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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank (QCB) and the applicable provisions of QCB regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment of financial assets	
The Group's financial assets, both on and off balance sheet, amount to QAR 134.82 billion as at 31 December 2020 (2019: QAR 119.1 billion). The expected credit losses (ECL) provision recognised for the year ended December 31, 2020 amounted to QAR 1,065 million (2019: QAR 709 million). FAS 30 Impairment, Credit Losses and Onerous Commitments is a complex accounting standard that requires considerable judgements, which were key in the development of models to measure expected credit losses on financial assets, carried either at amortised cost or at FVTE (debt instruments). The COVID-19 pandemic also significantly impacted management's judgment applied to determine the ECL. There is a risk that financial assets are impaired and inadequate impairment provisions are provided which are not in accordance with the requirements of FAS 30 and the applicable provisions of Qatar Central Bank regulations. This has been exacerbated by the impact of the Covid 19 pandemic on the overall macroeconomic environment. Financial assets might be inaccurate due to: - The methodologies used to develop probability of default (PD); loss given default (LGD); and (exposure at default EAD) are inappropriate. - Inappropriate segmentation of portfolios is used to develop risk parameters. - The input and range of forward-looking scenarios are not representative of an appropriate range of possible outcomes. - Extrapolation techniques used to project scenarios and parameters (PD, LGD, and EAD) in future periods are inappropriate. - The methodology used to allocate a probability to each scenario is inappropriate or unsupported. - Significant increases (or reductions) in credit risk (movements between Stage 1, Stage 2 and Stage 3) are not completely or accurately identified on a timely basis. - Assumptions incorporated in the ECL model, especially scenarios arising from the Covid 19 pandemic, are not updated on a timely basis.	We have updated our understanding of the business process realated to impairment of financial assets and assessed and tested the design and operating effectiveness of the relevant controls over data governance, methodologies, inputs and assumptions used by the Group in the ECL model. In addition, our work performed included the below procedures, among others on the Group's FAS 30 ECL model: - For a selection of exposures, performed a detailed credit review and challenged the Group's staging and impairment allowance calculation. - Review and assessment of the appropriateness of the data, assumptions and methodologies used within the Bank's FAS 30 ECL model (PD, LGD, and EAD) and customer internal rating systems and methodology. - Assessment on whether significant increase in credit risk (SICR) indicators are present for the exposures subject to credit risks based on FAS 30 and Qatar Central Banks guidance and the possible implications on the ECL staging and expected provisioning, including incorporating consideration of the economic disruptions caused by COVID 19. - Assessment of the ECL methodology, macroeconomic scenarios weightage, (including scenario weightage adjustments for COVID-19), model validation/testing, including post model adjustments on a sample basis.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment of financial assets (continued)	
Refer to the following notes of the consolidated financial statements: Note 3 – Significant accounting policies on financial assets and financial liabilities Note 4 – Financial risk management Note 7 – Fair value and classification of financial instruments Note 9 – Due from banks Note 10 – Financing assets Note 11 – Investment securities	We have assessed whether the related disclosures of this area are adequate in accordance with the requirements of Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank (QCB) and applicable provision of QCB regulations.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Bank's accounting and financial reporting systems are vitally dependent on complex technology. The extensive volume and variety of transactions processed daily raises a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. A particular area of focus is related to logical access management and segregation of duties. The underlying principles are important because controls in these areas ensure that transactions processed in the application system and the underlying data are appropriate, authorised and monitored. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error in processing transactions in the system	Our audit approach relies on automated controls and therefore procedures were designed to test access and controls over IT systems. Our audit procedures included: • Obtain the understanding on IT applications relevant to financial reporting including the Equation - core banking system, Opics - Treasury system, TI – Trade finance system, LOS – retail and corporate financing assets business and the Swift messaging and the infrastructure supporting these applications; • Testing the relevant automated input / processing and output controls relevant to business processes. • Testing the IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations; and • Assessing accuracy and completeness of computer generated information relevant for the audited financial statements.

Other information

Board of Directors is responsible for the other information. The other information comprises the Board of Directors Report which we obtained prior to the date of this auditor's report and other information included in the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI as modified by the QCB, the Qatar Central Bank regulations, and for such internal control as Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on other legal and regulatory requirements

We are also of the opinion that proper books of account were maintained by the Group. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the consolidated financial information included in the Board of Directors' report addressed to the General Assembly is in agreement with the books and records of the Group. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Central Bank Law, Qatar Commercial Companies Law and the Bank's Articles of Association were committed during the year which would materially affect the Group's financial position or its financial performance.

Doha – Qatar
February 11, 2021

For **Deloitte & Touche**
Qatar Branch

ديلويت أند توش
محاسبون قانونيون
Public Accountants
DELOITTE & TOUCHE

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

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

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

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

....
Adel Mustafawi
Group Chief Executive Officer

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 42 form part of, and should be read in conjunction with, these consolidated financial statements.

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	***2020***	*2019*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		2,182,951	2,188,797
Adjustments for:			
Net impairment losses on financing assets		298,764	54,830
Net impairment losses on investments		58,227	1,117
Net impairment losses / (reversals) on due from banks		113	(231)
Net reversals on other financial assets		(5,415)	(10,976)
Fair value (gain) / loss on investment securities carried as fair value through income statement	24	(55)	66
Unrealized (gain) / loss on revaluation of Shari'a compliant risk management instruments		(33,254)	1,975
Depreciation	13	24,818	17,578
Amortisation of transaction costs on sukuk financing and other borrowings		7,458	4,981
Net gain on sale of investment securities		(13,805)	(10,209)
Dividend income	24	(1,442)	(2,528)
Share of results of associates	12	(17,888)	(19,832)
Loss on disposal of fixed assets		-	1,473
Amortisation of premium and discount on investment securities		(22,340)	(15,587)
Employees' end of service benefit provisions	19(a)	5,814	5,627
Profit before changes in operating assets and liabilities		**2,483,946**	2,217,081
Change in reserve account with Qatar Central Bank		(61,331)	(126,455)
Change in due from banks		-	273,038
Change in financing assets		(11,077,298)	(2,377,198)
Change in other assets		(59,485)	(25,382)
Change in accrued profit from investment securities		8,646	(32,402)
Change in due to banks		6,614,317	2,584,549
Change in customer current accounts		965,314	257,867
Change in other liabilities		(103,886)	(41,886)
Change in profit payable on sukuk financing and other borrowings		31,772	19,216
		(1,198,005)	2,748,428
Dividend received		1,442	2,528
Employees' end of service benefits paid	19(a)	(781)	(2,806)
Tax paid		(4,382)	(3,255)
Net cash (used in) / from operating activities		**(1,201,726)**	2,744,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(167,686)	(4,433,694)
Proceeds from sale / redemption of investment securities		943,632	2,370,285
Proceeds from disposal of fixed assets		1,699	-
Acquisition of fixed assets	13	(69,402)	(57,126)
Dividend received from associates	12	4,000	17,400
Net cash from / (used in) investing activities		**712,243**	(2,103,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		2,339,955	3,785,172
Net proceeds from sukuk financing and other borrowings		3,882,233	1,741,319
Dividends paid		(1,623,257)	(1,426,125)
Net movement in non-controlling interest		8,778	6,541
Net cash from financing activities		**4,607,709**	4,106,907
Net increase in cash and cash equivalents		4,118,226	4,748,667
Cash and cash equivalents at 1 January		6,554,869	1,790,425
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held		40,688	15,777
Cash and cash equivalents at 31 December	34	**10,713,783**	6,554,869

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

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 Street, Doha, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Group is primarily involved in Islamic banking, financing, investing and brokerage activities, and has 17 branches including the head office in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

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

The principal subsidiaries of the Group are as follows:

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

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

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

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

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

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

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

(b) Basis of measurement

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

(c) Functional and presentational currency

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

(d) Use of estimates and judgments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Change in accounting policy

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

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

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

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

(b) New standards and interpretations

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards and interpretations (continued)

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

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

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

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

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

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

(c) Basis of consolidation

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(i) *Subsidiaries (continued)*

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

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

(ii) *Non-controlling interest*

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

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

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

(iii) *Transactions eliminated on consolidation*

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

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

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

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

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

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

(v) *Fund management*

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

(d) Foreign currency

(i) *Foreign currency transactions and balances*

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency (continued)

(ii) *Foreign operations*

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

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

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

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

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

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

(e) Investment securities

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

(i) *Classification*

Policy applicable from 1 January 2020:

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

Policy applicable up to 31 December 2019:

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

Debt-type instruments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment securities (continued)

(i) *Classification (continued)*

Policy applicable up to 31 December 2019 (continued):

Equity-type instruments

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

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

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

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

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

(ii) *Recognition and de-recognition*

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

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

(iii) *Measurement*

Initial recognition

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

Subsequent measurement

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

Fair value through equity:

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

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

Policy applicable after the issuance of QCB circular 13/2020

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment securities (continued)

(iii) *Measurement (continued)*

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

(iv) *Measurement principles*

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

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

(f) Financing assets

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financing assets (continued)

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

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

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

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

(g) Other financial assets and liabilities

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other financial assets and liabilities (continued)

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

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

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

(iii) *Offsetting*

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

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

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

Stage 1: 12 months ECL

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

Stage 2: Lifetime ECL - not credit impaired

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

Stage 3: Non performing - credit impaired

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Measurement of ECL

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;

If the expected restructuring will result in derecognition of existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. The amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date.

Credit-impaired financial assets

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

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

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

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

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

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

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

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing asset commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Presentation of allowance for ECL in the consolidated statement of financial position (continued)

- Debt instruments measured at fair value through equity: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

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

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

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

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

(j) Modification of financial assets and liabilities

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

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

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

(l) Shari’a-compliant risk management instruments

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

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

(m) Fixed assets

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

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

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

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

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

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

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

(n) Due from banks

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of non-financial assets

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

(p) Customer current accounts

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

(q) Equity of investment account holders

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

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

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

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

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

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and its equity holders.

- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba profit.

- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.

- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.

- Due to pooling of investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Restricted investment accounts

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

(t) Sukuk financing

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

(u) Provisions

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

(v) Employees benefits

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

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

(w) Share capital and reserves

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

(x) Revenue recognition

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue recognition (continued)

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

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

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

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

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

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

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

(y) Income tax

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

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

(z) Earnings per share

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Financial guarantees

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

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

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

(bb) Contingent liabilities

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

(cc) Segment reporting

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

(dd) Fiduciary activities

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

(ee) Earnings prohibited by Shari'a

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

(ff) Comparatives

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

4 FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

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

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

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

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

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk

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

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

The main types of collaterals obtained are as follows:

- For securities financing: cash or securities.
- For commercial financing: mortgages over real estate properties, inventory, cash or securities.
- For retail financing: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

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

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

4.2.1 Credit risk measurement

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

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

4.2.2 Risk limit control and mitigation policies

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

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

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

4.2.4 Concentration of risks of financial assets with credit risk exposure

(a) By Geographical Sector

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

(b) By Geographical Sector (continued)

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

2020	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Unutilised credit facilities	**523,849**	**-**	**-**	**77,363**	**601,212**
Guarantees	**9,984,922**	**8,606**	**204,001**	**2,178,888**	**12,376,417**
Letters of credit	**650,224**	**379**	**11,770**	**325,795**	**988,168**
	11,158,995	**8,985**	**215,771**	**2,582,046**	**13,965,797**

2019	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Unutilised credit facilities	332,927	-	-	85,784	418,711
Guarantees	10,537,511	9,547	412,407	1,396,133	12,355,598
Letters of credit	693,838	713	8,496	12,192	715,239
	11,564,276	10,260	420,903	1,494,109	13,489,548

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

(b) By Industry sector

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

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

4.2.5 Credit quality

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

* Includes profit in suspense of QAR 39,470 thousand

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

* Includes profit in suspense of QAR 17,615 thousand

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.6 Credit quality assessments

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

Rating grade	**Financing assets**	**Due from Banks**	**Debt type investments carried at amortised cost**	**Off balance sheet exposures subject to credit risk**
AAA to AA-	52,402,747	438,661	18,909,903	2,854,269
A+ to A-	8,086,282	5,714,763	539,107	4,911,544
BBB+ to BBB-	8,569,560	869	30,789	4,266,802
BB+ to B-	5,345,948	15	536,916	1,759,697
Unrated	12,536,835	153,553	492,536	173,485
Totals as of 31 December 2020	**86,941,372**	**6,307,861**	**20,509,251**	**13,965,797**

Rating grade	Financing assets	Due from Banks	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk
AAA to AA-	43,095,146	332,864	19,792,157	4,554,746
A+ to A-	8,858,751	5,661,963	369,590	4,472,543
BBB+ to BBB-	7,321,349	1,450	68,160	3,356,132
BB+ to B-	4,904,421	148	567,830	899,226
Unrated	11,295,044	38,838	459,841	206,901
Totals as of 31 December 2019	75,474,711	6,035,263	21,257,578	13,489,548

4.2.7 Collateral

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.7 Collateral (continued)

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

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

4.2.8 Renegotiated financing assets

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

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

4.2.9 Write-off policy

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

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

4.2.10 Inputs, assumptions and techniques used for estimating impairment

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

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

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

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

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

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

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

Definition of default
The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is rated 9 or 10.

In assessing whether a borrower is in default, the Group also considers indicators that are:
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the following variables:
- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD).

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

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

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

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.
For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:
- credit risk grading's;
- product type; and
- geographic location of the borrower.

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

Loss allowance

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.11 Credit Risk Measurement

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

4.2.12 Credit risk grading

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

4.3 Market risk

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

4.3.1 Management of market risk

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

4.3.2 Exposure to profit rate risk – non-trading portfolios

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

Sensitivity analysis

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

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

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

4.3.3 Exposure to other market risks – non-trading portfolios

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

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

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

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

Equity price risk

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

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

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

4.3.4 Valuation of financial instruments

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.4 Valuation of financial instruments (continued)

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

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

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

4.3.5 Financial asset and liability classification

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.5 Financial asset and liability classification (continued)

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

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

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

4.4 Liquidity risk

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

4.4.1 Exposure to liquidity risk

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

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

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

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

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk

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

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

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

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

4.6 Capital management

Regulatory capital

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

Regulatory capital (continued)

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

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

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

[1] *Domestic Systemically Important Bank*

5 USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

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

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

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

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

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

(ii) *Determining fair values*

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

(iii) *Going concern*

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

6 OPERATING SEGMENTS

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

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

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

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

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6 OPERATING SEGMENTS (continued)

Information about operating segments

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

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6 OPERATING SEGMENTS (continued)

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

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7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

2020	*Fair value through income statement*	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
Cash and balances with central banks	-	-	7,070,507	7,070,507	7,070,507
Due from banks	-	-	6,307,575	6,307,575	6,307,575
Financing assets	-	-	85,983,437	85,983,437	85,983,437
Investment securities:					
- Measured at fair value	2,029	150,970	-	152,999	152,999
- Measured at amortised cost	-	-	20,432,835	20,432,835	20,578,155
Other assets	-	-	3,828	3,828	3,828
Shari’a-compliant risk management instruments	55,306	-	-	55,306	55,306
	57,335	**150,970**	**119,798,182**	**120,006,487**	**120,151,807**
Due to banks	-	-	27,979,497	27,979,497	27,979,497
Customer current accounts	-	-	8,491,997	8,491,997	8,491,997
Sukuk financing	-	-	6,023,180	6,023,180	6,023,180
Other borrowings	-	-	1,270,775	1,270,775	1,270,775
Other liabilities	-	-	1,732,566	1,732,566	1,732,566
Equity of investment account holders	-	-	60,425,902	60,425,902	60,425,902
Shari’a-compliant risk management instruments	19,732	-	-	19,732	19,732
	19,732	**-**	**105,923,917**	**105,943,649**	**105,943,649**

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

2019	*Fair value through income statement*	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
Cash and balances with central banks	-	-	3,122,860	3,122,860	3,122,860
Due from banks	-	-	6,035,090	6,035,090	6,035,090
Financing assets	-	-	74,837,309	74,837,309	74,837,309
Investment securities:					
- Measured at fair value	1,892	154,537	-	156,429	156,429
- Measured at amortised cost	-	-	21,222,277	21,222,277	21,342,171
Other assets	-	-	7,707	7,707	7,707
Shari’a-compliant risk management instruments	20,213	-	-	20,213	20,213
	22,105	154,537	105,225,243	105,401,885	105,521,779
Due to banks	-	-	19,367,191	19,367,191	19,367,191
Customer current accounts	-	-	7,526,683	7,526,683	7,526,683
Sukuk financing	-	-	3,333,998	3,333,998	3,333,998
Other borrowings	-	-	2,002,003	2,002,003	2,002,003
Other liabilities	-	-	1,276,694	1,276,694	1,276,694
Equity of investment account holders	-	-	58,085,882	58,085,882	58,085,882
Shari’a-compliant risk management instruments	17,893	-	-	17,893	17,893
	17,893	-	91,592,451	91,610,344	91,610,344

8 CASH AND BALANCES WITH CENTRAL BANKS

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

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

9 DUE FROM BANKS

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

10 FINANCING ASSETS

(a) By type

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

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

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

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

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

10 FINANCING ASSETS (continued)

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

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

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

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10 FINANCING ASSETS (continued)

(d) By sector

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

11 INVESTMENT SECURITIES

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

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

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

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11 INVESTMENT SECURITIES (continued)

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

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

12 INVESTMENT IN ASSOCIATES

Associates’ movement during the year is as follows:

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

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

All investments are not listed.

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12 INVESTMENT IN ASSOCIATES (continued)

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

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

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

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13 FIXED ASSETS

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

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13 FIXED ASSETS (continued)

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

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14 OTHER ASSETS

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

15 DUE TO BANKS

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

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

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

16 CUSTOMER CURRENT ACCOUNTS

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

17 SUKUK FINANCING

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

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

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

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

18 OTHER BORROWINGS

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

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

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

19 OTHER LIABILITIES

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

(a) Provision for employees’ end of service benefits

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

20 EQUITY OF INVESTMENT ACCOUNT HOLDERS

(a) By type

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

(b) By sector

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

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

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

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

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

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

21 EQUITY

(a) Share capital

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

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

(b) Legal reserve

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

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

(c) Risk reserve

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

(d) Fair value reserve

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

21 EQUITY (CONTINUED)

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on Shari’a-compliant risk management instruments that hedge the Group’s net investment in foreign operations.

(f) Other reserves

This represents the Group’s share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2020	*2019*
Balance at 1 January	**123,405**	118,910
Share of results of associates	**17,888**	19,832
Dividend from associates transferred to retained earnings	**(4,000)**	(4,000)
Other movement	**(11,071)**	(11,337)
Balance at 31 December	**126,222**	123,405

(g) Proposed dividend

The Board of Directors in its meeting held on 19 January 2021 proposed a cash dividend of 17.0% (2019: 22.5%) of the share capital amounting to QAR 1,275 million (2019: QAR 1,687.5 million).

This proposal is subject to the approval of the shareholders’ annual general assembly and the regulators in the State of Qatar.

22 NON-CONTROLLING INTEREST

This represents the Group’s non-controlling interest in Al Rayan (UK) Limited (30%) and Al Rayan Bank PLC (31.16%) (31 December 2019: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

23 INCOME FROM FINANCING ACTIVITIES

	2020	*2019*
Income from Murabaha	**2,335,570**	2,437,252
Income from Ijarah	**1,071,189**	949,746
Income from Musharaka	**219,813**	255,163
Income from Istisna‘a	**53,764**	68,223
	3,680,336	3,710,384

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

24 INCOME FROM INVESTING ACTIVITIES

	2020	*2019*
Income from investment in debt-type instruments	**847,222**	804,074
Income from inter-bank placements with Islamic banks	**62,678**	113,843
Net gain on sale of equity-type investments	**-**	6,895
Net gain on sale of debt-type investments	**13,805**	3,314
Dividend income	**1,442**	2,528
Fair value gain / (loss) on investment securities carried as fair value through income statement	**55**	(66)
	925,202	930,588

25 NET FEE AND COMMISSION INCOME

	2020	*2019*
Commission on financing activities	**138,507**	234,697
Commission on trade finance activities	**80,196**	103,134
Commission on banking services	**44,307**	53,387
	263,010	391,218
Fee and commission expenses	**(2,280)**	(3,135)
	260,730	388,083

26 FOREIGN EXCHANGE GAIN (NET)

	2020	*2019*
Dealing in foreign currencies	**158,328**	162,559
Revaluation of assets and liabilities	**(101)**	(179)
	158,227	162,380

27 OTHER INCOME

	2020	*2019*
Rental income	**626**	2,401
Miscellaneous	**3,265**	7,307
	3,891	9,708

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

28 STAFF COSTS

	2020	*2019*
Salaries, allowances and other staff costs	**371,104**	381,010
Staff indemnity costs	**5,814**	5,627
Staff pension fund costs	**9,490**	8,743
	386,408	395,380

29 OTHER EXPENSES

	2020	*2019*
Rent and maintenance	**64,277**	63,357
Legal, professional and consulting fees	**45,269**	21,149
Advertising expenses	**37,832**	23,173
Information technology	**36,954**	31,665
Board of Directors' remuneration - Parent	**15,589**	15,567
Board of Directors' remuneration - Subsidiaries	**3,433**	3,047
Shari'a Board compensation	**1,471**	2,073
Other operating expenses	**78,405**	85,654
	283,230	245,685

30 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these rent agreements are as follows:

	2020	*2019*
Payable not later than 1 year	**18,829**	14,271
Payable later than 1 year and not later than 5 years	**24,358**	21,925
	43,187	36,196

(b) Contingent liabilities

	2020	*2019*
Unutilised credit facilities	**601,212**	418,711
Guarantees	**12,376,417**	12,355,598
Letters of credit	**988,168**	715,239
	13,965,797	13,489,548

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

30 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(c) Other undertakings and commitments

	2020	*2019*
Profit rate swap	**1,302,839**	562,551
Unilateral promise to buy/sell currencies	**11,749,333**	25,226,828
	13,052,172	25,789,379
Capital commitments in respect of Head Office building under construction	**333,170**	392,325

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	*Other GCC*	*Europe*	*North America*	*Others*	*Total*
2020						
Cash and balances with central banks	7,041,081	-	29,426	-		**7,070,507**
Due from banks	4,301,827	1,128,116	802,498	52,065	23,069	**6,307,575**
Financing assets	73,240,155	3,532	8,749,157	-	3,990,593	**85,983,437**
Investment securities	19,246,312	844,665	11,105	-	483,752	**20,585,834**
Investment in associates	141,476	392,640	-	-	-	**534,116**
Fixed assets	247,697	-	23,709	-	-	**271,406**
Other assets	278,679	-	83,326	-	-	**362,005**
TOTAL ASSETS	**104,497,227**	**2,368,953**	**9,699,221**	**52,065**	**4,497,414**	**121,114,880**
Due to banks	18,696,384	5,589,162	2,887,178	-	806,773	**27,979,497**
Customer current accounts	7,361,645	56,100	1,061,938	639	11,675	**8,491,997**
Sukuk financing	5,349,129	-	674,051	-	-	**6,023,180**
Other borrowings	-	-	1,270,775	-	-	**1,270,775**
Other liabilities	2,287,269	-	44,289	-	-	**2,331,558**
Total liabilities	33,694,427	5,645,262	5,938,231	639	818,448	**46,097,007**
Equity of investment account holders	49,291,842	2,652,005	8,357,377	81,227	43,451	**60,425,902**
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**82,986,269**	**8,297,267**	**14,295,608**	**81,866**	**861,899**	**106,522,909**

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

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Geographical sector (continued)

	Qatar	*Other GCC*	*Europe*	*North America*	*Others*	*Total*
2019						
Cash and balances with central banks	3,106,512	-	16,348	-	-	3,122,860
Due from banks	5,132,177	7,848	868,095	26,306	664	6,035,090
Financing assets	62,935,642	3,331	7,997,341	-	3,900,995	74,837,309
Investment securities	19,898,321	919,377	14,053	-	546,955	21,378,706
Investment in associates	122,967	404,431	-	-	-	527,398
Fixed assets	197,986	-	29,745	-	-	227,731
Other assets	187,736	-	79,691	-	-	267,427
TOTAL ASSETS	91,581,341	1,334,987	9,005,273	26,306	4,448,614	106,396,521
Due to banks	10,577,208	4,594,930	3,145,920	-	1,049,133	19,367,191
Customer current accounts	6,570,425	59,117	878,461	4,058	14,622	7,526,683
Sukuk financing	2,466,798	-	867,200	-	-	3,333,998
Other borrowings	-	-	2,002,003	-	-	2,002,003
Other liabilities	1,887,347	-	61,502	-	-	1,948,849
Total liabilities	21,501,778	4,654,047	6,955,086	4,058	1,063,755	34,178,724
Equity of investment account holders	47,987,077	2,788,774	7,109,115	149,123	51,793	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	69,488,855	7,442,821	14,064,201	153,181	1,115,548	92,264,606

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

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector

	Real estate	*Construction, engineering and manufacturing*	*Oil and gas*	*Financial services*	*Individuals*	*Others*	*Total*
2020							
Cash and balances with central banks	-	-	-	7,070,507	-	-	**7,070,507**
Due from banks	-	-	-	6,035,090	-	272,485	**6,307,575**
Financing assets	24,362,923	1,726,411	12,852	685,566	12,758,875	46,436,810	**85,983,437**
Investment securities	436,789	8,633	-	614,515	-	19,525,897	**20,585,834**
Investment in associates	26,893	-	-	472,004	-	35,219	**534,116**
Fixed assets	-	-	-	-	-	271,406	**271,406**
Other assets	-	-	-	-	-	362,005	**362,005**
TOTAL ASSETS	**24,826,605**	**1,735,044**	**12,852**	**14,877,682**	**12,758,875**	**66,903,822**	**121,114,880**
Due to banks	-	-	-	27,979,497	-	-	**27,979,497**
Customer current accounts	17,842	223,053	707	23,680	3,449,243	4,777,472	**8,491,997**
Sukuk financing	-	-	-	6,023,180	-	-	**6,023,180**
Other borrowings	-	-	-	1,270,775	-	-	**1,270,775**
Other liabilities	-	-	-	-	-	2,331,558	**2,331,558**
Total liabilities	17,842	223,053	707	35,297,132	3,449,243	7,109,030	**46,097,007**
Equity of investment account holders	3,981	21,453	728	162,772	23,593,637	36,643,331	**60,425,902**
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**21,823**	**244,506**	**1,435**	**35,459,904**	**27,042,880**	**43,752,361**	**106,522,909**

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

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector (continued)

	Real estate	*Construction, engineering and manufacturing*	*Oil and gas*	*Financial services*	*Individuals*	*Others*	*Total*
2019							
Cash and balances with central banks	-	-	-	3,122,860	-	-	3,122,860
Due from banks	-	-	-	6,035,090	-	-	6,035,090
Financing assets	19,465,145	1,671,182	14,245	519,446	9,331,552	43,835,739	74,837,309
Investment securities	429,775	13,067	-	622,305	-	20,313,559	21,378,706
Investment in associates	28,683	-	-	441,969	-	56,746	527,398
Fixed assets	-	-	-	-	-	227,731	227,731
Other assets	-	-	-	-	-	267,427	267,427
TOTAL ASSETS	19,923,603	1,684,249	14,245	10,741,670	9,331,552	64,701,202	106,396,521
Due to banks	-	-	-	19,367,191	-	-	19,367,191
Customer current accounts	25,013	194,842	735	20,908	3,250,037	4,035,148	7,526,683
Sukuk financing	-	-	-	3,333,998	-	-	3,333,998
Other borrowings	-	-	-	2,002,003	-	-	2,002,003
Other liabilities	-	-	-	-	-	1,948,849	1,948,849
Total liabilities	25,013	194,842	735	24,724,100	3,250,037	5,983,997	34,178,724
Equity of investment account holders	15,943	39,788	728	63,770	21,432,964	36,532,689	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	40,956	234,630	1,463	24,787,870	24,683,001	42,516,686	92,264,606

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

32 MATURITY PROFILE

	Up to 3 months	*3-6 months*	*6 months-1 year*	*1-5 years*	*Over 5 years*	*Total*
2020						
Cash and balances with central banks	4,405,922	-	-	-	2,664,585	**7,070,507**
Due from banks	6,168,078	-	-	14,946	124,551	**6,307,575**
Financing assets	15,491,087	1,413,625	2,978,809	17,852,050	48,247,866	**85,983,437**
Investment securities	476,321	675,876	509,955	11,725,362	7,198,320	**20,585,834**
Investment in associates	-	-	-	-	534,116	**534,116**
Fixed assets	-	-	-	-	271,406	**271,406**
Other assets	362,005	-	-	-	-	**362,005**
TOTAL ASSETS	**26,903,413**	**2,089,501**	**3,488,764**	**29,592,358**	**59,040,844**	**121,114,880**
Due to banks	22,843,021	1,302,242	2,652,118	1,057,568	124,548	**27,979,497**
Customer current accounts	8,491,997	-	-	-	-	**8,491,997**
Sukuk financing	-	28,851	-	5,320,278	674,051	**6,023,180**
Other borrowings	2,921	-	-	1,267,854	-	**1,270,775**
Other liabilities	2,331,558	-	-	-	-	**2,331,558**
Total liabilities	33,669,497	1,331,093	2,652,118	7,645,700	798,599	**46,097,007**
Equity of investment account holders	36,084,363	8,910,406	7,320,599	8,110,534	-	**60,425,902**
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**69,753,860**	**10,241,499**	**9,972,717**	**15,756,234**	**798,599**	**106,522,909**
MATURITY GAP	**(42,850,447)**	**(8,151,998)**	**(6,483,953)**	**13,836,124**	**58,242,245**	**14,591,971**

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

32 MATURITY PROFILE (continued)

	Up to 3 months	*3-6 months*	*6 months-1 year*	*1-5 years*	*Over 5 years*	*Total*
2019						
Cash and balances with central banks	519,606	-	-	-	2,603,254	3,122,860
Due from banks	5,900,931	-	-	14,374	119,785	6,035,090
Financing assets	8,421,618	1,517,892	4,117,936	11,029,816	49,750,047	74,837,309
Investment securities	624,173	113,399	636,592	11,713,512	8,291,030	21,378,706
Investment in associates	-	-	-	-	527,398	527,398
Fixed assets	-	-	-	-	227,731	227,731
Other assets	267,427	-	-	-	-	267,427
TOTAL ASSETS	15,733,755	1,631,291	4,754,528	22,757,702	61,519,245	106,396,521
Due to banks	15,055,904	1,965,055	2,080,065	146,382	119,785	19,367,191
Customer current accounts	7,526,683	-	-	-	-	7,526,683
Sukuk financing	-	-	-	2,466,798	867,200	3,333,998
Other borrowings	-	-	-	2,002,003	-	2,002,003
Other liabilities	1,948,849	-	-	-	-	1,948,849
Total liabilities	24,531,436	1,965,055	2,080,065	4,615,183	986,985	34,178,724
Equity of investment account holders	32,986,983	7,660,852	8,322,585	9,115,462	-	58,085,882
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	57,518,419	9,625,907	10,402,650	13,730,645	986,985	92,264,606
MATURITY GAP	(41,784,664)	(7,994,616)	(5,648,122)	9,027,057	60,532,260	14,131,915

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33 BASIC AND DILUTED EARNINGS PER SHARE

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

	2020	*2019*
Profit for the year attributable to equity holders of the Bank	**2,175,425**	2,178,399
Weighted average number of shares outstanding during the year (thousand)[1]	**7,500,000**	7,500,000
Basic earnings per share (QAR) (Restated)	**0.290**	0.290

[1] Retroactively adjusted for the stock split effected on 16 June 2019 (Note 21a)

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

34 CASH AND CASH EQUIVALENTS

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

	2020	*2019*
Cash on hand and balances with central banks excluding cash reserve with QCB	**4,405,922**	519,606
Due from banks	**6,307,575**	6,035,090
Add: Allowance for impairment	**286**	173
	10,713,783	6,554,869

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35 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

(a) Transactions and balances

The related party transactions and balances included in these consolidated financial statements are as follows:

	2020			2019		
	Associate companies	**Board of Directors**	**Shareholders**	Associate companies	Board of Directors	Shareholders
Consolidated statement of financial position items:						
Financing assets	-	5,046	-	-	478	-
Customer current accounts	83,994	10,224	-	55,641	9,945	-
Equity of investment account holders	16,716	64,615	3,181,426	10,753	71,069	3,167,419
Consolidated income statement items:						
Income from financing activities	-	293	-	-	14	-
Return on equity of investment account holders	136	1,449	48,107	236	2,504	76,724
Operating expenses	14,637	-	-	12,354	-	-
Contingent liabilities:						
Guarantees	67,526	-	-	38,697	-	-

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in Notes 10, 16 and 20.

All the transactions with the related parties are substantially on the same terms, including profit rates and collateral, as those prevailing in comparable transactions with unrelated parties.

(b) Transactions with key management personnel

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

	2020	*2019*
Remuneration to Board of Directors including meeting allowances:		
- Parent	**15,589**	15,567
- Subsidiaries	**3,433**	3,047
	19,022	18,614
Salaries and other benefits - Key management	**13,916**	15,633

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36 SHARI’A-COMPLIANT RISK MANAGEMENT INSTRUMENTS

(a) Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

(b) Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of Shari’a-compliant risk management instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the fair value of Shari’a-compliant risk management instruments.

	Positive fair value	*Negative fair value*	*Notional amount*	*Within three months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*
2020							
Shari’a-compliant risk management instruments							
Profit rate swaps	17,904	16,904	1,302,839	-	199,276	798,346	305,217
Unilateral promise to buy/sell currencies	37,402	2,828	11,749,333	9,673,851	2,075,482	-	-
	55,306	**19,732**	**13,052,172**	**9,673,851**	**2,274,758**	**798,346**	**305,217**

	Positive fair value	*Negative fair value*	*Notional amount*	*Within three months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*
2019							
Shari’a-compliant risk management instruments							
Profit rate swaps	8,285	6,963	562,551	-	-	245,531	317,020
Unilateral promise to buy/sell currencies	11,928	10,930	25,226,828	9,828,237	15,398,591	-	-
	20,213	17,893	25,789,379	9,828,237	15,398,591	245,531	317,020

37 ZAKAT

Zakat is directly borne by the equity holders. The Group does not collect or pay Zakat on behalf of its equity holders in accordance with the Articles of Association.

38 SHARI’A SUPERVISORY BOARD

The Shari’a supervisory Board of the Group consists of three scholars who are specialised in Shari’a principles and they ensure the Group’s compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board’s review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari’a.

39 SOCIAL RESPONSIBILITY

Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 54.8 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2020 (2019: QAR 54.4 million) for the support of sports, cultural and charitable activities.

40 ASSETS UNDER MANAGEMENT

The Group’s authorized activities include dealing in investments as an agent, arranging the provision of custody services, managing investments and advising on investments.

At the reporting date, the Group held Assets under Management of QAR 4,047 million (31 December 2019: QAR 3,225 million), which include among others, discretionary portfolios and funds under management. These Assets under Management are not consolidated with the financial statements of the Group.

41 IMPACT OF COVID 19

The coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In addition, the Group’s operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Group has performed an assessment of COVID-19 in light of the available guidance of QCB and FASs, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2020:

i. Expected credit losses

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of ECLs as at 31 December 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

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41 IMPACT OF COVID 19 (continued)

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Group. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes a) yearly weighted average oil price of $ 45/barrel and weighted average real GDP growth of -2% for the financial year 2020 (31 December 2019: Oil price of $ 60/barrel and GDP of 2.88%). The aforementioned values of macro-economic factors have been derived by applying weightings of 65%, 20% and 15% for base, stressed and improved scenarios, respectively (31 December 2019: 70%, 15% and 15% for base, stressed and improved scenarios). The situation is fast evolving and, accordingly, any downside scenarios will be reassessed if adverse conditions continue.

The Bank has updated the methodologies for all segments of wholesale and retail banking by calibrating the PD curve to the internal default history. The macro-economic variables have been re-visited and re-aligned with the economy, which were selected after considering inter-correlation of the macro-variables, direction and degree of association, relationship with Asset quality ratio of Qatar as well as market benchmarking. ECLs were estimated based on a range of forecast economic conditions. The Bank has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

The table below shows a comparison of the loss allowances on non-impaired financial assets (stages 1 and 2) by assuming each forward-looking scenarios resulting from simulations of each scenario weighted at 100%:

Sensitivity of Impairment assessment	***2020*** ***Impact on ECL***	*2019* *Impact on ECL*
Simulations:		
Base case - 100% weighted, loss allowance would be higher/(lower) by	**(64,584)**	(19,365)
Upside case - 100% weighted, loss allowance would be higher/(lower) by	**(188,784)**	(90,055)
Downside case - 100% weighted, loss allowance would be higher/(lower) by	**252,445**	160,850

In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances as disclosed in Note 4.2.10 to the consolidated financial statements.

ii. Valuation estimates and judgements
The Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group’s financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

iii. Accounting for modified financing assets
Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors via a circular issued on 22 March 2020, pursuant to which the Group has delayed repayments for certain customers for a period of six months.

iv. Accounting for zero rate repo facility
The QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from the QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The Group has not utilized the zero-rate repos during the year ended 31 December 2020.

41 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 consolidated financial statements.

42 EVENTS AFTER THE REPORTING PERIOD

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. (“Al Khaliji”) have entered into a merger agreement. The Bank will issue one share for every two Al Khaliji shares, equivalent to 1.8 billion new shares to be issued to Al Khaliji shareholders. Upon completion of the merger, Al Khaliji will be dissolved and its assets and liabilities will be absorbed by the Bank, which will be the remaining legal entity and will continue to operate in accordance with Shari’a principles.

The merger agreement is subject to the approvals of the QCB, the QFMA, the Ministry of Commerce and Industry and other relevant official bodies in the State of Qatar, and the shareholders of each bank.

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SUPPLEMENTARY FINANCIAL INFORMATION
At 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK

(A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2020	*2019*	
ASSETS			
Cash and balances with QCB	**7,041,081**	3,106,512	
Due from banks	**4,958,865**	4,853,023	
Financing assets	**77,258,767**	66,923,186	
Investment securities	**19,533,551**	20,080,810	
Investment in subsidiaries and associates	**1,121,062**	1,117,700	*
Fixed assets	**249,822**	197,053	
Other assets	**274,420**	180,350	
TOTAL ASSETS	**110,437,568**	96,458,634	
LIABILITIES			
Due to banks	**27,959,916**	19,348,223	
Customer current accounts	**7,100,382**	6,309,191	
Sukuk financing	**5,407,300**	2,517,726	
Other borrowings	**1,270,775**	2,002,003	
Other liabilities	**2,323,514**	1,877,345	
TOTAL LIABILITIES	**44,061,887**	32,054,488	
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**52,596,168**	51,025,167	
EQUITY			
Share capital	**7,500,000**	7,500,000	
Legal reserve	**2,714,166**	2,496,623	
Risk reserve	**1,796,600**	1,636,268	
Fair value reserves	**25,679**	20,939	
Retained earnings	**1,743,068**	1,725,149	
TOTAL EQUITY	**13,779,513**	13,378,979	
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY	**110,437,568**	96,458,634	

Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned in Notes 3b for investment in subsidiaries and associates which are carried at cost, less impairment if any.

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SUPPLEMENTARY FINANCIAL INFORMATION
For the year ended 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(B) INCOME STATEMENT OF THE PARENT BANK

	2020	*2019*
Net income from financing activities	**3,392,320**	3,401,437
Net income from investing activities	**882,979**	895,888
Total net income from financing and investing activities	**4,275,299**	4,297,325
Fee and commission income	**234,604**	365,618
Fee and commission expense	**(579)**	(443)
Net fee and commission income	**234,025**	365,175
Foreign exchange gain	**160,647**	160,298
Other income	**5,486**	9,461
TOTAL INCOME	**4,675,457**	4,832,259
Staff costs	**(292,684)**	(281,005)
Depreciation	**(18,135)**	(11,760)
Other expenses	**(213,044)**	(187,453)
Finance expense	**(656,923)**	(823,086)
TOTAL EXPENSES	**(1,180,786)**	(1,303,304)
Net (impairment losses) / reversals on due from banks	**(126)**	240
Net impairment losses on financing assets	**(290,957)**	(51,446)
Net (impairment losses) / reversals on investment securities	**(55,686)**	615
Net reversals on off balance sheet exposures subject to credit risk	**5,415**	10,976
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	**3,153,317**	3,489,340
Less: Return to investment account holders	**(1,035,922)**	(1,379,072)
NET PROFIT FOR THE YEAR	**2,117,395**	2,110,268