Chairman is not a member of any of the Board Committees. The Board Charter segregates the duties of the Chairman in accordance with article 8 of Corporate Governance Guidelines issued by the Qatar Financial Markets Authority.

Non-Executive Board Members' Duties

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

- Participation in the Meetings of the Board of Directors and to give an independent opinion about strategic issues, performance and accountability, resources, key appointments and operation standards.
- Ensure that priority be given to the interests of Masraf Al Rayan and the Shareholders in the event of any conflict of interests.
- Participation in the Audit Committee of Masraf Al Rayan.
- Monitoring the performance of the company in achieving its agreed upon objectives and targets, and the review of the performance reports, including the Annual Reports as well semi-annual and quarterly.

- Oversight of the development of special procedures for Masraf Al Rayan Corporate Governance and to oversee its application accordingly.
- To make available their skills, experience, and diverse competencies and qualifications to the Board of Directors or its various Committees through regular attendance of Board Meetings and their effective participation in General Assembly Meetings and their understanding of the views of Shareholders in a balanced and fair manner.
- It is permissible for the majority of Non-Executive Members of the Board to request an independent consultant at the expense of Masraf Al Rayan; for any issue related to the Bank.

Board Meetings

The Board of Masraf Al Rayan has convened 6 times throughout 2012 on the following dates:

- First Meeting: January 29, 2012
- Second Meeting: April 24, 2012
- Third Meeting: June 4, 2012
- Fourth Meeting: August 1, 2012
- Fifth Meeting: October 15, 2012
- Sixth Meeting: December 16, 2012

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

Secretary of the Board of Directors

The position of Secretary of the Board of Directors is held by Mr. Ghassan Al-Rihawi since the inception of the Bank in 2006. Mr. Al-Rihawi previously held the position of Secretary of the Board of the Chamber of Commerce and Industry - Qatar from 2002 -2006 and has managerial experience of over 31 years in the State of Qatar.

The Secretary's duties include recording, preparing, and saving all Minutes of the Meetings of the Board under the supervision of the Chairman. He is also charged with ensuring communications and liaison between the Members and the Board as well as the Board and other stakeholders inclusive of Shareholders and Management.

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

Conflict of Interest and Insider Transactions

Masraf Al Rayan is committed to the adoption and the declaration of general rules and procedures governing its entry in any business transaction with a related party (Masraf Al Rayan policy with respect to related parties). In any case, Masraf Al Rayan refrains from entering into any business transaction with a related party, or to sign with them, except in compliance with the Bank's policy for Related Parties. Such policy must ensure that the principles of transparency, fairness and disclosure are applied, and requires the approval of any such transaction with a related party by a majority of Shareholders in a vote in which the said related party that does not vote.

In case any question of a conflict of interest or a business deal between Masraf Al Rayan Bank and a Member of the Board or any related party to the Board Member during a meeting of the Board, that the topic is discussed in the absence of the Member concerned, who has absolutely no right to participate in the vote on the deal. And in any case such deal must be done according to market prices and on a purely commercial basis, and must not include conditions contrary to the interest of the Company.

The Corporate Governance policy requires the disclosure of these transactions in the Company's Annual Report, and to be specifically referred to in the General Assembly Meeting that follows such deals.

The Corporate Governance Policy stipulates the requirement to disclose information about the trades of Members of the Board of Directors in the shares of Masraf Al Rayan and its other financial papers, and that the company adopts clear rules and procedures governing the trading of Board Members and Staff in the Company's Shares.

Other Duties and Responsibilities of the Board

Board Members are granted full and prompt access to information, documents, and records related to the Company, the Executive Management of Masraf Al Rayan is committed to provide the Board and its Committees with required all documents and information.

Members of the Board are keen to attend the meetings of the Nominations and Governance Committee, the Remuneration and Compensation Committee, the Internal Audit Committee, internal auditors and representatives of the External Auditors, and of the General Assembly.

The Board of Directors has adopted an induction program which has been developed to ensure that Members, when elected, have a proper understanding of the functioning of the Company, its operations, and that they are fully aware of their responsibilities.

The Members of the Board are responsible for the good understanding of their roles and duties, and they are responsible to educate themselves in financial matters, commercial, industrial, and in the operations of the Company and its functions; and to this end the Board must adopt or follow appropriate and official training courses that aim to endorse the skills of Board Members and their knowledge.

The Board of Directors works to keep its members informed constantly on the latest developments in the field of corporate governance and best practices in this regard, and the Board may delegate the responsibility to the Internal Audit Committee or the Nominations and Governance Committee or any other entity it deems appropriate.

The Articles of Association of Masraf Al Rayan include in Article number (32) clear procedures for the dismissal of Board Members in the event of absence from Board Meetings.

Sharia Supervisory Board

On 16 December 2012 via decision number 11/6/2012 the Board of Masraf approved the appointment of Dr. Mohamed Ahmeen as Member of the Sharia Board in lieu of Dr. Mohamed Othman Shubeir whose resignation has been accepted because of his traveling. The decision was conditional on QCB approval.

The Board has relied in its decision on the delegation given from the General Assembly of Masraf Al Rayan to the Board at its meeting on 28 March 2011 which included approval of appointing the Sharia Board for Masraf Al Rayan for the 3 years 2011-2013, the delegation to the Board to fill any vacant positions for any reason, to assign their compensation, and any other matter related to the Sharia Board.

And as per this new change, the Sharia Board Members are now:

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

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

The Supervisory Board also presents its report annually for each financial year to the Ordinary General Assembly Meeting.

Board Committees

The established Board Committees started in 2012 implementing their duties as per their terms of reference and in alignment with corporate governance guidelines. The Committees are as follows:

Executive Committee

Committee Composition

- | | |
|------------------------------------|----------|
| - Sh. Al-Hussain bin Ali Al Thani | Chairman |
| - Sh. Nasser bin Hamad Al Thani | Member |
| - Mr. Jassim Saif Al Sulaiti | Member |
| - Mr. Faisal AbdulWahid Al Hammadi | Member |

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

The most important duties of the Executive Committee are:

- Review of the main functions of the Board
- Discussing and passing items that fall under the purview of the Board or those that develop in between Board Meetings.
- Providing reports and recommendations to the Board as and when needed.
- Endorse risk policy.
- Recommendation to approve policies, rules, and any additions or amendments.
- Approving or recommending ceilings for transactions with new banks and countries that the Bank deals with and making the necessary amendments.

The Committee has held the following meetings:

- | | |
|-------------------|-------------|
| - First Meeting: | 24April2012 |
| - Second Meeting: | 31July2012 |

The Committee has studied 22 requests submitted to it, and has taken decisions on each of them by way of circulation.

Internal Audit Committee

Committee Composition

- | | |
|--------------------------------|----------|
| - Mr. Khalaf Sultan Al Dhaheri | Chairman |
| - Sh. Saleh Ali Al Rashed | Member |
| - Mr. Abdullah Ahmed Al Maleki | Member |
| - Mr. Turki Mohammad Al Khater | Member |

The majority of the members of this Committee should be independent with an independent member chairing the Committee.

The Internal Audit Committee has the following responsibilities:

- Appoint the internal audit staff and adopt a policy for contracting the external auditors.
- Supervise and monitor the independence of the external auditors and their objectivity and discuss with them the nature and scope of the audit and effectiveness in accordance with international auditing standards and international financial reporting standards.
- Overseeing the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports, review the data and reports in particular with regards to their compliance with accounting, transparency, listing in the market and disclosure standards.
- Coordination with the Board and senior executive management and Chief Financial Officer of the Bank or designate and arrange meetings with the external auditors at least once a year.
- Study any important and unusual issues included or will be included in the financial statements.
- Revision of financial and internal control systems and risk management.
- Discuss the internal controls system with the management and ensure the performance of the management of its duties towards the development of an effective internal controls system.
- Considering the results of the investigations in the internal control issues entrusted to it by the Board of Directors.
- Ensure coordination between the external and internal auditors and verify and supervise the effectiveness of the internal audit.
- Review the accounting and financial policies and procedures of the Bank.
- Review letter of appointment of the external auditor, his work plan and any queries he requested from Senior Management of the bank as well as the responses of the management.
- Ensure prompt response to Board of Directors queries and matters raised by external auditors.
- Developing rules to be approved by the Board of Directors allowing the staff of the bank to report confidentially their concerns regarding any issues that are likely to raise suspicion, and to ensure appropriate arrangements for an independent and fair investigation about these issues while preserving confidentiality and protecting the staff from any retaliation.
- Oversee compliance with the rules of professional conduct.
- Reporting to the Board of Directors on matters provided for in this article.
- Consider any other matters determined by the Board of Directors.

The Audit Committee held the following meetings:

- First meeting: 16/1/2012
- Second meeting: 29/1/2012
- Third meeting: 24/4/2012
- Fourth Meeting: 4/6/2012
- Fifth Meeting: 15/10/2012

Remuneration and Compensation Committee

Committee Composition

- Mr. Turki Mohammad Al Khater Chairman
- Mr. Khalaf Sultan Al Dhaheri Member
- Mr. Abdullah Ahmad Al Maleki Member

The committee has the following responsibilities:

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

The committee had a meeting on 16 January 2012.

Policies and Development Committee

Committee Composition

- | | |
|------------------------------------|----------|
| - Mr. Faisal AbdulWahid AlHammadi | Chairman |
| - Mr. Khalaf Sultan Al Dhaheri | Member |
| - Mr. Jassim Saif Ahmed Al Sulaiti | Member |

Committee Objectives

- To prepare, study, and develop work strategies for Masraf Al Rayan
- To review and develop Masraf Al Rayan goals
- To study, review, and develop Policies for Masraf Al Rayan
- To study, review, and develop Masraf Al Rayan Work Plans and processes
- To review the Budget.

The Committee held a meeting on 24 April 2012.

Nominations and Governance Committee

Committee Composition

- | | |
|------------------------------------|----------|
| - Mr. Jassim Saif Ahmed Al Sulaiti | Chairman |
| - Mr. Turki Mohammed Al Khater | Member |
| - Mr. Abdullah Ahmad Al Maleki | Member |

The committee has the following responsibilities:

- Adoption and publication of its terms of reference showing its authority and role.
- Proposing appointment of Board members and the re-nomination for election by the General Assembly.

- Supervise the implementation steps for the call for nominations to the Board, and consider applications received to ensure matching of applicants for membership conditions.
- Determining qualifications for Board membership, including independence.
- Make sure that candidates can give sufficient time to carry out their duties as members of the Board as well as their skills, knowledge and experience and professionalism, technical, academic and personality.
- Consider any conditions or requirements relating to the nomination or election or appointment of Board members from Qatar Central Bank or any other authority.
- Evaluate candidates for senior executive management positions, and submit recommendations to the Board of Directors.
- Perform an annual self-assessment of the Board's performance.
- Follow-up Board Committees' self-assessments.
- Supervise Board structure and composition of its committees.
- Review the annual Corporate Governance report of Masraf Al Rayan, and to recommend its approval by the Board.
- Placing an induction program for new Members and suggesting training for them as and when required.

The Committee had a meeting on 22 January 2012 after which it conducted several activities including:

1. Reviewing and approving the previous year's (2011) Corporate Governance report.
2. Studying and ratifying the Corporate Governance Manual.
3. Studying and ratifying the updated Induction Program for new Board Members.

Group Investment Committee

The Committee's composition was reconstituted pursuant to Board of Directors resolution number 6/4/2012 dated August 1st 2012 as follows:

- | | |
|-----------------------------------|----------|
| - Mr. Faisal AbdulWahid AlHammadi | Chairman |
| - Sh. Nasser bin Hamad Al Thani | Member |
| - Mr. Adel Mustafawi | Member |
| - Mr. Feizal Ali | Member |
| - Mr. Ahmed Sheikh | Member |

The Committee has the following responsibilities:

- To prepare, study, and develop investment policies for the Group that includes the broad lines for investment and identification of assets and prohibited investments.
- Review and approve the investment activities of the Group, place limits on single transaction investments or for cumulative annual limit as per Investment Policy.
- To supervise the management of the Group's investment portfolio to monitor compliance with Investment Policy.
- Review investment portfolio performance by comparing actual vs. expected returns, as well as comparing it to market performance indices approved by the Board, taking into account compliance with policies and directions and risk level.
- Review of periodic analysis and Management Reporting.
- To approve investment sector limits.

- To approve investment country limits.
- To review investment strategies whenever the need arises.
- Other duties and responsibilities and having authority as per Board delegation.
- Preparing reports and presenting them to the Board to disclose investment decisions which were made, policies, and investments performance.
- To carry out any other assignments whenever requested, as per the changes in the policies of the Board or Qatar Central Bank regulations, or Qatar Financial Markets Authority regulations, or as needed as per market developments.
- To approve investment deals according to the set limits by the Committee and to raise recommendations for deals with higher limits to be approved by the Board.
- Invite experts to Committee meetings to provide opinions in the technical areas.

The Committee had a meeting on 14 October 2012.

Board Charter

The Corporate Governance Charter aims at providing frame of responsibility and control over the Bank in addition to ensuring the existence of a supervision that is based on respect of values according to the laws and related regulations.

Masraf Al Rayan solemnly believes that following this Charter will enhance - in the long run - trust with shareholders, clients and employees and different stakeholders in addition to establishing and supporting Masraf Al Rayan reputation in the money market.

The Board Charter is binding not only on the Board members but on all staff and the Board of Directors is considered responsible for implementing this Charter and applying it by all staff at Masraf Al Rayan.

This Charter was prepared in compliance with the local laws and rules and international standards. The Charter will be revised from time to time considering the guidelines, the acquired experiences, work needs and according to the requirements of Qatari laws and related regulations.

Masraf Al Rayan Board of Directors reviewed an update to the Charter on their December 19, 2011 Meeting but the matter was postponed to be presented again on the January 29, 2012 Meeting. In addition, the Board had also signed a Confidentiality Charter.

This Charter has been updated and ratified by the Board of Directors on pursuant to resolution 7/1/2012 dated 29/1/2012.

Board Remuneration

The Remuneration and Compensation Committee discussed the Board of Directors' bonus and that of the Senior Management and connected it to profit and achievements that the bank had realized during the fiscal year and comparing it with the results of previous years.

The Committee also takes into consideration the economic and financial position during the fiscal year, the responsibilities and scope of duties of the Board Members and the Senior Executive Management must be taken into consideration and that bonuses must be within the permitted level in the Articles of Association and related regulations.

Board Resolution number 13/1/2012 dated 29 January 2012 included adoption of a new standard for determining the compensation of Board Members by assigning a percentage of the net profit achieved. The Board has then carried the recommendation to the Ordinary General Assembly which in turn has ratified this Board remuneration scheme for the year 2011 in their Meeting on 6 March 2012.

List of bonus, fees and allowances of Members of the Board of Masraf Al Rayan

The list of bonuses and allowances and compensations of Board Members is reviewed and updated on an annual basis by the Nominations and Compensation Committee; where the regulatory guidance is included regarding these compensations.

The updated list by the Board pursuant to its Resolution 12/1/2012 dated 29/1/2012 has been approved by the General Assembly of Masraf Al Rayan.

The List includes a presentation on the regulations upon which the List was based, the Board of Directors Resolutions in that regard, and the basis on which the bonus for the Board of Directors and Senior Management is based.

Policies

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

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

- Internal Audit Policy
- Compliance Policy
- Investment Policy
- Finance Policy
- Corporate Governance Policy
- Anti-Money Laundering and Combating of Financing of Terrorism Policy
- Credit Policy
- Personnel Policy
- Whistleblower Protection Policy
- Succession Policy
- Sharia Policy

Credit Rating of Masraf Al Rayan

Moody's Investor Services has lifted the rating of issuance in local and foreign currencies of Masraf Al Rayan from A3/Prime2 up to A2/Prime1, and the future outlook is stable for all its long term ratings.

The upgrade awarded to Masraf Al Rayan reflects its low risk profile sustained by excellent quality of its assets, robust capital & liquidity buffers and a strong partnership with the public sector. Since establishment, Masraf Al Rayan has gained a significant market share and has developed a growing corporate franchise in Qatar. According to Moody's, one of the main drivers of the upgrade is Masraf Al Rayan's consistent record of maintaining excellent asset quality.

Moody's expects that Masraf Al Rayan will be able to maintain strong financial fundamentals, and noted that its key ratios compare favorably with those of other Gulf banks, and with the global medians for similarly-rated peers.

Internal Controls inclusive of Financial, Investment, and Risk Management

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

- | | |
|-----------------------------------|--|
| - Evaluating and awarding credit | - Anti-Money Laundering |
| - Investment | - Insuring Assets |
| - Liquidity | - Related Parties and Conflict of Interest |
| - Market Risk | - Compliance with laws, regulations, and regulatory instructions |
| - Capital Adequacy | - Internal and External Audit |
| - Concentrations Risk | - Performance Evaluation |
| - Foreign Exchange Risk | - Disclosures to relevant parties |
| - Profit Rate Risk | - Policies related to personnel which govern employment, costs, incentive schemes, development of skills, and nurturing ethics and code of conduct in addition to other policies |
| - Pricing | |
| - Profitability and Balances | |
| - Operational Risk and Accounting | |
| - Legal Risks | |

are all being reviewed to ensure implementing the best standards and compliance with the regulatory requirements. Then the Internal Audit reviews the functions of the Compliance Officer and Risk Officer to provide reasonable assurance to the Audit Committee of the Board of Directors that these functions are being carried out at a reasonable level of competency and to highlight issues of concern. All of which are also governed by the Policies set forth by the Board (mentioned above in Policies). The evaluation of the Board and Senior Management in how they have applied the systems of internal controls is conducted inclusive of reporting the number of times the Board has been notified about control issues, inclusive of risks, and the way the Board has addressed these issues.

The internal controls work has not revealed other than ordinary issues which have been addressed routinely by each of the Risk Officer and the Compliance Officer within the set policies which did not require Board level intervention.

The control departments continually attempt to uncover areas of potential failure of application of internal controls or even weaknesses in implementation and they are responsible for follow-up to ensure rectification of the issues raised.

The internal control activities are distributed between the control departments, they continually carry out inspections, comprehensively, and raise issues to the Executive Management about findings, observations, violations, and such in order to take the necessary corrective action. There has been no emergency that influences or that may influence the financial performance of the Bank.

External Auditors

The General Assembly of Masraf Al Rayan approved the appointment of the External Auditors KPMG for the financial year 2012. This has been presented to the General Assembly after Qatar Central Bank approval in this regard. The year 2011 was the last year for Ernst & Young as external auditors because they have completed their maximum allowed term of 5 consecutive years as per Qatar Central Bank regulations. KPMG were contracted due to their application of best practices and their maintaining independence and refraining from entering into conflict of interests relationships. The External Auditors also attend the General Assembly to present their annual report and responds to inquiries.

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

Masraf Al Rayan Board of Directors is committed to the principles of transparency in performing its business with regards to the requirements of disclosure on all that may affect the financial performance of the bank or the movement of its shares' prices. Information of the Board members was provided to Qatar Financial Markets Authority as well as to Qatar Exchange to make known their ownership of shares. The Board Charter identifies the responsibilities of the Board and its committees.

The Board is also keen to provide Qatar Exchange with financial statements and clarifications as set by the Qatar Exchange regulations, in addition, the Board publishes the financial statements once approved by the Board of Directors according to the Commercial Companies Law, Qatar Central Bank regulations, Qatar Exchange rules, and the regulations of Qatar Financial Markets Authority.

Financial statements are published supported with external auditors' report who confirms in his reports that the reports and financial statements of Masraf Al Rayan are issued in conformity to the international accounting and auditing standards and that the external auditor has obtained all the data and information that are necessary to perform the audit.

The financial statements and the External Auditors' reports are published on the Qatar Exchange website and on the local media and some GCC newspapers according to what is stated in the Articles of Association of Masraf Al Rayan and the Commercial Companies Law.

Company Compliance with Internal Control Systems for Risk Identification and Management

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

Risk Management Operations and Internal Control Procedures

The Board gives a high level of care and attention to risk management operations and internal control procedures in the Bank because of their importance in sound risk management, especially legal, reputational, and operational risks. Accordingly, the Risk Officer and the Compliance Officer functions are Departments that identify and evaluate and provide counsel and monitor, as well as raise reports about risks of non-compliance with regulations, standards, or instructions. The Board has ensured that these functions have sufficient resources in terms of cadre, equipment, and systems.

The objectives of internal controls are mainly to protect Bank assets, monitor use of available resources, assure accuracy of financial information, identifying responsibilities and authorities and compliance thereto, and the following of a standard clear policy in selection of employees for the various management roles.

Processes applied by the Bank to determine, evaluate and manage risks:

Credit Risks

Risk is an integral part of the financial industry, especially in today's world economy condition and the increasing aggressiveness of competition and the size of financial transactions as well as technological developments and the need for larger banks. That is why proper risk management assists the Bank in succeeding and ensures its continuity in the banking sector with acceptable returns and reduced risks.

The Bank's Credit Policy is considered the pillar of the Credit Risk Management's function. That is why the Bank is keen to develop a comprehensive tool to evaluate credit by placing a comprehensive Credit Policy that contains the framework of standards and conditions and guidance for granting credit through following a standardized approach in the process of credit evaluation & management, which provides unified system with sufficient flexibility.

The Bank extends credit facilities only after the applicants meet a set of requirements namely, a clearly identified purpose of the requested facility, adequacy of sources of repayment, customer creditworthiness and experience, acceptable risk level as per MAR approved risk level, as per MAR approved risk appetite, and sufficient collaterals to protect the Bank's rights should the client face difficulty in repayment or stopped altogether without any losses.

Credit is given through the 4 levels of the Credit Committee of the Bank which consists of the following:

1. Retail Credit Committee for credit facility limits up to QR 15 Million
2. Group Credit Committee for credit facility limits up to QR 150 Million
3. Executive Committee for credit facility limits up to QR 300 Million
4. Board Committee for credit facility limits above QR 300 Million

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

Credit Risk Division

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

Criteria of the Credit Risk Division

1. Determining credit types and sectors (economic) for which the Bank may extend financing.
2. Establishing a limit cap for group exposure as well as pricing modules.
3. Determining types of collaterals, their mechanism of evaluation, the approved professional agents which conduct the evaluation, its financing to collateral value, and taking precautionary steps to protect the bank against any such risk by obtaining property insurance and periodical evaluation of these collaterals.
4. Placing conditions for approval of credit inclusive of information that must be obtained prior to granting of credit facilities, and granting the delegation to grant credit facilities, and establishing independent review of credit and conditions for rating of credit and provisioning.
5. Establishing the level of risk that the Board approves to enter into while financing.
6. Preparing independent credit recommendations for Business Units.
7. Disclosure of all the information related to the client to the Credit Committee with all transparency so that a well advised credit decision is made.
8. Enhancing the role of monitoring and managing credit to ensure the necessary follow up is done to complete all the documentation and collateral as per the Credit Committee recommendation to activate the limits in the electronic system.

Implementation of Sound Measures to Determine Credit Risks

Granting credit facilities is based on sound measures as detailed below:

1. Assuring that the client request or credit application is signed by a sufficiently authorized delegate.
2. Knowledge of the customer's reputation, experience, market share (industry share), and purpose of finance.
3. Obtaining sufficient information in order to make a comprehensive evaluation of the client and types of risk underlying the requested facility, as well as to be able to rate the client as per the Bank's internal credit rating system.
4. The nature of the current and future risks of the credit applicant, their industry, and sensitivity to the economic developments, and assess the relation between associated risks and profit.
5. Source of repayment and customer's commitment to settle previous debts and type of the acceptable collaterals.
6. Obtaining all the collaterals and their evaluation.
7. Evaluation of the client's financial position using updated Audited financials for the past 3 years.
8. Supporting the application with Credit Bureau reporting on the client to understand the nature and volume of existing facilities of the client.
9. Establishing credit limit caps for all on & off-balance sheet items, credit limit caps for industry, countries, and establishing credit limit caps based on the customer risk rating.
10. Establishing credit limit caps which can be extended for equity at one obligor level, group level, and inter-related relations level, as well as those with overlapping interests.

Existence of Procedures to Handle and Follow-up Credit

This includes:

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

Existence of Sufficient Control on Credit Risks

Risk monitoring is exercised via the existence of the following:

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

Market Risks

The way the Bank handles market risk essentially did not change because it still relies on using the latest banking standards, depending on Qatar Central Bank regulations, and the principles of Basel II while using the expertise of internationally experienced staff.

To mitigate these risks, the bank diversifies its activities in different countries, sectors, products and client segments and takes proactive steps to manage these risks.

The relevant staff monitors several risks linked to the market such as foreign exchange risks, profit rates, pricing, liquidity, general investments, clients' deposits investments, commodities prices, liquidity and capital adequacy. Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the Management to assist in taking proper decisions and monitor the market risks as required.

These reports include daily reports such as reports on the market reaction and daily reports on the performance of the Qatar Exchange, a weekly report on the Treasury in addition to the monthly report to the Assets and Liabilities Committee (ALCO) which shows the budget position, banking ratios, and stress tests on budget, gap analysis in assets and liabilities. ALCO members are from the Senior Management and this report is discussed in its monthly meeting where decisions are made and followed up.

Credit Limits for Banks and Countries

In compliance with Qatar Central Bank regulations, credit limits are recommended to be set for banks that Masraf Al Rayan has business relationships with as well as credit limits for countries as per their rating. The Board approves these limits and they are presented to the QCB. The latest approved limits were presented after their study under the prevalent market conditions, especially the difficulties in Europe, and subsequent recommendation as of October 2012.

Operational Risk

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

Summary of Operational Risk Methodology

The ORM strategy framework is a comprehensive program that identifies and mitigates risks. It starts with identifying risks, evaluation of them, determining their likelihood, consequences, monitoring, management, communication, and control of the risk. As well as reporting the different risks related to Bank's activities inclusive of investments, corporate finance, capital markets, and Treasury. This also includes internal controls, controls and internal systems, regulatory and compliance, as well as outsourced services and supporting operations such as IT and HR.

In addition, the following steps are also taken:

- All staff are reminded of their responsibility towards risk management.
- All staff report operational risk events as and when they occur.
- Operational risk coordinators in each department work on the reported risk incident dealing with operational risk issues related to their department(s).
- The OP risk coordinators coordinate with operational risk to ensure efficient and effective implementation.
- Operational risk Framework is developed for each major process in liaison with the OP risk coordinators through risk assessment, review of internal and external auditors report, brainstorming sessions with Risk, review of reported operational risk events and losses etc.

Operational Risk Mitigation

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

Operational Risk Department's Achievements for 2012

- Achieving BS-25999 certification for business continuity management.
- Implementing an advanced firewall to guard against any phishing or hacking attempts.
- Compartmentalization of the network, whereby the production servers have been disconnected from the testing servers in order to secure information. Also separated the cards network from the IT central network as recommended by Payment Card Industry Data Security Standards (PCI-DSS).
- Implementation of a live monitoring system on the SWIFT network to intercept any transactions suspected of being related to Money Laundering or Financing of Terrorism.
- Upgrade of the CCTV network and the camera quality to increase image clarity as well as to increase storage period to 120 days.
- Implementation of the advanced SAS Operational risk management system to manage all risk indicators including database and data loss risks.
- Setup of fraud monitoring unit to deal on a 24/7 basis with detection and prevention of fraud on ATM Cards and Credit Cards. The unit utilizes a preemptive approach to stop suspect transactions.
- Evaluation of current systems as per ISO27001 to counter cyber incidents and malware.
- Reevaluation of the internet banking monitoring program and placing additional controls to stop data leakage.
- Protection of the Bank's valuable data in a preemptive manner to hedge against any emergency by keeping an extra copy of the important data at NavLink's Data Center in Nice, France.

Amendments to Articles of Association

The Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority required amendments/additions to align the articles with the Guidelines.

Masraf Al Rayan has undertaken a review of its Articles of Association and taken the necessary to make the amendments/additions. Masraf Al Rayan has communicated with the Qatar Central Bank to obtain the necessary approvals first, then to present them to the Board to pave for their presentation to the Extraordinary General Assembly Meeting for ratification.

Shareholder Rights

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

Shareholder Register

The Information Technology Department of the Qatar Exchange maintains records of the Shareholders of its listed companies because Shareholder information changes constantly with each transaction. Masraf Al Rayan requests the information when needed and on specific dates, especially on the days of the Ordinary and Extraordinary General Assembly Meetings where this information is used to confirm attendance, voting, and distribution of profits.

Accessing Information

Masraf Al Rayan provides its Shareholder information which has been obtained from Qatar Exchange upon request as per the rules, regulations, and related Articles and Corporate Governance guidelines. Similarly, other information is available on the internet on Masraf Al Rayan's electronic website www.alrayan.com for ease of access to the most important information for investors and clients.

Fair Treatment of Shareholders and Voting Rights

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

Shareholders who attend the General Assembly have the right to discuss the items on the Agenda, direct questions to the External Auditors, and the Board has to respond to the questions of the Shareholders in as much detail as possible that would not expose the Bank to any risks, and if the Investor deems the answer insufficient then they may revert to the General Assembly whose decision is mandatorily executable.

Furthermore, the Articles of Association of Masraf Al Rayan stipulate that each Shareholder has a number of votes that is equivalent to the number of Shares that they have.

Shareholders' Rights - Election of Board Members

Masraf Al Rayan is keen to apply the principle of giving Shareholders information about the candidates to the Membership of the Board before election, including a description of the candidates' skills, professional and technical experience, and other qualifications. Masraf Al Rayan has addressed the Qatar Central Bank for approval to add an article to the Articles of Association that contains provisions to give Shareholders information about the candidates to the Membership of the Board before elections.

The subject of the election of the Members of the Board of Directors by cumulative voting remains governed by the approval of the Ministry of Business and Trade, which oversees elections of corporate boards to in its own way, according to the principle followed which is that each Shareholder has a number of votes equal to their number of Shares.

Shareholders' Profit Distribution Rights

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

Capital Structure, Shareholder Rights, and Significant Deals

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

Other Stakeholders' Rights

The Corporate Governance Policy adopted by Masraf Al Rayan ensures fully respecting all parties to the transactions inclusive of stakeholders. The human resources policy ensures fairness and justice between employees without prejudice to race, gender, or religion. Management annually allocates bonuses to employees reciprocating the profits and their individual efforts using a methodical studied approach.

At the same time, the Whistleblower Protection Policy approved by the Board gives each employee the opportunity to deliver their complaints to Management without fear of reprisal or consequences and fully maintaining their rights. Masraf Al Rayan employees comply with a Code of Conduct that includes the business ethics.

Masraf Al Rayan's Corporate Social Responsibility

Masraf Al Rayan is keen on participation in community development through supporting individuals and groups to carry out their role in building a better society. The Bank is also keen on taking part in public causes that concern the society, protect the environment, and encourage protection of natural resources, healthy practices, supports sports, and charitable endeavors.

Dr. Hussain Ali Al Abdullah
Chairman and Managing Director