

# **MASRAF AL RAYAN (Q.P.S.C.)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 MARCH 2021**

# Masraf Al Rayan (Q.P.S.C.)

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## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2021

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## INDEPENDENT AUDITOR'S REVIEW REPORT

**To The Board of Directors  
Masraf Al Rayan (Q.P.S.C.)  
Doha – Qatar**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) ("the Bank") and its subsidiaries (together referred to as the "Group") comprising the interim consolidated statement of financial position as at 31 March 2021, and the related interim consolidated statement of income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three month period then ended, and certain explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB") and the applicable provisions of QCB regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)**

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with the Financial Accounting Standards issued by the AAOIFI and applicable provisions of the QCB regulations.

**Doha – Qatar  
April 19, 2021**

**For Deloitte & Touche  
Qatar Branch**



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

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	31 March 2021 (Reviewed)	31 December 2020 (Audited)	31 March 2020 (Reviewed)
<b>ASSETS</b>				
Cash and balances with central banks		6,218,415	7,070,507	3,300,235
Due from banks		6,417,333	6,307,575	4,282,224
Financing assets	8	91,296,744	85,983,437	79,264,764
Investment securities	9	20,615,493	20,585,834	21,086,020
Investment in associates		447,937	534,116	540,390
Fixed assets		281,551	271,406	258,409
Other assets		224,817	362,005	325,569
<b>TOTAL ASSETS</b>		<b>125,502,290</b>	<b>121,114,880</b>	<b>109,057,611</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks	10	23,798,319	27,979,497	20,623,397
Customer current accounts		8,898,018	8,491,997	7,930,667
Sukuk financing	11	5,975,700	6,023,180	3,369,673
Other borrowings	12	1,742,233	1,270,775	2,002,528
Other liabilities		2,633,074	2,331,558	2,387,254
<b>TOTAL LIABILITIES</b>		<b>43,047,344</b>	<b>46,097,007</b>	<b>36,313,519</b>
<b>EQUITY OF INVESTMENT ACCOUNT HOLDERS</b>	13	<b>68,550,890</b>	<b>60,425,902</b>	<b>59,799,512</b>
<b>EQUITY</b>				
Share capital	14 (a)	7,500,000	7,500,000	7,500,000
Legal reserve	14 (b)	2,714,166	2,714,166	2,496,623
Risk reserve	14 (c)	1,796,600	1,796,600	1,636,268
Fair value reserve	14 (d)	27,325	25,204	(1,887)
Foreign currency translation reserve	14 (e)	(2,535)	(3,618)	(17,905)
Other reserves	14 (f)	126,222	126,222	123,405
Retained earnings		1,511,915	2,206,731	1,008,528
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>		<b>13,673,693</b>	<b>14,365,305</b>	<b>12,745,032</b>
Non-controlling interest	15	230,363	226,666	199,548
<b>TOTAL EQUITY</b>		<b>13,904,056</b>	<b>14,591,971</b>	<b>12,944,580</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY</b>		<b>125,502,290</b>	<b>121,114,880</b>	<b>109,057,611</b>

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

.....  
Ali Bin Ahmed Al Kuwari  
Chairman and Managing Director

.....  
Adel Mustafawi  
Group Chief Executive Officer

This statement has been prepared by the Management of the Group and stamped by the Auditors for identification purposes only

The attached notes 1 to 21 form part of, and should be read in conjunction with, these interim condensed consolidated financial statements

DELOITTE & TOUCHE  
Doha, Qatar

19 APR 2021

Signed for Identification  
Purposes Only

**INTERIM CONSOLIDATED INCOME STATEMENT**  
For the Three-Month Period Ended 31 March 2021

	Notes	For the Three-Month Period Ended 31 March	
		2021 (Reviewed)	2020 (Reviewed)
Net income from financing activities		940,856	918,162
Net income from investing activities		219,252	253,862
<b>Total net income from financing and investing activities</b>		<b>1,160,108</b>	<b>1,172,024</b>
Fee and commission income		71,285	72,351
Fee and commission expense		(760)	(2,132)
<b>Net fee and commission income</b>		<b>70,525</b>	<b>70,219</b>
Foreign exchange gain (net)		38,628	53,125
Share of results of associates		6,007	14,164
Other income		1,568	2,793
<b>TOTAL INCOME</b>		<b>1,276,836</b>	<b>1,312,325</b>
Staff costs		(96,530)	(97,597)
Depreciation		(4,659)	(6,640)
Other expenses		(68,774)	(67,410)
Finance expense		(143,789)	(203,747)
<b>TOTAL EXPENSES</b>		<b>(313,752)</b>	<b>(375,394)</b>
Net (impairment) / reversal of impairment losses on due from banks	3 (a)	(1,705)	119
Net impairment losses on financing assets		(84,296)	(14,837)
Net impairment losses on investments		(90,045)	(17,584)
Net reversal of impairment / (impairment) losses on other exposures subject to credit risk	3 (a)	11,161	(8,735)
<b>PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS</b>		<b>798,199</b>	<b>895,894</b>
Less: Return to investment account holders		(218,390)	(348,036)
<b>PROFIT BEFORE TAX FOR THE PERIOD</b>		<b>579,809</b>	<b>547,858</b>
Tax expense		(3,032)	(1,078)
<b>NET PROFIT FOR THE PERIOD</b>		<b>576,777</b>	<b>546,780</b>
<b>Net profit for the period attributable to:</b>			
Equity holders of the Bank		574,701	547,029
Non-controlling interests		2,076	(249)
		<b>576,777</b>	<b>546,780</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (QAR)</b>	17	<b>0.077</b>	<b>0.073</b>

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**Masraf Al Rayan (Q.P.S.C.)**

QAR '000s

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the Three-Month Period Ended 31 March 2021

	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 2020 (Audited)	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
Change in foreign currency translation reserve	-	-	-	-	(72,074)	-	-	(72,074)	-	(72,074)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	73,157	-	-	73,157	-	73,157
Fair value reserve movement	-	-	-	7,604	-	-	-	7,604	-	7,604
Gain on sale of FVTE investments	-	-	-	(5,483)	-	-	5,483	-	-	-
Profit for the period	-	-	-	-	-	-	574,701	574,701	2,076	576,777
Dividend declared and approved for 2020 (Note 14g)	-	-	-	-	-	-	(1,275,000)	(1,275,000)	-	(1,275,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	1,621	1,621
<b>Balance at 31 March 2021 (Reviewed)</b>	<b>7,500,000</b>	<b>2,714,166</b>	<b>1,796,600</b>	<b>27,325</b>	<b>(2,535)</b>	<b>126,222</b>	<b>1,511,915</b>	<b>13,673,693</b>	<b>230,363</b>	<b>13,904,056</b>

	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 (Audited)	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	-	-	-	-	(117,584)	-	-	(117,584)	-	(117,584)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	109,382	-	-	109,382	-	109,382
Fair value reserve movement	-	-	-	(25,491)	-	-	-	(25,491)	-	(25,491)
Profit for the period	-	-	-	-	-	-	547,029	547,029	(249)	546,780
Dividend declared and approved for 2019 (Note 14g)	-	-	-	-	-	-	(1,687,500)	(1,687,500)	-	(1,687,500)
Net movement in non-controlling interest	-	-	-	-	-	-	(12,922)	(12,922)	199,548	(12,922)
Balance at 31 March 2020 (Reviewed)	7,500,000	2,496,623	1,636,268	(1,887)	(17,905)	123,405	1,008,528	12,745,032	199,548	12,944,580

**DELOUÏE & TOULCHE**  
Doha - Qatar  
**19 APR 2021**

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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
 For the Three-Month Period Ended 31 March 2021

	<i>For the Three-Month Period Ended 31 March</i>	
Notes	<b>2021</b> <i>(Reviewed)</i>	<b>2020</b> <i>(Reviewed)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax for the period	579,809	547,858
Adjustments for:		
Net impairment / (reversal) of impairment losses on due from banks	1,705	(119)
Net impairment losses on financing assets	84,296	14,837
Net impairment losses on investments	90,045	17,584
Net (reversal) / impairment losses on other exposures subject to credit risk	(11,161)	8,735
Fair value loss on investment securities carried as fair value through income statement	51	61
Unrealized loss / (gain) on revaluation of Shari'a compliant risk management instruments	23,527	(6,816)
Depreciation	4,659	6,640
Amortization of transaction costs on sukuk financing and other borrowings	1,543	1,205
Net gain on sale of investment securities	(32)	(51)
Dividend income	-	(549)
Share of results of associates	(6,007)	(14,164)
Amortisation of premium and discount on investment securities	(6,176)	(4,853)
Employees' end of service benefit provisions	1,495	1,452
Profit before changes in operating assets and liabilities	<b>763,754</b>	571,820
Change in reserve account with Qatar Central Bank	(158,730)	(56,824)
Change in due from banks	(240,000)	-
Change in financing assets	(5,326,982)	(4,441,566)
Change in other assets	111,177	(27,650)
Change in profit receivable from investments	810	412
Change in due to banks	(4,181,178)	1,256,206
Change in customer current accounts	406,021	403,984
Change in other liabilities	87,833	10,699
Change in profit payable on sukuk financing and other borrowings	30,693	32,132
	<b>(8,506,602)</b>	(2,250,787)
Dividend received	-	549
Tax paid	(2,238)	-
Employees' end of service benefits paid	(64)	(203)
<b>Net cash used in operating activities</b>	<b>(8,508,904)</b>	(2,250,441)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment securities	(332,794)	(43,404)
Proceeds from sale / redemption of investment securities	319,926	230,089
Acquisition of fixed assets	(14,634)	(39,094)
Dividend received from associates	4,000	4,000
<b>Net cash (used in) / generated from investing activities</b>	<b>(23,502)</b>	151,591
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in equity of investment account holders	8,124,892	1,714,792
Net proceeds from sukuk financing and other borrowings	386,790	55,423
Dividends paid	(1,120,660)	(1,294,532)
Net movement in non-controlling interest	1,621	(12,922)
<b>Net cash generated from financing activities</b>	<b>7,392,643</b>	462,761
Net decrease in cash and cash equivalents	(1,139,763)	(1,636,089)
Cash and cash equivalents at 1 January	10,713,783	6,554,869
<b>NON-CASH ITEM</b>		
Effects of exchange rate changes on cash and cash equivalents held	404	3,655
<b>Cash and cash equivalents at 31 March</b>	<b>18 9,574,424</b>	4,922,435

*This statement has been prepared by the Management of the Group and stamped by the Auditors for identification purposes only*

The attached notes 1 to 21 form part of, and should be read in conjunction with, these interim condensed consolidated financial statements





**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the Three-Month Period Ended 31 March 2021

**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. 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 Steet, Doha, Qatar. The interim condensed consolidated financial statements of the Bank for the three-month period ended 31 March 2021 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 in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

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	
				31 March 2021	31 December 2020
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage <sup>1</sup>	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan (UK) Limited <sup>2</sup>	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 <sup>3</sup>	Cayman Islands	USD 50,000	Sukuk issuance	100.0%	100.0%

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 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 Qatar Central Bank ("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.

**2 BASIS OF PREPARATION**

**(a) Statement of compliance**

The interim condensed consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by QCB. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 - 'Interim Financial Reporting'.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the Three-Month Period Ended 31 March 2021**2 BASIS OF PREPARATION (continued)****(a) Statement of compliance (continued)**

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 interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The preparation of these interim condensed consolidated financial statements requires management to make judgements, 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

**(b) Basis of measurement**

The interim condensed consolidated financial statements have been prepared on the historical cost basis, 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 interim condensed 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) New standards, amendments and interpretations****(i) New standards, amendments and interpretations effective from 1 January 2021***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.

The above standard is effective for annual reporting periods beginning on or after 1 January 2021. The Group is currently evaluating the impact of the above standard.

*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).

The above standard is effective for annual reporting periods beginning on or after 1 January 2021 and has no material impact on the Group's interim condensed consolidated financial statements.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the Three-Month Period Ended 31 March 2021**2 BASIS OF PREPARATION (continued)****(d) New standards, amendments and interpretations (continued)****(ii) New standards, amendments and interpretations issued but not yet effective**

The Group has not yet applied the following new and revised FAS that has been issued but is not yet effective:

*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 standard.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three-Month Period Ended 31 March 2021

## 3 EXPECTED CREDIT LOSSES ("ECL")

## (a) Expected credit loss / Impairment allowances

	Stage 1	Stage 2	Stage 3	Total
<b>Exposure (carrying value) subject to ECL as at 31 March 2021</b>				
- Due from banks	6,105,772	313,552	-	6,419,324
- Financing assets	78,564,579	12,806,244	966,103	92,336,926
- Debt type investments carried at amortised cost	19,987,882	500,630	57,162	20,545,674
- Other exposures subject to credit risk	11,465,550	2,048,201	5,442	13,519,193
	116,123,783	15,668,627	1,028,707	132,821,117
<b>Opening balance - as at 1 January 2021</b>				
- Due from banks	224	62	-	286
- Financing assets	66,810	342,620	548,505	957,935
- Debt type investments carried at amortised cost	16,571	2,683	57,162	76,416
- Other exposures subject to credit risk	22,168	8,452	-	30,620
	105,773	353,817	605,667	1,065,257
<b>Foreign currency translation for the period</b>				
- Due from banks	-	-	-	-
- Financing assets	60	64	17	141
- Debt type investments carried at amortised cost	1	-	-	1
- Other exposures subject to credit risk	-	-	-	-
	61	64	17	142
<b>Net transfer between stages</b>				
- Due from banks	-	-	-	-
- Financing assets	(635)	635	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	(22)	22	-	-
	(657)	657	-	-
<b>Charge for the period (net)</b>				
- Due from banks	294	1,411	-	1,705
- Financing assets	62,535	21,680	(2,047)	82,168
- Debt type investments carried at amortised cost	404	(359)	-	45
- Other exposures subject to credit risk	(5,228)	(5,933)	-	(11,161)
	58,005	16,799	(2,047)	72,757
<b>Write-offs</b>				
- Due from banks	-	-	-	-
- Financing assets	-	-	(62)	(62)
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	-	-
	-	-	(62)	(62)
<b>Closing balance - as at 31 March 2021</b>				
- Due from banks	518	1,473	-	1,991
- Financing assets	128,770	364,999	546,413	1,040,182
- Debt type investments carried at amortised cost	16,976	2,324	57,162	76,462
- Other exposures subject to credit risk	16,918	2,541	-	19,459
	163,182	371,337	603,575	1,138,094

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three-Month Period Ended 31 March 2021

## 3 EXPECTED CREDIT LOSSES ("ECL") (continued)

## (a) Expected credit loss / Impairment allowances (continued)

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 31 March 2020				
- Due from banks	4,280,613	1,665	-	4,282,278
- Financing assets	66,539,193	12,638,538	747,447	79,925,178
- Debt type investments carried at amortised cost	20,446,168	487,287	57,162	20,990,617
- Other exposures subject to credit risk	13,549,847	486,567	5,274	14,041,688
	104,815,821	13,614,057	809,883	119,239,761
Opening balance - as at 1 January 2020				
- Due from banks	173	-	-	173
- Financing assets	38,990	270,543	327,869	637,402
- Debt type investments carried at amortised cost	1,715	4,976	28,610	35,301
- Other exposures subject to credit risk	9,808	26,227	-	36,035
	50,686	301,746	356,479	708,911
Foreign currency translation for the period				
- Due from banks	-	-	-	-
- Financing assets	(356)	(380)	(109)	(845)
- Debt type investments carried at amortised cost	(7)	-	-	(7)
- Other exposures subject to credit risk	-	-	-	-
	(363)	(380)	(109)	(852)
Net transfer between stages				
- Due from banks	-	-	-	-
- Financing assets	(195)	195	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	(11)	11	-	-
	(206)	206	-	-
Charge for the period (net)				
- Due from banks	(119)	-	-	(119)
- Financing assets	34,768	(22,872)	11,961	23,857
- Debt type investments carried at amortised cost	1,941	8,530	-	10,471
- Other exposures subject to credit risk	8,844	(109)	-	8,735
	45,434	(14,451)	11,961	42,944
Write-offs				
- Due from banks	-	-	-	-
- Financing assets	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	-	-
	-	-	-	-
Closing balance - as at 31 March 2020				
- Due from banks	54	-	-	54
- Financing assets	73,207	247,486	339,721	660,414
- Debt type investments carried at amortised cost	3,649	13,506	28,610	45,765
- Other exposures subject to credit risk	18,641	26,129	-	44,770
	95,551	287,121	368,331	751,003

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended 31 March 2021

**3 EXPECTED CREDIT LOSSES (“ECL”) (continued)**

**(b) 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	Due from banks	Financing assets	Debt type investments carried at amortised cost	Other exposures subject to credit risk
AAA to AA-	942,205	57,883,727	18,944,016	2,912,545
A+ to A-	5,162,206	6,870,086	541,998	4,346,251
BBB+ to BBB-	1,133	8,476,737	12,846	4,039,723
BB+ to B-	232	6,181,212	542,486	1,644,845
Unrated	313,548	12,925,164	504,328	575,829
<b>Totals as at 31 March 2021</b>	<b>6,419,324</b>	<b>92,336,926</b>	<b>20,545,674</b>	<b>13,519,193</b>

Rating grade	Due from banks	Financing assets	Debt type investments carried at amortised cost	Other exposures subject to credit risk
AAA to AA-	37,429	49,687,227	19,680,660	4,560,795
A+ to A-	3,846,205	8,086,058	200,657	5,238,248
BBB+ to BBB-	396,979	7,554,000	50,530	2,971,421
BB+ to B-	2	4,760,741	585,373	872,918
Unrated	1,663	9,837,152	473,397	398,306
<b>Totals as at 31 March 2020</b>	<b>4,282,278</b>	<b>79,925,178</b>	<b>20,990,617</b>	<b>14,041,688</b>

**4 FINANCIAL RISK MANAGEMENT**

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2020.

**(i) Valuation of financial instruments**

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended 31 March 2021

**4 FINANCIAL RISK MANAGEMENT (continued)**

(i) *Valuation of financial instruments (continued)*

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, and other valuation models. 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.

(ii) *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:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>31 March 2021 (Reviewed)</b>				
<b>Financial assets</b>				
Shari'a-compliant risk management instruments	-	29,295	-	29,295
Investment securities	54,732	91,549	-	146,281
	<u>54,732</u>	<u>120,844</u>	<u>-</u>	<u>175,576</u>
<b>Financial liabilities</b>				
Shari'a-compliant risk management instruments	-	17,248	-	17,248
	<u>-</u>	<u>17,248</u>	<u>-</u>	<u>17,248</u>
<b>31 December 2020 (Audited)</b>				
<b>Financial assets</b>				
Shari'a-compliant risk management instruments	-	55,306	-	55,306
Investment securities	53,801	99,198	-	152,999
	<u>53,801</u>	<u>154,504</u>	<u>-</u>	<u>208,305</u>
<b>Financial liabilities</b>				
Shari'a-compliant risk management instruments	-	19,732	-	19,732
	<u>-</u>	<u>19,732</u>	<u>-</u>	<u>19,732</u>

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investment securities for which the fair value amounts to QAR 3,498 million (31 December 2020: QAR 3,428 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 6.

Investment securities totalling nil are carried at cost (31 December 2020: QAR nil).

During the reporting periods 31 March 2021 and 31 December 2020, there were no transfers among Levels 1, 2 and 3 fair value measurements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the Three-Month Period Ended 31 March 2021**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 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:

- 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 interim condensed consolidated financial statements continue to be prepared on the going concern basis.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended 31 March 2021

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
<b>31 March 2021 (Reviewed)</b>					
Cash and balances with central banks	-	-	6,218,415	6,218,415	6,218,415
Due from banks	-	-	6,417,333	6,417,333	6,417,333
Financing assets	-	-	91,296,744	91,296,744	91,296,744
Investment securities:					
- Measured at fair value	2,023	144,258	-	146,281	146,281
- Measured at amortised cost	-	-	20,469,212	20,469,212	20,648,427
Other assets	-	-	3,077	3,077	3,077
Shari'a-compliant risk management instruments	29,295	-	-	29,295	29,295
	<b>31,318</b>	<b>144,258</b>	<b>124,404,781</b>	<b>124,580,357</b>	<b>124,759,572</b>
Due to banks	-	-	23,798,319	23,798,319	23,798,319
Customer current accounts	-	-	8,898,018	8,898,018	8,898,018
Sukuk financing	-	-	5,975,700	5,975,700	5,975,700
Other borrowings	-	-	1,742,233	1,742,233	1,742,233
Other liabilities	-	-	2,042,747	2,042,747	2,042,747
Equity of investment account holders	-	-	68,550,890	68,550,890	68,550,890
Shari'a-compliant risk management instruments	17,248	-	-	17,248	17,248
	<b>17,248</b>	<b>-</b>	<b>111,007,907</b>	<b>111,025,155</b>	<b>111,025,155</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended 31 March 2021

**6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)**

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
31 December 2020 (Audited)					
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
	<u>57,335</u>	<u>150,970</u>	<u>119,798,182</u>	<u>120,006,487</u>	<u>120,151,807</u>
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
	<u>19,732</u>	<u>-</u>	<u>105,923,917</u>	<u>105,943,649</u>	<u>105,943,649</u>

**7 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 sukuk 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 loans, 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the Three-Month Period Ended 31 March 2021

**7 OPERATING SEGMENTS (continued)**

*Information about operating segments*

<b>31 March 2021 (Reviewed)</b>	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Asset Management</b>	<b>International operations</b>	<b>Unallocated</b>	<b>Total</b>
<i>External revenue:</i>						
Total income from financing and investing activities	758,665	313,467	6,722	81,254	-	1,160,108
Net fee and commission income	64,641	-	5,999	(115)	-	70,525
Foreign exchange gain / (loss)	38,957	-	-	(329)	-	38,628
Share of results of associates	-	-	-	-	6,007	6,007
Other income	-	-	-	-	1,568	1,568
<b>Total segment revenue</b>	<b>862,263</b>	<b>313,467</b>	<b>12,721</b>	<b>80,810</b>	<b>7,575</b>	<b>1,276,836</b>
Finance expense	(138,888)	-	(400)	(4,501)	-	(143,789)
Return to investment account holders	(114,874)	(75,321)	-	(28,195)	-	(218,390)
Net impairment losses on financing assets	(79,920)	(3,815)	-	(561)	-	(84,296)
Net impairment losses on investments	(89,857)	-	(188)	-	-	(90,045)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	9,484	-	(28)	-	-	9,456
<b>Reportable segment profit / (loss) before tax</b>	<b>448,208</b>	<b>234,331</b>	<b>7,366</b>	<b>8,946</b>	<b>(119,042)</b>	<b>579,809</b>
<b>Reportable segment assets</b>	<b>88,092,896</b>	<b>23,052,072</b>	<b>804,172</b>	<b>12,188,674</b>	<b>1,364,476</b>	<b>125,502,290</b>
<b>Reportable segment liabilities</b>	<b>35,589,502</b>	<b>2,779,366</b>	<b>231,421</b>	<b>2,541,043</b>	<b>1,906,012</b>	<b>43,047,344</b>
<b>Reportable segment equity of investment account holders</b>	<b>43,011,197</b>	<b>16,631,983</b>	<b>-</b>	<b>8,907,710</b>	<b>-</b>	<b>68,550,890</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three-Month Period Ended 31 March 2021

## 7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

31 March 2020 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	735,903	343,293	6,686	86,142	-	1,172,024
Net fee and commission income	63,324	-	7,843	(948)	-	70,219
Foreign exchange gain / (loss)	53,297	-	-	(172)	-	53,125
Share of results of associates	-	-	-	-	14,164	14,164
Other income	-	-	-	-	2,793	2,793
<b>Total segment revenue</b>	<b>852,524</b>	<b>343,293</b>	<b>14,529</b>	<b>85,022</b>	<b>16,957</b>	<b>1,312,325</b>
<b>Finance expense</b>						
Return to investment account holders	(196,109)	-	(799)	(6,839)	-	(203,747)
Net recoveries and reversals / (impairment losses) on financing assets	(211,055)	(104,335)	-	(32,646)	-	(348,036)
Net impairment losses on investments	1,290	(11,319)	-	(4,808)	-	(14,837)
Net (impairment losses) / recoveries and reversals on other exposures subject to credit risk	(16,061)	-	(1,516)	(7)	-	(17,584)
	(8,620)	(3)	(6)	13	-	(8,616)
<b>Reportable segment profit / (loss) before tax</b>	<b>421,969</b>	<b>227,636</b>	<b>7,188</b>	<b>281</b>	<b>(109,216)</b>	<b>547,858</b>
<b>Reportable segment assets</b>	<b>72,777,453</b>	<b>24,074,090</b>	<b>686,711</b>	<b>9,913,505</b>	<b>1,605,852</b>	<b>109,057,611</b>
<b>Reportable segment liabilities</b>	<b>29,073,597</b>	<b>2,688,904</b>	<b>146,680</b>	<b>2,357,554</b>	<b>2,046,784</b>	<b>36,313,519</b>
<b>Reportable segment equity of investment account holders</b>	<b>37,427,634</b>	<b>15,456,889</b>	<b>-</b>	<b>6,914,989</b>	<b>-</b>	<b>59,799,512</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended 31 March 2021

**8 FINANCING ASSETS**

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
<b>(a) By type</b>			
Receivables and balances from financing activities:			
Murabaha	68,235,838	62,567,084	59,483,360
Ijarah	20,431,526	20,438,039	18,840,712
Istisna'a	964,698	938,073	923,105
Musharaka	6,349,246	6,079,771	5,688,183
Others	840,816	758,729	441,031
Accrued profit	450,444	410,007	493,591
<b>Total financing assets</b>	<b>97,272,568</b>	<b>91,191,703</b>	<b>85,869,982</b>
Deferred profit	(4,935,642)	(4,250,331)	(5,944,804)
Allowance for impairment - Performing (Stages 1 and 2)*	(493,769)	(409,430)	(320,693)
Allowance for impairment - Non-performing (Stage 3)*	(509,071)	(509,035)	(313,086)
Profit in suspense*	(37,342)	(39,470)	(26,635)
<b>Net financing assets</b>	<b>91,296,744</b>	<b>85,983,437</b>	<b>79,264,764</b>

\*For stage-wise exposure and allowance for impairment, refer to Note 3(a).

The total non-performing financing assets net of deferred profit at 31 March 2021 amounted to QAR 966,103 thousand representing 1.05% of the gross financing assets net of deferred profit (31 December 2020: QAR 979,654 thousand representing 1.13% of the gross financing assets net of deferred profit; 31 March 2020: QAR 747,447 thousand representing 0.94% of the gross financing assets net of deferred profit).

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

	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>31 March 2021 (Reviewed)</i>
Balance as at 1 January	918,465	39,470	957,935
Charge for the period	98,750	4,082	102,832
Recoveries / reversals during the period	(14,454)	(6,210)	(20,664)
Write off during the period	(62)	-	(62)
Effect of foreign currency movement	141	-	141
<b>Balance as at 31 March</b>	<b>1,002,840</b>	<b>37,342</b>	<b>1,040,182</b>
	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>31 December 2020 (Audited)</i>
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
<b>Balance at 31 December</b>	<b>918,465</b>	<b>39,470</b>	<b>957,935</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended 31 March 2021

8 FINANCING ASSETS (continued)

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

	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>31 March 2020 (Reviewed)</i>
Balance as at 1 January	619,787	17,615	637,402
Charge for the period	65,371	10,197	75,568
Recoveries / reversals during the period	(50,534)	(1,177)	(51,711)
Effect of foreign currency movement	(845)	-	(845)
Balance as at 31 March	<u>633,779</u>	<u>26,635</u>	<u>660,414</u>

9 INVESTMENT SECURITIES

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
<i>Investments classified as fair value through income statement</i>			
<i>Investments classified as held for trading - Quoted</i>			
Debt type investments - Fixed profit rate	1,990	2,018	3,579
Accrued profit	33	11	45
	<u>2,023</u>	<u>2,029</u>	<u>3,624</u>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate - Quoted	1,916,893	1,901,530	1,634,718
Government of Qatar Sukuk - Quoted	1,236,217	1,214,119	1,354,585
Government of Qatar Sukuk - Unquoted	17,150,000	17,150,000	17,750,000
Accrued profit	242,564	243,602	251,314
Less: Allowance for impairment*	(76,462)	(76,416)	(45,765)
	<u>20,469,212</u>	<u>20,432,835</u>	<u>20,944,852</u>
<i>Investments classified as fair value through equity</i>			
• Equity type investments			
- Quoted	32,209	32,207	27,125
- Unquoted	91,549	99,198	91,727
• Debt type investments - Fixed profit rate - Quoted	20,158	19,458	18,350
Accrued profit	342	107	342
	<u>144,258</u>	<u>150,970</u>	<u>137,544</u>
	<u>20,615,493</u>	<u>20,585,834</u>	<u>21,086,020</u>

\*For stage-wise exposure and allowance for impairment, refer to Note 3(a).

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the period amounting to Nil (31 March 2020: QAR 7,113 thousand), due to significant and prolonged reduction in fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended 31 March 2021

9 INVESTMENT SECURITIES (continued)

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

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
<i>Positive fair value reserve:</i>			
Balance at 1 January	25,239	24,634	24,634
Net change in fair value	5,791	2,687	(7,528)
Transferred to retained earnings on sale of FVTE investments	(5,483)	(4,885)	-
Share of other comprehensive income of associates	1,813	2,803	2,803
Net fair value movement	2,121	605	(4,725)
Balance at 31 March / 31 December	<u>27,360</u>	<u>25,239</u>	<u>19,909</u>
	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
<i>Negative fair value reserve:</i>			
Balance at 1 January	(35)	(1,030)	(1,030)
Net change in fair value	-	(6,118)	(27,879)
Transferred to consolidated income statement due to impairment	-	7,113	7,113
Net fair value movement	-	995	(20,766)
Balance at 31 March / 31 December	<u>(35)</u>	<u>(35)</u>	<u>(21,796)</u>
<b>Total fair value reserve at 31 March / 31 December</b>	<b><u>27,325</u></b>	<b><u>25,204</u></b>	<b><u>(1,887)</u></b>

10 DUE TO BANKS

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Current and short-term investment accounts	98,140	105,290	51,566
Commodity murabaha payable	1,572,192	1,942,153	1,884,234
Short-term Murabaha facilities from banks	2,489,930	2,450,837	119,408
Wakala payable	17,757,335	21,467,248	16,530,484
Repurchase agreements	1,845,801	1,965,320	1,900,034
Profit payable to banks	34,921	48,649	137,671
	<u>23,798,319</u>	<u>27,979,497</u>	<u>20,623,397</u>

The market value of securities given as collateral against the repurchase agreements are QAR 2,209 million (31 December 2020: QAR 2,461 million; 31 March 2020: QAR 1,999 million).

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11 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	13 November 2024	Fixed rate of 3.025% payable semi-annually
Sukuk	MAR Sukuk Limited	USD 40 million	12 March 2020	12 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 <sup>1</sup>	GBP 221 million	20 February 2018	20 July 2052	3-month Sterling LIBOR + 0.8% payable quarterly

<sup>1</sup> On 26 March 2021, Al Rayan Bank PLC, a subsidiary of Al Rayan (UK) Limited exercised its options to purchase the rights, title interest and benefits in the portfolio of assets held by Tolkien Funding Sukuk No. 1 PLC (the "Trustee"). The Trustee will redeem the certificates issued in full on 20 April 2021, being the next periodic distribution date of the Sukuk Programme.

	31 March 2021 (Reviewed)	31 December 2020 (Audited)	31 March 2020 (Reviewed)
Face value of sukuk	5,957,189	6,003,820	3,350,296
Less: Unamortised transaction costs	(8,953)	(9,491)	(4,463)
Profit payable	27,464	28,851	23,840
	<u>5,975,700</u>	<u>6,023,180</u>	<u>3,369,673</u>

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

	31 March 2021 (Reviewed)	31 December 2020 (Audited)	31 March 2020 (Reviewed)
Balance at 1 January	6,023,180	3,333,998	3,333,998
Net issuances during the period / year	-	2,862,380	138,597
Repayments during the period / year	(80,433)	(237,880)	(74,265)
Amortisation of transaction costs	537	1,352	226
Effect of foreign currency movement	4,952	34,479	(52,723)
Profit payable on sukuk financing	27,464	28,851	23,840
Balance at 31 March / 31 December	<u>5,975,700</u>	<u>6,023,180</u>	<u>3,369,673</u>



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**12 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:

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Balance at 1 January	1,270,775	2,002,003	2,002,003
Net issuances during the period / year	470,144	1,267,161	-
Repayments during the period / year	(2,921)	(8,965)	(8,965)
Amortisation of transaction cost	1,006	5,644	1,198
Reclassified as Due to banks	-	(1,997,989)	-
Profit payable on borrowings	3,229	2,921	8,292
Balance at 31 March / 31 December	<u>1,742,233</u>	<u>1,270,775</u>	<u>2,002,528</u>

**13 EQUITY OF INVESTMENT ACCOUNT HOLDERS**

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Saving accounts	7,721,450	8,414,414	7,289,048
Term accounts	55,527,399	45,781,149	47,595,824
Short-term investment accounts	4,981,628	5,926,572	4,563,889
Profit payable to equity of investment account holders	319,176	302,626	350,837
Share in the fair value reserve	1,237	1,141	(86)
	<u>68,550,890</u>	<u>60,425,902</u>	<u>59,799,512</u>

**14 EQUITY****(a) Share capital**

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
<i>Authorised</i> 7,500,000,000 shares at QAR 1 each	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>

**(b) Legal reserve**

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Balance at 1 January	2,714,166	2,496,623	2,496,623
Transfer from retained earnings	-	217,543	-
Balance at 31 March / 31 December	<u>2,714,166</u>	<u>2,714,166</u>	<u>2,496,623</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**14 EQUITY (continued)**

**(b) Legal reserve (continued)**

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. No transfer has been made for the period ended 31 March 2021, as Masraf will transfer the required amount by 31 December 2021.

**(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 Masraf and its branches 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. No transfer has been made for the period ended 31 March 2021 as Masraf will transfer the required amount by 31 December 2021.

**(d) Fair value reserve**

This reserve comprises changes in fair value of investments designated as fair value through equity.

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Balance at 1 January	25,204	23,604	23,604
Net unrealised gains / (losses)	7,028	(2,290)	(35,493)
Transferred to consolidated income statement due to impairment	-	7,113	7,113
Transferred to retained earnings on sale of FVTE investments	(5,483)	(4,885)	
Share of other comprehensive income of associates	1,813	2,803	2,803
Share of equity of investment account holders in the fair value reserve	(1,237)	(1,141)	86
Net fair value movement	2,121	1,600	(25,491)
Balance at 31 March / 31 December (shareholders' share)	<u>27,325</u>	<u>25,204</u>	<u>(1,887)</u>

Fair value reserve represents unearned gains / (losses), being not available for distribution unless realised and charged to the condensed consolidated income statement.

**(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.

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14 EQUITY (continued)

(f) Other reserves

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Balance at 1 January	126,222	123,405	123,405
Share of results of associates	-	17,888	-
Dividend from associates transferred to retained earnings	-	(4,000)	-
Other movement	-	(11,071)	-
Balance at 31 March / 31 December	<u>126,222</u>	<u>126,222</u>	<u>123,405</u>

No transfer has been made for the period ended 31 March 2021, as Masraf will transfer the share of results of associates to other reserves by 31 December 2021.

(g) Dividend

On 1 March 2021, the General Assembly approved a cash dividend of 17.0% of the paid up share capital (2020: 22.5%) amounting to QAR 1,275 million (2020: QAR 1,687.5 million).

15 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 2020: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

16 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 lease agreements are as follows:

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Payable not later than 1 year	17,631	18,829	17,688
Payable later than 1 year and not later than 5 years	<u>20,921</u>	<u>24,358</u>	<u>25,497</u>
	<u>38,552</u>	<u>43,187</u>	<u>43,185</u>

(b) Contingent liabilities

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Unutilised credit facilities	1,207,504	601,212	937,489
Guarantees	11,303,834	12,376,417	12,095,638
Letters of credit	<u>1,007,855</u>	<u>988,168</u>	<u>1,008,561</u>
	<u>13,519,193</u>	<u>13,965,797</u>	<u>14,041,688</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**16 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

**(e) Other undertakings and commitments**

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Profit rate swap	1,553,861	1,302,839	557,791
Unilateral promise to buy/sell currencies	<u>16,732,179</u>	<u>11,749,333</u>	<u>23,376,671</u>
	<u>18,286,040</u>	<u>13,052,172</u>	<u>23,934,462</u>
Capital commitments in respect of Head Office building under construction	<u>320,124</u>	<u>333,170</u>	<u>358,004</u>

**17 BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>For the Three-Month Period Ended 31 March</i>	
	<i>2021 (Reviewed)</i>	<i>2020 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>574,701</u>	<u>547,029</u>
Weighted average number of shares outstanding during the period (thousand)	<u>7,500,000</u>	<u>7,500,000</u>
Basic earnings per share (QAR)	<u>0.077</u>	<u>0.073</u>

There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share are equal to the basic earnings per share.

**18 CASH AND CASH EQUIVALENTS**

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	<i>31 March 2021 (Reviewed)</i>	<i>31 March 2020 (Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	3,395,100	640,157
Due from banks	6,178,765	4,282,224
Allowance for impairment	<u>559</u>	<u>54</u>
	<u>9,574,424</u>	<u>4,922,435</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**19 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**

	31 March 2021 (Reviewed)		31 December 2020 (Audited)		31 March 2020 (Reviewed)	
	Associate companies	Board of Directors	Associate companies	Board of Directors	Associate companies	Board of Directors
<b>Consolidated statement of financial position items:</b>						
Financing assets	-	4,999	-	5,046	17	292
Customer current accounts	91,304	13,162	83,994	10,224	43,944	31,631
Equity of investment account holders	19,389	62,615	16,716	64,615	11,790	94,284
		3,182,503		3,181,426		3,171,812
<b>Contingent liabilities:</b>						
Guarantees	35,604	-	67,526	-	38,539	-

  

	2021 (Reviewed)		2020 (Reviewed)	
	Associate companies	Board of Directors	Associate companies	Board of Directors
<i>For the Three-Month Period Ended</i>				
<i>31 March</i>				
Income from financing activities	-	25	-	25
Return on equity of investment account holders	62	300	41	378
Operating expenses	2,548	-	2,743	-
		9,714		16,074

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.

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**19 RELATED PARTIES (continued)**

**(b) Transactions with key management personnel**

The remuneration of directors and other members of key management during the period were as follows:

	<i>For the Three-Month Period Ended 31 March</i>	
	<i>2021 (Reviewed)</i>	<i>2020 (Reviewed)</i>
Remuneration to Board of Directors including meeting allowances:		
- Parent	4,075	2,927
- Subsidiaries	1,039	651
	<u>5,114</u>	<u>3,578</u>
Salaries and other benefits - Key management	<u>3,385</u>	<u>3,417</u>

**20 CAPITAL ADEQUACY RATIO**

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.

Pursuant to Qatar Central Bank circular 24/2019, there is no material change to the Group's current ICAAP capital charge based on revised Profit Rate Risk on Banking Book (PRRBB) rules, which are effective from 30 June 2020.

	<i>31 March 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>31 March 2020 (Reviewed)</i>
Common Equity Tier 1 (CET 1) capital	13,319,554	13,299,338	12,379,165
Additional Tier 1 capital	-	-	-
Tier 2 capital	533,873	459,589	379,864
Total regulatory capital	<u>13,853,427</u>	<u>13,758,927</u>	<u>12,759,029</u>
<b>Risk weighted assets</b>			
Risk weighted assets for credit risk	63,269,404	61,625,989	58,349,406
Risk weighted assets for market risk	708,978	567,201	560,322
Risk weighted assets for operational risk	5,552,963	5,552,963	5,241,574
Total risk weighted assets	<u>69,531,345</u>	<u>67,746,153</u>	<u>64,151,302</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**20 CAPITAL ADEQUACY RATIO (continued)**

	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 <sup>1</sup> buffer	Total capital including conservation buffer, DSIB <sup>1</sup> buffer and ICAAP Pillar II capital charge
<b>31 March 2021</b>						
Actual	19.16%	19.16%	19.16%	19.92%	19.92%	19.92%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%
<b>31 December 2020</b>						
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%
<b>31 March 2020</b>						
Actual	19.30%	19.30%	19.30%	19.89%	19.89%	19.89%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.80%

<sup>1</sup> Domestic Systemically Important Bank

**21 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 FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 31 March 2021:

**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 March 2021. 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 yearly weighted average oil price of USD 45/barrel and weighted average real GDP growth of -2% for the financial year 2021 (31 December 2020: Oil price of \$45/barrel and GDP of -2%). 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 2020: 65%, 20% 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.

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**21 IMPACT OF COVID-19 (continued)****i. Expected credit losses (continued)**

The Group 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.

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	<i>31 March 2021</i>	<i>31 December 2020</i>
	<i>Impact on ECL</i>	<i>Impact on ECL</i>
<b>Simulations:</b>		
Base case - 100% weighted, loss allowance would be higher/(lower) by	(67,801)	(64,584)
Upside case - 100% weighted, loss allowance would be higher/(lower) by	(202,101)	(188,784)
Downside case - 100% weighted, loss allowance would be higher/(lower) by	266,843	252,445

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 3 to the interim condensed 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 three-month period ended 31 March 2021.

**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 interim condensed consolidated financial statements.