مصرف الريان

MASRAF AL RAYAN

2020 ANNUAL REPORT

alrayan.com

Honor

is the reward, for what we give, not what we receive

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

His Highness
Sheikh Hamad bin Khalifa Al-Thani
Father Amir

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MESSAGE
FROM THE CHAIRMAN
& MANAGING DIRECTOR

The Bank **achieved a profit** of 2,175 million during 2020

H.E. ALI BIN AHMED AL KUWARI
Chairman & Managing Director

Respected Shareholders,

On behalf of Masraf Al Rayan's Board of Directors, I am pleased to welcome you and to present to you the Board of Directors' report for the financial year ending on 31 December 2020.

We have ended the first year of the Board's fifth term maintaining the Bank's stability, as we look forward to a bright and mutually rewarding future for both our shareholders and the State of Qatar.

The year 2020 was an exceptional year in which the world and the global markets have faced unprecedented events, however, Masraf Al Rayan managed to overcome all the difficulties and achieved a net profit by the end of 2020 that amounted to QAR 2,175 million, the fact which underlines the strong performance of the Bank that succeeded in reserving its seat among the pioneers in a short period of time. The Bank's total assets reached QAR 121,115 million compared to QAR 106,397 million as of 31 December 2019, with a growth rate of 13.8%. The financing activities' receivables amounted to QAR 85,983 million compared to QAR 74,837 million as of 31 December 2019, with a growth rate of 14.9%, while the investments reached an amount of QAR 21,120 million.

Moreover, customers' total deposits increased to QAR 68,918 million while shareholders' total equity amounted to QAR 14,365 million prior to dividends compared to QAR 13,919 million at the end of 2019, with an increase of 3.2%.

During 2020, we have strongly maintained financial indicator ratios as the rate of return on average assets maintained its advanced position at 1.91%, the return on average shareholders' equity reached 15.38%, while the earning per share maintained its value at QAR 0.29.

In addition, capital adequacy ratio, using Basel-III standards, reached 20.31% at the end of 2020, and the operational efficiency ratio (cost to income ratio) stood at 21.58% and remained at the forefront among banks at the local and regional levels. Non-Performing Financing Ratio of 1.13% maintained a stable position at a minimum rate among banks, which reflects the strong performance of the credit risk and adopted policies and procedures.

Masraf Al Rayan's Board of Directors recommended in its meeting held on 19 January 2021 to reward cash dividends to shareholders at the rate of QR 0.170 per share, equivalent to 17% of the paid-up capital.

With respect to the Bank's credit rating, Masraf Al Rayan has maintained its credit rating at A1 with a stable outlook as per Moody's report issued on 12 October 2020, which reflects the high quality of assets and the solid and stable profitability that supports the high capitalization of Masraf Al Rayan.

On 30 June 2020, Masraf Al Rayan announced a potential merger between Masraf Al Rayan and Al Khaliji Bank and thereafter, on 7 January 2021, the Bank announced the merger agreement under which Al Khaliji's business will be absorbed into Masraf Al Rayan's business, and Masraf Al Rayan will be the remaining legal entity which will continue to operate in accordance with Islamic Shari'a principles, the fact which will lead to the formation of a larger and stronger bank with a strong financial position and high liquidity with a variety of banking activities, customer portfolios, distinctive products, and a stronger base for financing development initiatives in line with Qatar National Vision 2030.

During 2020, Masraf Al Rayan has complied with applying its conservative strategy set by the Board of Directors and performed its business in a transparent and trustworthy manner, with the support of good governance which the Bank has given its full attention, in addition the Bank complied with the execution of the provisions of Law No. (20) of 2019 on Anti-Money Laundering and Terrorist Financing while taking into account both the Law's Executive Regulations and Qatar Central Bank Instructions in this regard.

The Bank has updated all its relevant policies and developed a set of new policies and guidelines to adhere to the combating of financial crimes and to maintain its ongoing communication with Qatar Central Bank and the State's Financial Information Unit in all that is related thereto.

On the other hand, Masraf Al Rayan upgraded the services provided to its customers up to higher levels and remained in line with the developments in banking services which are witnessing a rapid change towards e-services.

As for the Bank's staff, Masraf Al Rayan continued to attach great importance to the training and developing of its employees in general, with a focus on developing its Qatari cadres in particular, in line with the Bank's strategies. The total hours of employee training reached more than 9,090 hours during 2020.

On the social level, Masraf Al Rayan continues to fulfill its duty towards preserving the environment and serving the society for future generations in an effort to achieve sustainability.

Finally, on behalf of the Board of Directors of Masraf Al Rayan, I would like to extend my sincere thanks and gratitude to His Highness Sheikh Tamim bin Hamad Al Thani, the Amir of the State of Qatar for his generous guidance and support for the financial institutions. I would also like to thank His Excellency Sheikh Abdullah bin Saoud Al Thani, the Governor of Qatar Central Bank, and His Excellency Sheikh Mohammed bin Hamad Al Thani, the Deputy Governor of Qatar Central Bank, for their support for national banks and their efforts to meet the needs of the financial market in the State of Qatar and to maintain its stability and reputation.

I must also express my thanks to all the employees, customers, and shareholders of Masraf Al Rayan who continue to bestow their trust and confidence in us to perform our work in a way that benefits everyone.

MESSAGE
FROM THE GROUP
CHIEF EXECUTIVE OFFICER

The Group continued its **upward line of performance trend** during 2020

with a **strong growth rate** of 13.8%

in **total assets**

ADEL MUSTAFAWI
Group Chief Executive Officer

Masraf Al Rayan (MAR) performed among the best within Qatar's banking sector by creating one of the highest value for its shareholders during this period. Despite the ongoing pandemic crisis, MAR generated the highest ROAA (1.91%), the highest Capital Adequacy (Basel III) Ratio (20.31%), which is a forward looking indicator, as well as the lowest NPL Ratio (1.13%), according to Bank's FY2020 financials.

In commenting on the results, Mr. Mustafawi, Group CEO, said that the world community is still grappling with the devastating effects of Covid-19, so that is the key emerging challenge in our current history, which will have negative implications for the global economy. However, MAR's results are good, and considered achieving them a great challenge, especially since Masraf Al Rayan, in its commitment to the strategy approved by the Board of Directors, has maintained its credit rating with stable outlook, also has maintained its position amongst banks in the State of Qatar, and maintained its financial ratios, as stated above.

Now that there are some hopeful signs emerging that a vaccine for the virus has been discovered, we need to re-energize our business strategy, as the global economy will soon start to recover from the ravages of the pandemic crisis. The current pandemic has already had some far-reaching implications for the global economy, but it is projected that things will soon come back to normal.

Our key strategic objectives will remain the same, as they are all-encompassing goals. Our key strategic goals will remain to strengthen the Bank's retail and private banking, investment banking and corporate banking franchise, while also seek growth opportunities & diversify income stream, deliver sustainable and profitable growth with focus on asset quality and diversification of funding mix and to continue to develop risk control systems; also to ensure corporate governance and to develop human capital.

CORPORATE
GOVERNANCE

Masraf Al Rayan, throughout 2020, continued to comply with the governance guidelines, as per the Second and Third articles of the corporate governance guidelines for listed companies regulated by 'Qatar Financial Markets Authority' Number (5) of 2016, all the while looking forward to achieving even more transparency and a higher level of client and shareholder trust.

LEADERSHIP
IN MASRAF AL RAYAN

BOARD OF DIRECTORS

H.E. Ali Bin Ahmed Z.A. Al-Kuwari
Chairman and Managing Director

Mr. Turki Mohamed K. Al-Khater
Vice Chairman

Mr. Nasser Jaralla S. Jaralla
Board Member

Sheikh Ali Jassim M.J. Al-Thani
Board Member

Sheikh Nasser Hamad N.J. Al-Thani
Board Member

Mr. Abdulla Ahmad A.A. Al-Jehani
Board Member

Dr. Abdulrahman Mohammed M. Al-Khayaren
Board Member

Mr. Mohammed Ibrahim M.A. Al-Abdulla
Board Member

Mr. Tamy Ahmad A.A. Al-Binali
Board Member

SENIOR MANAGEMENT

Adel Mustafawi
Group Chief Executive Officer

Ahmed Sheikh
Chief Operating Officer

Khalid Fakhroo
General Manager, Engineering & Real Estate

Muhamad Tauseef Malik
General Manager, Financial Controls

Hamad Al Jamali
General Manager, Retail & Private Banking

Mohammed Ismail Al Emadi
General Manager, Corporate Banking

Nasser Raeissi
General Manager, HR & Administration

Howaida Abdulla Al-Mohannadi
General Manager, Operations

Mahboob Haider
Assistant General Manager, Head of SME

Chidambaram Pichappan
Assistant General Manager, Head of Information Technology

Mohamed Hussein
Assistant General Manager
Head of Operational Risk & Information Security

Adel Attia
Assistant General Manager, Chief Internal Auditor

Yaser A. Karim
Assistant General Manager, Acting Head of Risk

Abdel Monem El Hassan
General Legal Counsel, Head of Legal

Dareer Mohamed Abdelrahim
Head of Compliance

Mahmood Ahmed Al Ahmed
Executive Manager, Treasury

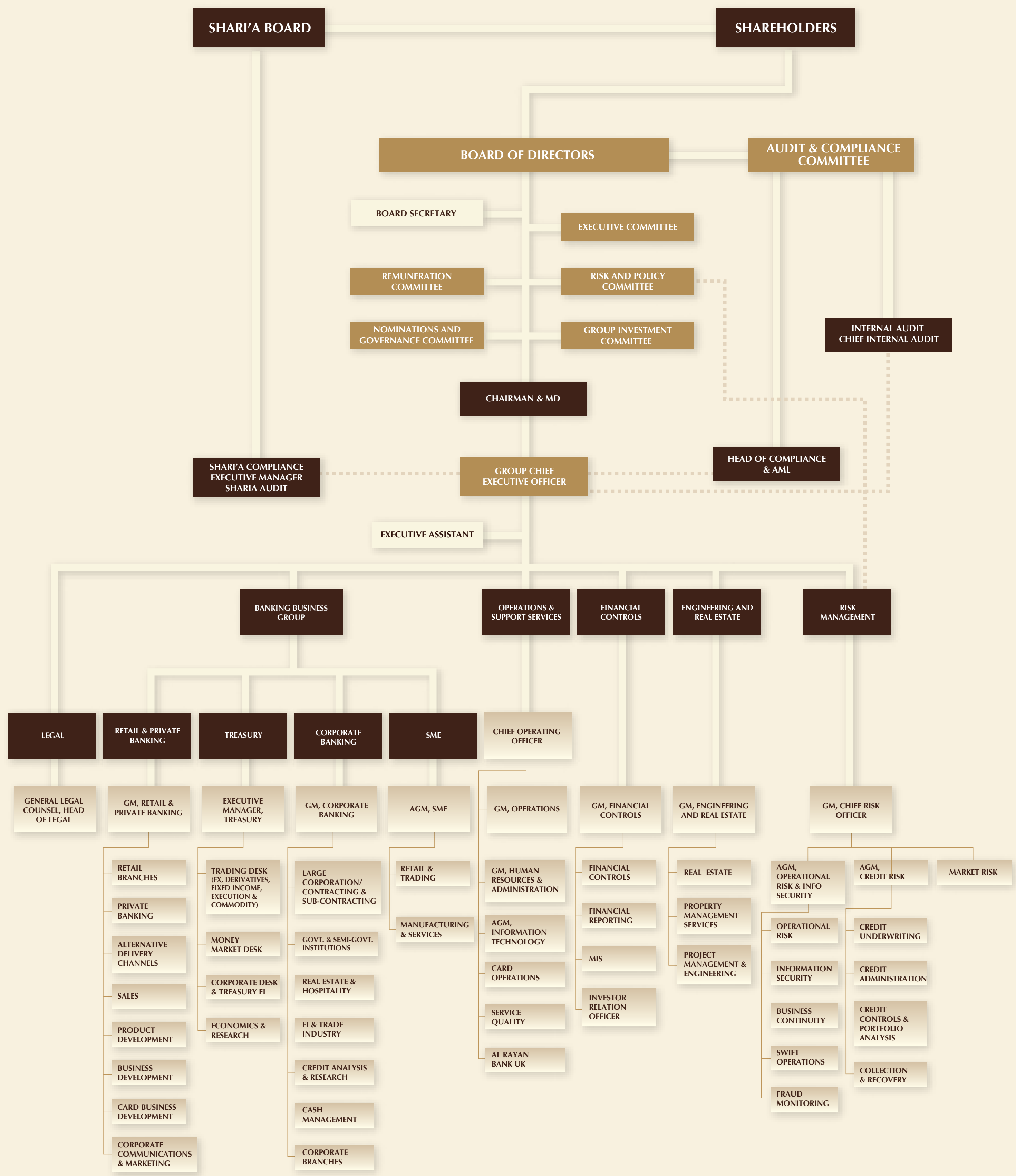
Fawzi Siam
Executive Manager, Shari'a Compliance

SHARI'A SUPERVISORY BOARD

Sheikh Dr. Waleed Bin Hadi
Chairman

Sheikh Dr. Mohamed Ahmeen
Member

ORGANIZATIONAL CHART



BOARD OF DIRECTORS'

CORPORATE GOVERNANCE

REPORT 2020

19 JANUARY 2021

Introduction

Masraf Al Rayan's good governance has become at the core of its daily practices, and the implementation of governance instructions has reached an advanced level after upgrading its applications over the past few years, in line with the instructions issued by the competent authorities in the State of Qatar in this regard.

Important Note:

The original language of this report is Arabic. Consequently, if there are any differences between the report and its translation, the Arabic version will be adopted.

Masraf Al Rayan's approach with regards to the sound corporate governance principles issued by Qatar Central Bank (QCB) under the Circular No. (68/2015), as well as "The Governance Code for Companies and Legal Entities listed on the Main Market" issued by the Qatar Financial Markets Authority (QFMA) Resolution No. (5) of 2016, the provisions of the Commercial Companies Law issued under Law No. 11 of 2015, in addition to the principles of governance established by the Group of Twenty (G20) and the Organization for Economic Cooperation and Development (OECD) issued in 2015-which included the principles of the International Organization of Financial Market Authorities (IOSCO) in this regard- and the International Governance Network (ICGN) issued in 2014, in addition to the Bank's commitment to the unified guidelines for corporate governance of companies listed in the financial markets of the GCC issued in 2012, and other relevant laws, regulations and rules, makes its practices in the field of governance an example to be emulated, especially there is a careful review of those practices by the external auditor who was entrusted with this task. It should be noted here that Masraf Al Rayan took the lead in presenting the auditor's report on the Bank's compliance with the provisions of Article No. (24) of the Governance Code for Companies issued by the QFMA (referred to above), especially with regard to its commitment to its Articles of Association and its compliance with the provisions of the law and the relevant legislation of the QFMA, including the extent of Masraf Al Rayan's compliance to apply the best international systems in preparing financial reports, and its compliance to both financial accounting standards (issued by the Accounting and Auditing Organization for Islamic Financial Institutions) and Qatar Central Bank regulations in force. The Bank will continue to apply these practices, especially the compliance to submit the external auditor's report during Masraf Al Rayan's annual general assembly meetings.

Believing in the principles of good corporate governance, Masraf Al Rayan affirms its commitment to implement governance instructions and regulations which determines the tasks and responsibilities of the Board of Directors, the Senior Executive Management and the company's employees, and to justice and equality between stakeholders, control, risk management, transparency and disclosure, regulate the rights of stakeholders, and contribute to develop and raise the community, through its understanding of the importance of the main principles of governance, which will inevitably lead to positive results that are in the interest of Masraf Al Rayan's shareholders and customers. These principles are concentrated on 3 main pillars:

A. Principle of Transparency
B. Principle of Assuming and Acknowledging Responsibility
C. Principle of Justice and Equality

Masraf Al Rayan Ownership Structure

Statement of the Top 10 Shareholders of Masraf Al Rayan (as of 31 December 2020)

Name	Classification	Nationality	Number of Shares	Percentage
1. Qatar Holding Company	Government	Qatari	873,487,390	11.65%
2. Qatar Armed Forces Investment Portfolio	Government	Qatari	698,574,780	9.31%
3. Qatar Investment Authority	Government	Qatari	306,904,020	4.09%
4. General Retirement and Social Insurance Authority	Government	Qatari	296,882,668	3.96%
5. Al Watani Fund 3	Commercial	Qatari	165,845,703	2.21%
6. Al Taybeen Commercial OPC	Commercial	Qatari	149,092,550	1.99%
7. Sheikh Hamad bin Abdullah Al Thani	Individual	Qatari	147,884,628	1.97%
8. Ithmar Construction and Commerce OPC	Commercial	Qatari	140,307,930	1.87%
9. Burooq Commercial Company	Commercial	Qatari	139,500,000	1.86%
10. Wadi Lusail Fund 8	Commercial	Qatari	107,500,000	1.43%

- Government Ownership in Masraf Al Rayan is 30.21%
- Total Number of Masraf Al Rayan shares = 7,500,000,000 (Seven billion and five hundred million shares).

Ownership Structure of Masraf Al Rayan's Shares by Nationality

As of 31 December 2020

Nationality	Number of Shareholders	Number of Shares	Percentage
Qatar	48,962	6,081,446,070	81.09%
Kuwait	20,448	67,314,426	0.90%
Oman	7,313	19,532,628	0.26%
Bahrain	18,704	48,121,041	0.64%
Saudi Arabia	65,687	233,567,225	3.11%
United Arab Emirates	24,144	67,170,923	0.90%
Other	2,497	982,847,687	13.10%
Total	**187,755**	**7,500,000,000**	**100.00%**

Ownership of Board Members and Executive Management

As of 31 December 2020

Name	Position	Contribution Rate as on 31/12/2020	Change from of 31/12/2019
Qatar Holding Company Represented by H.E. Mr. Ali Bin Ahmed Z.A. Al-Kuwari	Board Chairman and Managing Director	11.65% 0.00%	0.00% 0.00%
General Retirement and Social Insurance Authority represented by Mr. Turki Mohamed K. Al-Khater	Vice Chairman of the Board of Directors	3.96% 0.01%	29.87% 0.00%
Ministry of Defense-Qatar Armed Forces Represented by Mr. Nasser Jaralla S. Jaralla	Board Member	9.31% 0.00%	- 0.33% 0.00%
Sheikh Ali Jassim M.J. Al-Thani	Board Member	0.24%	8.71%
Sheikh Nasser Hamad N.J. Al-Thani	Board Member	0.01%	0.00%
Mr. Abdulla Ahmad A.A. Al-Jehani	Board Member	0.06%	27.25%
Dr. Abdulrahman Mohammed M. Al-Khayaren	Board Member	0.00%	0.00%
Mr. Mohamed Ibrahim M.A. Al-Abdulla	Board Member	0.00%	0.00%
Mr. Tamy Ahmad A.A. Al-Binali	Board Member	0.00%	0.00%
Mr. Adel Mustafawi	Group CEO	0.03%	100%

Masraf Al Rayan's Board of Directors

Board Governance Charter

Under the scope of the procedures followed by Masraf Al Rayan in applying the provisions of the "Governance Code for Companies and Legal Entities listed on the Main Market" issued by QFMA's Resolution No. (5) of 2016 and the governance instructions issued by Qatar Central Bank (QCB) under the Circular No. (68/2015), the Board of Directors of Masraf Al Rayan prepared a charter called "Board Charter" in which it defines the duties of the Board and the rights, duties and responsibilities of each of the Chairman and members of the Board of Directors. Masraf Al Rayan publishes the Board Charter on its website www.alrayan.com on "Investor Relations" Section.

Due to the appointment of a new board of directors of Masraf Al-Rayan as of 19/04/2020, the Charter was presented to the Nominations and Governance Committee emanating from the same on 01/12/2020 to recommend its approval, and then the Charter was presented to the new board at its meeting held on 08/12/2020, as it was approved and the members signed the Charter's pledge.

About the Board Members

Pursuant to the Articles of Association of Masraf Al-Rayan, at least one-third of the members of the Board are independent, and the majority of the Board's members are non-executives, and one or more offices of the Board may be allocated to represent the minority, and another to represent the company's employees. In all cases, the formation of the Board must ensure that one or more members do not control the issuance of resolutions.

Al Rayan Masraf Board Directors

1. Masraf Al Rayan is managed by a board of directors consisting of nine members.
   A) The Ordinary General Assembly elects seven of them by secret ballot
   B) Each of the Qatar Holding Company and the General Retirement and Social Insurance Authority appoint a representative member on their behalf.
2. The third of the members of the Bank's Board of Directors shall be independent and experienced non–shareholders, and these are exempt from the requirement of owning shares stipulated in Article No. (24), Clause (3) of the Bank's Articles of Association.

Board Formation
Formation of Board of Directors and Profile of its Members

H.E. Mr. Ali Bin Ahmed Z.A. Al-Kuwari
(Non independent)
Represents "Qatar Holding Company"
Master of Science in Information Management Systems – Seattle Pacific University.
Bachelor of Mathematics and Computer Science–Eastern Washington University.
Holds the following positions:
– Minister of Trade and Industry
– Chairman and Managing Director of Masraf Al Rayan
– Member of the Supreme Council for Economic Affairs and Investment
– Chairman of Qatar Economic Zones Company "MANATEQ"
– Chairman of the Qatar Stock Exchange
– Chairman of Qatar Development Bank
– Chairman of the Investment Promotion Agency Advisory Board
– Acting Chairman of the Qatar Financial Center Authority
– Board Member of the Qatar Investment Authority
– Board Member of Qatar Petroleum
– Board Member of the Qatar Research, Development and Innovation Board of Directors
– Board Member of the Qatar University Trustees
– Board Member of the National Council for Tourism
– Board Member of Nakilat Company
– Board Member of the Qatar Navigation Company

Mr. Turki Mohamed K. Al-Khater
(Non independent)
He represents the General Retirement and Social Insurance Authority
Holds a Bachelor's degree in Economics and Social Sciences
Holds the following positions:
– Board Vice Chairman – Masraf Al Rayan
  • Chairman of the Executive Committee
  • Chairman of the Risk and Policy Committee
– Chairman of the General Retirement and Social Insurance Authority
– Chairman of the United Development Company
– Board Member of the "Ooredoo" Company

Mr. Nasser Jaralla S. Jaralla
(Non independent)
He represents the Ministry of Defense – Qatar Armed Forces
Holds a Master's degree in Accounting and Finance Sciences
Holds the following positions:
– Board Member of Directors of Masraf Al Rayan
  • Member of the Risk and Policy Committee
  • Member of the Group Investment Committee
  • Member of the Audit and Compliance Committee
– Chairman of Al Rayan Investment
– Head of the Financial Affairs Authority at the Ministry of Defense
– Board Member of the United Development Company
– Board Member of Vodafone
– Board Member of the Barzan Holding Company/ Investment Arm at the Ministry of Defense

Sheikh Ali Jassim M.J. Al Thani
(Non independent)
Holds a Master's degree in Economics and Political Science
Holds the following positions:
- Board Member of Masraf Al Rayan
  - Chairman of the Group Investment Committee
  - Member of the Executive Committee
- Board Member of the Qatar General Insurance and Reinsurance Company

Mr. Abdullah Ahmad A.A. Al Jehani
(Non independent)
Holds a Bachelor's degree in Management and Economics
Holds the following positions:
- Board Member of Masraf Al Rayan
  - Chairman of the Remuneration and Compensation Committee
  - Member of the Risk and Policy Committee
  - Member of the Audit and Compliance Committee
- Vice Chairman of the Insurance Committee at Qatar Chamber
- Board Member of the Qatar Business Council

Sheikh Nasser Hamad N.J. Al Thani
(Non independent)
Holds a Master of Business Administration (MBA), University of Wales–United Kingdom
Holds the following positions:
- Board Member of Masraf Al Rayan
  - Member of the Executive Committee
  - Member of the Group Investment Committee
  - Member of the Remuneration and Compensation Committee
- Head of Business Department at "Ooredoo"

Mr. Mohamed Ibrahim M.A. Al-Abdulla
(Independent)
Holds Bachelor of Business Administration, Cape Breton University, College of Business and Management, Canada
Holds the following positions:
- Board Member of Masraf Al Rayan
  - Member of the Group Investment Committee
  - Member of the Remuneration and Compensation Committee
  - Member of the Nomination and Governance Committee
- General Manager and Board Member of Products (B.V.) Company

Dr. Abdulrahman Mohammed M. Al-Khayaren
(Independent)
PhD in Urban Planning from London School of Commerce, United Kingdom
Master in Strategic Management, Greenwich University, United Kingdom
Holds Bachelor's degree from Qatar University (Management and Economics)
Holds the following position:
- Board Member of Masraf Al Rayan
  - Chairman of the Nomination and Governance Committee
  - Member of the Executive Committee
- Board Member of Barwa Real Estate Company
- Advisor to the Board of Directors for Widam

Mr. Tamy Ahmad A.A. Al-Binali
(Independent)
He holds Bachelor of Business Administration majoring in Financial Management
Holds Master in Islamic Finance, Hamad Bin Khalifa University – Qatar Foundation
Holds the following position:
- Board Member of Masraf Al Rayan
  - Chairman of the Audit and Compliance Committee
  - Member of the Nominations and Governance Committee
- Assistant President Support Services – State Audit Bureau

Board Tasks, Responsibilities, Other Duties

Board Tasks

A) Approving the strategic plan and the Bank's main objectives and supervising its implementation, including:
   1. Develop, review and direct the overall Bank's strategy, main business plans, and Risk Management Policy.
   2. Determine the optimal capital structure for the Bank, its strategy and financial goals, and approve annual budgets.
   3. Monitor the Bank's major capital expenditures, and own and dispose the assets.
   4. Determine objectives and monitor the Bank's implementation and overall performance.
   5. Review periodically the Bank's organizational structures to ensure the tight distribution of jobs, tasks and responsibilities in the Bank, especially the internal control units.
   6. Adopt the Manual of Procedures for Implementing the Bank's Strategy and Objectives, which is prepared by the Senior Executive Management, provided that it includes identifying ways and tools for rapid communication with the Authority and other supervisory boards and other parties concerned with governance, including the designation of a contact person.
   7. Approve the annual plan for training and education for the Bank, provided that it includes programs to introduce the Bank, its activities and governance in accordance with this law.

B) Establishing internal control laws and controls, and generally overseeing them, including
   1. Develop a written policy that regulates conflict of interest and resolving potential conflict situations for each of the Board members, Senior Executive Management and shareholders. This includes misuse of the Bank's assets and facilities, and misconduct resulting from dealings with related parties.
   2. Make a complete disclosure rule/regulation in a manner that achieves fairness and transparency and prevents conflicts of interest and the exploitation of information that is not available to the public, provided that this rule includes the principles that must be followed when dealing in securities by the whistleblowers, and determining the periods for prohibiting the circulation of these persons in the securities of the Bank or any company of the Group, in addition to prepare and update a list of insiders, and provide the Authority and the market with a copy thereof as soon as it is approved or updated.
   3. Ensure the integrity of the financial and accounting systems, including the systems related to preparing financial reports.
   4. Ensure the application of appropriate control systems to manage risks, by defining the general perception of the risks that may face the Bank and present them with transparency.
   5. Annual review of the effectiveness of internal control procedures in the Bank.

C) Develop a governance code for the Bank in accordance with the provisions of "The Governance Code for Companies and Legal Entities listed on the Main Market" issued by (QFMA), supervising it generally, monitor its effectiveness, and amend it when needed.

D) Develop a clear and specific policies, standards and procedures for Board membership and put them into effect after the General Assembly approves them.

E) Develop a written policy that organizes the relationship between stakeholders in order to protect them and preserve their rights, and this policy covers the following:
   1. A mechanism for compensating stakeholders in the event of violation of their rights, which are recognized by regulations and protected by contracts.
   2. A mechanism for settling complaints or disputes that may arise between the Bank and the stakeholders.
   3. An appropriate mechanism to establish good relations with customers and suppliers and to maintain the confidentiality of information related to them.
   4. The Professional Conduct Rules for the Executive Management and the Bank's employees in conformity with sound professional and ethical standards, regulating the relationship between them and the stakeholders, and the mechanisms for monitoring the application of these rules and compliance therewith.

F) Shari'a Supervisory Board
   Under the Appendix (2) on the Main Terms of Reference for the Shari'a Supervisory Board included in the governance principles issued by the Qatar Central Bank for 2015 (Circular No. 68/2015), every Islamic bank must appoint an independent Shari'a supervisory body consisting of scholars and experts specializing in Islamic jurisprudence and those with Experience in the work of Islamic financial institutions. The following is among the tasks of the Bank's Board of Directors in this regard:
   1. Recommend the appointment or dismissal of the members of the Shari'a Supervisory Board in the Bank according to the established procedures (the Shari'a Supervisory Board or any member thereof may not be removed or dismissed unless a recommendation is issued by the Bank's Board of Directors and by a resolution from the General Assembly and that the decision is justified).
   2. Determine and approve the remuneration of the Board based on the General Assembly's authorization.
   3. Adopt the Shari'a Supervisory Board's work bylaw, which includes the Board's work system, its duties, responsibilities and independence, and the organization of its relationship with the Board of Directors, the Executive Management and all the Bank's departments and divisions, and the mechanism for preparing their reports.
   4. Receive and discuss the supervisory reports that the Board sends to the Board of Directors quarterly or annually, which include the Board's vision of the Bank's compliance with the provisions of Shari'a in all its activities and the report on any activities that violate Shari'a, if any.
   5. Ensure that all the Bank's activities are carried out in accordance with the provisions of Islamic Shari'a, and that letters of appointment of the Shari'a Supervisory Board are included, indicating the commitment of the Bank's Board of Directors to the same.

G) Develop a policy related to the Bank's social contribution (Social Policy).

H) Develop policies and procedures that ensure the Bank's respect for laws and regulations and its commitment to disclosing information to shareholders, creditors and other stakeholders.

I) Invite all shareholders to attend the General Assembly Meeting in the manner prescribed by law, and the invitation and notice must include a complete summary of the agenda of the General Assembly including the item on discussing and approving the Governance Report.

J) Approve the nominations for appointment to Senior Executive Management positions, and a succession plan for their management.

K) Develop a mechanism for dealing and cooperating with financial service providers, financial analysis, credit rating and other service providers, and bodies that define financial market standards and indicators to provide all shareholders with their services quickly, honestly and transparently.

L) Develop the necessary awareness programs to spread the culture of self–control and risk management in the Bank.

M) Approve a clear and written policy defining the basis and method for granting Board Members' remunerations, incentives and remunerations for Senior Executive Management and the Bank's staff in accordance with the provisions of "The Governance Code for Companies and Legal Entities listed on the Main Market" issued by (QFMA), without any discrimination on the basis of race, gender or religion and present the same to the General Assembly annually for being approved.

N) Develop a clear policy for contracting with stockholders (Conflicts of Interest Regulation Policy).

O) Set the principles and criteria for evaluating the performance of the Board of Directors and the Senior Executive Management.

Driven by the foregoing, especially Clause (F), and in view of to the death of His Eminence Sheikh/ Dr. Abdul Sattar Abu Ghuddah, on 06/03/2020, Masraf Al Rayan's Board of Directors approved the recommendation of the Chairman of the Sharia Supervisory Board to appoint His Eminence Sheikh/ Dr. Abdul Aziz Al-Qassar to be a member of the Shariah Supervisory Board to replace the deceased, may God have mercy on him, based on Resolution No. (8) of Masraf Al Rayan's Ordinary General Assembly held on March 18, 2020, which authorized Masraf Al Rayan's Board of Directors to add a new member or members or fill the vacant positions for any reason, and any issues related to the Sharia Supervisory Board for 2020-2022.

Board Responsibilities

Pursuant to Article No. (9) of the Corporate Governance Law for Companies and Legal Entities Listed in the Main Market issued by the QFMA Board's Resolution No. (5) of 2016, the Bank's Articles of Association (Article No. 64) "Board's Responsibilities" have been included, as the Board represents all shareholders, and it must exercise the necessary care in managing the Bank in an effective and productive manner in the interest of the Bank, partners, shareholders, and stakeholders, and achieve public benefit, investment development in the country, and community development, in addition that it must bear the responsibility of protecting shareholders from illegal or abusive actions and practices or any acts or resolutions that may harm them, work to discriminate between them or enable one group of others. The Board (as long as it does not violate the provisions of the law) must perform its duties and tasks, and assume its responsibility according to the following:

1. The Board must perform its duties in a responsible manner, in good faith, seriousness and concern, and that its decisions must be based on adequate information from the Executive Management, or any other reliable source.
2. The Board Member represents all the shareholders, and he must adhere to what is in the interest of the Bank, not the interest of whoever he represents or whoever voted for him to appoint him to the Board.
3. The Board must define the powers that it delegates to the Executive Management, the procedures for decision–making and the duration of the mandate, in addition that it must determine the issues on which it reserves the authority to adjudicate the same. The Executive Management must submit periodic reports on its exercise of the delegated powers.
4. The Board must ensure for developing procedures to introduce new board members with the Bank's work, especially the financial and legal aspects, and to train them, if necessary.
5. The Board must ensure that the Bank provides sufficient information about its affairs to all Board members in general and to Non–Executive Board members in particular in order to enable them to carry out their duties and tasks efficiently.
6. The Board may not conclude contracts for loans whose terms exceed three years, to sell or mortgage the Bank's properties, or to discharge the Bank's debtors of their obligations unless they are authorized to do so in the Bank's Articles of Association and with the conditions stipulated therein, and if the Bank's Articles of Association includes provisions in this regard, the Board may not carry out the aforementioned actions except with permission from the General Assembly, unless those actions are within the Bank's purposes (under the nature of the Bank's work).

Other Matters related to the Board

At Masraf Al Rayan, the Board Members are granted full and prompt access to information, documents, and records related to the Company; and the Executive Management of Masraf Al Rayan is committed to provide the Board and its Committees with all the required documents and information. The Board Members are keen on attending the General Assembly meetings.

Masraf Al Rayan Board has adopted an induction program, which has been developed and its data is updated periodically, to ensure that the Board Members, when elected, have a proper understanding of the Company's functioning and operations, and that they are fully aware of their responsibilities.

The Board Members are responsible for having a good understanding of their roles and duties, and they must educate themselves in the financial, commercial, and industrial matters, and in the Company's operations and its work. To this end, the Board must provide to its member, when needed, appropriate and official training courses that aim to enhance the Board Members' skills and knowledge.

The Board of Directors works to keep its members constantly informed on the latest developments in the governance field and the best practices in this regard, and the Board may delegate the responsibility to any of its specialized committees.

The Masraf Al Rayan's Articles of Association in its Article (32) includes clear procedures for the dismissal of Board Members in the event of their absence from the Board meetings.

The Board members must receive compensation for attending Board of Directors and Board Committee meetings in accordance with controls set by the Board of Directors' remuneration and compensation list, which is approved by the Board annually, and approved by the Ordinary General Assembly.

It should be noted that the Ordinary General Assembly of Masraf Al Rayan, in its meeting held on 18/03/2020, issued its Resolution No. (9) concerning the remunerations of Board members for 2019, which state:

> **"The Ordinary General Assembly agreed to discharge the Chairman and members of the Board of Directors from liability for the fiscal year ending on 31/12/2019, in addition that the General Assembly agreed to disburse QR 14,300,000 (Fourteen million three hundred thousand Qatari riyals) as remunerations to the Chairman and members of the Board for the fiscal year ending on 31/12/2019. The General Assembly also approved the updated version of the Bylaw Regulating and Defining the Basis for Calculating the Remuneration, Fees and Allowances received by the Board Members."**

Board Chairman

Pursuant to the Article No. (11) of the Corporate Governance Law for Companies and Legal Entities Listed in the Main Market issued by the QFMA Board's Resolution No. (5) for 2016, the Chairman (Chairman of the Board) is the Bank's president and represents it before others and the judiciary, and he is the first responsible for the good management of the Bank in an effective and productive manner and working to achieve the interest of the Bank as a company, partners, shareholders and all other stakeholders. The "Board Charter" must include the duties and responsibilities of the president, provided that it includes at least the following:

1. Ensure that the Board discusses all major issues in an efficient and timely manner.
2. Approve the agenda of its meeting, taking into account any issue raised by any member of the Board.
3. Encourage the Board members to participate collectively and effectively in managing the affairs of the Board, in order to ensure that the Board carries out its responsibilities, achieving the Bank's interest.
4. Provide the Board members with all data, information, documents and records of the Bank, the Board and its committees.
5. Create effective communication channels with shareholders and provide their views to the Board.
6. Allow the Non–Executive Board Members, in particular, to participate effectively and encourage constructive relationships between Executive and Non–Executive Board members.
7. Keep the Board members informed about the implementation of the provisions of this Code, and the Chairman may delegate the Audit Committee or others to do so.

The Vice–Chairman replaces the Chairman in his absence, and the Chairman may delegate some of his powers to other members of the Board.

On 19 April 2020, His Excellency Mr. Ali bin Ahmed Al Kuwari assumed the position of "Chairman and Managing Director" of Masraf Al Rayan, and he is not a member of any of the Board committees.

As for the Vice–Chairman of the Board, he is Mr. Turki Mohammed Khalid Al Khater who is chairing both the Executive Committee and the Risk and Policy Committee.

Board Members

Pursuant to the Article No. (12) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA Board's Resolution No. (5) of 2016, the Board members are obligated to do the following:

Obligations of the Board's Members

Main Obligations:

1. Attend in regular manner the meetings of the Board and its committees, and not withdraw from the Board except for necessity and at an appropriate time.
2. Promote the interest of the Bank, partners, shareholders and other stakeholders, and present them over the private interest.
3. Express an opinion on the strategic issues of the Bank, its policy in implementing its projects, the accountability systems for its employees, its resources, the basic appointments, and its working standards.
4. Monitor the Bank's performance in achieving its objectives and goals, and review reports on its performance, including annual, semi–annual and quarterly reports (preparing the Bank's financial statements).
5. Supervising the development of procedural rules on governance, and apply them optimally in accordance with this Code.
6. Utilize their diverse skills and experiences with the diversity of their specialties and qualifications in managing the Bank in an effective and productive manner, and achieve the interest of the Bank, partners, shareholders and other stakeholders.
7. Participate actively in the Bank's general assemblies, and fulfill the demands of its members in a balanced and fair manner.
8. Not to disclose any statements, data, or information without prior written permission from the Chairman or whomever he delegates to do so. The Board should nominate the official spokesperson for the Bank.
9. Disclose the financial and commercial relations, and cases that may negatively affect the performance of the tasks and duties assigned to them.

The Board members may request the opinion of an independent external consultant, at the Bank's expense, regarding any matter concerning the Bank.

Board Member's Additional Obligations:-

- Manage the Bank with duties of diligence and sincerity, draw the sufficient attention and time to work entrusted to them, and comply with the institutional Bank's authority as defined in the relevant laws, regulations and regulations.
- Work based on clear information, in good faith, and with the necessary care and attention in the interest of the Bank and all shareholders.
- Work effectively to fulfill their responsibilities towards the Bank.
- Protect the Bank's interests, comply with the complete confidentiality of the information and refraining from any actions that would lead to any kind of unauthorized disclosure or use information of confidential nature.
- Participate in meetings regularly, including meetings of the Board of Directors, General Assembly meetings and meetings of the committees emanating from the Board, enrich these meetings with their discussions and opinions, and discussing in effective and independent manner.

Board Meetings

Calling for Meetings

Pursuant to the Article No. (13) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA Board's Resolution No. (5) of 2016, regarding calling for meetings, the Bank's Board meets at the invitation of its Chairman, and in accordance with the provisions of the Bank's Articles of Association, and the Chairman must call the Board to a meeting whenever at least two of the members so request, and the invitation is sent to each member accompanied by the agenda at least one week before the date set for its meeting, in addition that any member may request the addition of one or more items to the agenda.

According to Article No. (14) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA's Resolution No. (5) of 2016, regarding Board meetings, the Bank's Board holds at least six meetings during one year, and three months may not be elapsed without holding a meeting, and a meeting of the Board is not valid except with the attendance of the majority of the members, provided that one of them is the chairman or the Vice–Chairman. The absent member may delegate in writing one of the Board's members to represent him in attendance and voting, provided that one member may not represent more than one member, and if a member of the Board is absent from attending three consecutive meetings or four non–successive meetings without an excuse accepted by the Board, he shall be considered resigned. The Board's meeting may be participated by any means secured from the recognized modern technology that enables the participant to listen and actively participate in the Board's work and issue the resolutions.

Board Meetings in 2020

Masraf Al Rayan Board held number of meetings throughout 2020 on the following dates:

- First Meeting: 20/01/2018
- Second Meeting: 19/03/2018
- Third Meeting: 23/04/2018
- Fourth Meeting: 13/07/2018
- Fifth Meeting: 11/10/2018
- Sixth Meeting: 08/12/2018

Board's Resolutions

Pursuant to the Article No. (15) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by the QFMA Board's Resolution No. (5) of 2016 regarding Board Resolutions, and in a manner that does not contradict the provisions of the Code in this regard, the resolutions of the Bank's Board must be issued by the majority of the attendees and representatives' votes. When the votes are equal, the Chairman shall have a casting vote. The minutes must be drawn up for each meeting, in which the names of the present and absent members are stated, the circulations of the meeting and it must be signed by the Chairman and the Secretary. The member who does not agree to any resolution taken by the Board may prove his objection in the meeting minutes. The Board may, in case of necessity and for reasons of urgency, issue some of its resolutions by passing provided that all its members agree in writing to those resolutions, and that they be presented at the next meeting of the Board, to be included in the minutes of its meeting.

The Board of Directors has passed a number of resolutions and recommendations during 2020 that fall within the activities of the Board, its tasks and responsibilities, which are in the interest of the Bank and all of the shareholders and stakeholders.

Masraf Al Rayan Board exercises its powers and responsibilities according to what has been stated in the Bank's Articles of Association, and in accordance with the Qatar Central Bank's instructions; while taking into account the Governance Code for Companies and Legal Entities listed on the Main Market issued by QFMA and the Banks' Governance Principles issued by Qatar Central Bank. The Board is considered collectively responsible for supervising the Masraf Al Rayan's management in an appropriate manner, in compliance with the Board Member's Charter. The Board also approves the strategic objectives and adopts the policies that control Masraf Al Rayan's business.

Board's Secretary

Pursuant to the Article No. (16) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by QFMA Board's Resolution No. (5) of 2016 regarding the Secretary, and Article No. (17) regarding the Secretary's Tasks sand Duties, the Board of the Bank passed a resolution to appoint the Board's Secretary, and the priority is given to those with a university degree in law or accounting from a recognized university or its equivalent, and to those who have experience of no less than three years in handling the affairs of a listed company. The Secretary may, after the approval of the Chairman, seek the assistance of whomever he deems fit from the company's employees in performing his work tasks

Mr. Ghassan Al–Rihawi has held the (Board's Secretary) position since the Bank's inception in 2006. Mr. Al–Rihawi has previously served as the Secretary of the Qatari Chamber of Commerce and Industry Board from 2002 –2006, and he has managerial experience of over 40 years in the State of Qatar.

Secretary's Tasks sand Duties

The Board's Secretary gets, after the approval of the Chairman, the assistance of whomever he deems appropriate from among the Bank's staff in performing his work. The following are the most important tasks and duties of the Secretary who assists the Chairman and all members of Board in their tasks, as the Secretary is obligated to conduct all the council's work, including:

1) Execute the meeting minutes of the Board stating the names of the members present and absent, the circulations of the meeting, and the members' objections to any resolution issued by the Board.
2) Register the Board's resolutions in the record prepared for this purpose according to the date of their issuance.
3) Register the meetings held by the Board in the record prepared for this purpose in sequence and arranged according to the date of their meeting, explaining: the present and absent members, the resolutions taken by the Board at the meeting, and objections, if any.
4) Keep the Board's meetings' minutes, resolutions, reports, and all Board's records and correspondence and its correspondence in paper and electronic records.
5) Send the invitation to the Board's members, and the participants–if any–attached to the agenda at least two weeks before the date set for the meeting, and receive the members' requests to add one or more items to the agenda and confirm the date of their submission.
6) Coordinate in full manner between the Chairman and members of the Board, and between the members among themselves, and between the Board and the concerned authorities and stakeholders, including shareholders, management and employees.
7) Enable the Chairman and Board's members to have quick access to all company documents and documents, as well as to their information and data.
8) Keep the declarations of the Board's members not to combine the positions they are forbidden to combine in accordance with the law and the provisions of the Governance Code for Companies and Legal Entities listed on the Main Market issued by QFMA Board's Resolution No. (5) of 2016.

Board Committees

Pursuant to the Article No. (18) of the Governance Code for Companies and Legal Entities listed on the Main Market issued by QFMA Board's Resolution No. (5) of 2016 regarding the Board Committees and Article No. (19) regarding the Committees' Activities, the Board is the entity that decides and nominates the Chairman and members of each committee, and determines the committee's terms of reference, duties, provisions and procedures for its work, taking into account some controls, such as that the number of meetings of the Audit and Compliance Committee should not be less than six meetings per year (given the importance of its role). The chairmanship of the Audit and Compliance Committee may not be combined with the membership of any committee. The meeting of any committee shall not be valid except in the presence of its chairman and the majority of its members. The minutes must be drawn up for each meeting stating the circulations of the meeting, and it is signed by the committee chairman.

The Board Committees performed their duties throughout 2020 as specified in their approved frameworks, where some of them were updated in line with the changes introduced to the Board's formation in 2017 under the Board's Resolution No. 05/02/2020 issued on 19/03/2020, after the new board assumed its responsibilities. The following are the names of the Bank's Board of Directors committees for 2020, and their formation:

Formation of Masraf Al Rayan Board of Directors' Committees for 2020

Executive Committee

Mr. Turki Mohamed K. Al-Khater	Chairman
Dr. Abdulrahman Mohammed M. Al-Khayaren	Member
Sheikh Nasser Hamad N.J. Al-Thani	Member
Sheikh Ali Jassim M.J. Al-Thani	Member

Risks and Policies Committee

Mr. Turki Mohamed K. Al-Khater	Chairman
Mr. Nasser Jaralla S. Jaralla	Member
Mr. Abdulla Ahmad A.A. Al-Jehani	Member

Group's Investment Committee

Sheikh Ali Jassim M.J. Al-Thani	Chairman
Mr. Mohammed Ibrahim M.A. Al-Abdullah	Member
Mr. Nasser Jaralla S. Jaralla	Member
Sheikh Nasser Hamad N.J. Al-Thani	Member
Mr. Ahmed Sheikh (Chief Operating Officer)	Member
Mr. Haithem Katerji (CEO of Al Rayan Investments)	Member

Audit and Compliance Committee

Mr. Tamy Ahmad A.A. Al-Binali	Chairman
Mr. Abdulla Ahmad A.A. Al-Jehani	Member
Mr. Nasser Jaralla S. Jaralla	Member

Remunerations and Compensations Committee

Mr. Abdulla Ahmad A.A. Al-Jehani	Chairman
Mr. Nasser Hamad N.J. Al Thani	Member
Mr. Mohammed Ibrahim M.A. Al-Abdulla	Member

Nominations and Governance Committee

Dr. Abdulrahman Mohammed M. Al-Khayaren	Chairman
Mr. Mohammed Ibrahim M.A. Al-Abdulla	Member
Mr. Tamy Ahmad A.A. Al-Binali	Member

Executive Committee

The Executive Committee is considered one of the Board's most important Committees; as it helps the Board review Masraf Al Rayan's activities, and studies the various matters presented to the Board, such as credit transactions or the other activities of Masraf Al Rayan that require the Board's approval; along with submitting its recommendations to the Board in this regard.

The Executive Committee's main responsibilities are as follows:

– Review the Board's main tasks.
– Discuss and approve the matters that fall within the Board's authority or the matters that arise within the Board's meetings.
– Provide reports and recommendations to the Board when needed.
– Make recommendations and approve the financial matters according to the authority table.
– Recommend to approve the policies, regulations, and any amendments or additions.
– Approve or recommend the limits/ceilings for transactions with the new banks and countries that the Bank deals with, and make the necessary amendments.

The Committee has held the following meetings during the year 2020:

- First Meeting: 15/03/2020
- Second Meeting: 06/07/2020
- Third Meeting: 05/10/2020
- Fourth Meeting: 30/11/2020

Risks and Policies Committee

The Committee consist of three members including its chairman, and assumes the following responsibilities:

Risks Management

A. Operational Risks
1. Review the effectiveness of Risk Management at the Bank's level as a whole.
2. Assess the new significant risks that affect the Bank.
3. Identify the recent strategic risks, including the institutional matters such as regulatory frameworks, business development, and the like.
4. Review the Key Risk Indicators and identify the matters that should draw the attention of the Board on a quarterly basis.
5. Review the influential operational losses.
6. Review all the risk policies on an annual basis.

B. Credit Risks
1. Review the credit policies on an annual basis.
2. Establish and review the insurance powers as needed, at least once a year.
3. Adopt and review the maximum limits for dealing with other parties, and the maximum limits for dealing with other countries, when needed at least once a year.
4. Review the arrears and non–performing accounts, and recommend the suitable provisions for them.
5. Assess the write–off or return to profitability in comparison with the provisioning levels.
6. Review and monitor the filed cases and the collection processes.

C. Monitoring the reputation risks and other risks not mentioned above.

D. Bank's Policies
Study, develop and update the policies that require the Board's approval.

The Committee has held the following meetings during the year 2020:

- First Meeting: 13/01/2020
- Second Meeting: 13/04/2020
- Third Meeting: 06/07/2020
- Fourth Meeting: 05/10/2020
- Fifth Meeting: 30/11/2020

Group's Investment Committee

The Committee assumes the following responsibilities:

– Develop and amend the investment policies for Masraf Al Rayan that includes 1– Masraf Al Rayan's Policies, 2– Limits of the risks including the investment's broad lines, 3– Limits of the investment in each sector and the investment limits of the countries, 4 Identification of the prohibited investments' fields.
– Review and approve the investment operations for the Group, and set the limits for the investments for the single transaction or the total transactions throughout the year according to what is mentioned in the Investment Policy.
– Monitor the Group's investment portfolio management to ensure the compliance with what has been stated in the Investment Policy.
– Assess the investment portfolio's performance of Masraf Al Rayan by comparing the actual returns with the expected returns, as well as comparing it with the other indicators approved by the Board; taking into account the extent of the investment's compliance with the directions in Masraf Al Rayan's Investment Policy.
– Review the periodic analyses and the reports for each of the Group's investment portfolio.
– Review the investment strategies of Masraf Al Rayan whenever the need arises.
– Conduct other duties, assume the responsibilities, and have the powers, according to the Board's authorization.
– Prepare reports and submit them to the Board to inform it about the investment decisions that have been made, the policies, and the investments' performance.
– Carry out any other duties whenever requested, according to the changes in the Board's policies or the instructions of the Qatar Central Bank or the Qatar Financial Markets Authority, or according to the market's developments.
– Approve the investment deals according to the limits specified for the Committee, and submit recommendations for deals with higher limits to be approved by the Board.
– Invite concerned individuals to the Committee's meetings to give their opinions in the specialized fields.

The Committee has held the following meetings during the year 2020:

- First Meeting: 14/04/2020
- Second Meeting: 07/07/2020
- Third Meeting: 06/10/2020
- Fourth Meeting: 01/12/2020

Audit and Compliance Committee

The Committee consists of three members from the Board of Directors, including its independent chairman. Upon selecting the members of this Committee, the necessary experience shall be taken into account to practice its competencies, which are as follows:

– Appoint External Auditors on an annual basis and approve their contracting policy.
– Supervise and follow up with the independence of the External Auditors and their objectivity, and discuss with them the nature of the audit and its effectiveness and scope, in accordance with the International Standards on Auditing (ISA).
– Review the External Auditor's appointment letter, his work plan and any queries or important notes he requested from the Bank's Senior Management, along with the Executive Management's responses.
– Assume all matters related to the external auditor, for example, recommending to the Board of Directors the nomination and dismissal, the fees, the scope and results of the audit and inspection of the tasks assigned to him.
– Ensure coordination between the External and Internal Auditors.
– Meet with the Group's Chief Financial Officer (CFO) or the person who carries out his tasks, the Internal and External Auditors at least once a year.
– Study any important and unusual issues included, or will be included, in the financial reports.
– Appoint or dismiss the Head of the Internal Audit Body and supervise his effectiveness.
– Appointing a Money Laundering Reporting Officer responsible for all matters related to money laundering and terrorist financing, and appoint his deputy.
– Supervise and monitoring the Internal Audit Management, ensure its independence, along with discussing and recommending the annual plan and appropriate its training.
– Review the internal controls systems, and approve the Bank's external and internal audit reports, follow–up the correction of the violations contained therein, and set the necessary controls to ensure that they are not repeated.
– Coordinate with the Risk Management Committee on the evaluation and precaution of risk management systems.
– Review and recommend the charter, policies and work procedures for the Internal Audit Body and the Compliance Department annually.
– Supervise the Compliance Management's work, which determines, evaluates, and provides consultations, along with monitoring and submitting reports regarding the risks of noncompliance with the applicable laws, instructions, and standards. In addition, the Committee determines its position in the organizational structure in the manner that ensures its necessary independence and effectiveness. The Committee will ensure that the Compliance Management is provided with the adequate resources and the swift and clear channels; in order to submit the reports to the Committee and the Executive Management; and provide it with the sufficient powers to access the information in a clear and sufficient policy.
– Ensure the presence of effective policies, procedures, rules and controls in relation to anti–money laundering and countering financing terrorism in accordance with the requirements of the he Anti–Money–Laundering and Countering the Financing of Terrorism Act and relevant Central Bank instructions (the most recent issued in May of 2020).
– Revise the quarterly reports prepared by the Compliance Management.
– Develop rules to be approved by the Board of Directors allowing the Bank's staff to secretly report their concerns regarding any issues that are likely to raise suspicion; and ensure the presence of appropriate arrangements to conduct an independent and fair investigation on these issues while maintaining the confidentiality of the reporting employee and protecting him from any harm or negative reaction (Whistleblower Protection Policy).
– Oversee the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports; review the data and reports related to compliance with the accounting, transparency, listing in the market and disclosure standards.
– Ensure that the Internal Audit's tasks include reviewing the activities of the Compliance Monitoring Officer.
– Evaluate the impact of the new regulations on Masraf Al Rayan.
– Review the annual report of the Anti–Money Laundering and Countering Terrorism Financing Officer.
– Study any other matters determined by the Board of Directors.

The Audit Committee held the following meetings during the year 2020:

- First Meeting: 20/01/2020
- Second Meeting: 23/04/2020
- Third Meeting: 13/07/2020
- Fourth Meeting: 14/09/2020
- Fifth Meeting: 11/10/2020
- Sixth Meeting: 08/12/2020

Remunerations and Compensations Committee

The Committee consists of three members from the Board of Directors, including its chairman. Upon selecting the members of this Committee, the necessary experience shall be taken into account to practice its competencies, which are as follows:

- Determine the general policy for remunerations at the Bank annually, including the method for determining the remuneration of the chairman and members of the board, provided that the annual remuneration of the Board does not exceed 5% of the net profit of the Bank after deducting the legal reserves and deductions and distributing cash and in–kind profits to the shareholders.
- Determine the basis for granting allowances and incentives in the Bank to Senior Management and employees, including the issuance of incentive shares for its employees
- Update the remunerations and compensations regulations on an annual basis, whenever the need arises.
- Propose the remunerations of the Board Members and Executive Management, taking into account the following:
  - The value of remunerations granted to the Board Members and the Executive Management in similar local and regional financial institutions.
  - The profits and achievements made by the Bank during the fiscal year and comparing them with the results of the previous years.
  - The economic and financial conditions during the fiscal year.
  - The responsibilities and scope of tasks of the Board members and the Senior Executive Management.
  - Responsibilities and functions of the Board members and Senior Executive Management.
- Taking into account the laws that determine the value of the remunerations of the Board Members and the relevant articles in the Masraf Al Rayan's Articles of Association.
- Present the remuneration policy and principles to the shareholders in a General Assembly meeting to be approved and announced to the public.

Remunerations and Compensations Committee had a meeting on 14/01/2020.

Nominations and Governance Committee

The Committee consists of three members from the Board of Directors, including its chairman. Upon selecting the members of this Committee, the necessary experience shall be taken into account to practice its competencies, which are as follows:

The Committee assumes the following responsibilities:

- Develop general principles and criteria for the General Assembly to use in electing the most suitable among the candidates for membership of the Board.
- Nominate whomever it deems appropriate for membership in the Board, in case of any of its offices are vacant
- Conduct succession plan project for the Bank's management to ensure the speedy appointment of the appropriate alternative to occupy the vacant positions in the Bank
- Nominate whomever it deems appropriate to occupy any of the senior executive management positions.
- Receive the applications for candidacy for membership of the Board.
- Provide the Board with the list of candidates for membership of the Board, including its recommendations in this regard, provided that a copy thereof shall be sent to the Qatar Financial Markets Authority (QFMA).
- Provide the Board with an annual report that includes a comprehensive analysis of the Board's performance, identifying strengths and weaknesses and its suggestions in this regard.

Moreover, the Committee assumes the following responsibilities:

- Adopt and publish the Committee's framework showing its authority and role.
- Supervise the implementation of the steps concerning the invitation for nominations to the Board's membership; and study the received applications to ensure that applicants meet the membership conditions.
- Assess the candidates' applications for Senior Executive Management positions, and submit recommendations to the Board of Directors.
- Review the annual corporate governance report of Masraf Al Rayan, and recommend its Reviewing the annual corporate governance report of Masraf Al Rayan, and approval by the Board.
- Develop an induction program for new members and suggest training programs for them, when needed.

The Committee held the following meetings during the year 2020:

- First Meeting: 14/4/2020
- Second Meeting: 7/7/2020
- Third Meeting: 6/10/2020
- Fourth Meeting: 1/12/2020

Shari'a Supervisory Board

Subject to the governance principles issued by Qatar Central Bank for 2015 (Circular No. 68/2015), and in accordance with Appendix (2) concerning the Main Terms of Reference for the Shari'a Supervisory Authority, the General Assembly of Al Rayan Bank approved, in its Resolution No. (8) issued by its meeting on March 18, 2020, the reappointment of the Shari'a Supervisory Board for a period of three years (2020–2022), in addition that the General Assembly authorized Masraf Al Rayan's Board of Directors to add a new member or members or fill those whose job has become vacant for any reason, and any issues related to the Shari'a Supervisory Board for 2020–2022, and the Shari'a Supervisory Board consists as follows until the end of October 2020:

His Eminence Sheikh/ Dr. Walid bin Hadi
Shari'a Supervisory Board–Chairman

His Eminence Sheikh/ Dr. Abdul Sattar Abu Ghuddah
Shari'a Supervisory Board–Member

His Eminence Sheikh/ Dr. Mohamed Ahmin
Shari'a Supervisory Board–Member

Due to the death of His Eminence Sheikh/ Dr. Abdul Sattar Abu Ghuddah, on 06/03/2020, Masraf Al Rayan's Board of Directors approved the recommendation of the Chairman of the Sharia Supervisory Board to appoint His Eminence Sheikh/ Dr. Abdul Aziz Al-Qassar to be a member of the Shariah Supervisory Board to replace the deceased, may God have mercy on him, based on Resolution No. (8) of Masraf Al Rayan's Ordinary General Assembly held on March 18, 2020, which authorized Masraf Al Rayan's Board of Directors to add a new member or members or fill the vacant positions for any reason, and any issues related to the Sharia Supervisory Board for 2020-2022.

Masraf Al Rayan's Shari'a Supervisory Board's work includes reviewing contracts, answering the Shari'a–related questions, and developing solutions for the difficulties that arise during the application. The Shari'a Supervisory Board directly oversees the Masraf Al Rayan's operations and ensures the proper application of what has been decided by the Shari'a Supervisory Board, along with ensuring that the banking operations may be conducted in accordance with the legitimate provisions.

The Shari'a Supervisory Board also submits its report annually for each fiscal year to the Ordinary General Assembly in its periodic meeting.

Masraf Al Rayan's Executive Management

The Board of Directors appointed the CEO of Masraf Al Rayan Group and approved the key positions of the Executive Management that report directly to the Group CEO, and related to the Board Committees (such as the Head of the Internal Audit Department who is related to the Audit and Compliance Committee). The Executive Management of Masraf Al Rayan for 2020 included:

Adel Mustafawi	Group Chief Executive Officer
Ahmed Sheikh	Chief Operating Officer
Khalid Fakhroo	General Manager, Engineering & Real Estate
Muhamad Tauseef Malik	General Manager, Financial Controls
Hamad Al Jamali	General Manager, Retail & Private Banking
Mohammed Ismail Al Emadi	General Manager, Corporate Banking
Nasser Raeissi	General Manager, HR & Administration
Howaida Abdulla Al-Mohannadi	General Manager, Operations
Mahboob Haider	Assistant General Manager, Head of SME
Chidambaram Pichappan	Assistant General Manager, Head of Information Technology
Mohamed Hussein	Assistant General Manager, Head of Operational Risk & Information Security
Adel Attia	Assistant General Manager, Chief Internal Auditor
Yaser A. Karim	Assistant General Manager, Acting Head of Risk
Abdel Monem El Hassan	General Legal Counsel, Head of Legal
Dareer Mohamed Abdelrahim	Head of Compliance
Mahmood Ahmed Al Ahmed	Executive Manager, Treasury
Fawzi Siam	Executive Manager, Shari'a Compliance

Administrative Committees of Masraf Al Rayan

The executive management of the Bank has formed a number of administrative committees in which specialized managers participate, and to ensure the proper implementation of policies and procedures in the bank. Below are some of the Bank's main administrative committees:

Name of Committee	Overview of the Committee's Work
Administrative Committee	To inform the administrative staff of the latest developments, to follow–up and communicate between departments, and to consult the Bank's work
Asset and Liabilities Committee	To monitor liquidity and cash conditions and to deal with them.
IT Steering Committee	To maintain the security of information technologies used in the Bank, to follow up on their updates, and to consult on new technologies.
Credit Committee and Group Credit Committee	To take credit decisions within its powers and to update credit policies and procedures.
Anti–Corruption Committee	To consult with regard to combating various types of financial crimes and to deal with any related cases that arise.
HR Committee and Employment Committee	To update and develop employment procedures and policies and to consider job applications.
HR (Manpower) Committee	To discuss everything related to personnel affairs.
Funds Supervision Committee	To direct and supervise the work of fund managers and custodians.
General Tender Committee	To supervise contracts with Masraf Al Rayan and purchase orders in order to ensure that commercial transactions are conducted fairly.
AML Oversight Customer Acceptance Committee (AMLOC)	The AML Oversight Customer Acceptance Committee (the "AMLOC") is the second line of defense clients onboarding oversight Committee and is chaired by the Head of Compliance. It has full authority to act on all significant financial crime matters across Masraf Al Rayan as per its delegated authority matrix. AMLOC is management Committee representing Compliance, Anti-Money Laundering and Combating Financing of Terrorism (AML&CFT), as well as the business lines of the Bank: • Head of Compliance – Chairman • Money Laundering Reporting Officer (MLRO) – Member • Deputy MLRO – Member • GM Corporate Banking – Member • AGM Head of SME – Member • GM Retail and Private Banking – Member • GM Operations – Member The Committee is chaired by the Head of Compliance. In the absence of the Head of Compliance, the MLRO will chair the meeting. In the absence of both, the meeting will be postponed. Senior Managers and other representatives of any Department within Masraf Al Rayan may be invited to attend all or part of any meeting as and when deemed appropriate and necessary by AMLOC. However, only members are eligible to vote. AMLOC's main responsibilities and duties are a follows: – Provides executive input on Financial Crime risk issues to the Board, Board Risks and Policies Committee and the Group CEO in addition to the endorsement of the FCC strategies, policies, procedures and systems; – Approval of all new onboarding for customers classified as High Risk and PEPs; – Approval of all new onboarding for customers classified as Correspondent Bank; – Approval of all existing customers that have been reclassified as high Risk and PEPs; – Approval of all customers at Period Review, or Event Drive Review (Any material change in the customer's circumstances that could potentially change their risk-profile) classified as high risks and PEP; – Refer any deviations from policy or procedures related to AML and CFT issues to Group CEO and Risk and Policies Committee or Audit and Compliance Committee as appropriate; – The setting of conditions for retaining, or onboarding, customers e.g., additional monitoring or shorter periodic review intervals; – Approval of the off-boarding (exiting) of customers who are not considered to meet the Masraf Al Rayan's financial crime prevention compliance requirements; – Considering from time to time the non-Financial Crime matters that require appropriate consideration where adverse reputational risk is a consideration; – Approving the decision to reject or decline a customer relationship based on AML/CFT reasons; – Approving recommendations related to or arising because of Suspicious Transactions Reports, Fraud, Bribery, and/or Corruption investigations reports; – Oversee and ensure actions are taken where risk appetite and tolerances have been breached and to prioritize any action(s) as necessary; – Monitor the Masraf Al Rayan's compliance with the Board approved Risk Appetite of the Bank and the other risk tolerances for all financial crime risk and recommend to the Group CEO, Risk and Policies Committee, or Audit and Compliance Committee any related actions inclusive of mitigations and amends – Consider and recommend to the Group CEO, Risk and Policies Committee, Audit and Compliance Committee, and the Board for approval Masraf Al Rayan's overall financial crime Risk Appetite, tolerance, limits and strategy. All employees within Masraf Al Rayan provide information to the Committee, and in turn, the Committee listens to their views and discusses their issues with openness. The Executive Management of the Bank provides information to the Committee proactively on all matters related to Financial Crime, Money Laundering, and Financing of Terrorism.
Banking Relations Committee	To control banking relationships with the financial institutions with which deals with the Bank.

Internal Control Policies in Masraf Al Rayan

Masraf Al Rayan is committed to following a set of policies forming the supervisory framework for the Bank's work and how it is managed, supervising financial affairs, investments and all its activities. Masraf Al Rayan, through the Risk and Policy Committee periodically–when needed–updates these policies, then submits them to the Board of Directors for being approved.

Masraf Al Rayan is currently following the updated versions of a wide range of policies, including those related to governance, which are as follows:

Policies Approved with Masraf Al Rayan for 2020

1 Credit Policy
2 Expected Credit Loss Policy
3 Investment Policy
4 Compliance Policy
5 Framework, Methodologies, Policies and Guidelines for Combating Financial Crime
6 External Attribution Policy
7 Internal Capital Adequacy Assessment Policy and its Execution Framework
8 Policy of Keeping Financing Reserve Liquidity Policy
9 Liquidity Risk Management Policy
10 Market Risk Management Policy
11 Disaster Recovery Policy
12 Operation risk Management Policy
13 Cybersecurity Policy
14 Cybersecurity Framework
15 Information Security Protection Policy
16 Business Continuity Policy
17 SWIFT Framework Policy
18 Information Technology Policy
19 Infrastructure Procedures and Issuance of Digital Systems
20 Management Change Criteria
21 Projects Digital Systems Management Criteria
22 Application Development Standards
23 Digital Systems Testing Methodology
24 Professional Conduct Policy
25 HR Policy
26 Liabilities, Assets and Treasury Management Policy
27 Internal Audit Policy
28 Investment policy
29 Shari'a Policy
30 Governance System Framework
31 Retail Banking Management Policy
32 Branch Operations Policy
33 Financial Policy
34 Social Policy
35 Disclosure, Dealing with Rumors and Investor Relations Policy
36 Contracting with Related–Parties Policy
37 Conflict of Interest Regulation Policy
38 Policy of Regulating Relationship with Stakeholders
39 Profit Distribution Policy

Moreover, the Bank has developed and approved a regulatory framework to combat financial crime and has designated a number of policies and guidelines related to the same:

Policies and Guidelines for Combating Financial Crimes for 2020

1 Governance of Compliance with Combatting the Financial Crimes
2 Framework for Combating Financial Crimes
3 Framework for Confirmation and Monitoring of Financial Crime
4 A Comprehensive Money Laundering Risk Assessment Methodology for the Bank
5 Customer Risk Rating Methodology
6 Customer Risks Assessment Form
7 Extent of the Bank's Willingness to Accept the Financial Crimes' Risks
8 Business Sector Risks Rating
9 Country Risk Rating (or Geographical Area/Jurisdiction)
10 Evaluate the Inherent Risks of the Comprehensive Anti-Money Laundering
11 Bottom-up Assessment of the Bank Risks
12 Top-down Assessment of the Bank Risks
13 Anti-Money Laundering and Combating of Terrorism Financing Policy
14 Financial Crime Prevention Policy
15 Customer Acceptance Policy
16 PEPs Policy
17 Policy of Dealing with Sanctions and Nan Lists
18 Policy of Anti-Money Laundering through Trade Finance
19 Policy of Dealing with Correspondent Banks
20 Anti-Bribery and Corruption Policy
21 Anti-Fraud Policy
22 Whistleblower Protection Policy
23 Policy of Dealing with Frozen Accounts and Unclaimed Amounts
24 Policy for Approving New Products and Services
25 Bank Data Protection Public Policy
26 Anti-Cybercrime Policy
27 Policy of Tax Transparency and Compliance with Tax Disclosure according to the Requirements of the Regulatory Boards and International Agreements
28 Policy of the Bank's Dealings with the Exploitation of the Sub-information on the Market and the Insiders Exchanges in the Bank
29 Guidance on Risk Based Approach
30 Guidance on KYC, Due Diligence, and Intensive Due Diligence
31 Guidance on Identifying the Actual Beneficiary
32 Guidance on PEPs
33 Guidance on Dealing with Suppliers and Service Providers
34 Guidance on Dealing with Precious Metals, Gemstones and Gold Dealers
35 Guidance on Large Cash Transactions
36 Guidance on Verifying the Presence of the Names on Sanctions Lists
37 Guidance on Reporting Suspicious Transactions
38 Guidance on Anti-Money Laundering through Trade Finance
39 Instructions for Dealing with Correspondent Banks
40 Guidance on Customers Operations Monitoring
41 Guidance on Staff Operations Monitoring
42 Guidance on Negative News Verification
43 Guidance on Anti-Bribery and Corruption
44 Guidance on Sanctions and Account Denial
45 Guidance on Dealing with the Exploitation of Sub-information on the Market and the Insiders Exchanges in the Bank
46 Guidance on Keeping Document and Records
47 Table of Delegation of Powers related to Combating Financial Crimes
48 Guidance on Dealing with Suppliers and Service Providers within the Framework of Combating Financial Crimes

Masraf Al Rayan's Compliance with the Rules and Conditions governing the Disclosure and Listing on the Market

Masraf Al Rayan Board is committed to the principle of transparency in performing its business and duties towards the shareholders and in all that is related to the requirements of public disclosure for all that may affect the Bank's financial performance or the movement of its share price. The Board Members' information can be provided to QFMA, in addition to the Qatar Stock Exchange (QSE), while stating the contributor number for each of them, through which they can view their ownership of the shares. The Board Charter has detailed the responsibilities of the Board and its committees.

On the other hand, the Board is also keen on providing the QSE with financial statements and clarifications, as set by the QSE; furthermore, it publishes its financial statements upon being approved by the Board of Directors according to the Commercial Companies Law, the Qatar Central Bank's instructions, the QSE's regulation, and the QFMA's instructions.

Consolidated financial statements are published together with the report of the External Auditor, who confirms in his reports that the financial reports and statements of Masraf Al Rayan are issued in conformity with the accounting standards, and that he has obtained all the data and information that are necessary for performing the audit.

The consolidated financial statements and the External Auditor's report are published on the QSE's website and in the local newspapers and some GCC newspapers, according to what is stated in the Masraf Al Rayan's Articles of Association and the Commercial Companies Law No. (11) of 2015.

Masraf Al Rayan is also committed to disclose through the new Electronic Disclosure System "Disclosure Platform" in addition to the regular disclosure, starting from the end of the third quarter of 2020, in implementation of QSE's instructions dated 17/09/2020.

Masraf Al Rayan's Compliance with Internal Control Systems for Risk Identification and Management

The Board of Directors gives special attention to developing internal control systems through a clear identification for its responsibilities, including its position in the organizational structure and its relationship with other departments and functions in a manner that would ensure its necessary independence and effectiveness; along with providing adequate resources and fast and clear channels for submitting reports to the Board of Directors or the Senior Management and providing it with the necessary authority to access information within a clear and adequate policy framework and a procedures manual; in addition to conducting annual revisions to these policies and ensuring that the Internal Audit's tasks include the revision of the Compliance Monitoring Officer's activities. Furthermore, the Executive Management, in collaboration and coordination with the Compliance Monitoring Officer, take the necessary corrective and disciplinary actions if any violations are discovered, and submit periodical reports to the Board on matters related to the compliance policies and procedures in order to help improving them.

Risk Management and Internal Control Procedures, including the Supervision of the Financial Affairs and the Investments

The Risk Management, Internal Controls, and Compliance Officers form the first level of the tools used to follow up with the compliance with the directions from the regulatory authorities; as each of these officers submit reports, when needed, directly to the Executive Management or the Board through its committees; and so the Board will be fully informed about of the internal control results, which include the following:

- Granting and Assessing credit
- Investment
- Liquidity
- Market Risks
- Capital Adequacy Risks
- Concentrations Risks
- Foreign Exchange Risks
- Interest Rate Risks
- Anti-Money Laundering and Counter Terrorism Financing
- Assets Insurance
- Relevant Parties and Conflict of Interests
- Compliance with laws, rules, regulations, and supervisory instructions.
- Internal and External Audit
- Performance Assessment
- Disclosures to all relevant parties
- Pricing
- Profitability and Balances
- Operational and Accounting Risks
- Legal Risks

This is in addition to the policies related to the personal's affairs, conduct, and work ethics, and the other policies that are reviewed to ensure the implementation of the best standards and the compliance with the regulatory requirements in this regard. Afterwards, the Internal Audit Management reviews the performance of the Risk and Compliance Officers to provide an assurance to the Board's Audit and Compliance Committee that these tasks are being carried out at a reasonable level of competency, along with highlighting the matters of concern in this regard. All the Masraf Al Rayan activities are subject to the controls specified by the policies adopted by the Board, which are mentioned above in the (Policies Clause). An assessment is made for the performance of the Board and Senior Management in applying the internal control system; which includes the number of times the Board has been notified about the control matters (including the risk management) and the method through which the Board has addressed these matters.

The internal controls work has only revealed the ordinary control matters, which have been addressed routinely by the Risk Officer and the Compliance Officer within the applicable policies, which did not require Board's intervention.

The Control Management constantly attempts to discover any potential failure in applying the internal controls, or even weaknesses in the implementation, or emergencies that may affect the financial performance of the Masraf Al Rayan; and it is responsible for following–up with the procedures taken by the Company to address the failure.

The internal control activities are distributed between the control managements; as they continually carry out constant and comprehensive inspections, and continuously submit reports to the Executive Management on the observations and violations; in order to take the necessary corrective actions. There has been no emergency that influences or may influence the Bank's financial performance.

Risk Management Operations and Internal Control Procedures in the Bank

Masraf Al Rayan Board is responsible for managing risks, and the Board has assigned the Executive Management with the authority to take the decisions necessary to monitor the risks on a daily basis and to manage them via specified controls that ensure proper risk management at the Bank.

The wise supervision over the risk management stems from the Board and is managed at the departments' level, and this is performed through many methods, including weekly and monthly administrative reports, the key risk indicators, and the Bank's risk records. The managements develop their own standards to keep the risks at the acceptable limits within the maximum adopted limits. The maximum limits are set to be suitable with the risk acceptance level and its significance, either by the competent committee belonging to the Board of Directors or the competent administrative committee (according to the powers granted thereto) or by the concerned departments (within the main maximum limits specified for them); in order to provide services with risks that have been mitigated in an acceptable manner. The Bank has established an appropriate structure from the committees with various appropriate levels from the Board level all the way up to the Managements' level.

Masraf Al Rayan follows a risk management model at the enterprise level, which contains (three defensive lines); as the appropriate responsibilities and authorities lie in each of these defensive lines, and the Bank's committees perform its responsibilities as per their delegated authority at the various levels from the highest level at the Board itself, and passing by the Board Committees directly until the Executive Management Committees and the staff.

Risk Management is carried out through independent managements headed by experts such as the Chief Executive Officer of the Risk Management, the Compliance Manager, and the Head of the Internal Audit; as these managements identify, assess, provide consultation, monitor and submit reports on the various risks of non–compliance with applicable laws, instructions, and standards.

Internal control objectives are represented in protecting the Bank's assets, monitoring the use of the available resources, along with ensuring the accuracy of the accounting data, identifying authorities and responsibilities and complying with them, and following a clear policy in selecting the employees at the various management levels.

The Procedures Followed by the Masraf Al Rayan to determine, assess, and manage the Risks it confronts

Masraf Al Rayan relies on the executive management staff, its committees, the policies and procedures based on them to determine, assess and deal with risks, and the following are the main points in this regard:

Stress Testing

The measurement, observation and monitoring of the various risks is a vital matter in assuring the validity of the financial institutions and the financial system as a whole. In this context, stress testing has been widely used by the international financial institutions, along with the regulatory authorities recently, to ensure the ability of the Banks and other financial institutions to withstand the different risk factors. The idea behind stress testing is to assess the effects of the exceptional but reasonable events on the Bank's financial position and other financial entities; as several quantitative technical methods have been developed, which can be divided into two main categories: sensitivity testing and scenario testing.

In compliance with the Qatar Central Bank's regulatory instructions related to Basel Committee's subject; the Bank conducts stress testing to cover all the risks that affect the Bank individually (Firm Specific Scenarios), which include credit risks, liquidity risks, market risks, and operational risks; furthermore, the Bank conducts stress testing to cover risks that could affect the economy in general and the whole financial system (Macroeconomic Scenarios).

These tests, which are performed by the Risk Management in order to measure the Bank's ability to bear future losses that it might be exposed thereto in light of specific scenarios regarding the future economic factors, start with what is known as the base scenario, or the scenario of the continuation of the current conditions as they are, and several other alternative scenarios that vary in the degree of severity of the assumptions made thereon. Specifically, these tests aim to ensure that the Bank will continue to have sufficient capital resources to face the potential losses, in case the worst scenario occurs from among these scenarios. Accordingly, the Bank can present a realistic view of its sensitivity and ability to withstand potential shocks to the economy, if the economic conditions continue to worsen; along with assessing the Bank's ability to sustain various shocks resulting from the credit and market risks. These tests are conducted based on the Bank's current financial data and the financial data expected for the next five years, and the information collected by the Monitoring Management on the risks surrounding the Bank.

The banking stress testing helps in taking the appropriate procedures and determining whether or not The Bank's position is solid, and that is through ensuring that The Bank's financial assets are sufficient to finance its obligations and cover its potential future losses in the worse possible assumptions, and then it enables the Bank to continue acting as a financial mediator, without government support, or the extent of its need for government assistance to continue its work, i.e. its need for government assistance through providing funds to assist it, or seeking to find other finance sources in the private finance market, including the possibility of making it go through merger. These are all assumptions that enhance the Bank to take care and provide studied options in case of any negative developments.

The Bank has complied with all Qatar Central Bank instructions concerning stress testing and has complied with providing the required reports.

Credit Risks

Risk is considered an integral part of the banking business, especially within the increased intensity in the competition and the size of the banking transactions, along with the technological developments and the need for larger banks. Today, banks are facing various banking risks that vary in their severity from one bank to the other. Therefore, the management of the total possible risks is considered from the factors that assist in the Bank's success and ensures its continuity in the banking market, which results in acceptable returns and reduced risks.

The credit policies developed by the Bank are considered the axis of the Credit Risk Management's operation. Therefore, the Bank is keen on developing a comprehensive mechanism to assess the credit, by developing a comprehensive credit policy representing the framework, which contains a group of indicative standards and conditions, provided to the competent Credit Granting Management to ensure a standardized processing and the provision of sufficient flexibility.

Credit facilities are granted based on a standard internal assessment system that relies on a set of terms and controls, including the customer's experience, its financial efficiency, the presence of sufficient and reliable sources of payment, the proportionality of the finance conditions with the finance purpose, the identification and assessment of the finance risks, the presence of adequate guarantees that enables the Bank to recover its rights, in case of default or if the customer stops paying, without any losses.

Banking credit is granted through the approval of the Credit Committees in the Bank, which consist of four committees, depending on the size of the required facilities as follows:

– Group's Credit Committee (maximum approval limit: QR 150 Million)

– Executive Committee (maximum approval limit: QR 300 Million)

– Board of Directors (maximum approval limit: QR 300 Million)

The sub–credit committees have been established under the umbrella of the Group Credit Committee, which is concerned with accounts with satisfactory credit rating in order to improve performance, accelerate work procedures and improve the same within the framework of the bank's credit policy, noting that brief reports are submitted to the Group CEO periodically to evaluate the work of these Committees.

As for personal finance, it is the finance granted to individuals up to a maximum of 2 million Qatari Riyals (according to Qatar Central Bank's instructions). The personal finance operations are monitored through an automated centralized system at the Bank used for monitoring the loans granted to the individuals; as the employee enters the finance request, then the branch managers or their deputies, according to their powers, will review the request; and if it is approved, it will be passed to the Operations Management to grant the finance. If there are any exceptions, the request will be submitted to the Retail Credit Committee.

Credit Risk Management

The Credit Risk Management at Masraf Al Rayan conducts a number of procedures to identify, measure, follow–up, and monitor the credit risks, and that is through the following:

Credit Risk Management Standards
Credit standards were developed containing the following:

1. Determination of the credit types that can be granted to the customers according to the (Economic) sectors.
2. Development of a maximum limit for granting credit to a single credit group, in addition to the credit pricing principles.
3. Determination of the guarantees' types, their assessment method, the relationship between the credit size and the guarantees' value, along with taking precautionary steps to maintain them, such as insurance, and periodical assessment of these guarantees.
4. Development of the credit granting approval rules, the rules for obtaining information and documents that must be available to grant the credit, and the powers for granting the credit; along with establishing independent credit review and its rating conditions, and forming the provisions.
5. Determination of the risk level that the Board/Bank agrees to enter into during the finance operation.
6. Preparation of independent credit recommendations for the Business Units.
7. Disclosure of all the information related to the customer to the Credit Committee with absolute transparency; in order to have the chance to make a correct credit decision.
8. Development of the Credit Management and Monitoring's role; in order to follow–up the completeness of all the required documents and guarantees, according to the Credit Committee's recommendation to activate the limits in the Bank's system.
9. Masraf Al Rayan has recently applied an internal system from (Moody's Company) to assess the risks of the Bank's customers in all the sectors (Corporate, SME, Private Banking & HNW Individuals); in order to establish a comprehensive mechanism for the credit risk assessment system, which includes a set of indicative standards and conditions that need to be performed when assessing the customers. This policy is considered the axis for the credit risk management and measurement; as the clients' assessment is based on a standard system that relies on a set of controls, and that is to maintain risks at the acceptable limits.
10. Implementation of the stress testing on the credit facilities to enhance the process of identifying and controlling the risks, along with providing complementary tools for the other credit management tools, in order to achieve an overall assessment for the credit risks.

Application of Proper Procedures to determine the Credit Risks
Proper procedures are applied to grant credit, which include the following:

1. The presence of a finance request signed by the customer or the authorized signatory.
2. Obtainment of the full information and documents in order to conduct a comprehensive assessment and review for the customer and the types of risks associated with the credit request, along with providing a credit rating for the customer, according to the Bank's internal credit rating system.
3. Understanding the purpose of the credit, the customer's reputation, experience, market position (within the economic sector).
4. Studying the nature of the current and future risks for the customer and sector, and the extent of sensitivity towards the economic developments, and the relation between the risks and profit.
5. Assessment of the payment sources and the customer's commitment to pay his previous obligations.
6. Obtainment and assessment of all the required guarantees.
7. Analysis of the customer's financial position using the updated audited budgets.
8. Resorting to the Qatar Credit Bureau's reports to assess the customer's efficiency and Creditworthiness and his fulfillment of his obligations, and to the Qatar Central Bank's report to know the amount of the customer's indebtedness with other banks.
9. Determination of the credit ceilings according to the economic sectors and the regions/countries based on the country's credit risk rating degree.
10. Taking into consideration the maximum credit ceiling rate that can be granted for the equity rate at the level of a single customer or the group, or the total relevant customers, and those who have overlapping interests with the Bank.
11. Taking into account the Qatar Central Bank's instructions for granting finance.
12. Approval of the stress tests framework, which includes the policy, the structure, the methodology, to ensure the definition and identification of the suitable factors related to the credit risk, along with determining its associated responsibilities and their consequences, as well as presenting them to the specialized committees to support in taking the decisions.

Availability of Procedures to Handle and Follow–up with the Credit

The procedures for handling and following up with the credit include the following:

1. The presence of files to maintain the credit approvals and the enclosed documents, and update their data on a periodic basis.
2. Follow-up with the execution of the credit according to competent credit committee's approval and recommendations, along with ensuring their compliance with the policies, procedures, laws and regulatory instructions, and the availability /adequacy of the required guarantees.
3. Follow-up on the customers' utilization of the granted credit limits, and that is by submitting periodic reports on the entire credit portfolio.
4. Conducting an internal credit rating that helps in granting and pricing the credit and following up with its quality; along with determining the credit portfolio characteristics and the credit concentrations, and determining the non–performing loans and the sufficiency of its provisions.
5. Issuance of reports on the non–performing sectors of the business unit to take the necessary action.
6. Issuance of periodic reports and informing the Business Units and the Management with all that is needed.
7. The Credit Risk Management Unit is a unit independent from the Credit Audit Unit, and its tasks consist of reviewing the guarantees, conditions, and contracts, and completing them before granting the facilities, including follow–up with all the limits granted on the system and their update, along with using them and issuing the required reports.

Availability of Sufficient Procedures to Monitor the Credit Risks

These procedures include the following:

1. The presence of internal controls to ensure the reporting of any exceptions in the credit policies/credit procedures, the credit limits and/or the regulatory instructions.
2. The presence of a Collection Unit to detect the non–performing credit facilities and take the necessary procedures to solve it at an early stage, as periodic reports are prepared for the status of the non–performing accounts, along with notifying the responsible authority to take the necessary actions.
3. Periodic review of the powers of the signatories' authorized to sign the credit and its documents.
4. Development of the Bank's Credit Policy on a periodic basis to be in line with the latest developments and changes; in order to improve the risk management.
5. The Bank reviews all the granted credit facilities on a regular basis, and monitors the sectors' performance and the limits of the financial concentrations for each sector. The Bank also follows up with all the facilities and increases, and follows up with the guarantees and their completion, along with taking the necessary actions at the appropriate times. On the other hand, the Bank reviews the unused facilities, and submits recommendations, if any, to the concerned authorities.
6. Establishment of a common ground between the Risk Management and the relevant business units; in order to exchange information and disseminate the credit culture derived from the Bank's Risk Management Strategy.
7. The Risk Management's activities are ongoing and constantly evolving, and associated with the Bank's strategy.
8. Adopting and using systems to assess the customer's risks in accordance with the Basel requirements and the Qatar Central Bank's instructions.

Market Risks

The Bank's method for handling the market risk did not essentially change; because it relies on monitoring the market risks using the latest banking standards, depending on the Qatar Central Bank's directions and the Basel Principles, while using the expertise of experienced staff and those possess high and international competencies.

In order to solve and mitigate these risks in general, the Bank diversifies its activities in various countries, sectors, products and customer segments, and takes proactive steps to manage these risks.

The relevant employees monitor a set of market–related risks, such as foreign exchange risks, profit rates risks, pricing risks, liquidity risks, and general investments risks; and they monitor the banking rates specified by the Qatar Central Bank from liquidity rates, capital adequacy rates; in addition to monitoring the stability rates and the concentrations in the customers' deposits. Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the Management; in order to assist in taking proper decisions and monitoring the market risks as required.

These reports include daily reports such as the early–warning indicators reports on the market and liquidity risks and a daily report on the treasury; in addition to a monthly report to the Assets and Liabilities Committee (ALCO), which indicates the budget position, the banking ratios, the stress tests on budget, and the gap analysis in the assets and liabilities. The Assets and Liabilities Committee consisting of the Senior Management discuss this report in its monthly meeting, where it takes its decisions and follows up with them.

Credit Limits granted for The Banks and Countries

In compliance with Qatar Central Bank's instructions and within the Bank's credit policy, the credit limits for the banks that are being dealt with will be updated; along with the credit limits for the countries in which these banks are located according to their rating. The Board approves these limits after studying them according to the requirements imposed by the prevailing economic conditions, and then they are submitted to the Qatar Central Bank after their approval.

Operational Risks

In its effort to mitigate the possibilities of losses from the operational risks, the Masraf Al Rayan approved and applied policies and methodological procedures to determine, assess, monitor and manage systems and report any weakness therein. The controls of these policies and procedures include effective segregation of duties, along with restricting system access, and adopting effective procedures to delegate authority and make settlements; in addition to the continuous learning for the employees, and the ongoing performance assessment. Masraf Al Rayan uses a specialized system to manage all the operational risk indicators, including the database and losses risks.

Operational Risk Mitigation

Masraf Al Rayan is very keen on the efforts made to mitigate and manage the operational risks and encourages following the best practices in the risk management field. At Masraf Al Rayan, controls and programs are applied, which are capable of mitigating the exposure, frequency, or severity of a certain event; such controls are tested to know whether they actually mitigate the risk, or merely transfer the exposure to certain aspect of the operational risk to another business sector.

Best Applicable Practices to mitigate the Operational and Systems Risks

– Maintain the global ISO23301 certification for business continuity by complying with best international practices.
– Maintain the Information security management system (ISMS) by renewing the ISO27001 certification for information security.
– Use a specialized e–system for managing operational risks (SAS): in order to manage all the operational risks, which include following up and analyzing the incidents and the operational losses.
– Use the Bank transfers monitoring system to ensure that there are no names that appear in the banned lists or those related to anti–money laundering and counter terrorism financing; and integrate this system with the SWIFT system to intercept any suspicious names at the same time when the transactions are taking place.
– Monitor the fraud cases preemptively to prevent any suspicious transactions: as a specialized unit works on monitoring the fraud cases 24 hours a day, 7 days a week to detect and prevent fraud on the Credit Cards and ATM Cards.
– Protect the Bank's valuable data in a preemptive manner as a precaution against any emergencies; and that is by providing a disaster recovery center through the (Meza) Company at the Qatar Science & Technology Park (QSTP), and by keeping a backup copy of the important data at the Qatar Data Center, and in the city of Nice, France.
– Use an advanced system (Malware Prevention System) to prevent the phishing attempts.
– Conduct the security breaches tests (Vulnerability Tests) on the IT systems.
– Successfully participate in a Cyber Security Drill organized by the Ministry of Transport and Communications.
– Continue to increase the number of the operational risk system user base.
– Use the Information Security and Event Management System (SEIM) 24 hours a day, 7 days a week.
– Some risks that cannot be avoided, mitigated or accepted will be covered through various insurance operations.

Masraf Al Rayan's Compliance with Anti–Money Laundering and Counter Terrorism Financing

After issuing the Qatari Law No. (20) of 2019 concerning Anti–Money Laundering and Counter Terrorism Financing, taking into account both the Executive Regulations of the Law and the instructions of the Qatar Central Bank in this regard (and the latest supplementary guidelines for Anti–Money Laundering and Counter Terrorism Financing issued by the Qatar Central Bank in May 2020), the Bank updated all its related policies and developed a system of policies and guidance for compliance with combating financial crimes concentrated on the following:

- Anti–Money Laundering
- Counter Terrorism Financing
- Combating the Proliferation of Weapons
- Anti–Corruption and Bribery
- Combating Human Trafficking and Slavery
- Combating Trading Virtual Currencies

In addition to adherence to the law and competent instructions and their application, the set of policies and guidance for combating financial crimes confirm that the Bank has no desire to be part of any transaction related to any financial crime and that reasonable and adequate preventive measures are taken to mitigate such risks, in addition to ensuring that the Bank is committed to cooperate continuously with Qatar Central Bank and the State's Financial Information Unit in all matters related thereto.

Masraf Al Rayan Credit Rating

Long-term Rating	Short-term Rating	Future Aspiration
A1	P1	Stable

Moody's released its updated report on the ratings of Masraf Al Rayan on October 12, 2020, which determined the rating of Masraf Al Rayan (Q.P.S.C.) (Masraf) as A1/Prime–1. This rating takes into account a very high probability that the Bank will receive support from the government of Qatar, rated as stable (Aa3 Stable), which raises the quality of the long–term issuer ratings for the Bank from (baa2).

The Baseline Credit Rating (baa2) reflects the following factors:

1. Provide opportunities for diversification and growth outside the State of Qatar with the presence of "Al Rayan Bank–United Kingdom".
2. High quality of assets over the years.
3. Solid and stable profitability that supports Masraf Al Rayan's high capitalization.

However, the foregoing strengths are influenced by the following factors:

1. Masraf Al Rayan's reliance on the executive management in terms of business promotion.
2. High concentration in assets and liabilities.
3. Weakness of funding and liquidity

Auditor (External Auditor)

The Ordinary General Assembly of Masraf Al Rayan in its meeting held on March 18, 2020 under the Resolution No. (10) approved the appointment of the external auditor (Deloitte & Touche) to conduct audits of the accounts of Masraf Al Rayan and its subsidiaries (except for Al Rayan Bank–UK) for the fiscal year 2020, on the recommendation of the Board of Directors and based on a proposal from the Audit and Compliance Committee.

M/s. Deloitte was chosen due to its application of best professional practices and its maintenance of its independence, along with refraining from entering into any relationships containing conflicts of interest. The External Auditor attends the General Assembly; as he submits his annual report and responds to inquiries.

External Auditor's Tasks

The Auditor (the independent and qualified external auditor) conducts an annual independent audit and quarterly reviews of the Group's financial statements. An audit is conducted in accordance with International Standards on Auditing, the objective of which is to provide 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 an opinion that the consolidated financial statements present fairly, in all material respects, the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with Financial Accounting Standards issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank (QCB) and the applicable provisions of QCB regulations.

The External Auditors must adhere to the best professional standards, and Masraf Al Rayan is committed not to contract with them to provide any consultations or services that may result in a conflict of interest; therefore, the External Auditors are considered to be completely independent from Masraf Al Rayan and its Board, and they absolutely have no conflicts of interest in their relations with Masraf Al Rayan.

The External Auditors are accountable to the shareholders and owe Masraf Al Rayan the duty of exerting the due professional care when conducting the audit. The External Auditor must also inform the Authority and any regulatory authorities if the Board does not take the appropriate action in regards to any suspicious matters raised or identified by the Auditors.

Shareholders' Equity

Masraf Al Rayan Board is keen on protecting its shareholders' equity, as specified in the relevant rules and regulations and the Masraf Al Rayan's Articles of Association; which stated that each stock entitles its owner to a share equal to the share of other stocks without distinction in the ownership of the Bank's assets and in the profits divided as described in the System. It also allows shareholders to use their voting rights by proxy.

The shareholders and stakeholders must have the right to submit proposals, complaint and grievance, and they can do that through several means such as the call center, e–mail, or by personal attendance for any of the Bank's branches. The Bank records this and makes sure that it reaches the appropriate concerned persons and authorities as necessary, that it is answered in an acceptable manner, and that the necessary measures are taken.

The implementation of a set of policies approved by the Board of Directors of Masraf Al Rayan guarantees the interests of shareholders and related–parties, such as:

- Disclosure, Dealing with Rumors and Investor Relations Policy
- Contracting with Related–Parties Policy
- Conflict of Interest Regulation Policy
- Policy of Regulating Relationship with Stakeholders
- Profit Distribution Policy
- Social Policy

Shareholders' Register

Qatar Central Securities Depository Company (QCSD) maintains the shareholders' registers in the listed companies, and since the shareholders' information changes in real–time with the market's trading; the QCSD provides this information freely to the Bank once a month in the following cases:

1. When holding the Ordinary or Extraordinary General Assembly Meeting.
2. When distributing the profits.
3. When conducting an acquisition or merger.
4. When increasing the capital through subscription.
5. When the company changes its legal status.
6. Any other cases as determined by the QFMA.

Masraf Al Rayan requests the shareholders' information from the mentioned company as needed and in such cases; for example, the data is requested on the convening day of the Ordinary or Extraordinary General Assembly; as it adopts this data to record the attendance and distribute the profits to the shareholders.

Information Access

Masraf Al Rayan's website www.alrayan.com provides all the important information and the information related to Masraf Al Rayan, which facilitate access to a wide range of information that concern the shareholders, investors, and other stakeholders. It is mainly available in "Investor Relations" section.

Conflicts of Interest and Dealings with Insiders

Masraf Al Rayan is committed to adopt and announce the general rules and procedures governing its entry in any business transaction with a relevant party, and this is mentioned in the Governance Policy and the Board Charter. In any case, Masraf Al Rayan refrains from entering into any business transaction with a relevant party or contracting with him, except if it fully complies with the Bank's policy for the relevant parties. Such policy must ensure that the principles of transparency, fairness and disclosure are applied, and that any transaction with a relevant party must require its approval by the majority of shareholders' votes; provided that the relevant party does not vote.

In case of raising any matter regarding a conflict of interest or a business transaction between Masraf Al Rayan and one of the Board Members or any relevant party, i.e. related to this Board Member, during the Board's meeting, the subject will be discussed in the absence of the concerned member, who has absolutely no right to participate in the vote on the transaction. In any case, such transaction must be done according to the market prices and on a purely commercial basis, and it must not include conditions contrary to the Company's interest.

The Bank has prepared the Conflicts of Interest Regulation Policy in Masraf Al–Rayan.

Professional Conduct Code

Masraf Al Rayan has developed a policy for Professional Conduct Code to which all employees of the Bank are subject, and it applies equally to the Board of Directors' members.

The Professional Conduct Code clarifies what each individual should be aware of with regard to behaviors and transactions that affect the interests of the Bank and its financial performance.

Fair Treatment of Shareholders and Voting Rights

Masraf Al Rayan's Articles of Association states that each shareholder has the right to attend the General Assembly, and the shareholders, who are minors or interdicted, may be represented by their legal representatives, while the legal persons are represented by the persons authorized by them via a written organized authorization according to the legal principles.

The Articles of Association has also stated that the shareholder, who attends the General Assembly, has the right to discuss the subjects listed on the Agenda, direct questions to the External Auditors; and the Board must respond to the shareholders' questions and inquiries in a manner that would not expose the Bank to any harm; and if the Shareholder finds that the answer is insufficient, he may invoke the General Assembly, and its decision will be enforceable.

Masraf Al Rayan's Articles of Association has also stipulated that each shareholder has a number of votes that is equivalent to the number of his shares.

Shareholders' Rights in the Election of Board Members

Masraf Al Rayan is keen on applying the principle of providing shareholders with information about the candidates to the Board's membership before the elections, including a description of the candidates' professional and technical skills, their experience, and other qualifications, in addition that Masraf Al Rayan makes this information available to its shareholders by publishing it on its website.

According to the instructions of the Ministry of Commerce and Industry stated in their Circular published on 23/2/2016, and based on the QFMA's decision, voting in the elections of the boards of the joint–stock companies listed in the market shall be as stipulated in Article (96) of the Commercial Companies Law issued by the Law No. (11) of 2015, which states:

"Each share shall have a single vote granted by the shareholder to whomever he selects from amongst the candidates for the Board's membership, and the shareholder may distribute the votes for his shares amongst several candidates; however, a single share may not be used for voting for more than one candidate."

Shareholders' Rights regarding Profits Distribution

The distribution of profits is completely linked to the financial results achieved by Masraf Al Rayan at the end of each year, in addition to the compliance with the relevant rules and instructions, especially the Qatar Central Bank's instructions with respect to all forms of reserves (legal reserve, risk reserve, fair value reserve). The Board annually studies the several scenarios and choses the best of them; and then presents it to the Ordinary General Assembly in detail, showing the achieved profits and their distribution. The General Assembly has the full right to accept the Board's proposal or amend it.

The Bank has adopted Profits Distribution Policy in Masraf Al Rayan.

Capital Structure, Shareholders' Rights, and Major Transactions

Banks' work is mainly based on the financing operations for the individuals, companies, governmental and semi–governmental agencies; and Qatar Central Bank issues its instructions regarding the maximum limits for credit concentrations for the single transaction or the total transactions of a single customer, or his group, or a single sector.

Other Stakeholders' Rights

The Governance Policy adopted by Masraf Al Rayan ensures the need to provide full respect to all the parties that are being dealt with, including the other stakeholders. The Personnel Affairs Regulation establishes the principles of fairness and justice between employees without prejudice to race, gender, or religion. The Management annually allocates remunerations to the employees proportionate to the achieved profits and the efforts and performance of each employee, according to a studied systematic approach.

Whistleblower Protection Policy

Driven by the importance of the employees' role as a first line of defense for the Bank's interests, the Board of Directors adopted the Whistleblower Protection Policy. This Policy gives each employee the opportunity to deliver his complaints or any doubts about any practices or transactions that came to his knowledge (in good faith) to the Bank Management in any way without fear of reprisal or being influenced; in any way in his work while fully preserving his rights.

Masraf Al Rayan's Responsibility towards the Society and Environment

Masraf Al Rayan continues to carry out its duty towards the environment and society through its active and serious participation in the corporate social responsibility system, which focuses on continuous commitment to ethical behavior and contribution to economic development, and at the same time it's keen on improving the quality of life of the manpower and their families as well as society in general. The following are some of what the Bank has done in this regard, despite the challenges throughout 2020:

The following are some of what Masraf Al Rayan did during 2020 in this regard:

1. Training System under the Supervision of Training and Development Department for 2020

Training all cadres working in the Bank (including national cadres):

- In line with the Corona pandemic situation, the Training Department has transferred this year the training of the employees of Masraf Al Rayan to a "remote training system" to attend various training programs, workshops and conferences using the available modern electronic means and systems.
- In compliance with Qatar Central Bank's requirements, the Training Department has developed the compulsory training program "Combating Financial Crimes" for all its employees with the purpose of providing employees with knowledge and skills related to money laundering, terrorist financing, and combating fraud, bribery and corruption.
- Masraf Al–Rayan continued its support to local and foreign universities and colleges and Qatar Schools of Banking Sciences and Business Administration by providing practical vocational training opportunities for students and supporting research for students in order to develop and prepare a promising banking generation of Qatari students, as well as participating effectively in career fairs by Masraf in the Qatar.
- Masraf Al–Rayan has also been keen on participating annually through of a group of its recently graduated Qatari employees in the program offered by the Qatar Finance and Business Academy, and to take advantage of these opportunities provided by the academy.
- Under enhancing cooperation and continuing exchange of experiences with various authorities in Qatar, the Bank participated in a number of lectures and technical workshops, including a lecture on lessons learned from the latest threats and cyber–attacks, their mechanisms and methods of occurrence, with the purpose of benefiting from them, developing capabilities and knowing the weaknesses, in cooperation with the Electronic Security Center of the Ministry of Interior.

2. Participation in the 5th Banks and Financial Institutions (Football) League 2020:

- Masraf Al Rayan Football Team won fourth place in the 5th Banks and Financial Institutions (Football) League 2020, where Masraf Al Rayan team participated in this tournament, which included twenty teams from banks and financial institutions under the auspices of the Qatar Central Bank and organized by the Qatar Football Association.

3. Masraf Al Rayan's participation in Testing Employees against Corona (Covid-19):

   In cooperation with the Ministry of Public Health to protect employees, customers and society, Masraf Al–Rayan conducted a free Corona (Covid–19) Test for all its wishing employees, in order to help limit the spread of the disease. Indeed, all Masraf Al Rayan's employees and its affiliates were tested, and the necessary medical advice and assistance were provided to all those who carried out the examination according to his condition, and everyone who carried out the test was provided with the necessary medical advice and assistance according to his/her condition.

Masraf Al Rayan's Contribution to the Social and Sports Activities Support Fund

Law No. (13) of 2008 amended by Law No. (8) of 2011 in its Article (1) stipulates that "An amount equal to (2.5%) shall be collected from the annual net profits of joint stock companies whose shares are listed on the Qatar Stock Exchange.", and the Article (2) of the same law stated:

"The amount stipulated in the previous Article shall be allocated to support sports, cultural, social and charitable activities, and that allocation shall devolve to a fund issued by an Emiri Decree to be established and to define its objectives, financial resources and how to manage it, based on the proposal of the Minister of Finance."

Masraf Al Rayan has been committed to the provisions of the aforementioned law since the date it came into effect, and transferred the amounts owed by it to the fund year by year after the disclosure of its net profits.

The table below indicates the transfers made during the past five years:

Financial Year	Total Net Profits Earned (QAR 000's)	2.5% Allocated to the Fund (QAR 000's)	Transfer Date
2016	2,075,286	51,882	05/04/2017
2017	2,028,145	50,704	25/03/2018
2018	2,130,415	53,260	24/03/2019
2019	2,178,399	54,460	12/04/2020
2020	2,175,425	54,386	28/03/2021

Disclosure Summary

In addition to the disclosures stated in this annual report, and to take into account the required disclosures according to the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board of Directors Resolution No. (5) of 2016, Article No. (4), and the required disclosures under the Governance Instructions issued by the Qatar Central Bank (Principles of Corporate Governance for Banks) under Circular (2015/68), Annex No. (1), the Bank must make a number of specific disclosures, and the following is a summary of these disclosures:

There are no cases filed against Masraf Al Rayan that have a material impact on it or on its business. The cases delt by the Bank are regular cases in the field of banking and are concentrated on the failure of some customers to pay the obligations arising from the financing granted to them, and Masraf Al Rayan files these cases for the purpose of protecting the Bank's funds and preserving the rights of shareholders and depositors, and they are dealt with according to the laws of the State of Qatar and through the followed official procedures and courts.

The transactions and deals made by the Bank with any related party are disclosed in the consolidated financial statements of Masraf Al Rayan on a quarterly and annual basis. The Bank publishes the financial data on its website in order to enable all stakeholders to access them.

The Bank is not responsible for any violations or penalties during 2020 for its failure to implement the principles or provisions of the Governance Code for Companies & Legal Entities Listed on the Main Market issued by QFMA's Board of Directors resolution No. (5) of 2016, or the governance instructions issued by Qatar Central Bank (Principles of Corporate Governance for Banks) under Circular (2015/68), or the Commercial Companies Law issued under Law No. 11 of 2015.

The Bank is developing constantly its performance and improving its internal control systems, and taking this into account, the Bank has not had any failure or any defect, whole or part, that materially affects its financial performance related to the application of the Internal Control System for 2020. Therefore, the annual report or the financial statements did not include any relevant disclosures.

Trading the Bank's shares by the directors appears immediately on the Qatar Stock Exchange screen and is viewed by everyone who follows the Stock Exchange, while M/s. Board of Directors members are reminded of the ban periods on trading Masraf Al Rayan's shares before routinely announcing the quarterly financial statements.

The remunerations granted to the Board of Directors members and the Bank's employees are stated in the annual consolidated financial statements and presented to the Ordinary General Assembly for being approved annually.

In compliance with the provisions of Article (122) of the Commercial Companies Law No. (11) of 2015, Masraf Al Rayan prepares a statement that includes the remunerations and compensations obtained by the Board of Directors' members, direct and indirect settlements that they obtained, as well as the remunerations and compensation obtained by members of the Shari'a Supervisory Board, in addition to the donations and support sums provided, sums spent on advertising and marketing. This statement is placed at the disposal of shareholders at least one week before holding the General Assembly.

Ali bin Ahmed Al-Kuwari
Chairman and Managing Director

BUSINESS

OVERVIEW

vision

To become the leading, full-fledged Islamic bank in Qatar and the World, by offering a broad spectrum of Shari'a-compliant products and services, through efficient and reliable channels, to all sectors of the market in which we operate and to maintain our twin objectives of generating a high return on shareholder investment and satisfying our customer's needs.

mission

- To build a well-balanced financial institution across Retail, Wholesale, Advisory and Asset Management services.
- To provide market-leading financial services holding Shari'a principles at the heart of all activities.
- To build a solid and well recognized service delivery and brand distinction model
- To become a market leader through building expertise in financing, advisory services and financial offerings.
- To build a strong franchise servicing all customers in the region and beyond.
- To focus on product and service innovation delivered according to international standards.
- To build a large capital and strong shareholder base.

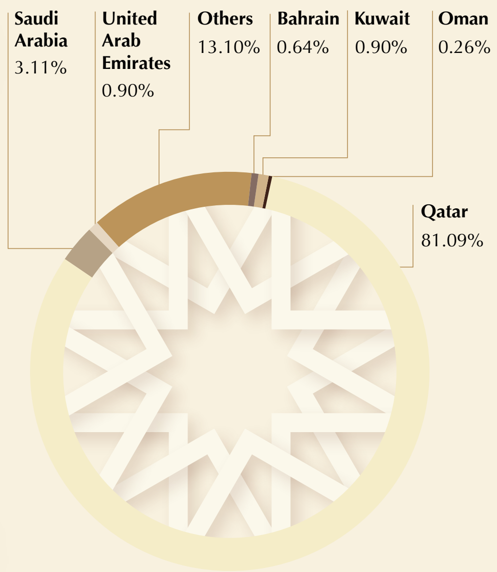
strategy

- Connect the financial and real economies into one efficient capital allocation system.
- Expand our commercial banking capabilities by increasing our footprint and penetrations in the region and Europe.
- Develop new and innovative shari'a-compliant products and services.
- Bridging Asia, Middle East and Europe in terms of trade and banking services.
- Prudently and efficiently pursue an organic and acquisition based expansion strategy.
- Prudently use Masraf Al Rayan's large capital and maintain strong shareholder base to support growth.

A Summary of MAR Shareholders' Information according to Nationalities

As of 31 December 2020

Nationality	Shareholders	No. of Shares	Percentage
Bahrain	18,704	48,121,041	0.64%
Kuwait	20,448	67,314,426	0.90%
Oman	7,313	19,532,628	0.26%
Qatar	48,962	6,081,446,070	81.09%
Saudi Arabia	65,687	233,567,225	3.11%
United Arab Emirates	24,144	67,170,923	0.90%
Others	2,497	982,847,687	13.10%
Totals	**187,755**	**7,500,000,000**	**100.00%**



Top 10 Shareholders

As of 31 December 2020

Name	Classification	Nationality	Number of Shares	Percentage
1. Qatar Holding Company	Government	Qatari	873,487,390	11.65%
2. Qatar Armed Forces Investment Portfolio	Government	Qatari	698,574,780	9.31%
3. Qatar Investment Authority	Government	Qatari	306,904,020	4.09%
4. General Retirement and Social Insurance Authority	Government	Qatari	296,882,668	3.96%
5. Al Watani Fund 3	Commercial	Qatari	165,845,703	2.21%
6. Al Taybeen Commercial OPC	Commercial	Qatari	149,092,550	1.99%
7. Sheikh Hamad bin Abdullah Al Thani	Individual	Qatari	147,884,628	1.97%
8. Ithmar Construction and Commerce OPC	Commercial	Qatari	140,307,930	1.87%
9. Burooq Commercial Company	Commercial	Qatari	139,500,000	1.86%
10. Wadi Lusail Fund 8	Commercial	Qatari	107,500,000	1.43%

- Government Ownership in Masraf Al Rayan is 30.21%
- Total Number of Masraf Al Rayan shares = 7,500,000,000 (Seven billion and five hundred million shares).

Masraf Al Rayan Group Companies

As of 31 December 2020

Entity Name	Country	Capital	Activity	Ownership %
Subsidiaries				
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment Banking	100%
Al Rayan Financial Brokerage*	Qatar	QAR 50,000,000	Financial Brokerage	100%
Al Rayan (UK) Limited**	UK	GBP 100,000,000	Investment Activities	70%
Al Rayan Partners	Qatar	QAR 10,000,000	Real Estate Consulting	100%
Lusail Waterfront Investment Co.	Cayman Islands	USD 50,000	Investment Activities	100%
MAR Sukuk Limited	Cayman Islands	USD 50,000	Sukuk Issuance	100%
Associates				
Ci-San Trading W.L.L.	Qatar	QAR 30,600,000	Investing and Trading	50%
Kirnaf Finance Company	KSA	SAR 600,000,000	Leasing	48.76%
Linc Facility Services W.L.L.	Qatar	QAR 6,000,000	Facility Management	33.50%
Damaan Islamic Insurance Co. "BEEMA" (Q.P.S.C.)	Qatar	QAR 200,000,000	Insurance	20%
National Mass Housing Company SAOC	Oman	OMR 15,000,000	Real Estate Services	20%

** The operations have ceased from 12 January 2017 after Qatar Financial Markets Authority ("QFMA") approved to freeze its license for an agreed upon period*
*** Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC*

Masraf Al Rayan Business Lines, Products & Segments

	Retail Banking	Private Banking	Wholesale Banking	Investment Banking	Treasury
Products	• Time Deposits • Savings Account • Current Account • Credit Card • Tasheel Al Rayan • Goods Finance • Auto Finance • Housing Finance • Personal Finance • Call Center • ATM	• Private Banking • Investment Planning • Asset Management • Wealth Protection • Reddit Planning and Management • Cash Management • Business Planning (for private business owners)	• Direct Finance - *Murabaha, Mudharaba, Ijara, Istisna'a, Tawarruq* • Trade Finance - *Letters of Credit, Murabaha L/C, PB, APG, Tender Bonds, Finance Guarantees* - *Cash Management* - *Syndicated Financing* - *Import Financing* - *Inventory Financing* - *Transaction Banking*	• Asset Management • Financial Advisory • Institutional Sales • Investments and Underwriting • Financial Brokerage	• Forex • Money-market • Hedging • Sukuk • Equities
Customers	• Individuals	• High Net Worth individuals • Premier Customers	• Corporates • Banks & Financial Institutions • Government/ Semi-government • Small & Medium Enterprises • High Net Worth Individuals	• Non-Banks & Financial Institutions • Banks & Financial Institutions • Government/ Semi-government Institutions • Private Sector Businesses • High Net Worth Individuals	• Corporates • Banks & Financial Institutions • Government/ Semi-government Institutions • Private Sector Businesses • High Net Worth Individuals

Branch Network

Corporate Branches		
Grand Hamad	Grand Hamad Street	4425 3333
Salwa Branch	Salwa Road	4425 3200 / 4425 3202
C Ring Road	The Financial Square	4425 3240
Retail Branches		
Al Salam	Al-Shafi Street	4425 3162
City Center	1st Floor	4425 3171 / 4425 3177
Wathnan Mall	North Muaither	4425 3306
Al Wakra	Al Wakra Main Road	4425 3286
Al Sadd	Al Bustan Building	4425 3135
Royal Plaza	Ground Floor	4425 3314 / 4425 3313
Doha Festival City	Ground Floor	4425 3354
Al Hazem Mall	Al Jassasiya Street, Al Markhiya	4425 3325
Qatar Olympic Committee	West Bay	4425 3271
Al Hilal	Al Sharq Plaza Building	4425 3340
Gulf Mall	Al Gharafa	4425 3477
Al Khor Branch	Street # 390	44253465
Al Mazroaa Branch		44253373

Retail & Private Banking

With the rising demand for innovative solutions, Retail and Private Banking Division focuses on providing convenient access to electronic banking services, as well as delivering premium banking experience through designed products and services for each of its segments: Private Banking, Premier Banking and Retail Banking.

Over the years, Masraf Al Rayan Retail and Private Banking market share has remarkably increased, due to a strategy focused on both geographic expansion and the adoption of the newest technologies in the Banking Industry.

Retail and Private Banking market share has increased in Financing Activities from 11.62% in 2016 up to 17.29% by Q3, 2020, as well as in terms of Retail customer's deposits moving from 6.82% in 2016 up to 8.67% by Q3, 2020.

The strategic location of our branches allows customers to bank with us in the most convenient timing and at the best proximity to their work place or residence area.

This year, Masraf Al Rayan has dedicated in total 13 retail branches to serve exclusively Consumers, while the remaining three branches are corporate branches.

Five retail branches are located in the main shopping malls, namely Doha Festival City, Gulf Mall, Al Hazem Mall, City Center and Royal Plaza.

Premier Banking customers are welcomed particularly designed branches serving this segment, in Al Hazem Mall, Al Hilal and Meshaireb that will open to the public by Q1, 2021.

With the rise of e-channels activity and growing digital retail base, new features and functions are introduced constantly to the Internet banking and mobile banking application while ensuring upmost security.

We have upgraded our mobile banking application by introducing a new pre-login screen to enhance customer experience. It also has new icons for quicker access and new services: Finance Calculator and quick access to apply for different financing products or opening of accounts, quick locator of the nearest Masraf Al Rayan ATM or branch, IBAN calculator, Card discount outlets, in addition to an Advertisement Banners to keep the customers updated with our latest products and new campaigns.

The Biometric Login Authentication is now available to all customers, allowing easier and safe access to their Masraf Al Rayan mobile application.

We have also added new features and services for better card management, opening saving account and using Western Union.

This year, we have included new features to our prepaid Eqtisadi Card making it unique in the market in terms of exclusive features. It is offering access to airport lounges, merchant discounts and reward points. Moreover, and through QPAY solution, it is giving customers the ability to reload their Masraf Al Rayan Prepaid card from any other bank through our mobile banking application.

Our card portfolio is growing, providing innovative payment solutions to all segments. Our cards are contactless whereas all payments are secured and easier to the customers.

The Instant Card Issuance Machine is now available across the branches, whereas customers can receive their cards on the spot at the branch. It will contribute in boosting cards sales, improving service and efficiently allowing the launch of new cards products at designated areas as Universities and exhibitions /events areas.

All our Credit and Eqtisadi Prepaid cards are offering access to airport lounges and merchant discounts. Merchant discount base increased to 400 outlets, in addition to a customized mobile application offering "Buy One Get one free "at 1500 outlet. A campaign was running this year offering free "Buy One Get one free "application to the customers with the highest usage of online purchases.

Another successful campaign was running during Qatar National day allowing cardholders to benefit from 2% cash back on all purchases done using their MAR cards during that day.

A new card is added to our portfolio under the name of "Ajer Card", a Prepaid Card for Domestic Workers, in compliance with QCB directives.

We have upgraded all our VISA gold and VISA classic portfolio to VISA Platinum, allowing cardholders to benefit from more features and reward points.

A new service added in terms of PIN replacement, whereas clients can do it through the call center and using our ATMs. In addition, all our cards can be delivered using Q Post services, for more convenience.

Internally, we continue the work on improving our customer service operating procedures, service level agreements and automation of internal processes to enhance customer experience and minimize operational risks.

Wholesale Banking Group (2020)

This year has thrown countless challenges globally and Qatar was no exception. While Qatar was blessed to benefit from prompt and sizeable measures from the government, Masraf Al Rayan successfully worked hand-in-hand with the government to safeguard the economy and feed through the funds when it was needed. The Wholesale Banking group is particularly proud of the dedication shown by its **Small and Medium Enterprise** team members, as they were detrimental in coordinating Masraf Al Rayan clients' applications to the COVID-19 National Response Program.

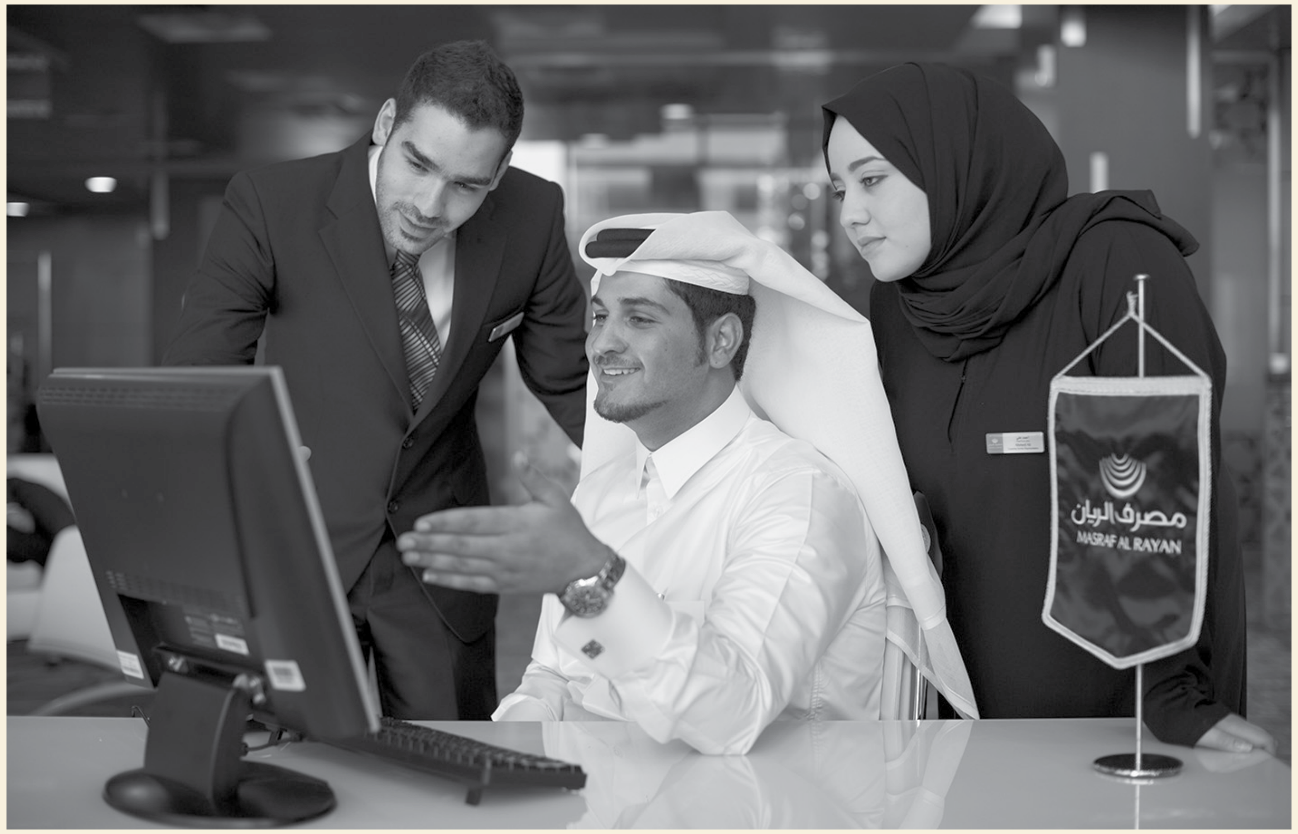
The **Government group** stepped up to support the government sector as the global banking industry had to focus on their respective economies. Masraf Al Rayan has actively deployed its balance sheet to service Qatari clients whose income streams have weakened over the lock down. Hence, we have provided key government-owned entities with the significant working capital they needed, while we continued to support the financing of the ongoing infrastructures across the country.

On the corporate segment, we rolled out the government guideline's to our clients, granting loan extensions and adjusting profit rates when possible to support our clients at the peak of the sanitary crisis.

The **Financial Institutions group** demonstrated Masraf Al Rayan's ability to diversify its funding mix and secure attractive funding conditions globally. Masraf Al Rayan has issued its second public benchmark, which was upsized from USD 500m to USD 750m on the back of an overwhelming investor demand for MAR credit story. We maintained strong banking relationship where we have been able to increase the average ticket from our banking partners. We have also raised international funding from two new jurisdictions. The increased credit risk tension meant also that Masraf Al Rayan has also seen an increase in the Bank guarantee volume over the pandemic.

A **Corporate Coordination Unit** has been created this year to facilitate corporate client's access to Masraf Al Rayan services and products. In order to reduce the dependency on Grand Hamad branch, two new branches, Salwa road and C-ring road, offer corporate services. The unit aims at improving the coordination and communication between the clients, their relationship managers and the branches.

In these challenging times, the Wholesale Banking group successfully positioned Masraf Al Rayan as the Shari'a-compliant banking partner of choice. The Wholesale Banking team navigated through the Covid-19 crisis, remaining flexible and adaptable, delivering solid results whilst playing its part against the spread of the virus. In 2021, we are excited to start the year with the ambitious aim to build a stronger banking partner through the merger with Al Khaliji Commercial Bank.



Service Quality

In line with Masraf Al Rayan's mission and strategy, Service Quality Department in 2020 implemented various innovative and creative improvements to deliver sustainable customer experience and excellence across different channels and departments.

Service Quality Department progressively monitor Voice of Customer (VOC) to assure that our Customer Experience and Satisfaction is achieved through various Quality Methods such as Customer Management System (CMS), Quality Analyses, Knowledge Program, Mystery Shopper, Branch Evaluation and Calls Evaluation. Service Quality better-quality the Voice of Customer (VOC) program through various enhancements to communicate, monitor and guarantee that our customer feedback, suggestion, appreciation and requests are being addressed and resolved on time. Constant developments to the Mystery Shopper Program, Branch Evaluation, Call Evaluation to understand customer satisfaction and deliver outstanding services across all touch points and to meet their expectations. Voice of Customer (VOC) program is the main source of information for Service Quality Department to analyze, measure and improve, to be able to serve our customers to the highest level of service.

Service Quality department also enhanced the "Improvement Program" that re-engineered and continuously improved the Voice of Business (VOB) to streamline process across different channels and department in Masraf Al Rayan, The program focused on achieving process efficiency and effectiveness in their End-to-End Standard Operating Procedures (SOPs) along with Service Level Agreements (SLAs), Turnaround Time (TAT), User Manuals and Process Flow Maps using various quality tools and methods. The "Improvement Program" included also a range of innovation and improvement of the Customer Relationship Management system (CRM) in all departments within the Group, to improve the customer requests life cycle and automation capabilities to achieve process excellence and enhance Voice of Business (VOB).

Service Quality Department will carry out in 2021 and the coming years to exploit for innovative business solutions to improve the Quality Index and overall customer satisfaction experience and expectations.

Service Quality – Mission

To provide the highest quality of customer service standards, enhance customer experience across all touch points and build long term relationships with customers

Service Quality – Objectives

- To meet the expected perceived needs of our customers and direct the Bank towards a "Customer Focus Strategy".
- Ensure customer satisfaction and improve process efficiency & effectiveness across all customer touch points by ensuring high Service Standards, Standard Operating Procedures, Service Level Agreements and Automation.
- Standardization of customer communication in all channels to meet the expected perceived needs of our customers.
- Coaching staff on Service Quality related standards, initiatives and improvements to meet customer expectations.
- Continuously monitor, analyze, report and train on Service Quality related issues to improve customer experience across Masraf Al Rayan.

2020 Training and Development

Training and development process remained at the forefront of Masraf Al Rayan's core value and strategy, as the department continued to apply, under the supervision of the Executive Management and the direction of our Board of Directors, comprehensive measures and programs to develop our human capital, and to ensure effective and efficient implementation of operational compliance, processes and procedures within the Group.

The Human Resources Department also continued to create and utilize all opportunities for better collaboration with the Ministry of Labor and the leading institutions of higher learning in Qatar.

Masraf Al Rayan bestows the highest importance to the training and developing of its employees in general, with a keen focus on developing its Qatari cadres in particular, in line with the strategies of the Bank. Its various departments act in an integrated and diligent manner to raise the professional and administrative competencies and skills of their employees in cooperation with the various state agencies and specialized local and international training centers. The training programs cover various theoretical and hands- on aspects and include programs for the administrative.

During the year 2020, several projects that achieved tangible results were developed. These projects offered solutions to meet the current and future training needs. They also provided an effective tool to meet various challenges including solutions to overcome COVID-19 pandemic by shifting completely towards virtual training and online training using Microsoft Teams, Zoom, WebEx, eLearning solutions like Fitch eLearning, ASQ and developing Video training library to cover Masraf Al Rayan internal training programs.

During the pandemic we have developed many training projects to upgrade the expertise of our employees' knowledge and skills such as Financial Crime Compliance (FCC) general and specialized intensive training programs, conducted through MS Teams and Video training.

Additionally we have developed many training videos with assessments like Information Security video training, Code of conduct awareness video training, Masraf Al Rayan Retail Product Manual and new account opening forms video training.

Our employees were also provided with live in-house training before pandemic as part of their continuous development plan for 2020.

Masraf Al Rayan continues to provide support to local universities and Qatari schools in banking, business administration and researches, and providing online training opportunities for students with a view towards developing a promising generation of bankers, as well as by actively participating in professional employment fairs in the country.

SUBSIDIARY

AL RAYAN INVESTMENT LLC

Vision

To become the region's leading Shari'a-compliant investment bank.

Mission

Invest in developing a wide product suite that caters to the growing demand for Islamic finance products.

Values

- **Culture**
  Invest in people to nurture an environment, fostering teamwork to achieve excellence.
- **Integrity**
  The institution to trust.
- **Client Satisfaction**
  Maximize value for our clients by being a trusted adviser, consistently surpassing expectations.
- **Ethos**
  Adhering to Islamic ethico-legal principles in all aspects of our business.

Divisions

- Asset Management Group
- Financial Advisory Group
- Strategic Investments
- Operations

Despite the challenges witnessed in 2020 as a result of Covid-19 pandemic, Al Rayan Investment managed to further strengthen its ties with its client base and expand its reach building on its vision of being the region's leading Shari'a-compliant investment bank and asset manager. We are committed to continue to develop our product offering to link the real economy with Islamic finance and establish an investment-banking platform in Qatar and the neighboring markets with more focus on Asset Management and Advisory businesses.

Our asset management business grew significantly through raising fresh AUMs and received considerable independent external recognition. At Global Investor's (Euromoney's asset management magazine) annual award ceremony, ARI was the only manager to again win in three categories: 'Qatar asset manager of the year', 'ETF provider of the year' and 'MENA Shari'a Asset Manager' While MENA Fund Magazine recognized ARI as 'Qatar asset manager of the year'.

Asset Management Group

ARI's asset management product and service offering is backed by a 10-year track record of enviable investment performance. The advantages of experienced in-house research, superior security selection and real-time portfolio and risk management helped drive returns in 2020. In recognition of ARI's achievements, asset management again received numerous awards judged by industry peers in the region and Europe.

2020 performance

Despite an enormously difficult year, 2020 again demonstrated the strength of ARI's asset management franchise and reputation. Despite Covid-19 leading to unprecedented uncertainty and market volatility, and even taking WTI oil to negative territory for a period, significant new mandates were won and several existing investors injected further capital to their portfolios under ARI management.

Listed equities

ARI's investment universe for equities targted the Gulf region with a particular focus on Qatar. Segregated mandates for institutional investors and family offices account for a large proportion of assets under management. In 2020, this business expanded significantly, as existing investors injected capital to their portfolios and despite increasing competition from other managers, a number of new mandates were also won.

Funds

ARI currently has three regulated funds, of which the largest are Al Rayan Qatar ETF and Al Rayan GCC Fund.

Al Rayan Qatar ETF (ticker QATR) seeks to track the performance of the QE Al Rayan Islamic index (an index of Shari'a-compliant Qatari equities) and is listed on the Qatar Stock Exchange. With more than an equivalent of $150m in assets at end-2020, QATR remains one of the world's largest Shari'a-compliant equity ETFs. A Total Expense Ratio (TER) of just 0.50% makes QATR among the cheapest single-country ETFs across emerging markets. The ETF pays an annual cash dividend in the second quarter of each year and in 2020 the dividend yield was approximately 4.6%.

Al Rayan GCC Fund, our flagship absolute return fund which invests in regional listed equities and sukuk, remains one of the largest Shari'a-compliant GCC fund in the region.

Global Sukuk

Following on from a strong 2019, and despite a dramatic Covid-related drop in February and March 2020, it was another buoyant year for regional fixed income as US interest rates were cut with no near-term increase in sight. ARI's actively managed USD sukuk portfolios returned more than 6.5% over the year, net of fees.

We remain positive on prospects given regional sukuk retain their long-standing valuation discount to emerging market and global peers. In addition, while global sukuk demand remains on a structural expansion path, sukuk supply remains relatively subdued, supporting valuations and lowering volatility.

2020 also saw further growth in ARI's sukuk execution service from both institutional and individual investors. ARI's quality of execution remains market leading and is key to attracting new customers.

Financial Advisory Group

2020 was a challenging year due to the global pandemic. The situation has improved in the second half of the year driven by reopening of economies, the need to raise capital from several firms and reducing misalignment on valuation. Our advisory business continued to focus on our local clients' M&A, ECM, and capital restructuring needs. In addition, we have acted as trusted advisor on our clients' international requirements.

ARI successfully executed issuance of a USD 750mn tranche of sukuk for one of our clients during the second half of the year. We have also strengthened our pipeline with advisory mandates during the same period, which are still under execution. Going into the next year, equity raise by private and public firms and restructuring initiatives are likely to be key considerations for companies seeking to position themselves for stability, growth and profitability in future. However, uncertainty brought on by the global pandemic remains with medium term effects on the economy and companies still not fully apparent.

SHARI'A
SUPERVISORY BOARD REPORT

for the year ended on 31 December 2020

All praise be to Allah, and His peace and blessings be upon His prophet, his family, his companions and those who followed him.

Masraf Al Rayan Shari'a Supervisory Board has reviewed the products and operational activities presented to it as well as the 2020 Consolidated Statement of Financial Position and Consolidated Income Statement and are of the opinion that the latter do not contravene with Shari'a rulings.

May Allah grant success and accomplishment to all towards whatever he likes and pleases Him.

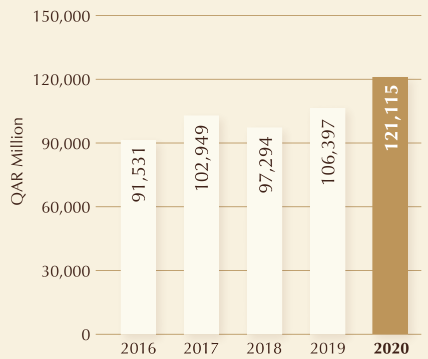
His Eminence
Sheikh Dr. Waleed Bin Hadi
Chairman of Shari'a Supervisory Board

His Eminence
Sheikh Dr. Mohamed Ahmeen
Shari'a Supervisory Board Member

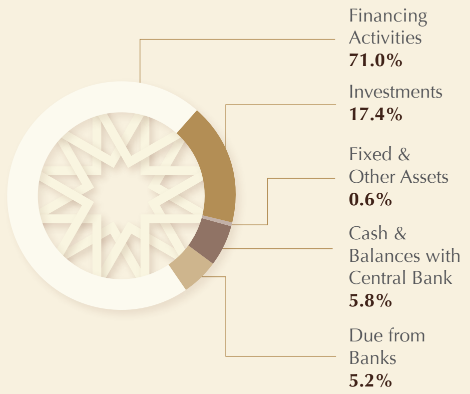
CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF FINANCIAL STATEMENTS

Total Assets



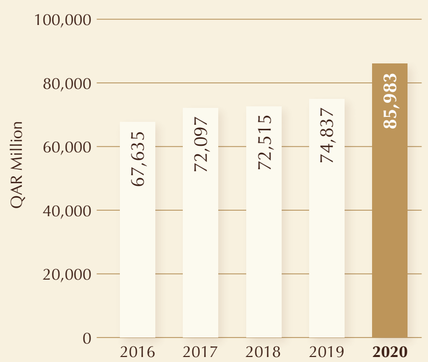
Weight of Asset Categories



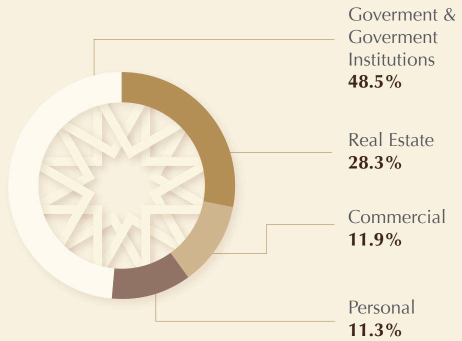
Highlights

4 Year Compounded Annual Growth Rate (CAGR)	7.3%
Increase for the Year	13.8%
Capital Adequacy Ratio	20.31%
Return on Average Assets	1.91%

Financing Activities



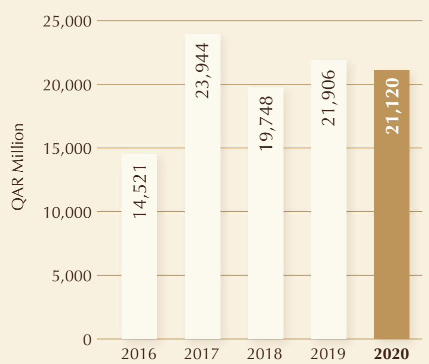
Breakdown by Sectors



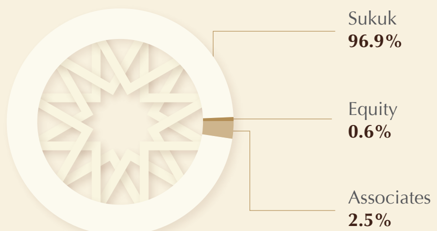
Highlights

4 Year Compounded Annual Growth Rate (CAGR)	6.2%
Growth for the Year	14.9%
Non Performing Loans Ratio (NPL)	1.13%

Investments



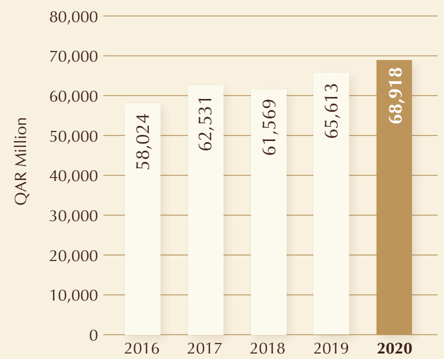
Breakdown of Investments by Type



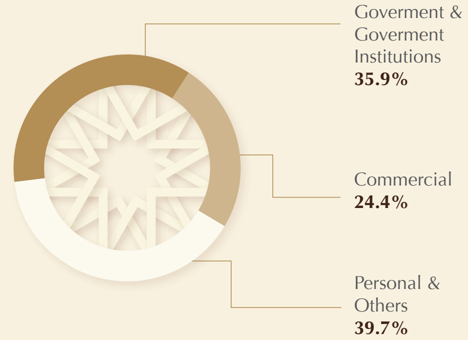
Highlights

4 Year Compounded Annual Growth Rate (CAGR)	9.8%
Increase for the Year	-3.6%
Sovereign Sukuk	90.8%

Customers' Deposits



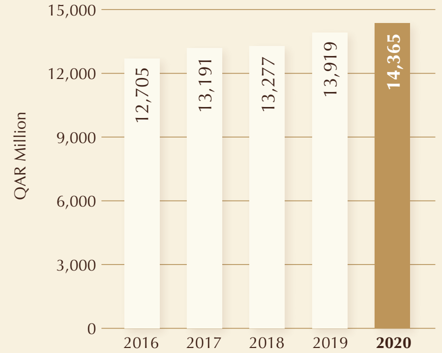
Breakdown of Customers' Deposits by Sector



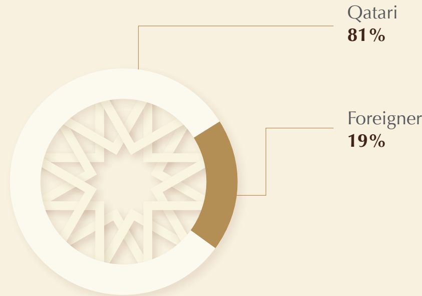
Highlights

4 Year Compounded Annual Growth Rate (CAGR)	4.4%
Increase for the Year	5.0%

Equity Pre Appropriation



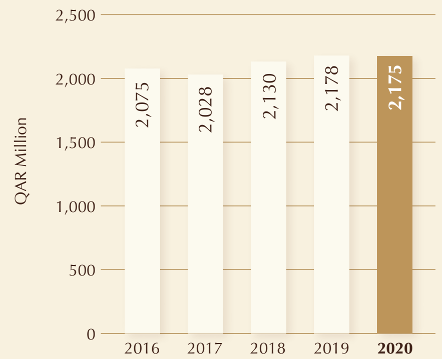
Shareholders



Highlights

4 Year Compounded Annual Growth Rate (CAGR)	3.1%
Growth for the Year	3.2%
Book Value per Share	QAR 1.92
Return on Average Equity	15.4%

Net Profit



Highlights

4 Year Compounded Annual Growth Rate (CAGR)	1.2%
Growth for the Year	-0.1%
Earnings per Share	QAR 0.290
Cost Efficiency Ratio	21.58%

	2020	2019
Operating Income	**100.0%**	100.0%
General & Administrative Expenses	**(13.8)%**	(12.6)%
Impairment Losses	**(7.0)%**	(0.9)%
Minority Interest	**(0.1)%**	(0.2)%
Profit for Accounts & Equity holders	**79.1%**	86.3%
Profit Share – Customers & Banks	**(36.0)%**	(44.6)%
Share of Profit to Equity holders of the Bank	**43.1%**	41.7%

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Masraf Al Rayan (Q.P.S.C.)
Doha - Qatar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank (QCB) and the applicable provisions of QCB 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. 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 year ended 31 December 2020. 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 matters	How the matter was addressed in our audit
Impairment of financial assets	
The Group's financial assets, both on and off balance sheet, amount to QAR 134.82 billion as at 31 December 2020 (2019: QAR 119.1 billion). The expected credit losses (ECL) provision recognised for the year ended December 31, 2020 amounted to QAR 1,065 million (2019: QAR 709 million). FAS 30 Impairment, Credit Losses and Onerous Commitments 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 either at amortised cost or at FVTE (debt instruments). The COVID-19 pandemic also significantly impacted management's judgment applied to determine the ECL. There is a risk that financial assets are impaired and inadequate impairment provisions are provided which are not in accordance with the requirements of FAS 30 and the applicable provisions of Qatar Central Bank regulations. This has been exacerbated by the impact of the Covid 19 pandemic on the overall macroeconomic environment. Financial assets might be inaccurate due to: – 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 input 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, especially scenarios arising from the Covid 19 pandemic, are not updated on a timely basis. Refer to the following notes of the consolidated financial statements: • Note 3 – Significant accounting policies on financial assets and financial liabilities • Note 4 – Financial risk management • Note 7 – Fair value and classification of financial instruments • Note 9 – Due from banks • Note 10 – Financing assets • Note 11 – Investment securities	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 the ECL model. In addition, our work performed included the below procedures, among others on the Group's FAS 30 ECL model: – For a selection of exposures, performed a detailed credit review and challenged the Group's staging and impairment allowance calculation. – Review and assessment of the appropriateness of the data, assumptions and methodologies used within the Bank's FAS 30 ECL model (PD, LGD, and EAD) and customer internal rating systems and methodology. – Assessment on whether significant increase in credit risk (SICR) indicators are present for the exposures subject to credit risks based on FAS 30 and Qatar Central Banks guidance and the possible implications on the ECL staging and expected provisioning, including incorporating consideration of the economic disruptions caused by COVID 19. – Assessment of the ECL methodology, macroeconomic scenarios weightage, (including scenario weightage adjustments for COVID-19), model validation/testing, including post model adjustments on a sample basis.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Bank's accounting and financial 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. A particular area of focus related to logical access management and segregation of duties. The underlying principles are important because controls in these areas ensure that transactions processed in the application system and the underlying data are appropriate, authorised and monitored. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error in processing transactions in the system.	Our audit approach relies on automated controls and therefore procedures were designed to test access and controls over IT systems. Our audit procedures included: • Obtain the understanding on IT applications relevant to financial reporting including the Equation - core banking system, Opics - Treasury system, TI – Trade finance system, LOS – retail and corporate financing assets business 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 relevant for the audited financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

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 auditor's report and other information included in 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 or 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

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI as modified by the QCB, the Qatar Central Bank regulations, and for such internal control as 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, 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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is 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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and 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

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 financial position or its financial performance.

Doha - Qatar
February 11, 2021

For Deloitte & Touche
Qatar Branch

Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

QAR '000s

	Notes	2020	2019
ASSETS			
Cash and balances with central banks	8	7,070,507	3,122,860
Due from banks	9	6,307,575	6,035,090
Financing assets	10	85,983,437	74,837,309
Investment securities	11	20,585,834	21,378,706
Investment in associates	12	534,116	527,398
Fixed assets	13	271,406	227,731
Other assets	14	362,005	267,427
TOTAL ASSETS		**121,114,880**	**106,396,521**
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Due to banks	15	27,979,497	19,367,191
Customer current accounts	16	8,491,997	7,526,683
Sukuk financing	17	6,023,180	3,333,998
Other borrowings	18	1,270,775	2,002,003
Other liabilities	19	2,331,558	1,948,849
TOTAL LIABILITIES		**46,097,007**	**34,178,724**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	20	**60,425,902**	**58,085,882**
EQUITY			
Share capital	21	7,500,000	7,500,000
Legal reserve	21	2,714,166	2,496,623
Risk reserve	21	1,796,600	1,636,268
Fair value reserve	21	25,204	23,604
Foreign currency translation reserve	21	(3,618)	(9,703)
Other reserves	21	126,222	123,405
Retained earnings		2,206,731	2,148,999
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**14,365,305**	**13,919,196**
Non-controlling interest	22	226,666	212,719
TOTAL EQUITY		**14,591,971**	**14,131,915**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**121,114,880**	**106,396,521**

These consolidated financial statements were approved by the Board of Directors on 19 January 2021 and were signed on its behalf by:

Ali Bin Ahmed Al Kuwari
Chairman and Managing Director

Adel Mustafawi
Group Chief Executive Officer

The attached notes 1 to 42 form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

QAR '000s

	Notes	2020	2019
Income from financing activities	23	3,680,336	3,710,384
Income from investing activities	24	925,202	930,588
Total income from financing and investing activities		**4,605,538**	**4,640,972**
Fee and commission income		263,010	391,218
Fee and commission expense		(2,280)	(3,135)
Net fee and commission income	25	**260,730**	**388,083**
Foreign exchange gain (net)	26	158,227	162,380
Share of results of associates	12	17,888	19,832
Other income	27	3,891	9,708
TOTAL INCOME		**5,046,274**	**5,220,975**
Staff costs	28	(386,408)	(395,380)
Depreciation	13	(24,818)	(17,578)
Other expenses	29	(283,230)	(245,685)
Finance expense		(671,992)	(837,873)
TOTAL EXPENSES		**(1,366,448)**	**(1,496,516)**
Net (impairment losses) / reversals on due from banks		(113)	231
Net impairment losses on financing assets		(298,764)	(54,830)
Net impairment losses on investments		(58,227)	(1,117)
Net reversals on other exposures subject to credit risk		5,415	10,976
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**3,328,137**	**3,679,719**
Less: Return to investment account holders	20(c)	(1,145,186)	(1,490,922)
PROFIT BEFORE TAX FOR THE YEAR		**2,182,951**	**2,188,797**
Tax expense		(2,357)	(688)
NET PROFIT FOR THE YEAR		**2,180,594**	**2,188,109**
Net profit for the year attributable to:			
Equity holders of the Bank		2,175,425	2,178,399
Non-controlling interest		5,169	9,710
		2,180,594	**2,188,109**
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	33	**0.290**	**0.290**

The attached notes 1 to 42 form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

For the year ended 31 December

QAR '000s

	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance at 31 December 2019	**7,500,000**	**2,496,623**	**1,636,268**	**23,604**	**(9,703)**	**123,405**	**2,148,999**	**13,919,196**	**212,719**	**14,131,915**
Change in foreign currency translation reserve	–	–	–	–	(69,571)	–	–	(69,571)	–	(69,571)
Net gain on hedging of net investment in a foreign subsidiary	–	–	–	–	75,656	–	–	75,656	–	75,656
Fair value reserve movement	–	–	–	6,485	–	–	–	6,485	–	6,485
Gain on sale of FVTE investments	–	–	–	(4,885)	–	–	4,885	–	–	–
Net profit for the year	–	–	–	–	–	–	2,175,425	2,175,425	5,169	2,180,594
Dividend declared and approved for 2019	–	–	–	–	–	–	(1,687,500)	(1,687,500)	–	(1,687,500)
Transfer to legal reserve	–	217,543	–	–	–	–	(217,543)	–	–	–
Transfer to risk reserve	–	–	160,332	–	–	–	(160,332)	–	–	–
Net movement in other reserves	–	–	–	–	–	2,817	(2,817)	–	–	–
Social and sports fund appropriation (Note 39)	–	–	–	–	–	–	(54,386)	(54,386)	–	(54,386)
Net movement in non-controlling interest	–	–	–	–	–	–	–	–	8,778	8,778
Balance at 31 December 2020	**7,500,000**	**2,714,166**	**1,796,600**	**25,204**	**(3,618)**	**126,222**	**2,206,731**	**14,365,305**	**226,666**	**14,591,971**
Balance at 31 December 2018	7,500,000	2,278,783	1,574,695	9,768	(13,809)	118,910	1,808,968	13,277,315	196,468	13,473,783
Change in foreign currency translation reserve	–	–	–	–	(84,885)	–	–	(84,885)	–	(84,885)
Net gain on hedging of net investment in a foreign subsidiary	–	–	–	–	88,991	–	–	88,991	–	88,991
Fair value reserve movement	–	–	–	13,836	–	–	–	13,836	–	13,836
Net profit for the year	–	–	–	–	–	–	2,178,399	2,178,399	9,710	2,188,109
Dividend declared and approved for 2018	–	–	–	–	–	–	(1,500,000)	(1,500,000)	–	(1,500,000)
Transfer to legal reserve	–	217,840	–	–	–	–	(217,840)	–	–	–
Transfer to risk reserve	–	–	61,573	–	–	–	(61,573)	–	–	–
Net movement in other reserves	–	–	–	–	–	4,495	(4,495)	–	–	–
Social and sports fund appropriation (Note 39)	–	–	–	–	–	–	(54,460)	(54,460)	–	(54,460)
Net movement in non-controlling interest	–	–	–	–	–	–	–	–	6,541	6,541
Balance at 31 December 2019	**7,500,000**	**2,496,623**	**1,636,268**	**23,604**	**(9,703)**	**123,405**	**2,148,999**	**13,919,196**	**212,719**	**14,131,915**

The attached notes 1 to 42 form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF
CASH FLOWS

For the year ended 31 December

QAR '000s

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		2,182,951	2,188,797
Adjustments for:			
Net impairment losses on financing assets		298,764	54,830
Net impairment losses on investments		58,227	1,117
Net impairment losses / (reversals) on due from banks		113	(231)
Net reversals on other financial assets		(5,415)	(10,976)
Fair value (gain) / loss on investment securities carried as fair value through income statement	24	(55)	66
Unrealized (gain) / loss on revaluation of Shari'a compliant risk management instruments		(33,254)	1,975
Depreciation	13	24,818	17,578
Amortisation of transaction costs on sukuk financing and other borrowings		7,458	4,981
Net gain on sale of investment securities		(13,805)	(10,209)
Dividend income	24	(1,442)	(2,528)
Share of results of associates	12	(17,888)	(19,832)
Loss on disposal of fixed assets		–	1,473
Amortisation of premium and discount on investment securities		(22,340)	(15,587)
Employees' end of service benefit provisions	19(a)	5,814	5,627
Profit before changes in operating assets and liabilities		**2,483,946**	**2,217,081**
Change in reserve account with Qatar Central Bank		(61,331)	(126,455)
Change in due from banks		–	273,038
Change in financing assets		(11,077,298)	(2,377,198)
Change in other assets		(59,485)	(25,382)
Change in accrued profit from investment securities		8,646	(32,402)
Change in due to banks		6,614,317	2,584,549
Change in customer current accounts		965,314	257,867
Change in other liabilities		(103,886)	(41,886)
Change in profit payable on sukuk financing and other borrowings		31,772	19,216
		(1,198,005)	**2,748,428**
Dividend received		1,442	2,528
Employees' end of service benefits paid	19(a)	(781)	(2,806)
Tax paid		(4,382)	(3,255)
Net cash (used in) / from operating activities		**(1,201,726)**	**2,744,895**

The attached notes 1 to 42 form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December

QAR '000s

	Notes	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(167,686)	(4,433,694)
Proceeds from sale / redemption of investment securities		943,632	2,370,285
Proceeds from disposal of fixed assets		1,699	–
Acquisition of fixed assets	13	(69,402)	(57,126)
Dividend received from associates	12	4,000	17,400
Net cash from / (used in) investing activities		**712,243**	**(2,103,135)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		2,339,955	3,785,172
Net proceeds from sukuk financing and other borrowings		3,882,233	1,741,319
Dividends paid		(1,623,257)	(1,426,125)
Net movement in non-controlling interest		8,778	6,541
Net cash from financing activities		**4,607,709**	4,106,907
Net increase in cash and cash equivalents		4,118,226	4,748,667
Cash and cash equivalents at 1 January		6,554,869	1,790,425
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held		40,688	15,777
Cash and cash equivalents at 31 December	34	**10,713,783**	**6,554,869**

The attached notes 1 to 42 form part of, and should be read in conjunction with, these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

QAR '000s

1. REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies' Law No. 5 of 2002, as amended by Qatar Commercial Companies' Law No. 11 of 2015 under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Grand Hamad Street, Doha, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing, investing and brokerage activities, and has 17 branches including the head office in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

The principal subsidiaries of the Group are as follows:

Entity's name	Country of incorporation	Entity's capital	Entity's activities	Effective percentage of ownership	
				2020	**2019**
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage[1]	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan (UK) Limited[2]	UK	GBP 100,000,000	Investment activities	70.0%	70.0%
Al Rayan Partners	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD 50,000	Investment activities	100.0%	100.0%
MAR Sukuk Limited[3]	Cayman Islands	USD 50,000	Sukuk issuance	100.0%	100.0%

[1] The operations have ceased since 12 January 2017 after Qatar Financial Markets Authority ("QFMA") approved to freeze its license for two years, which had been extended up to 10 September 2019. On 13 January 2019, the Board of Directors resolved to liquidate Al Rayan Financial Brokerage. The liquidation procedures are ongoing as of reporting date.

[2] Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 68.84% of Al Rayan Bank PLC. Al Rayan Bank PLC is the designated "Servicer" of Tolkien Funding Sukuk No. 1 Plc, a special purpose entity incorporated in the UK for the purpose of sukuk issuance for the benefit of Al Rayan Bank PLC.

[3] MAR Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.

On 16 June 2019, upon the instructions of the QFMA and following the approval of the shareholders obtained at the Bank's extraordinary general assembly meeting held on 25 February 2019, the Bank effected a 10:1 stock split on its shares of capital stock, adjusting the nominal value to one Qatari Riyal per share (QAR 1 per share) instead of QAR 10 per share. Unless otherwise noted, impacted amounts and share information included in the consolidated financial statements and notes thereto have been retroactively adjusted for the stock split, as if such stock split occurred at the beginning of the earliest period presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

QAR '000s

1. **REPORTING ENTITY (continued)**

The Bank and another locally-listed bank, Al Khalij Commercial Bank P.Q.S.C., announced on 30 June 2020 that they have entered into initial negotiations regarding a potential merger. The potential merger is subject to the approval of the Qatar Central Bank ("QCB"), the QFMA, the Ministry of Commerce and Industry and other relevant official bodies in the State of Qatar, and the approval of the shareholders in each bank after completion of a detailed legal and financial due diligence. If the merger is approved, the new merged entity will maintain all its dealings in compliance with Shari'a principles. On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") have entered into a merger agreement (Note 42).

2. **BASIS OF PREPARATION**

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FASs") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the QCB.

QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at Fair Value Through Equity ("FVTE"). The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank.

The consolidated financial statements as of and for the year ended 31 December 2020 were prepared in accordance with FASs issued by AAOIFI and the applicable provisions of the QCB regulations.

For matters for which no AAOIFI standards or related guidance exist, the Group applies the relevant International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of financial investments classified as "investments at fair value through equity", "investments at fair value through income statement" and Shari'a-compliant risk management instruments.

(c) Functional and presentational currency

The consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(d) Use of estimates and judgments

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

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

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

QAR '000s

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

(a) Change in accounting policy

Adoption of QCB circular 13/2020

The Group has adopted QCB Circular 13/2020 dated 29 April 2020 (effective date), which modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at FVTE.

The changes to the accounting policies have been adopted prospectively by the Group. The following table summarises the impact of the change in policy on the consolidated financial statements of the Group:

	2020
Consolidated income statement	
Gain on sale of FVTE securities transferred to retained earnings	(4,885)
Decrease in net profit for the financial year	(4,885)
Consolidated statement of financial position	
Gain on sale of FVTE securities transferred to retained earnings	4,885
Increase in retained earnings	4,885

Measurement of equity-type instruments classified as fair value through equity

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

(b) New standards and interpretations

(i) New standards, amendments and interpretations effective from 1 January 2020

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)

AAOIFI has issued FAS 31 in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

FAS 33 - Investment in sukuk, shares and similar instruments

AAOIFI has issued FAS 33 in 2018. FAS 33 supersedes the earlier FAS 25 - Investment in sukuks, shares and similar instruments. The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'ah principles.

Adoption of FAS 33 - Investment in sukuk, shares and similar instruments

The Group has adopted FAS 33 - Investment in sukuk, shares and similar instruments as issued by AAOIFI effective 1 January 2020. The standard shall be applicable on a retrospective basis. However, the cumulative effect, if any, attributable to profit and loss taking stakeholders, including investment holders relating to previous periods, shall be adjusted with the investments' fair value pertaining to such class of stakeholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards and interpretations (continued)

(i) New standards, amendments and interpretations effective from 1 January 2020 (continued)

FAS 33 - Investment in sukuk, shares and similar instruments (continued)

The adoption of FAS 33 has resulted to changes in accounting policies for recognition, classification and measurement of investment in sukuks, shares and other similar instruments; however, the adoption of FAS 33 had no significant impact on any amounts previously reported in the consolidated financial statement of the Group for the year ended 31 December 2019.

Set out below are the details of the specific FAS 33 accounting policies applied in the current period.

Categorization and classification

FAS 33 contains classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics.

Under the standard, each investment is to be categorized as investment in:

(a) equity-type instruments;
(b) debt-type instruments (including (monetary and non-monetary); and
(c) other investment instruments.

Unless irrevocable initial recognition choices provided in the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:

(a) the Bank's business model for managing the investments; and
(b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Investment classification

Investments are classified based on the Group's assessment of the business model within which the investments are managed, and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

FAS 34 - Financial reporting for Sukuk-holders

AAOIFI has issued FAS 34 in 2018. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukukholders.

The new standards are effective for annual reporting periods beginning on or after 1 January 2020 and have no material impact on the Group's consolidated financial statements.

(ii) New standards, amendments and interpretations issued but not yet effective

The Group has not yet applied the following new and revised FASs that have been issued but are not yet effective:

FAS 32 - Ijarah

AAOIFI has issued FAS 32 in 2019. FAS 32 improves upon and supersedes FAS 8 - Ijarah and Ijarah Muntahia Bittamleek originally issued in 1997. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee.

This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted.

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards and interpretations (continued)

(ii) New standards, amendments and interpretations issued but not yet effective (continued)

FAS 35 - Risk Reserves

AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 - Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions).

This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted, only if the Group early adopts FAS 30 - Impairment, credit losses and onerous commitments.

FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions.

This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

The Group is currently evaluating the impact of the above standards.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss is attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

QAR '000s

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Basis of consolidation (continued)

(i) Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(ii) Non-controlling interest

The Group treats transactions with non-controlling interest as transactions with equity holders of the Group. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to consolidated income statement where appropriate.

(iii) Transactions eliminated on consolidation

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

(iv) Associates (equity-accounted investees)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The results of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses in an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

QAR '000s

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Basis of consolidation (continued)

(iv) Associates (equity-accounted investees) (continued)

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FAS 30. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(v) Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(d) Foreign currency

(i) Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency (continued)

(ii) Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

Exchange differences arising from the above process are reported in equity as 'foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the spot closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in equity, and presented in the foreign exchange translation reserve in equity.

(e) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

(i) Classification

Policy applicable from 1 January 2020:

The Group has adopted FAS 33 - Investment in sukuk, shares and similar instruments as issued by AAOIFI effective 1 January 2020 (Note 3b-i), as modified by the QCB (Note 2a).

Policy applicable from up to 31 December 2019:

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Debt-type instruments

Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through income statement.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment securities (continued)

(i) Classification (continued)

Policy applicable from up to 31 December 2019 (continued):

Equity-type instruments

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

(ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated income statement.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated income statement in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

Fair value through equity:

Policy applicable up to the issuance of QCB circular 13/2020

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated income statement.

Policy applicable after the issuance of QCB circular 13/2020

The Group has adopted QCB Circular 13/2020 dated 29 April 2020 (effective date), which modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at FVTE (Note 3a).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment securities (continued)

(iii) Measurement (continued)

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

(iv) Measurement principles

Amortised cost measurement

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

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

(f) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and does not enter into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Mudaraba

Mudaraba financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Musharaka

Musharaka financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financing assets (continued)

Istisna'a

Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. the Group recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment. The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

(g) Other financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

(ii) De-recognition of financial assets and financial liabilities

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other financial assets and liabilities (continued)

(ii) De-recognition of financial assets and financial liabilities (continued)

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is de-recognised if it meets the de-recognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Impairment of financial assets (other than equity type investments classified as fair value through equity)

The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk (i. local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB, ii. externally rated debt instruments of rating Aaa or Aa, iii. other financial assets which the Group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but profit is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD') as the weight.

Stage 3: Non performing - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised and treated with the profit calculated on them, according to QCB's instructions as disclosed in most recent annual financial statements. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

The adoption of FAS 30 has fundamentally changed the Group's accounting for impairment loss on financing assets by replacing FAS 11's (IAS 39's) incurred loss approach with a forward-looking expected credit loss (ECL) approach. FAS 30 requires the Group to record an allowance for ECLs for all financing assets and other debt financial assets not held at FVPL, together with financing asset commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through income statement:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

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

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

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

Measurement of ECL

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

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

The determination of the FAS 30 provision results from a two-step approach:

Step 1: The facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit impaired.

Step 2: The expected credit loss is calculated i.e., 12-month expected loss for all facilities in stage 1 and lifetime expected credit loss for all facilities in stage 2. The facilities in stage 3 are covered by specific provisions as per QCB regulations and FAS 30 requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

Any credit exposures to the Government of Qatar, represented by the Ministry of Finance and QCB are exempted from the application of expected credit loss model as per QCB's Circular 9 / 2017.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing asset commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- Debt instruments measured at fair value through equity: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)

Write-off

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Equity-type investments classified as fair value through equity

With effect from the issuance of QCB circular 13/2020, equity-type instruments classified as fair value through equity are not tested for impairment. However, prior to that, equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through equity.

Until the date of the circular, the Group has provided QAR 7,113 thousand (2019: QAR 651 thousand) as impairment on equity-type investment securities which were recognised under "Net impairment losses on investments" in the consolidated income statement.

(j) Modification of financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

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

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

(l) Shari'a-compliant risk management instruments

Shari'a-compliant risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's Shari'a-compliant risk management instruments include unilateral promise to buy/sell currencies and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, Shari'a-compliant risk management instruments are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models, as appropriate. The resulting gains or losses are included in the consolidated income statement, except for unilateral promise to buy/sell currencies which are designated as the hedging instrument in a hedge of a net investment in a foreign operation.

(m) Fixed assets

Recognition and initial measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land and work-in-progress are not depreciated.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Building	20 years
Leasehold improvements	10 years
Furniture, fixtures and office equipment	6-7 years
Computer equipment	3 years

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

(n) Due from banks

Due from banks are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks are initially measured at cost, being the fair value of the consideration given. Following the initial recognition, due from banks are stated at amortised cost.

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

(p) Customer current accounts

Balances in customer current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

(q) Equity of investment account holders

Equity of investment account holders are funds held by the Group, which it can invest at its own discretion. The investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges a management fee to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts.

Investment accounts are carried at their book values and include amounts retained towards the profit equalisation and investment risk reserves. The profit equalisation reserve is the amount appropriated by the Group out of the Mudaraba income, before allocating the Mudarib's share, in order to maintain a certain level of return to the account holders on the investments. The investment risk reserve is the amount appropriated by the Group out of the income of investment account holders, after allocating the Mudarib's share, in order to cater against future losses for investment account holders.

(r) Distribution of profit between equity of investment account holders and shareholders

The Group complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and its equity holders.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba profit.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

(t) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears profit. Profits are recognised periodically until maturity. Sukuks are recognised at amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

(u) Provisions

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

(v) Employees benefits

Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the personnel cost under general and administration expenses in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Group also provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other provisions under other liabilities.

(w) Share capital and reserves

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's equity holders.

(x) Revenue recognition

Murabaha

Profit from Murabaha transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated income statement on declaration by the Mudarib.

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue recognition (continued)

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

Istisna'a

Revenue and the associated profit margin are recognised in the Group's consolidated income statement according to the percentage of completion method or completed contract method.

Wakala

Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from asset management services

Income from asset management services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

Dividend income

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

(y) Income tax

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group's operations inside Qatar are not subject to tax, except Al Rayan Investment LLC whose profits are subject to tax as per Qatar Financial Center Authority regulations.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(z) Earnings per share

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Financial guarantees
In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the consolidated statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated income statement. The amortisation of the premium received is recognised in the consolidated income statement under commission and fees income.

(bb) Contingent liabilities
Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these Shari'a-compliant risk management instruments.

(cc) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(dd) Fiduciary activities
The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(ee) Earnings prohibited by Shari'a
The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities.

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

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4. FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

Risk management and structure
Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks, investment securities, financing assets and certain other financial assets. Financial liabilities include customer deposits, due to banks, sukuk financing, other borrowings and certain other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-statement of financial position items.

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

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

Board of Directors
The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function
The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

Assets and liabilities
The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

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

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

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

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4. **FINANCIAL RISK MANAGEMENT (continued)**

4.2 Credit risk

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

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

The main types of collaterals obtained are as follows:
– For securities financing: cash or securities.
– For commercial financing: mortgages over real estate properties, inventory, cash or securities.
– For retail financing: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

The Group also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 10. Also the details of geographical segments are set out in Note 31.

4.2.1 Credit risk measurement

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

4.2.2 Risk limit control and mitigation policies

Risk mitigation

As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration

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

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

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4. **FINANCIAL RISK MANAGEMENT (continued)**

4.2 Credit risk (continued)

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	2020	2019
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Cash and balances with central banks (excluding cash on hand)	6,298,293	2,723,859
Due from banks	6,307,575	6,035,090
Financing assets	85,983,437	74,837,309
Investment securities - debt	20,454,429	21,224,169
Other assets	3,828	7,707
	119,047,562	104,828,134
Other credit risk exposures are as follows:		
Unutilised credit facilities	601,212	418,711
Guarantees	12,376,417	12,355,598
Letters of credit	988,168	715,239
	13,965,797	13,489,548

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

4.2.4 Concentration of risks of financial assets with credit risk exposure

a) By Geographical Sector

	Qatar	Other GCC	Other Middle East	Others	Total
2020					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks (excluding cash on hand)	6,282,011	–	–	16,282	6,298,293
Due from banks	3,867,669	1,128,116	395	1,311,395	6,307,575
Financing assets	72,879,746	3,532	3,991,182	9,108,977	85,983,437
Investment securities - debt	19,114,906	844,665	123,256	371,602	20,454,429
Other assets	3,828	–	–	–	3,828
	102,148,160	**1,976,313**	**4,114,833**	**10,808,256**	**119,047,562**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure (continued)

(a) By Geographical Sector (continued)

	Qatar	Other GCC	Other Middle East	Others	Total
2019					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks excluding cash on hand)	2,723,859	–	–	–	2,723,859
Due from banks	5,132,177	7,848	544	894,521	6,035,090
Financing assets	62,935,642	3,331	3,900,995	7,997,341	74,837,309
Investment securities - debt	19,764,310	897,688	123,255	438,916	21,224,169
Other assets	7,707	–	–	–	7,707
	90,563,695	**908,867**	**4,024,794**	**9,330,778**	**104,828,134**

	Qatar	Other GCC	Other Middle East	Others	Total
2020					
Unutilised credit facilities	523,849	–	–	77,363	601,212
Guarantees	9,984,922	8,606	204,001	2,178,888	12,376,417
Letters of credit	650,224	379	11,770	325,795	988,168
	11,158,995	**8,985**	**215,771**	**2,582,046**	**13,965,797**
2019					
Unutilised credit facilities	332,927	–	–	85,784	418,711
Guarantees	10,537,511	9,547	412,407	1,396,133	12,355,598
Letters of credit	693,838	713	8,496	12,192	715,239
	11,564,276	**10,260**	**420,903**	**1,494,109**	**13,489,548**

(b) By Industry sector

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross exposure 2020	Gross exposure 2019
Funded and unfunded		
Government	36,025,692	24,512,484
Government agencies	31,450,803	32,464,231
Industry	461,669	616,742
Commercial	5,440,363	4,551,203
Services	9,635,559	11,990,321
Contracting	1,564,492	1,451,990
Real estate	24,799,711	19,894,920
Personal	9,665,245	9,331,552
Others	4,028	14,691
Contingent liabilities	13,965,797	13,489,548
Total	**133,013,359**	**118,317,682**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 4- represents investment grade, ORR 5+ to 7 represents sub-investment grade and 7- represents watch list. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Investment grade	6,154,292	–	–	6,154,292
Sub-investment grade	15	153,554	–	153,569
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
	6,154,307	153,554	–	6,307,861
Loss allowance	(224)	(62)	–	(286)
Carrying amount	**6,154,083**	**153,492**	**–**	**6,307,575**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Due from banks				
Investment grade	6,034,671	–	–	6,034,671
Sub-investment grade	148	444	–	592
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
	6,034,819	444	–	6,035,263
Loss allowance	(173)	–	–	(173)
Carrying amount	**6,034,646**	**444**	**–**	**6,035,090**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financing assets				
Investment grade	59,699,395	9,359,191	–	69,058,586
Sub-investment grade	12,896,199	4,006,933	–	16,903,132
Substandard	–	–	580,898	580,898
Doubtful	–	–	248,138	248,138
Loss	–	–	150,618	150,618
	72,595,594	13,366,124	979,654	86,941,372
Loss allowance	(66,810)	(342,620)	(548,505)*	(957,935)
Carrying amount	**72,528,784**	**13,023,504**	**431,149**	**85,983,437**

* Includes profit in suspense of QAR 39,470 thousand

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financing assets				
Investment grade	54,539,702	8,556,308	–	63,096,010
Sub-investment grade	7,653,951	3,965,713	–	11,619,664
Substandard	–	–	355,257	355,257
Doubtful	–	–	239,584	239,584
Loss	–	–	164,196	164,196
	62,193,653	12,522,021	759,037	75,474,711
Loss allowance	(38,990)	(270,543)	(327,869)*	(637,402)
Carrying amount	**62,154,663**	**12,251,478**	**431,168**	**74,837,309**

* Includes profit in suspense of QAR 17,615 thousand

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities - debt				
Investment grade	19,501,390	–	–	19,501,390
Sub-investment grade	481,443	490,850	–	972,293
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	57,162	57,162
	19,982,833	490,850	57,162	20,530,845
Loss allowance	(16,571)	(2,683)	(57,162)	(76,416)
Carrying amount	**19,966,262**	**488,167**	**–**	**20,454,429**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities - debt				
Investment grade	20,284,965	94,254	–	20,379,219
Sub-investment grade	443,811	379,278	–	823,089
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	57,162	57,162
	20,728,776	473,532	57,162	21,259,470
Loss allowance	(1,715)	(4,976)	(28,610)	(35,301)
Carrying amount	**20,727,061**	**468,556**	**28,552**	**21,224,169**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other credit risk exposures				
Investment grade	10,941,592	1,091,021	–	12,032,613
Sub-investment grade	1,289,975	637,495	–	1,927,470
Substandard	–	–	4,499	4,499
Doubtful	–	–	641	641
Loss	–	–	574	574
	12,231,567	1,728,516	5,714	13,965,797
Loss allowance	(22,168)	(8,452)	–	(30,620)
Carrying amount	**12,209,399**	**1,720,064**	**5,714**	**13,935,177**

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other credit risk exposures				
Investment grade	12,316,616	68,003	–	12,384,619
Sub-investment grade	667,544	431,146	–	1,098,690
Substandard	–	–	5,342	5,342
Doubtful	–	–	323	323
Loss	–	–	574	574
	12,984,160	499,149	6,239	13,489,548
Loss allowance	(9,808)	(26,227)	–	(36,035)
Carrying amount	**12,974,352**	**472,922**	**6,239**	**13,453,513**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.6 Credit quality assessments

The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent).

Rating grade	Financing assets	Due from Banks	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk
AAA to AA-	52,402,747	438,661	18,909,903	2,854,269
A+ to A-	8,086,282	5,714,763	539,107	4,911,544
BBB+ to BBB-	8,569,560	869	30,789	4,266,802
BB+ to B-	5,345,948	15	536,916	1,759,697
Unrated	12,536,835	153,553	492,536	173,485
Totals as of 31 December 2020	**86,941,372**	**6,307,861**	**20,509,251**	**13,965,797**
AAA to AA-	43,095,146	332,864	19,792,157	4,554,746
A+ to A-	8,858,751	5,661,963	369,590	4,472,543
BBB+ to BBB-	7,321,349	1,450	68,160	3,356,132
BB+ to B-	4,904,421	148	567,830	899,226
Unrated	11,295,044	38,838	459,841	206,901
Totals as of 31 December 2019	**75,474,711**	**6,035,263**	**21,257,578**	**13,489,548**

4.2.7 Collateral

The Group seeks to use collateral, where possible, to mitigate its credit risks on financial assets. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, inventories and other non-financial assets. Collateral, unless repossessed, is not recorded in the Group's consolidated statement of financial position. Cash flows expected from credit enhancements which are not required to be recognized separately by the applicable standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

In its normal course of business, the Group engages external agents to recover funds from the repossessed assets, generally at auctions, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

	Aggregate collateral	
Past due category:	**2020**	**2019**
Up to 30 days	5,499,435	883,920
31 to 60 days	474,004	324,268
61 – 90 days	192,907	688,769
91 days and above	1,600,227	1,623,259
	7,766,573	**3,520,216**

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2020 is QAR 1,600 million (2019: QAR 1,623 million).

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.8 Renegotiated financing assets

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non-impaired. The carrying value of renegotiated financing assets as at 31 December 2020 was QAR 2,738 million (2019: QAR 1,719 million).

There were no financial assets that were modified that had a loss allowance measured at an amount equal to lifetime ECL.

4.2.9 Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2020 was QAR 1,027 thousand (2019: QAR 34 thousand).

4.2.10 Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

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

i. Two notches down for rating from Aaa to Baa or one notch down for ratings from Ba to Ca;
ii. Facilities restructured during previous twelve months; and
iii. Contractual payments overdue by more than 60 days as at the reporting date.

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

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

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Renegotiated financing assets

The contractual terms of a financing asset may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing asset whose terms have been modified may be derecognised and the renegotiated financing asset recognised as a new financing asset at fair value. Where possible, the Group seeks to restructure financing assets rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing asset conditions. Management continuously reviews renegotiated financing assets to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are restructured due to credit reasons in past 12 months will be classified under Stage 2.

Definition of default

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

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

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

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

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

Incorporation of forward-looking information

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macro – economic parameters are statistically significant or the results of forecasted PD's are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically. The impact of COVID-19 on forward-looking information is disclosed in Note 41.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

– Probability of Default (PD);
– Loss Given Default (LGD);
– Exposure at Default (EAD).

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

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

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4. FINANCIAL RISK MANAGEMENT (continued)
4.2 Credit risk (continued)
4.2.10 Inputs, assumptions and techniques used for estimating impairment (continued)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.
2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.
3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

– credit risk grading's;
– product type; and
– geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under FAS 30.

	2020			
Due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	173	–	–	173
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	51	62	–	113
Impairment allowance for the year, net	51	62	–	113
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**224**	**62**	**–**	**286**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

	2019			
Due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	403	–	–	403
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(61)	61	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(170)	(61)	–	(231)
Impairment allowance for the year, net	(231)	–	–	(231)
Amounts written off	–	–	–	–
Foreign currency translation	1	–	–	1
Balance at 31 December	**173**	**–**	**–**	**173**

	2020			
Financing assets	**Stage 1**	**Stage 2**	**Stage 3***	**Total ECL**
Balance at 1 January	38,990	270,543	327,869	637,402
Transfers to Stage 1	7,164	(7,164)	–	–
Transfers to Stage 2	(2,869)	2,869	–	–
Transfers to Stage 3	(201)	(6,992)	7,193	–
Charge / (reversal) (net)	23,305	82,962	214,352	320,619
Impairment allowance for the year, net	27,399	71,675	221,545	320,619
Amounts written off	–	–	(1,027)	(1,027)
Foreign currency translation	421	402	118	941
Balance at 31 December	**66,810**	**342,620**	**548,505**	**957,935**

* Includes profit in suspense of QAR 17,615 thousand and QAR 39,470 thousand as of 1 January and 31 December, respectively, and net profit suspended during the year of QAR 21,855 thousand.

	2019			
Financing assets	**Stage 1**	**Stage 2**	**Stage 3***	**Total ECL**
Balance at 1 January	58,657	225,239	304,978	588,874
Transfers to Stage 1	11,225	(11,147)	(78)	–
Transfers to Stage 2	(30,971)	32,319	(1,348)	–
Transfers to Stage 3	(362)	(1,776)	2,138	–
Charge / (reversal) (net)	291	25,752	22,178	48,221
Impairment allowance for the year, net	(19,817)	45,148	22,890	48,221
Amounts written off	–	–	(34)	(34)
Foreign currency translation	150	156	35	341
Balance at 31 December	**38,990**	**270,543**	**327,869**	**637,402**

* Includes profit in suspense of QAR 24,224 thousand and QAR 17,615 thousand as of 1 January and 31 December, respectively, and net profit in suspense reversed during the year of QAR 6,609 thousand.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

	2020			
Investment securities - debt	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	1,715	4,976	28,610	35,301
Transfers to Stage 1	1,629	(1,629)	–	–
Transfers to Stage 2	(1,458)	1,458	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	14,684	(2,122)	28,552	41,114
Impairment allowance for the year, net	14,855	(2,293)	28,552	41,114
Amounts written off	–	–	–	–
Foreign currency translation	1	–	–	1
Balance at 31 December	**16,571**	**2,683**	**57,162**	**76,416**

	2019			
Investment securities - debt	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	5,991	230	28,610	34,831
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,245)	3,245	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(1,035)	1,501	–	466
Impairment allowance for the year, net	(4,280)	4,746	–	466
Amounts written off	–	–	–	–
Foreign currency translation	4	–	–	4
Balance at 31 December	**1,715**	**4,976**	**28,610**	**35,301**

	2020			
Other credit risk exposures	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	9,808	26,227	–	36,035
Transfers to Stage 1	779	(779)	–	–
Transfers to Stage 2	(352)	352	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	11,933	(17,348)	–	(5,415)
Impairment allowance for the year, net	12,360	(17,775)	–	(5,415)
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**22,168**	**8,452**	**–**	**30,620**

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4. **FINANCIAL RISK MANAGEMENT (continued)**

4.2 Credit risk (continued)

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

Loss allowance (continued)

	2019			
Other credit risk exposures	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	11,724	35,287	–	47,011
Transfers to Stage 1	1,610	(1,610)	–	–
Transfers to Stage 2	(3,149)	3,149	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(377)	(10,599)	–	(10,976)
Impairment allowance for the year, net	(1,916)	(9,060)	–	(10,976)
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**9,808**	**26,227**	**–**	**36,035**

4.2.11 Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

4.2.12 Credit risk grading

The Group uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

4.3 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Group manages its market risks within the framework of limits defined by the QCB.

4.3.1 Management of market risk

Assets and liabilities profit rate gaps are reviewed on a regular basis which is used to reduce the profit rate gaps to within the limits established by the Board. The Group manages its exposure to currency exchange rate fluctuations to within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis.

4.3.2 Exposure to profit rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. The Asset and Liability Committee ("ALCO") is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

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4. **FINANCIAL RISK MANAGEMENT (continued)**

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

		Re-pricing in:					
	Carrying amount	**Less than 3 months**	**3 to12 months**	**1 to 5 years**	**Over 5 years**	**Non-profit sensitive**	**Effective profit rate**
2020							
Cash and balances with central banks	7,070,507	–	–	–	–	7,070,507	
Due from banks	6,307,575	5,520,584	–	14,946	124,548	647,497	**1.51%**
Financing assets	85,983,437	58,554,916	7,327,656	8,234,887	11,865,978	–	**4.76%**
Investment securities	20,432,835	474,303	1,185,713	11,705,904	7,066,915	–	**4.15%**
	119,794,354	**64,549,803**	**8,513,369**	**19,955,737**	**19,057,441**	**7,718,004**	
Due to banks	(27,979,497)	(22,874,588)	(3,954,360)	(920,711)	(124,548)	(105,290)	**2.57%**
Customer current accounts	(8,491,997)	(1,391,615)	–	–	–	(7,100,382)	
Sukuk financing	(6,023,180)	(1,453,195)	–	(4,541,134)	–	(28,851)	**2.74%**
Other borrowings	(1,270,775)	(1,270,775)	–	–	–	–	**2.21%**
	(43,765,449)	**(26,990,173)**	**(3,954,360)**	**(5,461,845)**	**(124,548)**	**(7,234,523)**	
Equity of investment account holders	**(60,425,902)**	**(36,636,242)**	**(15,679,126)**	**(8,110,534)**	**–**	**–**	**2.01%**
Consolidated statement of financial position items	15,603,003	923,388	(11,120,117)	6,383,358	18,932,893	483,481	
Off consolidated statement of financial position items	(13,052,172)	(1,302,839)	–	–	–	(11,749,333)	
Profit Rate Sensitivity Gap	**2,550,831**	**(379,451)**	**(11,120,117)**	**6,383,358**	**18,932,893**	**(11,265,852)**	
Cumulative Profit Rate Sensitivity Gap	**2,550,831**	**(379,451)**	**(11,499,568)**	**(5,116,210)**	**13,816,683**	**2,550,831**	

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

		Re–pricing in:					
	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non–profit sensitive	Effective profit rate
2019							
Cash and balances with central banks	3,122,860	–	–	–	–	3,122,860	
Due from banks	6,035,090	4,988,169	–	133,999	–	912,922	**2.25%**
Financing assets	74,837,309	53,857,397	9,551,357	6,236,466	5,192,089	–	**5.02%**
Investment securities	21,222,277	622,281	749,991	11,764,418	8,085,587	–	**4.00%**
	105,217,536	**59,467,847**	**10,301,348**	**18,134,883**	**13,277,676**	**4,035,782**	
Due to banks	(19,367,191)	(15,318,403)	(3,905,787)	(124,821)	–	(18,180)	**2.74%**
Customer current accounts	(7,526,683)	–	–	–	–	(7,526,683)	
Sukuk financing	(3,333,998)	(1,558,065)	–	–	–	(1,775,933)	**3.26%**
Other borrowings	(2,002,003)	(2,002,003)	–	–	–	–	**3.27%**
	(32,229,875)	**(18,878,471)**	**(3,905,787)**	**(124,821)**	**–**	**(9,320,796)**	
Equity of investment account holders	**(58,085,882)**	**(32,986,983)**	**(15,983,437)**	**(9,115,462)**	–	–	**2.66%**
Consolidated statement of financial position items	14,901,779	7,602,393	(9,587,876)	8,894,600	13,277,676	(5,285,014)	
Off consolidated statement of financial position items	(25,789,379)	(562,551)	–	–	–	(25,226,828)	
Profit Rate Sensitivity Gap	**(10,887,600)**	**7,039,842**	**(9,587,876)**	**8,894,600**	**13,277,676**	**(30,511,842)**	
Cumulative Profit Rate Sensitivity Gap	**(10,887,600)**	**7,039,842**	**(2,548,034)**	**6,346,566**	**19,624,242**	**(10,887,600)**	

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non–trading portfolios (continued)

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non–standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves worldwide and a 5 bp rise or fall in the greater than 12–month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	10 bp parallel increase	10 bp parallel decrease
2020		
At 31 December	2,121	(2,121)
2019		
At 31 December	1,933	(1,933)

Overall non–trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and Shari'a–compliant risk management instruments to manage the overall position arising from the Group's non–trading activities.

4.3.3 Exposure to other market risks – non–trading portfolios

Foreign currency transactions

The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk–weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group (after taking account of the impact of any qualifying net investment hedges).

	2020	2019
Net foreign currency exposure:		
EUR	1,865	3,353
GBP	553	205
Others	(1,507)	4

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the consolidated income statement, with all other variables held constant:

	Increase / (decrease) in profit or loss	
	2020	2019
5% increase / (decrease) in currency exchange rate		
EUR	93	167
GBP	28	10
Others	(75)	1

The table above does not include currencies that are pegged against the QAR.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.3 Exposure to other market risks – non–trading portfolios (continued)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non–trading equity price risk exposure arises from equity securities classified as investments at fair value through equity.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2020	2019
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	–	–
Increase / (decrease) in equity	1,610	1,823

4.3.4 Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk–free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.5 Financial asset and liability classification

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2020				
Financial assets				
Shari'a–compliant risk management instruments	–	55,306	–	55,306
Investment securities	53,801	99,198	–	152,999
	53,801	**154,504**	**–**	**208,305**
Financial liabilities				
Shari'a–compliant risk management instruments	–	19,732	–	19,732
	–	**19,732**	**–**	**19,732**

	Level 1	Level 2	Level 3	Total
2019				
Financial assets				
Shari'a–compliant risk management instruments	–	20,213	–	20,213
Investment securities	38,359	118,070	–	156,429
	38,359	**138,283**	**–**	**176,642**
Financial liabilities				
Shari'a–compliant risk management instruments	–	17,893	–	17,893
	–	**17,893**	**–**	**17,893**

The fair values of financial assets and financial liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for certain investment securities for which the fair value amounts to QAR 3,428 million (2019: QAR 3,592 million), which is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 7.

Investment securities totalling QAR nil are carried at cost (2019: QAR nil).

During the reporting periods 31 December 2020 and 2019, there were no transfers among Levels 1, 2 and 3 fair value measurements.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for Shari'a–compliant risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution–specific and market–wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.4.1 Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2020	2019
At 31 December	104%	109%
Average for the year	109%	101%
Maximum for the year	117%	116%
Minimum for the year	98%	90%

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2020						
Cash and balances with central banks	7,070,507	4,405,922	–	–	–	2,664,585
Due from banks	6,307,575	6,088,078	80,000	–	14,946	124,551
Financing assets	85,983,437	9,595,441	5,895,454	4,392,445	17,852,116	48,247,981
Investment securities	20,585,834	213,840	262,481	1,185,831	11,725,362	7,198,320
Other assets	3,828	3,828	–	–	–	–
Total financial assets	**119,951,181**	**20,307,109**	**6,237,935**	**5,578,276**	**29,592,424**	**58,235,437**
Due to banks	27,979,497	21,602,157	1,240,864	3,954,360	1,057,568	124,548
Customer current accounts	8,491,997	8,491,997	–	–	–	–
Sukuk financing	6,023,180	3,076	6,336	693,490	5,320,278	–
Other borrowings	1,270,775	–	–	–	1,270,775	–
Total financial liabilities	43,765,449	30,097,230	1,247,200	4,647,850	7,648,621	124,548
Equity of investment account holders	60,425,902	20,383,147	15,701,217	16,231,004	8,110,534	–
Total financial liabilities and equity of investment account holders	**104,191,351**	**50,480,377**	**16,948,417**	**20,878,854**	**15,759,155**	**124,548**
Difference	**15,759,830**	**(30,173,268)**	**(10,710,482)**	**(15,300,578)**	**13,833,269**	**58,110,889**

4. **FINANCIAL RISK MANAGEMENT (continued)**

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

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	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2019						
Cash and balances with central banks	3,122,860	519,606	–	–	–	2,603,254
Due from banks	6,035,090	5,900,931	–	–	14,374	119,785
Financing assets	74,837,309	6,012,739	2,408,879	5,635,828	11,029,816	49,750,047
Investment securities	21,378,706	317,789	306,384	749,991	11,713,512	8,291,030
Other assets	7,707	7,707	–	–	–	–
Total financial assets	**105,381,672**	**12,758,772**	**2,715,263**	**6,385,819**	**22,757,702**	**60,764,116**
Due to banks	19,367,191	11,357,915	3,697,989	4,045,120	146,382	119,785
Customer current accounts	7,526,683	7,526,683	–	–	–	–
Sukuk financing	3,333,998	–	–	–	2,466,798	867,200
Other borrowings	2,002,003	–	–	–	2,002,003	–
Total financial liabilities	32,229,875	18,884,598	3,697,989	4,045,120	4,615,183	986,985
Equity of investment account holders	58,085,882	13,708,507	19,278,476	15,983,437	9,115,462	–
Total financial liabilities and equity of investment account holders	**90,315,757**	**32,593,105**	**22,976,465**	**20,028,557**	**13,730,645**	**986,985**
Difference	**15,065,915**	**(19,834,333)**	**(20,261,202)**	**(13,642,738)**	**9,027,057**	**59,777,131**

4. **FINANCIAL RISK MANAGEMENT (continued)**

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and Shari'a-compliant risk management instruments)

The table below summarises the maturity profile of the Group's financial liabilities based on remaining contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable, diverse and liquid assets in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with QCB. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

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	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2020							
Non-derivative liabilities							
Due to banks	27,979,497	28,048,233	21,610,704	1,242,185	3,989,836	1,080,960	124,548
Customer current accounts	8,491,997	8,491,997	8,491,997	–	–	–	–
Sukuk financing	6,023,180	6,573,537	4,552	17,320	765,760	5,785,905	–
Other borrowings	1,270,775	1,309,609	–	1,832	15,484	1,292,293	–
Other liabilities	2,331,558	2,331,558	2,331,558	–	–	–	–
Total liabilities	**46,097,007**	**46,754,934**	**32,438,811**	**1,261,337**	**4,771,080**	**8,159,158**	**124,548**
Equity of investment account holders	**60,425,902**	**61,076,156**	**20,396,365**	**15,739,379**	**16,427,234**	**8,513,178**	**–**
Shari'a-compliant risk management instruments							
Risk management:	**35,574**						
Outflow		(33,382)	(14)	(2,403)	(14,061)	(9,954)	(6,950)
Inflow		68,956	10,211	24,520	16,321	10,058	7,846
	106,558,483	**107,866,664**	**52,845,373**	**17,022,833**	**21,200,574**	**16,672,440**	**125,444**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.3 Maturity analysis (Financial liabilities and Shari'a-compliant risk management instruments) (continued)

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2019							
Non-derivative liabilities							
Due to banks	19,367,191	19,442,386	11,375,344	3,714,831	4,085,225	147,201	119,785
Customer current accounts	7,526,683	7,526,683	7,526,683	–	–	–	–
Sukuk financing	3,333,998	4,531,367	–	4,996	86,866	2,871,572	1,567,933
Other borrowings	2,002,003	2,123,710	–	8,176	49,876	2,065,658	–
Other liabilities	1,948,849	1,948,849	1,948,849	–	–	–	–
Total liabilities	**34,178,724**	**35,572,995**	**20,850,876**	**3,728,003**	**4,221,967**	**5,084,431**	**1,687,718**
Equity of investment account holders	**58,085,882**	**58,929,394**	**14,589,315**	**19,314,832**	**16,209,697**	**8,815,550**	**–**
Shari'a-compliant risk management instruments	**2,320**						
Risk management:							
Outflow		(21,310)	(2,635)	(5,026)	(6,686)	(6,963)	–
Inflow		23,630	2,687	4,467	8,192	7,259	1,025
	92,266,926	**94,504,709**	**35,440,243**	**23,042,276**	**20,433,170**	**13,900,277**	**1,688,743**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4.6 Capital management

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on equity holders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

The Group is currently in the process of analysing new capital requirements for Profit Rate Risk on Banking Book (PRRBB) and will start setting aside capital based on new standard under Pillar II.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

Regulatory capital (continued)

The Group's regulatory capital position under Basel III and QCB regulations at 31 December was as follows:

	2020 Basel III	2019 Basel III
Common Equity Tier 1 (CET 1) capital	13,299,338	12,251,191
Additional Tier 1 capital	–	–
Tier 2 capital	459,589	352,329
Total regulatory capital	**13,758,927**	**12,603,520**
Risk weighted assets		
Risk weighted assets for credit risk	61,625,989	56,373,722
Risk weighted assets for market risk	567,201	564,026
Risk weighted assets for operational risk	5,552,963	5,241,574
Total risk weighted assets	**67,746,153**	**62,179,322**

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB[1] buffer	Total capital including conservation buffer, DSIB[1] buffer and ICAAP Pillar II capital charge
2020						
Actual	19.63%	19.63%	19.63%	20.31%	20.31%	20.31%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%
2019						
Actual	19.70%	19.70%	19.70%	20.27%	20.27%	20.27%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.80%

[1] *Domestic Systemically Important Bank*

5. USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on financial assets:

The measurement of impairment losses both under FAS 30 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

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5. USE OF ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty (continued)

(i) Impairment losses on financial assets: (continued)

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies (financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument).

(iii) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

6. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes financing assets, deposits and other products and services with corporate and individual customers in the Group's international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non-core business operations, like common property & equipment, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries

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6. OPERATING SEGMENTS (continued)

Information about operating segments

2020	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	2,856,064	1,399,463	26,371	323,640	–	4,605,538
Net fee and commission income	233,479	–	25,825	1,426	–	260,730
Foreign exchange gain / (loss)	160,647	–	–	(2,420)	–	158,227
Share of results of associates	–	–	–	–	17,888	17,888
Other income	–	–	169	–	3,722	3,891
Total segment revenue	**3,250,190**	**1,399,463**	**52,365**	**322,646**	**21,610**	**5,046,274**
Finance expense	(649,320)	–	(2,182)	(20,490)	–	(671,992)
Return to investment account holders	(653,229)	(372,237)	–	(119,720)	–	(1,145,186)
Net impairment losses on financing assets	(185,031)	(105,926)	–	(7,807)	–	(298,764)
Net impairment losses on investments	(55,614)	–	(2,612)	(1)	–	(58,227)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	5,293	1	(5)	13	–	5,302
Reportable segment profit before tax	**1,712,289**	**921,301**	**28,859**	**18,061**	**(497,559)**	**2,182,951**
Reportable segment assets	**81,606,195**	**25,333,414**	**814,029**	**11,566,587**	**1,794,655**	**121,114,880**
Reportable segment liabilities	**38,981,853**	**2,730,997**	**248,592**	**2,439,532**	**1,696,033**	**46,097,007**
Reportable segment equity of investment account holders	**36,084,470**	**15,942,432**	**–**	**8,399,000**	**–**	**60,425,902**

QAR '000s

6. OPERATING SEGMENTS (continued)

2019	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	3,032,280	1,241,040	30,319	337,333	–	4,640,972
Net fee and commission income	364,629	–	20,953	2,501	–	388,083
Foreign exchange gain / (loss)	160,298	–	(78)	2,160	–	162,380
Share of results of associates	–	–	–	–	19,832	19,832
Other income	–	–	–	–	9,708	9,708
Total segment revenue	**3,557,207**	**1,241,040**	**51,194**	**341,994**	**29,540**	**5,220,975**
Finance expense	(803,081)	–	(3,964)	(30,828)	–	(837,873)
Return to investment account holders	(963,542)	(413,337)	–	(114,043)	–	(1,490,922)
Net impairment losses on financing assets	(9,958)	(41,488)	–	(3,384)	–	(54,830)
Net impairment losses on investment securities	636	–	(1,705)	(48)	–	(1,117)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	11,215	1	–	(9)	–	11,207
Reportable segment profit before tax	**1,792,477**	**786,216**	**28,128**	**29,995**	**(448,019)**	**2,188,797**
Reportable segment assets	**69,983,335**	**23,697,156**	**683,323**	**10,743,277**	**1,289,430**	**106,396,521**
Reportable segment liabilities	**27,373,385**	**2,508,181**	**146,771**	**2,485,947**	**1,664,440**	**34,178,724**
Reportable segment equity of investment account holders	**35,783,183**	**14,728,641**	**–**	**7,574,058**	**–**	**58,085,882**

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7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2020					
Cash and balances with central banks	–	–	7,070,507	7,070,507	7,070,507
Due from banks	–	–	6,307,575	6,307,575	6,307,575
Financing assets	–	–	85,983,437	85,983,437	85,983,437
Investment securities:					
- Measured at fair value	2,029	150,970	–	152,999	152,999
- Measured at amortised cost	–	–	20,432,835	20,432,835	20,578,155
Other assets	–	–	3,828	3,828	3,828
Shari'a-compliant risk management instruments	55,306	–	–	55,306	55,306
	57,335	**150,970**	**119,798,182**	**120,006,487**	**120,151,807**
Due to banks	–	–	27,979,497	27,979,497	27,979,497
Customer current accounts	–	–	8,491,997	8,491,997	8,491,997
Sukuk financing	–	–	6,023,180	6,023,180	6,023,180
Other borrowings	–	–	1,270,775	1,270,775	1,270,775
Other liabilities	–	–	1,732,566	1,732,566	1,732,566
Equity of investment account holders	–	–	60,425,902	60,425,902	60,425,902
Shari'a-compliant risk management instruments	19,732	–	–	19,732	19,732
	19,732	**–**	**105,923,917**	**105,943,649**	**105,943,649**
2019					
Cash and balances with central banks	–	–	3,122,860	3,122,860	3,122,860
Due from banks	–	–	6,035,090	6,035,090	6,035,090
Financing assets	–	–	74,837,309	74,837,309	74,837,309
Investment securities:					
– Measured at fair value	1,892	154,537	–	156,429	156,429
– Measured at amortised cost	–	–	21,222,277	21,222,277	21,342,171
Other assets	–	–	7,707	7,707	7,707
Shari'a-compliant risk management instruments	20,213	–	–	20,213	20,213
	22,105	**154,537**	**105,225,243**	**105,401,885**	**105,521,779**
Due to banks	–	–	19,367,191	19,367,191	19,367,191
Customer current accounts	–	–	7,526,683	7,526,683	7,526,683
Sukuk financing	–	–	3,333,998	3,333,998	3,333,998
Other borrowings	–	–	2,002,003	2,002,003	2,002,003
Other liabilities	–	–	1,276,694	1,276,694	1,276,694
Equity of investment account holders	–	–	58,085,882	58,085,882	58,085,882
Shari'a-compliant risk management instruments	17,893	–	–	17,893	17,893
	17,893	**–**	**91,592,451**	**91,610,344**	**91,610,344**

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8. CASH AND BALANCES WITH CENTRAL BANKS

	2020	2019
Cash on hand	772,214	399,001
Cash reserve with QCB*	2,664,585	2,603,254
Current account with QCB and balances with other central banks	3,633,708	120,605
	7,070,507	**3,122,860**

* The cash reserve with QCB represents a mandatory reserve not available for the daily operations of the Group.

9. DUE FROM BANKS

	2020	2019
Current accounts	647,530	912,922
Wakala placements with banks	2,862,418	3,627,306
Commodity murabaha receivable	2,797,727	1,490,000
Accrued profit	186	5,035
Allowance for impairment*	(286)	(173)
	6,307,575	**6,035,090**

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.10.

10. FINANCING ASSETS

	2020	2019
(a) By type		
Receivables and balances from financing activities:		
Murabaha	62,567,084	55,138,706
Ijarah	20,438,039	18,472,205
Istisna'a	938,073	1,136,071
Musharaka	6,079,771	6,062,257
Others	758,729	392,640
Accrued profit	410,007	428,547
Total receivables and balances from financing activities	**91,191,703**	**81,630,426**
Deferred profit	(4,250,331)	(6,155,715)
Allowance for impairment - Performing (Stages 1 and 2)*	(409,430)	(309,533)
Allowance for impairment - Non-performing (Stage3)*	(509,035)	(310,254)
Profit in suspense*	(39,470)	(17,615)
Net financing assets	**85,983,437**	**74,837,309**

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.10.

The total non-performing financing assets net of deferred profit at 31 December 2020 amounted to QAR 979,654 thousand representing 1.13% of the gross financing assets net of deferred profit (2019: QAR 759,037 thousand, representing 1.01% of the gross financing assets net of deferred profit).

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10. FINANCING ASSETS (continued)

(b) Movement in the allowance for impairment and profit in suspense on financing assets

	2020	Profit in suspense	Total 2020
Balance as at 1 January	619,787	17,615	637,402
Charge for the year	405,631	22,849	428,480
Recoveries / reversals during the year	(106,867)	(994)	(107,861)
Write-off during the year	(1,027)	–	(1,027)
Effect of foreign currency movement	941	–	941
Balance at 31 December	**918,465**	**39,470**	**957,935**

	2019	Profit in suspense	Total 2019
Balance as at 1 January	564,650	24,224	588,874
Charge for the year	241,853	3,712	245,565
Recoveries / reversals during the year	(187,023)	(10,321)	(197,344)
Write-off during the year	(34)	–	(34)
Effect of foreign currency movement	341	–	341
Balance at 31 December	**619,787**	**17,615**	**637,402**

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10. FINANCING ASSETS (continued)

c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector-wise

	Corporate			SME			Retail			Real estate			Total 2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2020	14,165	68,007	151,301	1,666	1,634	98,234	17,117	25,653	46,922	6,042	175,249	31,412	38,990	270,543	327,869
Charge for the year	14,622	26,868	158,094	290	5,568	31,668	5,099	8,864	19,837	27,613	101,954	28,003	47,624	143,254	237,602
Recoveries/reversals during the year	(7,909)	(54,120)	(6,482)	(577)	(549)	(1,266)	(10,107)	(5,319)	(8,300)	(1,632)	(11,591)	(9)	(20,225)	(71,579)	(16,057)
Write-off during the year	–	–	(1,000)	–	–	–	–	–	(27)	–	–	–	–	–	(1,027)
Effect of foreign currency movement	–	–	–	–	–	–	421	402	118	–	–	–	421	402	118
Balance as at 31 December 2020	**20,878**	**40,755**	**301,913**	**1,379**	**6,653**	**128,636**	**12,530**	**29,600**	**58,550**	**32,023**	**265,612**	**59,406**	**66,810**	**342,620**	**548,505**

	Corporate			SME			Retail			Real estate			Total 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2019	41,192	67,657	173,004	2,212	3,213	68,789	8,422	7,731	38,528	6,831	146,638	24,657	58,657	225,239	304,978
Charge for the year	4,043	26,440	42,233	412	542	60,410	12,389	21,462	25,746	3,282	35,211	13,395	20,126	83,655	141,784
Recoveries/reversals during the year	(31,070)	(26,090)	(63,902)	(958)	(2,121)	(30,965)	(3,844)	(3,696)	(17,387)	(4,071)	(6,600)	(6,640)	(39,943)	(38,507)	(118,894)
Write off during the year	–	–	(34)	–	–	–	–	–	–	–	–	–	–	–	(34)
Effect of foreign currency movement	–	–	–	–	–	–	150	156	35	–	–	–	150	156	35
Balance as at 31 December 2019	**14,165**	**68,007**	**151,301**	**1,666**	**1,634**	**98,234**	**17,117**	**25,653**	**46,922**	**6,042**	**175,249**	**31,412**	**38,990**	**270,543**	**327,869**

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10. FINANCING ASSETS (continued)

d) By sector

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2020
Government and related agencies	42,923,382	1,271,458	–	–	61,665	44,256,505
Non-banking financial institutions	131,194	578,151	–	–	1,253	710,598
Industry	177,627	–	–	–	3,705	181,332
Commercial	5,278,954	139,105	–	138,572	473,964	6,030,595
Services	2,656,411	358,710	–	–	20,464	3,035,585
Contracting	1,639,737	5,205	–	–	68,698	1,713,640
Real estate	5,673,344	18,256,035	939,532	144,197	314	25,013,422
Personal	4,127,242	196,829	–	5,797,289	128,666	10,250,026
	62,607,891	**20,805,493**	**939,532**	**6,080,058**	**758,729**	**91,191,703**
Less: Deferred profit						(4,250,331)
Allowance for impairment - Performing (Stages 1 and 2)						(409,430)
Allowance for impairment - Non-performing (Stage 3)						(509,035)
Profit in suspense						(39,470)
						85,983,437

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2019
Government and related agencies	37,166,679	1,423,762	–	–	1,367	38,591,808
Non-banking financial institutions	574,796	–	–	–	340	575,136
Industry	258,239	–	–	–	2,623	260,862
Commercial	4,599,850	75,557	–	–	150,616	4,826,023
Services	2,233,248	3,523,034	–	38,928	21,960	5,817,170
Contracting	1,526,501	6,642	–	–	77,237	1,610,380
Real estate	4,561,976	13,653,324	1,138,814	499,977	144	19,854,235
Personal	4,266,138	162,157	–	5,527,352	132,122	10,087,769
Other	812	–	–	–	6,231	7,043
	55,188,239	**18,844,476**	**1,138,814**	**6,066,257**	**392,640**	**81,630,426**
Less: Deferred profit						(6,155,715)
Allowance for impairment - Performing (Stages 1 and 2)						(309,533)
Allowance for impairment - Non-performing (Stage 3)						(310,254)
Profit in suspense						(17,615)
						74,837,309

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11. INVESTMENT SECURITIES

	2020			2019		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Debt type investments – Fixed profit rate	2,018	–	2,018	1,881	–	1,881
Accrued profit receivable	11	–	11	11	–	11
	2,029	**–**	**2,029**	**1,892**	**–**	**1,892**
Debt-type investments classified at amortised cost						
Fixed profit rate	1,901,530	–	1,901,530	1,898,971	–	1,898,971
Government of Qatar Sukuk	1,214,119	17,150,000	18,364,119	1,356,252	17,750,000	19,106,252
Accrued profit receivable	37,785	205,817	243,602	41,610	210,745	252,355
Allowance for impairment*	(76,416)	–	(76,416)	(35,301)	–	(35,301)
	3,077,018	**17,355,817**	**20,432,835**	**3,261,532**	**17,960,745**	**21,222,277**
Investments classified as fair value through equity						
• Equity type investments	32,207	99,198	131,405	36,467	118,070	154,537
• Debt type investments – Fixed profit rate	19,458	–	19,458	–	–	–
Accrued profit receivable	107	–	107	–	–	–
	51,772	**99,198**	**150,970**	**36,467**	**118,070**	**154,537**
	3,130,819	**17,455,015**	**20,585,834**	**3,299,891**	**18,078,815**	**21,378,706**

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.10.

The Group has recognised impairment loss for certain equity-type investments classified as fair value through equity during the year totalling QAR 7,113 thousand (2019: QAR 651 thousand), due to significant and prolonged reduction in fair values.

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11. INVESTMENT SECURITIES (continued)

The cumulative change in fair value of investments designated as fair value through equity during the year is as follows:

	2020			2019		
	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Balance at 1 January	24,634	(1,030)	23,604	10,241	(473)	9,768
Net change in fair value	2,687	(6,118)	(3,431)	21,643	(1,208)	20,435
Gain on sale of FVTE investments transferred to retained earnings	(4,885)	–	(4,885)	–	–	–
Transferred to consolidated income statement on sale	–	–	–	(6,357)	–	(6,357)
Transferred to consolidated income statement due to impairment	–	7,113	7,113	–	651	651
Share of other comprehensive income of associates	2,803	–	2,803	(893)	–	(893)
Net fair value movement	605	995	1,600	14,393	(557)	13,836
Balance at 31 December	**25,239**	**(35)**	**25,204**	**24,634**	**(1,030)**	**23,604**

12. INVESTMENT IN ASSOCIATES

Associates' movement during the year is as follows:

	2020	2019
Balance at 1 January	527,398	525,859
Share of results	17,888	19,832
Cash dividend received	(4,000)	(17,400)
Share of other comprehensive income	2,803	(893)
Impairment loss	(10,000)	–
Effect of foreign currency movement	27	–
Balance at 31 December	**534,116**	**527,398**

Name of the Company	Country	Company's activities	Ownership % 2020	Ownership % 2019
National Mass Housing ("NMH")	Oman	Real estate services	20.00	20.00
CI San Trading ("Ci San")	Qatar	Investing and trading	50.00	50.00
Kirnaf Finance Company ("Kirnaf")	Saudi Arabia	Leasing	48.76	48.76
Daman Insurance – Beema ("Daman")	Qatar	Insurance	20.00	20.00
Linc Facility Services ("Linc")	Qatar	Facility management	33.50	33.50

All investments are not listed.

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12. INVESTMENT IN ASSOCIATES (continued)

The financial position, revenue and results of associates are as follows:

2020	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	136,940	132,251	1,065,476	1,338,932	120,103
Total liabilities	2,475	66,545	294,870	909,087	15,002
Total revenue	3,491	45,081	–	74,016	105,648
Net profit / (loss)	(9,081)	508	–	41,898	33,049
Share of profit / (loss) recognised	(1,817)	254	–	8,380	11,071

2019	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	166,964	131,934	1,065,476	1,196,492	102,916
Total liabilities	23,549	66,736	294,870	819,845	10,864
Total revenue	3,405	61,646	–	72,982	109,356
Net profit / (loss)	(3,342)	1,600	–	41,818	33,841
Share of profit recognised	(668)	800	–	8,363	11,337

13. FIXED ASSETS

	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2020	96,396	100,027	56,142	116,610	80,203	449,378
Additions	–	682	2,341	8,916	57,463	69,402
Disposals	–	(5,320)	(177)	–	–	(5,497)
Write-off	–	(40,666)	(4,143)	(26,247)	–	(71,056)
Effect of foreign currency movement	712	1,177	242	746	–	2,877
Balance at 31 December 2020	**97,108**	**55,900**	**54,405**	**100,025**	**137,666**	**445,104**
Accumulated depreciation:						
Balance at 1 January 2020	6,764	72,844	38,097	103,942	–	221,647
Depreciation for the year	1,250	6,860	7,241	9,467	–	24,818
Disposals	–	(3,693)	(105)	–	–	(3,798)
Write-off	–	(40,666)	(4,143)	(26,247)	–	(71,056)
Effect of foreign currency movement	136	1,017	226	708	–	2,087
Balance at 31 December 2020	**8,150**	**36,362**	**41,316**	**87,870**	**–**	**173,698**
Net book value:						
At 31 December 2020	**88,958**	**19,538**	**13,089**	**12,155**	**137,666**	**271,406**

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13. FIXED ASSETS (continued)

	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2019	95,816	91,547	49,529	109,398	51,613	397,903
Additions	27	9,881	4,429	4,568	38,221	57,126
Disposals	–	(3,613)	(651)	(336)	–	(4,600)
Transfers during the year	–	2,525	2,798	4,308	(9,631)	–
Effect of foreign currency movement	553	(313)	37	(1,328)	–	(1,051)
Balance at 31 December 2019	**96,396**	**100,027**	**56,142**	**116,610**	**80,203**	**449,378**
Accumulated depreciation:						
Balance at 1 January 2019	4,439	70,335	34,177	99,973	–	208,924
Depreciation for the year	2,254	5,171	4,398	5,755	–	17,578
Disposals	–	(2,195)	(489)	(443)	–	(3,127)
Effect of foreign currency movement	71	(467)	11	(1,343)	–	(1,728)
Balance at 31 December 2019	**6,764**	**72,844**	**38,097**	**103,942**	**–**	**221,647**
Net book value:						
At 31 December 2019	**89,632**	**27,183**	**18,045**	**12,668**	**80,203**	**227,731**

14. OTHER ASSETS

	2020	2019
Prepayments and other receivables	273,863	200,107
Positive fair value of Shari'a-compliant risk management instruments	55,306	20,213
Advances to suppliers	29,008	39,400
Accrued profit	3,828	7,707
	362,005	**267,427**

15. DUE TO BANKS

	2020	2019
Current and short-term investment accounts	105,290	18,180
Wakala payable	21,467,248	14,815,657
Short-term Murabaha facilities from banks	2,450,837	433,584
Repurchase agreements	1,965,320	1,888,927
Commodity murabaha payable	1,942,153	2,127,992
Profit payable to banks	48,649	82,851
	27,979,497	**19,367,191**

Wakala payable includes various facilities with maturities up to six months and carries profit rates of 0.05% to 2.40% (2019: maturities up to one year and carries a profit rate of 0.02% to 3.15%).

The market value of securities given as collateral against the repurchase agreements are QAR 2,461 million (2019: QAR 2,185 million).

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16. CUSTOMER CURRENT ACCOUNTS

	2020	2019
By sector:		
Government	924,942	955,119
Non-banking financial institutions	23,750	20,909
Corporate	4,092,843	3,300,618
Individuals	3,450,462	3,250,037
	8,491,997	**7,526,683**

17. SUKUK FINANCING

The Group has issued the following debt securities under its sukuk programs:

Instrument	Issuer	Issued amount	Issued on	Maturity	Profit rate
Sukuk	MAR Sukuk Limited	USD 100 million	20 November 2018	20 November 2023	3-month USD LIBOR + 1.75% p.a. payable quarterly
Sukuk	MAR Sukuk Limited	USD 90 million	21 November 2018	21 November 2023	3-month USD LIBOR + 1.75% payable quarterly
Sukuk	MAR Sukuk Limited	USD 500 million	13 November 2019	21 November 2024	Fixed rate of 3.025% payable semi-annually
Sukuk	MAR Sukuk Limited	USD 40 million	12 March 2020	13 March 2023	3-month USD LIBOR + 1.05% payable quarterly
Sukuk	MAR Sukuk Limited	USD 750 million	2 September 2020	2 September 2025	Fixed rate of 2.210% payable semi-annually
Sukuk	Tolkien Funding Sukuk No.1 Plc	GBP 221 million	20 February 2018	20 July 2052	3-month Sterling LIBOR + 0.8% payable quarterly

At 31 December	2020	2019
Face value of sukuks	6,003,820	3,328,217
Less: Unamortised transaction costs	(9,491)	(4,470)
Profit payable	28,851	10,251
	6,023,180	**3,333,998**

The movement in sukuk financing issued by the Group during the year is as follows:

	2020	2019
Balance at 1 January	3,333,998	1,721,339
Net issuances during the year	2,861,918	1,765,602
Repayments during the year	(237,880)	(196,256)
Amortisation of transaction costs	1,814	277
Effect of foreign currency movement	34,479	32,785
Profit payable on sukuk financing	28,851	10,251
Balance at 31 December	**6,023,180**	**3,333,998**

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18. OTHER BORROWINGS

Other borrowings are USD floating rate syndications that are priced at spreads over LIBOR and which have residual maturities of 1 to 3 years. The movement in other borrowings issued by the Group during the year is as follows:

	2020	2019
Balance at 1 January	2,002,003	2,052,993
Net issuances during the year	1,267,161	182,025
Repayments during the year	(8,965)	(10,055)
Amortisation of transaction costs	5,644	4,707
Reclassified as Due to banks	(1,997,989)	(236,632)
Profit payable on borrowings	2,921	8,965
Balance at 31 December	1,270,775	2,002,003

When the residual maturity of the borrowing is less than one year from the reporting date, the financial instrument is reclassified from 'Other borrowings' to 'Due to banks'.

19. OTHER LIABILITIES

	2020	2019
Dividend payable	915,196	850,953
Acceptances	582,496	213,961
Manager's cheque and prepaid cards	180,488	157,320
Unearned commission	141,216	153,867
Funds received against dividend payment on behalf of customers	124,321	105,556
Other staff provisions	98,968	92,925
Social and sports fund (Note 39)	54,386	54,460
Provision for employees' end of service benefits (a)	51,116	46,083
Accrued expenses	41,031	38,914
Allowance for impairment for off balance sheet exposures subject to credit risk	30,620	36,035
Negative fair value of Shari'a-compliant risk management instruments	19,732	17,893
Others	91,988	180,882
	2,331,558	1,948,849

(a) Provision for employees' end of service benefits

	2020	2019
Balance at 1 January	46,083	43,262
Provisions made during the year	5,814	5,627
Paid during the year	(781)	(2,806)
Balance at 31 December	51,116	46,083

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20. EQUITY OF INVESTMENT ACCOUNT HOLDERS

(a) By type

	2020	2019
Saving accounts	8,414,414	6,532,105
Term accounts	45,781,149	47,948,623
Short-term investment accounts	5,926,572	3,255,255
Profit payable to equity of investment account holders	302,626	348,823
Share in the fair value reserve	1,141	1,076
	60,425,902	58,085,882

(b) By sector

	2020	2019
Government	23,826,517	24,854,240
Non-banking financial institutions	162,770	49,357
Individuals	23,593,845	21,432,964
Corporate	12,539,003	11,399,422
Profit payable to equity of investment account holders	302,626	348,823
Share in the fair value reserve	1,141	1,076
	60,425,902	58,085,882

In accordance with QCB circular No. 87/2008, no risk reserve is deducted from the profit related to the equity of investment account holders and the total risk reserve is transferred from the shareholders' profit as an appropriation.

(c) Share of equity of investment account holders in the net profit

	2020	2019
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	2,446,379	2,759,306
Masraf's Mudaraba income	(2,300,460)	(2,596,913)
Return on investment account holders	145,919	162,393
Support provided by Masraf	999,267	1,328,529
Return on investment account holders after Masraf's support	1,145,186	1,490,922

Rates of profit allotment:	2020 %	2019 %
More than one year deposits	3.83	3.84
One year deposits	2.28	2.49
Six months deposits	0.94	1.58
Three months deposits	0.93	1.45
Short-term investment accounts	0.67	0.99
Saving accounts	0.70	1.36
Saving accounts-millionaire	0.80	1.58

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21. EQUITY

(a) Share capital

	2020	2019
Authorised, issued and paid up		
7,500,000,000 shares at QAR 1 each	7,500,000	7,500,000

On 16 June 2019, upon the instructions of the QFMA and following the approval of the shareholders obtained at the Bank's extraordinary general assembly meeting held on 25 February 2019, the Bank effected a 10:1 stock split on its shares of capital stock, adjusting the nominal value to one Qatari Riyal per share (QAR 1 per share) instead of QAR 10 per share.

(b) Legal reserve

	2020	2019
Balance at 1 January	2,496,623	2,278,783
Transfer from retained earnings (i)	217,543	217,840
Balance at 31 December	2,714,166	2,496,623

(i) According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. At 31 December 2020, the Group transferred to legal reserve 10% of the net profit for the year (2019: 10% of the net profit).

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. As of 31 December 2020, an amount of QAR 160 million has been transferred to the risk reserve (2019: QAR 62 million).

(d) Fair value reserve

	2020	2019
Balance at the 1 January	23,604	9,768
Net unrealised (losses)/gains	(2,290)	21,511
Gain on sale of FVTE investments transferred to retained earnings	(4,885)	–
Transferred to consolidated income statement	–	(6,357)
Transferred to consolidated income statement due to impairment	7,113	651
Share of other comprehensive income of associates	2,803	(893)
Share of equity of investment account holders in the fair value reserve	(1,141)	(1,076)
Net fair value movement	1,600	13,836
Balance at 31 December (shareholders' share)	25,204	23,604

Fair value reserve represents unearned gains, being not available for distribution unless realised and charged to the consolidated income statement.

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21. EQUITY (continued)

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on Shari'a-compliant risk management instruments that hedge the Group's net investment in foreign operations.

(f) Other reserves

This represents the Group's share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2020	2019
Balance at 1 January	123,405	118,910
Share of results of associates	17,888	19,832
Dividend from associates transferred to retained earnings	(4,000)	(4,000)
Other movement	(11,071)	(11,337)
Balance at 31 December	126,222	123,405

(g) Proposed dividend

The Board of Directors in its meeting held on 19 January 2021 proposed a cash dividend of 17.0% (2019: 22.5%) of the share capital amounting to QAR 1,275 million (2019: QAR 1,687.5 million).

This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

22. NON-CONTROLLING INTEREST

This represents the Group's non-controlling interest in Al Rayan (UK) Limited (30%) and Al Rayan Bank PLC (31.16%) (31 December 2019: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

23. INCOME FROM FINANCING ACTIVITIES

	2020	2019
Income from Murabaha	2,335,570	2,437,252
Income from Ijarah	1,071,189	949,746
Income from Musharaka	219,813	255,163
Income from Istisna'a	53,764	68,223
	3,680,336	3,710,384

24. INCOME FROM INVESTING ACTIVITIES

	2020	2019
Income from investment in debt-type instruments	847,222	804,074
Income from inter-bank placements with Islamic banks	62,678	113,843
Net gain on sale of equity-type investments	–	6,895
Net gain on sale of debt-type investments	13,805	3,314
Dividend income	1,442	2,528
Fair value gain/(loss) on investment securities carried as fair value through income statement	55	(66)
	925,202	930,588

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25. NET FEE AND COMMISSION INCOME

	2020	2019
Commission on financing activities	138,507	234,697
Commission on trade finance activities	80,196	103,134
Commission on banking services	44,307	53,387
	263,010	391,218
Fee and commission expenses	(2,280)	(3,135)
	260,730	**388,083**

26. FOREIGN EXCHANGE GAIN (NET)

	2020	2019
Dealing in foreign currencies	158,328	162,559
Revaluation of assets and liabilities	(101)	(179)
	158,227	**162,380**

27. OTHER INCOME

	2020	2019
Rental income	626	2,401
Miscellaneous	3,265	7,307
	3,891	**9,708**

28. STAFF COSTS

	2020	2019
Salaries, allowances and other staff costs	371,104	381,010
Staff indemnity costs	5,814	5,627
Staff pension fund costs	9,490	8,743
	386,408	**395,380**

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29. OTHER EXPENSES

	2020	2019
Rent and maintenance	64,277	63,357
Legal, professional and consulting fees	45,269	21,149
Advertising expenses	37,832	23,173
Information technology	36,954	31,665
Board of Directors' remuneration - Parent	15,589	15,567
Board of Directors' remuneration - Subsidiaries	3,433	3,047
Shari'a Board compensation	1,471	2,073
Other operating expenses	78,405	85,654
	283,230	**245,685**

30. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these rent agreements are as follows:

	2020	2019
Payable not later than 1 year	18,829	14,271
Payable later than 1 year and not later than 5 years	24,358	21,925
	43,187	**36,196**

(b) Contingent liabilities

	2020	2019
Unutilised credit facilities	601,212	418,711
Guarantees	12,376,417	12,355,598
Letters of credit	988,168	715,239
	13,965,797	**13,489,548**

(c) Other undertakings and commitments

	2020	2019
Profit rate swap	1,302,839	562,551
Unilateral promise to buy/sell currencies	11,749,333	25,226,828
	13,052,172	**25,789,379**
Capital commitments in respect of Head Office building under construction	**333,170**	**392,325**

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31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	Other GCC	Europe	North America	Others	Total
2020						
Cash and balances with central banks	7,041,081	–	29,426	–	–	7,070,507
Due from banks	4,301,827	1,128,116	802,498	52,065	23,069	6,307,575
Financing assets	73,240,155	3,532	8,749,157	–	3,990,593	85,983,437
Investment securities	19,246,312	844,665	11,105	–	483,752	20,585,834
Investment in associates	141,476	392,640	–	–	–	534,116
Fixed assets	247,697	–	23,709	–	–	271,406
Other assets	278,679	–	83,326	–	–	362,005
TOTAL ASSETS	**104,497,227**	**2,368,953**	**9,699,221**	**52,065**	**4,497,414**	**121,114,880**
Due to banks	18,696,384	5,589,162	2,887,178	–	806,773	27,979,497
Customer current accounts	7,361,645	56,100	1,061,938	639	11,675	8,491,997
Sukuk financing	5,349,129	–	674,051	–	–	6,023,180
Other borrowings	–	–	1,270,775	–	–	1,270,775
Other liabilities	2,287,269	–	44,289	–	–	2,331,558
Total liabilities	33,694,427	5,645,262	5,938,231	639	818,448	46,097,007
Equity of investment account holders	49,291,842	2,652,005	8,357,377	81,227	43,451	60,425,902
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**82,986,269**	**8,297,267**	**14,295,608**	**81,866**	**861,899**	**106,522,909**

	Qatar	Other GCC	Europe	North America	Others	Total
2019						
Cash and balances with central banks	3,106,512	–	16,348	–	–	3,122,860
Due from banks	5,132,177	7,848	868,095	26,306	664	6,035,090
Financing assets	62,935,642	3,331	7,997,341	–	3,900,995	74,837,309
Investment securities	19,898,321	919,377	14,053	–	546,955	21,378,706
Investment in associates	122,967	404,431	–	–	–	527,398
Fixed assets	197,986	–	29,745	–	–	227,731
Other assets	187,736	–	79,691	–	–	267,427
TOTAL ASSETS	**91,581,341**	**1,334,987**	**9,005,273**	**26,306**	**4,448,614**	**106,396,521**
Due to banks	10,577,208	4,594,930	3,145,920	–	1,049,133	19,367,191
Customer current accounts	6,570,425	59,117	878,461	4,058	14,622	7,526,683
Sukuk financing	2,466,798	–	867,200	–	–	3,333,998
Other borrowings	–	–	2,002,003	–	–	2,002,003
Other liabilities	1,887,347	–	61,502	–	–	1,948,849
Total liabilities	21,501,778	4,654,047	6,955,086	4,058	1,063,755	34,178,724
Equity of investment account holders	47,987,077	2,788,774	7,109,115	149,123	51,793	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**69,488,855**	**7,442,821**	**14,064,201**	**153,181**	**1,115,548**	**92,264,606**

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31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2020							
Cash and balances with central banks	–	–	–	7,070,507	–	–	7,070,507
Due from banks	–	–	–	6,035,090	–	272,485	6,307,575
Financing assets	24,362,923	1,726,411	12,852	685,566	12,758,875	46,436,810	85,983,437
Investment securities	436,789	8,633	–	614,515	–	19,525,897	20,585,834
Investment in associates	26,893	–	–	472,004	–	35,219	534,116
Fixed assets	–	–	–	–	–	271,406	271,406
Other assets	–	–	–	–	–	362,005	362,005
TOTAL ASSETS	**24,826,605**	**1,735,044**	**12,852**	**14,877,682**	**12,758,875**	**66,903,822**	**121,114,880**
Due to banks	–	–	–	27,979,497	–	–	27,979,497
Customer current accounts	17,842	223,053	707	23,680	3,449,243	4,777,472	8,491,997
Sukuk financing	–	–	–	6,023,180	–	–	6,023,180
Other borrowings	–	–	–	1,270,775	–	–	1,270,775
Other liabilities	–	–	–	–	–	2,331,558	2,331,558
Total liabilities	17,842	223,053	707	35,297,132	3,449,243	7,109,030	46,097,007
Equity of investment account holders	3,981	21,453	728	162,772	23,593,637	36,643,331	60,425,902
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**21,823**	**244,506**	**1,435**	**35,459,904**	**27,042,880**	**43,752,361**	**106,522,909**

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector (continued)

QAR '000s

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2019							
Cash and balances with central banks	–	–	–	3,122,860	–	–	3,122,860
Due from banks	–	–	–	6,035,090	–	–	6,035,090
Financing assets	19,465,145	1,671,182	14,245	519,446	9,331,552	43,835,739	74,837,309
Investment securities	429,775	13,067	–	622,305	–	20,313,559	21,378,706
Investment in associates	28,683	–	–	441,969	–	56,746	527,398
Fixed assets	–	–	–	–	–	227,731	227,731
Other assets	–	–	–	–	–	267,427	267,427
TOTAL ASSETS	**19,923,603**	**1,684,249**	**14,245**	**10,741,670**	**9,331,552**	**64,701,202**	**106,396,521**
Due to banks	–	–	–	19,367,191	–	–	19,367,191
Customer current accounts	25,013	194,842	735	20,908	3,250,037	4,035,148	7,526,683
Sukuk financing	–	–	–	3,333,998	–	–	3,333,998
Other borrowings	–	–	–	2,002,003	–	–	2,002,003
Other liabilities	–	–	-	–	–	1,948,849	1,948,849
Total liabilities	25,013	194,842	735	24,724,100	3,250,037	5,983,997	34,178,724
Equity of investment account holders	15,943	39,788	728	63,770	21,432,964	36,532,689	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**40,956**	**234,630**	**1,463**	**24,787,870**	**24,683,001**	**42,516,686**	**92,264,606**

32. MATURITY PROFILE

QAR '000s

	Up to 3 months	3-6 months	6 months-1 year	1-5 years	Over 5 years	Total
2020						
Cash and balances with central banks	4,405,922	–	–	–	2,664,585	7,070,507
Due from banks	6,168,078	–	–	14,946	124,551	6,307,575
Financing assets	15,491,087	1,413,625	2,978,809	17,852,050	48,247,866	85,983,437
Investment securities	476,321	675,876	509,955	11,725,362	7,198,320	20,585,834
Investment in associates	–	–	–	–	534,116	534,116
Fixed assets	–	–	–	–	271,406	271,406
Other assets	362,005	–	–	–	–	362,005
TOTAL ASSETS	**26,903,413**	**2,089,501**	**3,488,764**	**29,592,358**	**59,040,844**	**121,114,880**
Due to banks	22,843,021	1,302,242	2,652,118	1,057,568	124,548	27,979,497
Customer current accounts	8,491,997	–	–	–	–	8,491,997
Sukuk financing	–	28,851	–	5,320,278	674,051	6,023,180
Other borrowings	2,921	–	–	1,267,854	–	1,270,775
Other liabilities	2,331,558	–	–	–	–	2,331,558
Total liabilities	33,669,497	1,331,093	2,652,118	7,645,700	798,599	46,097,007
Equity of investment account holders	36,084,363	8,910,406	7,320,599	8,110,534	–	60,425,902
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**69,753,860**	**10,241,499**	**9,972,717**	**15,756,234**	**798,599**	**106,522,909**
MATURITY GAP	**(42,850,447)**	**(8,151,998)**	**(6,483,953)**	**13,836,124**	**58,242,245**	**14,591,971**

QAR '000s

32. MATURITY PROFILE (continued)

	Up to 3 months	3-6 months	6 months-1 year	1-5 years	Over 5 years	Total
2019						
Cash and balances with central banks	519,606	–	–	–	2,603,254	3,122,860
Due from banks	5,900,931	–	–	14,374	119,785	6,035,090
Financing assets	8,421,618	1,517,892	4,117,936	11,029,816	49,750,047	74,837,309
Investment securities	624,173	113,399	636,592	11,713,512	8,291,030	21,378,706
Investment in associates	–	–	–	–	527,398	527,398
Fixed assets	–	–	–	–	227,731	227,731
Other assets	267,427	–	–	–	–	267,427
TOTAL ASSETS	**15,733,755**	**1,631,291**	**4,754,528**	**22,757,702**	**61,519,245**	**106,396,521**
Due to banks	15,055,904	1,965,055	2,080,065	146,382	119,785	19,367,191
Customer current accounts	7,526,683	–	–	–	–	7,526,683
Sukuk financing	–	–	–	2,466,798	867,200	3,333,998
Other borrowings	–	–	–	2,002,003	–	2,002,003
Other liabilities	1,948,849	–	–	–	–	1,948,849
Total liabilities	24,531,436	1,965,055	2,080,065	4,615,183	986,985	34,178,724
Equity of investment account holders	32,986,983	7,660,852	8,322,585	9,115,462	–	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**57,518,419**	**9,625,907**	**10,402,650**	**13,730,645**	**986,985**	**92,264,606**
MATURITY GAP	**(41,784,664)**	**(7,994,616)**	**(5,648,122)**	**9,027,057**	**60,532,260**	**14,131,915**

QAR '000s

33. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
Profit for the year attributable to equity holders of the Bank	2,175,425	2,178,399
Weighted average number of shares outstanding during the year (thousand)[1]	7,500,000	7,500,000
Basic earnings per share (QAR) (Restated)	0.290	0.290

[1] Retroactively adjusted for the stock split effected on 16 June 2019 (Note 21a)

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

34. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	2020	2019
Cash on hand and balances with central banks excluding cash reserve with QCB	4,405,922	519,606
Due from banks	6,307,575	6,035,090
Add: Allowance for impairment	286	173
	10,713,783	6,554,869

35. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

(a) Transactions and balances

The related party transactions and balances included in these consolidated financial statements are as follows:

	2020			2019		
	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Shareholders
Consolidated statement of financial position items:						
Financing assets	–	5,046	–	–	478	–
Customer current accounts	83,994	10,224	–	55,641	9,945	–
Equity of investment account holders	16,716	64,615	3,181,426	10,753	71,069	3,167,419
Consolidated income statement items:						
Income from financing activities	–	293	–	–	14	–
Return on equity of investment account holders	136	1,449	48,107	236	2,504	76,724
Operating expenses	14,637	–	–	12,354	–	–
Contingent liabilities:						
Guarantees	67,526	–	–	38,697	–	–

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35. RELATED PARTIES (continued)

(a) Transactions and balances (continued)

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in Notes 10, 16 and 20.

All the transactions with the related parties are substantially on the same terms, including profit rates and collateral, as those prevailing in comparable transactions with unrelated parties.

(b) Transactions with key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2020	2019
Remuneration to Board of Directors including meeting allowances:		
– Parent	15,589	15,567
– Subsidiaries	3,433	3,047
	19,022	**18,614**
Salaries and other benefits – Key management	**13,916**	**15,633**

36. SHARI'A-COMPLIANT RISK MANAGEMENT INSTRUMENTS

(a) Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

(b) Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of Shari'a-compliant risk management instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the fair value of Shari'a-compliant risk management instruments.

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
2020							
Shari'a-compliant risk management instruments							
Profit rate swaps	17,904	16,904	1,302,839	–	199,276	798,346	305,217
Unilateral promise to buy/sell currencies	37,402	2,828	11,749,333	9,673,851	2,075,482	–	–
	55,306	**19,732**	**13,052,172**	**9,673,851**	**2,274,758**	**798,346**	**305,217**
2019							
Shari'a-compliant risk management instruments							
Profit rate swaps	8,285	6,963	562,551	–	–	245,531	317,020
Unilateral promise to buy/sell currencies	11,928	10,930	25,226,828	9,828,237	15,398,591	–	–
	20,213	**17,893**	**25,789,379**	**9,828,237**	**15,398,591**	**245,531**	**317,020**

QAR '000s

37. ZAKAT

Zakat is directly borne by the equity holders. The Group does not collect or pay Zakat on behalf of its equity holders in accordance with the Articles of Association.

38. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

39. SOCIAL RESPONSIBILITY

Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 54.4 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2020 (2019: QAR 54.5 million) for the support of sports, cultural and charitable activities.

40. ASSETS UNDER MANAGEMENT

The Group's authorised activities include dealing in investments as an agent, arranging the provision of custody services, managing investments and advising on investments.

At the reporting date, the Group held Assets under Management of QAR 4,047 million (31 December 2019: QAR 3,225 million), which include among others, discretionary portfolios and funds under management. These Assets under Management are not consolidated with the financial statements of the Company.

41. IMPACT OF COVID 19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In addition, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Group has performed an assessment of COVID-19 in light of the available guidance of QCB and FASs, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2020:

i. Expected credit losses

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of ECLs as at 31 December 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Group. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes a) yearly weighted average oil price of $ 45/barrel and weighted average real GDP growth of -2% for the financial year 2020 (31 December 2019: Oil price of $ 60/barrel and GDP of 2.88%). The aforementioned values of macro-economic factors have been derived by applying weightings of 65%, 20% and 15% for base, stressed and improved scenarios, respectively (31 December 2019: 70%, 15% and 15% for base, stressed and improved scenarios). The situation is fast evolving and, accordingly, any downside scenarios will be reassessed if adverse conditions continue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. IMPACT OF COVID 19 (continued)

The Bank has updated the methodologies for all segments of wholesale and retail banking by calibrating the PD curve to the internal default history. The macro-economic variables have been re-visited and re-aligned with the economy, which were selected after considering inter-correlation of the macro-variables, direction and degree of association, relationship with Asset quality ratio of Qatar as well as market benchmarking. ECLs were estimated based on a range of forecast economic conditions. The Bank has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

The table below shows a comparison of the loss allowances on non-impaired financial assets (stages 1 and 2) by assuming each forward-looking scenarios resulting from simulations of each scenario weighted at 100%:

Sensitivity of Impairment assessment	2020 Impact on ECL	2019 Impact on ECL
Simulations:		
Base case - 100% weighted, loss allowance would be higher/(lower) by	(64,584)	(19,365)
Upside case - 100% weighted, loss allowance would be higher/(lower) by	(188,784)	(90,055)
Downside case - 100% weighted, loss allowance would be higher/(lower) by	252,445	160,850

In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances as disclosed in Note 4.2.10 to the consolidated financial statements.

ii. Valuation estimates and judgements

The Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors via a circular issued on 22 March 2020, pursuant to which the Group has delayed repayments for certain customers for a period of six months.

iv. Accounting for zero rate repo facility

The QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from the QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The Group has not utilized the zero-rate repos during the year ended 31 December 2020.

v. Major events

The implications of the COVID-19 pandemic are ongoing and the outcome of this event is unknown and, therefore, the impact on the Group for conditions that arose after the period-end, i.e. "non-adjusting events" in line with IAS 10 "Subsequent events", cannot be reasonably quantified at the date of issuance of these consolidated financial statements.

42. EVENTS AFTER THE REPORTING PERIOD

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") have entered into a merger agreement. The Bank will issue one share for every two Al Khaliji shares, equivalent to 1.8 billion new shares to be issued to Al Khaliji shareholders. Upon completion of the merger, Al Khaliji will be dissolved and its assets and liabilities will be absorbed by the Bank, which will be the remaining legal entity and will continue to operate in accordance with Shari'a principles.

The merger agreement is subject to the approvals of the QCB, the QFMA, the Ministry of Commerce and Industry and other relevant official bodies in the State of Qatar, and the shareholders of each bank.

SUPPLEMENTARY FINANCIAL INFORMATION

At 31 December

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FINANCIAL STATEMENTS OF THE PARENT BANK

(A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2020	2019
ASSETS		
Cash and balances with QCB	7,041,081	3,106,512
Due from banks	4,958,865	4,853,023
Financing assets	77,258,767	66,923,186
Investment securities	19,533,551	20,080,810
Investment in subsidiaries and associates	1,121,062	1,117,700*
Fixed assets	249,822	197,053
Other assets	274,420	180,350
TOTAL ASSETS	**110,437,568**	**96,458,634**
LIABILITIES		
Due to banks	27,959,916	19,348,223
Customer current accounts	7,100,382	6,309,191
Sukuk financing	5,407,300	2,517,726
Other borrowings	1,270,775	2,002,003
Other liabilities	2,323,514	1,877,345
TOTAL LIABILITIES	**44,061,887**	**32,054,488**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**52,596,168**	**51,025,167**
EQUITY		
Share capital	7,500,000	7,500,000
Legal reserve	2,714,166	2,496,623
Risk reserve	1,796,600	1,636,268
Fair value reserves	25,679	20,939
Retained earnings	1,743,068	1,725,149
TOTAL EQUITY	**13,779,513**	**13,378,979**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY	**110,437,568**	**96,458,634**

Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned in Notes 3c except for investment in subsidiaries and associates which are carried at cost, less impairment if any.

SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December

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FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(B) INCOME STATEMENT OF THE PARENT BANK

	2020	2019
Net income from financing activities	3,392,320	3,401,437
Net income from investing activities	882,979	895,888
Total net income from financing and investing activities	**4,275,299**	**4,297,325**
Fee and commission income	234,604	365,618
Fee and commission expense	(579)	(443)
Net fee and commission income	**234,025**	**365,175**
Foreign exchange gain	160,647	160,298
Other income	5,486	9,461
TOTAL INCOME	**4,675,457**	**4,832,259**
Staff costs	(292,684)	(281,005)
Depreciation	(18,135)	(11,760)
Other expenses	(213,044)	(187,453)
Finance expense	(656,923)	(823,086)
TOTAL EXPENSES	**(1,180,786)**	**(1,303,304)**
Net (impairment losses) / reversals on due from banks	(126)	240
Net impairment losses on financing assets	(290,957)	(51,446)
Net (impairment losses) / reversals on investment securities	(55,686)	615
Net reversals on off balance sheet exposures subject to credit risk	5,415	10,976
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	**3,153,317**	**3,489,340**
Less: Return to investment account holders	(1,035,922)	(1,379,072)
NET PROFIT FOR THE YEAR	**2,117,395**	**2,110,268**

QUANTITATIVE AND QUALITATIVE DISCLOSURES FOR PRRBB

QUALITATIVE DISCLOSURES FOR PRRBB

Purpose: To provide a description of the risk management objectives and policies concerning PRRBB.

Content: Qualitative and quantitative information. Quantitative information is based on 30 September 2020.

Frequency: Annual.

Format: Flexible.

Qualitative disclosures

a) A description of how the bank defines PRRBB for purposes of risk control and measurement.

- **PRRBB refers to the current or prospective risk to the Group's capital and to its earnings, arising from the impact of adverse movements in profit rates on its banking book.**
- **Excessive PRRBB can pose a significant threat to the Group's current capital base and/or future earnings if not managed appropriately.**
- **Changes in profit rates can affect the underlying economic value of the Group's assets, liabilities, because the present value of future cash flows (and, in many cases, the amounts of cash flows themselves) change when profit rates change. Changes in profit rates also affect the Group's earnings by increasing or decreasing its net profit.**
- **The main driver of PRRBB is a change in market profit rates, both current and expected, as expressed by changes to the shape, slope and level of a range of different yield curves that incorporate some or all of the components of profit rates.**
- **When the level or shape of a yield curve for a given profit rate basis changes, the relationship between profit rates of different maturities of the same index or market, and relative to other yield curves for different instruments, is affected. This may result in changes to a Group's income or underlying economic value.**

b) A description of the bank's overall PRRBB management and mitigation strategies.

The Group calculates PRRBB capital requirements under two different approaches of Economic Value of Equity ("EVE") and Earnings Based Approach ('EBA"). The Group established limits in the risk appetite statement; breaches will be escalated to the management monthly, and quarterly to the Board of directors in the Key Risk Indicators (KRI) reports. On a regular basis, Internal Audit reviews the PRRBB's model, the assumptions and all stress testing scenarios to ensure appropriate model validation. ALCO monitors the PRRBB on monthly basis to take the proper actions using on-balance sheet or off-balance sheet hedging.

c) The periodicity of the calculation of the bank's PRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to PRRBB.

Quarterly update for EBA and EVE - Under these approaches, the Group applies six profit rate shock scenarios to capture parallel and non-parallel gap risks for EVE and two profit rate shock scenarios for EBA. These scenarios are applied to PRRBB exposures in each currency for which the Group has material positions.

d) A description of the Profit rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.

The Group applies six profit rate shock scenarios to capture parallel and non-parallel gap risks for EVE and two profit rate shock scenarios for EBA. These scenarios are applied to PRRBB exposures in each currency for which the Group has material positions.

e) Where significant modelling assumptions used in the bank's IMS (ie the EVE metric generated by the bank for purposes other than disclosure, eg for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in table below, the bank should provide a description of those assumptions and of their directional implications and explain its rationale for making those assumptions (eg historical data, published research, management judgment and analysis).

The Group allocates the non-maturing customer deposits (NMD) in the different re-pricing buckets based on behavioral analysis, and as per the limits within the QCB circular. The Group allocates financing assets that the Group has the ability to re-price from 1-6 months buckets based on the behavioral assessment of repricing financing assets. Repayments from financing assets based on repayment schedule has been considered and moved from a contractual maturity bucket to the buckets where the repayments are scheduled to be received.

QUANTITATIVE AND QUALITATIVE DISCLOSURES FOR PRRBB

QUALITATIVE DISCLOSURES FOR PRRBB (continued)

f) A high-level description of how the bank hedges its PRRBB, as well as the associated accounting treatment.

ALCO monitors the PRRBB gaps and KRI's on monthly basis to take the proper actions using on-balance sheet or off-balance sheet hedging.

g) A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in table below, which includes:

The Group allocates the non-maturing customer deposits (NMD) in the different re-pricing buckets based on behavioral analysis, and as per the limits within the QCB circular. The Group allocates financing assets that the Group has the ability to re-price from 1-6 months buckets based on the behavioral assessment of repricing financing assets. Repayments from financing assets based on repayment schedule has been considered and moved from a contractual maturity bucket to the buckets where the repayments are scheduled to be received.

Quantitative Disclosures

1. Average repricing maturity assigned to NMDs. (2.7 Years).
2. Longest repricing maturity assigned to NMDs. (5 Years for the transactional core deposits as per the QCB circular).

QUANTITATIVE DISCLOSURES FOR PRRBB

Content: Quantitative information.

Frequency: Annual, 30 September 2020.

Format: Fixed.

QAR '000	Change in EVE		Change in EBA	
Period	**Sept-20**	**Sept-19**	**Sept-20**	**Sept-19**
Parallel up	(472,686)	–	(408,495)	(144,721)
Parallel down	(454,276)	–	(452,736)	–
Steepener	(55,611)	–		
Flattener	(71,046)	–		
Short rate up	(268,681)	–		
Short rate down	(252,325)	–		
Maximum	**(472,686)**	**–**	**(452,736)**	**(144,721)**

Period	**Sept-20**	**Sept-19**
Maximum Loss - Capital Charge PRRBB	472,686	144,721
Tier 1 capital	12,426,211	11,956,335
Total RWA	66,162,110	62,500,953
Capital Charge PRRBB / Total RWA	0.71%	0.23%
Capital Charge PRRBB / Tier 1 capital	**3.80%**	**1.21%**

Definitions

For each of the supervisory prescribed profit rate shock scenarios, the bank must report for the current period and for the previous period:

i) the change in the economic value of equity based on its internal measures, using a run-off balance sheet and an instantaneous shock or based on the result of the standardised framework as set out in this document.

ii) the change in projected EBA over a forward-looking rolling 12-month period compared with the bank's own best estimate 12-month projections, using a constant balance sheet assumption and an instantaneous shock.