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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2020

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2020

Contents

Deloitte & Touche - Qatar Branch
Al Ahli Bank Head Office Building
Suhaim Bin Hamad Street
Al Sadd Area
Doha, P.O. Box 431
Qatar

Tel : +974 44341112
Fax : +974 44422131
www.deloitte.com

QR. 99-8

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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 30 June 2020, and the related interim consolidated statement of income for the three month and six month periods ended 30 June 2020, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six 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") and the applicable provisions of Qatar Central Bank 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 Qatar Central Bank regulations.

Doha – Qatar
July 13, 2020

For **Deloitte & Touche**
Qatar Branch

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

Masraf Al Rayan (Q.P.S.C.) QAR '000s

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	***30 June 2020 (Reviewed)***	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
ASSETS				
Cash and balances with Qatar Central Bank		**4,789,202**	3,122,860	3,404,916
Due from banks		**4,396,958**	6,035,090	3,357,828
Financing assets	8	**78,103,982**	74,837,309	74,799,904
Investment securities	9	**20,931,079**	21,378,706	19,966,574
Investment in associates		**538,574**	527,398	529,146
Fixed assets		**258,010**	227,731	200,535
Other assets		**320,983**	267,427	284,057
TOTAL ASSETS		**109,338,788**	106,396,521	102,542,960
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	**20,941,525**	19,367,191	18,881,355
Customer current accounts		**8,389,207**	7,526,683	7,264,510
Sukuk financing	11	**3,263,580**	3,333,998	1,617,574
Other borrowings	12	**1,818,151**	2,002,003	1,818,366
Other liabilities		**2,403,654**	1,948,849	2,755,808
TOTAL LIABILITIES		**36,816,117**	34,178,724	32,337,613
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	**59,028,256**	58,085,882	57,146,991
EQUITY				
Share capital	14 (a)	**7,500,000**	7,500,000	7,500,000
Legal reserve	14 (b)	**2,496,623**	2,496,623	2,278,783
Risk reserve	14 (c)	**1,636,268**	1,636,268	1,574,695
Fair value reserves	14 (d)	**11,166**	23,604	13,843
Foreign currency translation reserve	14 (e)	**(18,713)**	(9,703)	(14,426)
Other reserves	14 (f)	**123,405**	123,405	118,910
Retained earnings		**1,545,020**	2,148,999	1,387,074
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**13,293,769**	13,919,196	12,858,879
Non-controlling interests	15	**200,646**	212,719	199,477
TOTAL EQUITY		**13,494,415**	14,131,915	13,058,356
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**109,338,788**	106,396,521	102,542,960

These interim condensed consolidated financial statements were approved by the Board of Directors on 13 July 2020 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 21 form an integral part of, and should be read in conjunction with, these interim condensed consolidated financial statements

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

INTERIM CONSOLIDATED INCOME STATEMENT

For the Three and Six-Month Periods Ended 30 June 2020

	Note	*For The Three-Month Period Ended 30 June* **2020 (Reviewed)**	*2019 (Reviewed)*	*For The Six-Month Period Ended 30 June* **2020 (Reviewed)**	*2019 (Reviewed)*
Net income from financing activities		**914,179**	925,529	**1,832,341**	1,822,573
Net income from investing activities		**228,603**	226,570	**482,465**	442,229
Total net income from financing and investing activities		**1,142,782**	1,152,099	**2,314,806**	2,264,802
Fee and commission income		**54,912**	83,987	**127,263**	180,233
Fee and commission expense		**(496)**	(561)	**(988)**	(1,028)
Net fee and commission income		**54,416**	83,426	**126,275**	179,205
Foreign exchange gain (net)		**50,937**	50,638	**102,422**	84,388
Share of results of associates		**(1,816)**	800	**12,348**	14,879
Other income		**534**	931	**3,327**	5,068
TOTAL INCOME		**1,246,853**	1,287,894	**2,559,178**	2,548,342
Staff costs		**(95,544)**	(96,418)	**(193,141)**	(193,241)
Depreciation		**(5,432)**	(4,568)	**(12,072)**	(9,140)
Other expenses		**(66,898)**	(66,350)	**(134,308)**	(124,188)
Finance expense		**(169,988)**	(224,239)	**(373,735)**	(432,621)
TOTAL EXPENSES		**(337,862)**	(391,575)	**(713,256)**	(759,190)
Net (impairment losses) / reversals on due from banks	3 (a)	**(115)**	81	**4**	228
Net (impairment losses) / recoveries and reversals on financing assets		**(60,741)**	9,362	**(75,578)**	5,763
Net reversals / (impairment losses) on investment securities		**6,431**	(1,933)	**(11,153)**	(1,312)
Net reversals / (impairment losses) on off balance sheet exposures subject to credit risk	3 (a)	**22,753**	(1,178)	**14,018**	1,065
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**877,319**	902,651	**1,773,213**	1,794,896
Less: Return to investment account holders		**(340,121)**	(366,294)	**(688,157)**	(709,439)
PROFIT BEFORE TAX FOR THE PERIOD		**537,198**	536,357	**1,085,056**	1,085,457
Tax credit / (expense)		**1,534**	(1,232)	**456**	(3,469)
NET PROFIT FOR THE PERIOD		**538,732**	535,125	**1,085,512**	1,081,988
Net profit for the period attributable to:					
Equity holders of the Bank		**536,492**	533,870	**1,083,521**	1,078,106
Non-controlling interests		**2,240**	1,255	**1,991**	3,882
		538,732	535,125	**1,085,512**	1,081,988
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	17	**0.072**	0.071	**0.144**	0.144

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six-Month Period Ended 30 June 2020

	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 interests*	*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	-	-	-	-	(120,114)	-	-	(120,114)	-	(120,114)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	111,104	-	-	111,104	-	111,104
Fair value reserve movement (Note 9)	-	-	-	(12,438)	-	-	-	(12,438)	-	(12,438)
Profit for the period	-	-	-	-	-	-	1,083,521	1,083,521	1,991	1,085,512
Dividend declared and approved for 2019 (Note 14g)	-	-	-	-	-	-	(1,687,500)	(1,687,500)	-	(1,687,500)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(14,064)	(14,064)
Balance at 30 June 2020 (Reviewed)	**7,500,000**	**2,496,623**	**1,636,268**	**11,166**	**(18,713)**	**123,405**	**1,545,020**	**13,293,769**	**200,646**	**13,494,415**

	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 interests*	*Total equity*
Balance at 31 December 2018 (Audited)	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	-	-	-	-	(101,284)	-	-	(101,284)	-	(101,284)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	100,667	-	-	100,667	-	100,667
Fair value reserve movement (Note 9)	-	-	-	4,075	-	-	-	4,075	-	4,075
Profit for the period	-	-	-	-	-	-	1,078,106	1,078,106	3,882	1,081,988
Dividend declared and approved for 2018 (Note 14g)	-	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(873)	(873)
Balance at 30 June 2019 (Reviewed)	7,500,000	2,278,783	1,574,695	13,843	(14,426)	118,910	1,387,074	12,858,879	199,477	13,058,356

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six-Month Period Ended 30 June 2020

	Notes	*For the Six-Month Period Ended 30 June* **2020 (Reviewed)**	*2019 (Reviewed)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		1,085,056	1,085,457
Adjustments for:			
Net impairment losses / (reversal of impairment losses) on financing assets		75,578	(5,763)
Net impairment losses on investment securities		11,153	1,312
Net reversal of impairment losses on other financial assets		(14,018)	(1,065)
Fair value loss on investment securities carried as fair value through income statement		103	4
Unrealized (gain) / loss on revaluation of Shari’a compliant risk management instruments		(3,972)	1,041
Depreciation		12,072	9,140
Amortization of transaction costs		2,764	2,405
Net gain on sale of investment securities		(6,047)	(7,192)
Dividend income		(1,449)	(2,528)
Share of results of associates		(12,348)	(14,879)
Loss on disposal of fixed assets		-	25
Amortisation of premium and discount on investment securities		(10,525)	(7,016)
Employees’ end of service benefit provisions		2,869	2,823
Profit before changes in operating assets and liabilities		**1,141,236**	1,063,764
Change in reserve account with Qatar Central Bank		(84,103)	(96,574)
Change in due from banks		-	163,823
Change in financing assets		(3,341,308)	(2,278,802)
Change in other assets		(31,588)	(19,186)
Change in profit receivable from investments		2,928	(17,932)
Change in due to banks		1,392,309	2,098,713
Change in customer current accounts		862,524	(4,306)
Change in other liabilities		286,337	751,447
Change in profit payable on sukuk financing and other borrowings		13,764	13,157
		242,099	1,674,104
Dividend received		1,449	2,528
Employees’ end of service benefits paid		(202)	(1,711)
Tax paid		(2,151)	(557)
Net cash from operating activities		**241,195**	1,674,364
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(314,348)	(3,060,109)
Proceed from sale / redemption of investment securities		679,810	2,349,003
Acquisition of fixed assets		(44,267)	(20,753)
Dividend received from associates		4,000	10,699
Net cash from / (used in) investing activities		**325,195**	(721,160)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		942,941	2,846,767
Net repayment of sukuk financing and other borrowings		(31,787)	(113,209)
Dividends paid		(1,523,070)	(1,393,612)
Net movement in non-controlling interest		(14,064)	(873)
Net cash (used in) / from financing activities		**(625,980)**	1,339,073
Net (decrease) / increase in cash and cash equivalents		(59,590)	2,292,277
Cash and cash equivalents at 1 January		6,554,696	1,790,022
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held		3,697	(2,143)
Cash and cash equivalents at 30 June	18	**6,498,803**	4,080,156

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

Masraf Al Rayan (Q.P.S.C.) 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 Steet, Doha, Qatar. The interim condensed consolidated financial statements of the Bank for the six-month period ended 30 June 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 principal subsidiaries of the Group are as follows:

Entity’s name	*Country of incorporation*	*Entity’s capital*	*Entity’s activities*	*Effective percentage of ownership* ***30 June 2020***	*31 December 2019*
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	**100.0%**	100.0%
Al Rayan Financial Brokerage L.L.C.[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 L.L.C.	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. The Board of Directors are in the process of finalizing the status of Al Rayan Financial Brokerage to comply with the QFMA requirements.

[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.

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.

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”) and the applicable provisions of the QCB regulations. 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’.

2 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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 2019. In addition, results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019, except as disclosed in Note 21.

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 2019 except as disclosed in Note 21.

(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 2020

FAS 31 - Investment Agency (Al-Wakala Bi Al-lstithmar)
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.

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.

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 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.

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.

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

3 EXPECTED CREDIT LOSSES (“ECL”)

(a) Expected credit loss / Impairment allowances

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 June 2020				
- Due from banks	**4,396,067**	**1,060**	**-**	**4,397,127**
- Financing assets	**64,921,287**	**13,166,239**	**739,967**	**78,827,493**
- Debt type investments carried at amortised cost	**20,337,805**	**424,994**	**57,162**	**20,819,961**
- Off balance sheet exposures subject to credit risk	**12,215,674**	**1,282,155**	**5,274**	**13,503,103**
	101,870,833	**14,874,448**	**802,403**	**117,547,684**
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
- Off balance sheet 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	(433)	(370)	(134)	(937)
- Debt type investments carried at amortised cost	(7)	-	-	(7)
- Off balance sheet exposures subject to credit risk	-	-	-	-
	(440)	(370)	(134)	(944)
Net transfer between stages				
- Due from banks	-	-	-	-
- Financing assets	(1,874)	(177)	2,051	-
- Debt type investments carried at amortised cost	1,629	(1,629)	-	-
- Off balance sheet exposures subject to credit risk	(45)	45	-	-
	(290)	(1,761)	2,051	-
Charge / (reversal) for the period (net)				
- Due from banks	(4)	-	-	(4)
- Financing assets	50,124	29,714	7,208	87,046
- Debt type investments carried at amortised cost	1,407	2,633	-	4,040
- Off balance sheet exposures subject to credit risk	8,754	(22,772)	-	(14,018)
	60,281	9,575	7,208	77,064
Write offs				
- Due from banks	-	-	-	-
- Financing assets	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	-	-	-	-
Closing Balance - as at 30 June 2020				
- Due from banks	**169**	**-**	**-**	**169**
- Financing assets	**86,807**	**299,710**	**336,994**	**723,511**
- Debt type investments carried at amortised cost	**4,744**	**5,980**	**28,610**	**39,334**
- Off balance sheet exposures subject to credit risk	**18,517**	**3,500**	**-**	**22,017**
	110,237	**309,190**	**365,604**	**785,031**

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

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 30 June 2019				
- Due from banks	3,354,898	3,105	-	3,358,003
- Financing assets	62,215,155	12,613,312	560,237	75,388,704
- Debt type investments carried at amortised cost	19,489,198	310,776	57,162	19,857,136
- Off balance sheet exposures subject to credit risk	12,799,794	518,456	24,613	13,342,863
	97,859,045	13,445,649	642,012	111,946,706
Opening Balance - as at 1 January 2019				
- Due from banks	403	-	-	403
- Financing assets	58,657	225,239	304,978	588,874
- Debt type investments carried at amortised cost	5,991	230	28,610	34,831
- Off balance sheet exposures subject to credit risk	11,724	35,287	-	47,011
	76,775	260,756	333,588	671,119
Foreign currency translation for the period				
- Due from banks	-	-	-	-
- Financing assets	4	(38)	(19)	(53)
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	4	(38)	(19)	(53)
Net transfer between stages				
- Due from banks	-	-	-	-
- Financing assets	4,975	(4,975)	-	-
- Debt type investments carried at amortised cost	(5,150)	5,150	-	-
- Off balance sheet exposures subject to credit risk	1,240	(1,240)	-	-
	1,065	(1,065)	-	-
Charge / (reversal) for the period (net)				
- Due from banks	(228)	-	-	(228)
- Financing assets	(25,958)	28,299	(2,362)	(21)
- Debt type investments carried at amortised cost	1,702	(814)	-	888
- Off balance sheet exposures subject to credit risk	(2,365)	1,300	-	(1,065)
	(26,849)	28,785	(2,362)	(426)
Write offs				
- Due from banks	-	-	-	-
- Financing assets	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	-	-	-	-
Closing Balance - as at 30 June 2019				
- Due from banks	175	-	-	175
- Financing assets	37,678	248,525	302,597	588,800
- Debt type investments carried at amortised cost	2,543	4,566	28,610	35,719
- Off balance sheet exposures subject to credit risk	10,599	35,347	-	45,946
	50,995	288,438	331,207	670,640

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

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	**Financing assets**	**Debt type investments carried at amortised cost**	**Off balance sheet exposures subject to credit risk**	**Due from Banks**
AAA to AA-	46,724,475	19,587,576	2,725,552	188
A+ to A-	8,514,984	120,172	4,650,435	4,373,030
BBB+ to BBB-	7,880,595	50,416	4,881,840	799
BB+ to B-	4,713,375	536,572	851,441	111
Unrated	10,994,064	525,225	393,835	22,999
Totals as of 30 June 2020	**78,827,493**	**20,819,961**	**13,503,103**	**4,397,127**

Rating grade	Financing assets	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk	Due from Banks
AAA to AA-	41,218,000	18,692,386	3,751,460	1,086
A+ to A-	12,124,427	197,843	4,521,142	2,904,409
BBB+ to BBB-	9,232,900	55,450	3,907,876	449,209
BB+ to B-	2,980,966	541,722	1,049,145	142
Unrated	9,832,411	369,735	113,240	3,157
Totals as of 30 June 2019	75,388,704	19,857,136	13,342,863	3,358,003

4 FINANCIAL RISK MANAGEMENT

Except as disclosed in Note 21, 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 2019.

(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.

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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:

30 June 2020 (Reviewed)	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets				
Shari’a-compliant risk management instruments	-	42,181	-	42,181
Investment securities	47,867	102,585	-	150,452
	47,867	**144,766**	**-**	**192,633**
Financial liabilities				
Shari’a-compliant risk management instruments	-	35,889	-	35,889
	-	**35,889**	**-**	**35,889**

31 December 2019 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
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 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 3,095 million (31 December 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 6.

Investment securities totalling QAR nil are carried at cost (31 December 2019: QAR nil).

During the reporting periods 30 June 2020 and 31 December 2019, there were no transfers among Levels 1, 2 and 3 fair value measurements.

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 Bank’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 Bank’s internal credit grading model, which assigns PDs to the individual grades;
- The Bank’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 Bank’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).

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
30 June 2020 (Reviewed)					
Cash and balances with QCB	-	-	4,789,202	4,789,202	4,789,202
Due from banks	-	-	4,396,958	4,396,958	4,396,958
Financing assets	-	-	78,103,982	78,103,982	78,103,982
Investment securities:					
- Measured at fair value	1,829	148,623	-	150,452	150,452
- Measured at amortised cost	-	-	20,780,627	20,780,627	20,845,102
Other assets	-	-	3,507	3,507	3,507
Shari’a-compliant risk management instruments	42,181	-	-	42,181	42,181
	44,010	**148,623**	**108,074,276**	**108,266,909**	**108,331,384**
Due to banks	-	-	20,941,525	20,941,525	20,941,525
Customer current accounts	-	-	8,389,207	8,389,207	8,389,207
Sukuk financing			3,263,580	3,263,580	3,263,580
Other borrowings			1,818,151	1,818,151	1,818,151
Other liabilities	-	-	1,551,800	1,551,800	1,551,800
Equity of investment account holders	-	-	59,028,256	59,028,256	59,028,256
Shari’a-compliant risk management instruments	35,889	-	-	35,889	35,889
	35,889	**-**	**94,992,519**	**95,028,408**	**95,028,408**

Masraf Al Rayan (Q.P.S.C.) QAR '000s

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
31 December 2019 (Audited)					
Cash and balances with QCB	-	-	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	-	-	1,119,374	1,119,374	1,119,374
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	-	91,435,131	91,453,024	91,453,024

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 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 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.

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

7 OPERATING SEGMENTS (continued)

Information about operating segments

30 June 2020 (Reviewed)	***Corporate Banking***	***Retail Banking***	***Asset Management***	***International operations***	***Unallocated***	***Total***
External revenue:						
Total income from financing and investing activities	1,450,038	687,516	13,556	163,696	-	**2,314,806**
Net fee and commission income	112,027	-	13,891	357	-	**126,275**
Foreign exchange gain / (loss)	104,106	-	-	(1,684)	-	**102,422**
Share of results of associates	-	-	-	-	12,348	**12,348**
Other income	-	-	169	-	3,158	**3,327**
Total segment revenue	**1,666,171**	**687,516**	**27,616**	**162,369**	**15,506**	**2,559,178**
Finance expense	(361,389)	-	(1,361)	(10,985)	-	**(373,735)**
Return to investment account holders	(426,275)	(199,537)	-	(62,345)	-	**(688,157)**
Net impairment losses on financing assets	(64,985)	(2,301)	-	(8,292)	-	**(75,578)**
Net impairment losses on investment securities	(10,273)	-	(873)	(7)	-	**(11,153)**
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	18,556	(4,536)	(11)	13	-	**14,022**
Reportable segment profit before tax	**821,805**	**481,142**	**16,462**	**5,652**	**(240,005)**	**1,085,056**
Reportable segment assets	**72,633,051**	**24,662,142**	**679,354**	**9,876,046**	**1,488,195**	**109,338,788**
Reportable segment liabilities	**29,611,726**	**2,870,506**	**128,899**	**2,440,544**	**1,764,442**	**36,816,117**
Reportable segment equity of investment account holders	**36,363,113**	**15,874,118**	**-**	**6,791,025**	**-**	**59,028,256**

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 June 2019 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	1,509,299	573,152	16,469	165,882	-	2,264,802
Net fee and commission income	169,649	-	7,955	1,601	-	179,205
Foreign exchange gain / (loss)	83,526	-	(78)	940	-	84,388
Share of results of associates	-	-	-	-	14,879	14,879
Other income	-	-	-	-	5,068	5,068
Total segment revenue	1,762,474	573,152	24,346	168,423	19,947	2,548,342
Finance expense	(415,088)	-	(2,029)	(15,504)	-	(432,621)
Return to investment account holders	(462,326)	(194,121)	-	(52,992)	-	(709,439)
Net recoveries and reversals / (impairment losses) on financing assets	30,546	(23,793)	-	(990)	-	5,763
Net impairment losses / recoveries and reversals on investment securities	(129)	-	(1,184)	1	-	(1,312)
Net recoveries and reversals on other exposures subject to credit risk	1,292	1	-	-	-	1,293
Reportable segment profit before tax	916,769	355,239	12,184	15,363	(214,098)	1,085,457
Reportable segment assets	69,230,026	21,808,310	667,523	9,486,955	1,350,146	102,542,960
Reportable segment liabilities	24,711,206	2,442,162	146,856	2,622,236	2,415,153	32,337,613
Reportable segment equity of investment account holders	36,750,777	14,172,242	-	6,223,972	-	57,146,991

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

8 FINANCING ASSETS

(a) By type

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Receivables and balances from financing activities:			
Murabaha	**56,420,007**	55,138,706	54,668,187
Ijarah	**19,887,501**	18,472,205	17,232,344
Istisna’a	**899,560**	1,136,071	1,183,510
Musharaka	**5,544,240**	6,062,257	5,620,877
Others	**703,970**	392,640	405,990
Accrued profit receivable	**322,510**	428,547	391,620
Total financing assets	**83,777,788**	81,630,426	79,502,528
Deferred profit	**(4,950,295)**	(6,155,715)	(4,113,824)
Allowance for impairment - Performing (Stages 1 and 2)*	**(386,517)**	(309,533)	(286,203)
Allowance for impairment - Non-performing (Stage 3)*	**(307,911)**	(310,254)	(272,632)
Profit in suspense*	**(29,083)**	(17,615)	(29,965)
Net financing assets	**78,103,982**	74,837,309	74,799,904

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

The total non-performing financing assets net of deferred profit at 30 June 2020 amounted to QAR 739,967 thousand representing 0.94% of the gross financing assets net of deferred profit (31 December 2019: QAR 759,037 thousand representing 1.01% of the gross financing assets net of deferred profit; 30 June 2019: QAR 560,237 thousand representing 0.74% of the gross financing assets net of deferred profit).

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

	Allowance for impairment	***Profit in suspense***	***30 June 2020 (Reviewed)***
Balance as at 1 January	619,787	17,615	637,402
Charge for the year	141,382	12,491	153,873
Recoveries / reversals during the year	(65,804)	(1,023)	(66,827)
Effect of foreign currency movement	(937)	-	(937)
Balance at 30 June	**694,428**	**29,083**	**723,511**

	Allowance for impairment	*Profit in suspense*	*31 December 2019 (Audited)*
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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

8 FINANCING ASSETS (continued)

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

	Allowance for impairment	*Profit in suspense*	*30 June 2019 (Reviewed)*
Balance as at 1 January	564,650	24,224	588,874
Charge for the year	69,822	6,732	76,554
Recoveries / reversals during the year	(75,584)	(991)	(76,575)
Effect of foreign currency movement	(53)	-	(53)
Balance at 30 June	558,835	29,965	588,800

9 INVESTMENT SECURITIES

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Investments classified as fair value through income statement			
Investments classified as held for trading (Quoted)			
Debt type investments - Fixed profit rate	**1,818**	1,881	638
Accrued profit receivable	**11**	11	4
	1,829	1,892	642
Debt-type investments classified as amortised cost			
Fixed profit rate - Quoted	**1,517,065**	1,898,971	1,602,599
Government of Qatar Sukuk - Quoted	**1,303,664**	1,356,252	1,316,645
Government of Qatar Sukuk - Unquoted	**17,750,000**	17,750,000	16,700,000
Accrued profit receivable	**249,232**	252,355	237,892
Less: Allowance for impairment*	**(39,334)**	(35,301)	(35,719)
	20,780,627	21,222,277	19,821,417
Investments classified as fair value through equity			
• Equity type investments			
- Quoted	**27,403**	36,467	37,792
- Unquoted	**102,585**	118,070	106,723
• Debt type investments - Fixed profit rate	**18,528**	-	-
Accrued profit receivable	**107**	-	-
	148,623	154,537	144,515
	20,931,079	21,378,706	19,966,574

*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 totalling QAR 7,113 thousand (30 June 2019: QAR 424 thousand), due to significant and prolonged reduction in fair values.

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

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:

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Positive fair value:			
Balance at 1 January	**24,634**	10,241	10,241
Net change in fair value	**(736)**	21,643	11,354
Transferred to consolidated income statement on sale	**(217)**	(6,357)	(6,357)
Share of other comprehensive income of associates	**2,803**	(893)	(893)
Net fair value movement	**1,850**	14,393	4,104
Balance at 30 June / 31 December	**26,484**	24,634	14,345
Negative fair value:			
Balance at 1 January	**(1,030)**	(473)	(473)
Net change in fair value	**(21,401)**	(1,208)	(453)
Transferred to consolidated income statement due to impairment	**7,113**	651	424
Net fair value movement	**(14,288)**	(557)	(29)
Balance at 30 June / 31 December	**(15,318)**	(1,030)	(502)
Total fair value at 30 June / 31 December	**11,166**	23,604	13,843

10 DUE TO BANKS

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Wakala payable	**16,560,572**	14,815,657	15,044,183
Commodity murabaha payable	**1,830,716**	2,127,992	1,094,697
Repurchase agreements	**1,766,501**	1,888,927	1,580,649
Short-term murabaha facilities from banks	**553,116**	433,584	801,274
Current and short-term investment accounts	**140,807**	18,180	295,098
Profit payable to banks	**89,813**	82,851	65,454
	20,941,525	19,367,191	18,881,355

Masraf Al Rayan (Q.P.S.C.) QAR '000s

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	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	Tolkien Funding Sukuk No.1 Plc	GBP 221 million	20 February 2018	20 July 2052	3-month Sterling LIBOR + 0.8% payable quarterly

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:

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Balance at 1 January	**2,002,003**	2,052,993	2,052,993
Issuances during the period / year	**-**	182,025	-
Repayments during the period / year	**(8,965)**	(10,055)	(10,055)
Amortisation of transaction cost	**2,500**	4,707	2,310
Reclassified as Due to banks	**(182,025)**	(236,632)	(236,632)
Profit payable on borrowings	**4,638**	8,965	9,750
Balance at 30 June / 31 December	**1,818,151**	2,002,003	1,818,366

13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Term accounts	**45,739,491**	47,948,623	46,647,658
Saving accounts	**7,404,396**	6,532,105	5,901,152
Short-term investment accounts	**5,506,893**	3,255,255	4,259,110
Profit payable to equity of investment account holders	**376,967**	348,823	338,481
Share in the fair value reserves	**509**	1,076	590
	59,028,256	58,085,882	57,146,991

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14 OWNERS' EQUITY

(a) Share capital

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Authorised			
7,500,000,000 shares at QAR 1 each	**7,500,000**	7,500,000	7,500,000

(b) Legal reserve

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Balance at 1 January	**2,496,623**	2,278,783	2,278,783
Transfer from retained earnings	**-**	217,840	-
Balance at 30 June / 31 December	**2,496,623**	2,496,623	2,278,783

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 30 June 2020 as Masraf will transfer the required amount by 31 December 2020.

(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 30 June 2020 as Masraf will transfer the required amount by 31 December 2020.

(d) Fair value reserve

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

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Balance at 1 January	**23,604**	9,768	9,768
Net unrealised (losses) / gains	**(21,628)**	21,511	11,491
Transferred to consolidated income statement on sale	**(217)**	(6,357)	(6,357)
Transferred to consolidated income statement due to impairment	**7,113**	651	424
Share of other comprehensive income of associates	**2,803**	(893)	(893)
Share of equity of investment account holders in the fair value reserve	**(509)**	(1,076)	(590)
Net fair value movement	**(12,438)**	13,836	4,075
Balance at 30 June / 31 December (shareholders' share)	**11,166**	23,604	13,843

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

14 OWNERS’ 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

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Balance at 1 January	**123,405**	118,910	118,910
Share of results of associates	**-**	19,832	-
Dividend from associates transferred to retained earnings	**-**	(4,000)	-
Other movement	**-**	(11,337)	-
Balance at 30 June / 31 December	**123,405**	123,405	118,910

No transfer has been made for the period ended 30 June 2020 as Masraf will transfer the share of results of associates to other reserves by 31 December 2020.

(g) Dividend

On 18 March 2020, the General Assembly approved a cash dividend of 22.5% of the paid up share capital (2019: 20%) amounting to QAR 1,687.5 million (2019: QAR 1,500 million).

15 NON-CONTROLLING INTERESTS

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%).

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:

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Payable not later than 1 year	**19,085**	14,271	17,491
Payable later than 1 year and not later than 5 years	**31,655**	21,925	22,400
	50,740	36,196	39,891

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16 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(b) Contingent liabilities

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Unutilised credit facilities	**731,467**	418,711	476,999
Guarantees	**11,783,178**	12,355,598	12,046,189
Letters of credit	**988,458**	715,239	819,675
	13,503,103	13,489,548	13,342,863

(c) Other undertakings and commitments

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Profit rate swap	**731,328**	562,551	3,812,005
Unilateral promise to buy/sell currencies	**19,611,795**	25,226,828	19,269,349
	20,343,123	25,789,379	23,081,354
Capital commitment - Head Office building under construction	**353,922**	392,325	415,119

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.

	For the Six-Month Period Ended 30 June	
	2020 (Reviewed)	*2019 (Reviewed)*
Profit for the period attributable to equity holders of the Bank	**1,083,521**	1,078,106
Weighted average number of shares outstanding during the period (thousand)	**7,500,000**	7,500,000
Basic earnings per share (QAR)	**0.144**	0.144

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:

	30 June 2020 (Reviewed)	*30 June 2019 (Reviewed)*
Cash on hand and balances with QCB excluding cash reserve	**2,101,845**	831,543
Due from banks	**4,396,958**	3,248,613
	6,498,803	4,080,156

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

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.

Transactions with related parties

(a) Condensed consolidated statement of financial position items

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Liabilities			
Equity of investment account holders - customer	**3,185,416**	3,167,419	3,135,107

(b) Condensed consolidated income statement items

	For the Six-Month Period Ended 30 June	
	2020 (Reviewed)	*2019 (Reviewed)*
Return on equity of investment account holders - customer	**27,922**	37,808

(c) Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the period as follows:

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Financing	**5,508**	478	475

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

	For the Six-Month Period Ended 30 June	
	2020 (Reviewed)	*2019 (Reviewed)*
Remuneration to Board of Directors including meeting allowances	**10,739**	14,804
Salaries and other benefits	**6,559**	8,571

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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.

The Group is currently in the process of analyzing new capital requirements for Profit Rate Risk on Banking Book (PRRBB) and will start setting aside capital based on new standard under Pillar II from 30 June 2020 onwards.

	30 June 2020 (Reviewed)	*31 December 2019 (Audited)*	*30 June 2019 (Reviewed)*
Common Equity Tier 1 (CET 1) capital	**12,390,795**	12,251,191	11,961,580
Tier 1 capital	**-**	-	-
Tier 2 capital	**419,427**	352,329	340,418
Total regulatory capital	**12,810,222**	12,603,520	12,301,998
Risk weighted assets			
Risk weighted assets for credit risk	**59,224,098**	56,373,722	55,813,721
Risk weighted assets for market risk	**552,187**	564,026	2,475,119
Risk weighted assets for operational risk	**5,241,574**	5,241,574	4,956,019
Total risk weighted assets	**65,017,859**	62,179,322	63,244,859

	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
30 June 2020						
Actual	**19.06%**	**19.06%**	**19.06%**	**19.70%**	**19.70%**	**19.70%**
Minimum QCB limit	**6.00%**	**8.50%**	**10.50%**	**12.50%**	**13.50%**	**14.80%**
31 December 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%
30 June 2019						
Actual	18.91%	18.91%	18.91%	19.45%	19.45%	19.45%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.55%

[1] *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 Bank 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 30 June 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 30 June 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 Bank. 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 1% 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.

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 Bank 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 six-month period ended 30 June 2020.

21 IMPACT OF COVID-19 (continued)

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. The effect of COVID-19 on the Group, as and when known, will be further incorporated into the determination of the Group’s estimates related to significant increase in credit risk, inputs, macroeconomic variables and weightages applied to scenarios in the expected credit loss model and fair valuation of financial assets in the interim condensed consolidated financial statements for the period ending 30 September 2020 as well as the annual consolidated financial statements for the year ending 31 December 2020.