بنك دخان
DUKHAN BANK

DUKHAN BANK Q.P.S.C.

(FORMERLY BARWA BANK Q.P.S.C.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021 (REVIEWED)

DUKHAN BANK Q.P.S.C. (FORMERLY BARWA BANK Q.P.S.C.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three month period ended 31 March 2021

CONTENTS **PAGES**

Ernst & Young — (Qatar Branch)
P.O. Box 164
Burj Al Gassar, 24th floor
Majlis Al Taawon Street, Onaiza
West Bay
Doha, State of Qatar

Tel: +974 4 457 4111
Fax: +974 4 441 4649
doha@qa.ey.com
ey.com

Licensed by the Ministry of Economy and Commerce: International Accounting Offices (License No. 4)
Licensed by Qatar Financial Markets Authority (QFMA): External Auditors (License No. 120154)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF DUKHAN BANK Q.P.S.C. (FORMERLY BARWA BANK Q.P.S.C.)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dukhan Bank Q.P.S.C. (the "Bank") and its subsidiaries (together referred to as the "Group") as at 31 March 2021 which comprise the interim consolidated statement of financial position as at 31 March 2021, the related interim consolidated statement of income, interim consolidated statement of changes in equity, interim consolidated statement of cash flows, and interim consolidated statement of changes in restricted investment accounts for the three-month period then ended, and related explanatory notes.

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 29 April 2021
Doha

ERNST & YOUNG
P.O. BOX: 164, DOHA - QATAR
إرنست و يونغ
ص.ب : ١٦٤، الدوحة - قطر

DUKHAN BANK Q.P.S.C. (FORMERLY BARWA BANK Q.P.S.C.)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	*31 March 2021 (Reviewed) QAR '000*	*31 December 2020 (Audited) QAR '000*
ASSETS			
Cash and balances with Qatar Central Bank	7	**3,533,343**	3,367,553
Due from banks	8	**3,351,247**	5,891,788
Financing assets	9	**74,933,751**	58,536,992
Investment securities	10	**16,576,744**	16,661,163
Investment in associates and joint ventures	11	**81,672**	83,535
Investment property		**3,439**	3,497
Fixed assets		**436,840**	372,126
Intangible assets	16	**1,051,033**	1,070,650
Other assets		**426,139**	309,317
TOTAL ASSETS		**100,394,208**	86,296,621
LIABILITIES			
Due to banks	12	**18,361,767**	18,947,753
Customers current accounts		**7,527,594**	7,335,487
Other liabilities		**2,402,994**	1,963,291
TOTAL LIABILITIES		**28,292,355**	28,246,531
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	13	**60,833,786**	46,546,052
OWNERS' EQUITY			
Share capital	14(a)	**5,234,100**	5,234,100
Legal reserve	14(b)	**4,330,473**	4,330,473
Treasury shares	14(e)	**(38,350)**	(38,350)
Risk reserve	14(c)	**1,235,629**	1,235,629
Fair value reserve	10	**480**	(24,621)
Other reserves	14(d)	**73,333**	73,333
Retained earnings		**432,311**	693,383
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,267,976**	11,503,947
Non-controlling interests		**91**	91
TOTAL OWNERS' EQUITY		**11,268,067**	11,504,038
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**100,394,208**	86,296,621

These interim condensed consolidated financial statements were approved by the Board of Directors on 27 April 2021 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

DUKHAN BANK Q.P.S.C. (FORMERLY BARWA BANK Q.P.S.C.)
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the three month period ended 31 March 2021

	Notes	For the three month period ended 31 March 2021 (Reviewed) QAR'000	2020 (Reviewed) QAR'000
Net income from financing activities		**645,173**	644,543
Net income from investing activities		**186,584**	174,328
Total net income from financing and investing activities		**831,757**	818,871
Fee and commission income		**56,890**	72,375
Fee and commission expense		**(18,386)**	(22,433)
Net fee and commission income		**38,504**	49,942
Net foreign exchange gain		**35,433**	36,805
Share of results of associates and joint ventures	11	**(2,921)**	104
Other income		**43,053**	2,023
Total income		**945,826**	907,745
Staff costs		**(95,600)**	(106,086)
Depreciation and amortisation		**(33,659)**	(27,806)
Other expenses		**(52,063)**	(50,799)
Finance cost		**(27,054)**	(88,677)
Total expenses		**(208,376)**	(273,368)
Net impairment loss on financing assets	4(c)	**(258,903)**	(137,728)
Net impairment (loss) / reversal on due from banks	4(c)	**(32)**	35
Net Impairment reversal on investment securities	4(c)	**58**	393
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**15,575**	24,953
		(243,302)	(112,347)
Profit for the period before return to unrestricted investment account holders		**494,148**	522,030
Return to unrestricted investment account holders	13	**(226,925)**	(279,706)
Net profit for the period before tax		**267,223**	242,324
Tax expense		**(550)**	(500)
Net profit for the period		**266,673**	241,824
Net profit for the period attributable to:			
Equity holders of the Bank		**266,673**	241,824
Non-controlling interests		**-**	-
Net profit for the period		**266,673**	241,824
Earnings per share			
Basic and diluted earnings per share (QAR per share)	17	**0.513**	0.465

ERNST & YOUNG
Doha - Qatar
29 APR 2021
Stamped for Identification
Purpose Only

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three month period ended 31 March 2021

For the three month period ended 31 March 2021	*Share capital QAR '000*	*Legal Reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Total owners' equity QAR '000*
Balance as at 1 January 2021 (Audited)	5,234,100	4,330,473	(38,350)	1,235,629	(24,621)	73,333	693,383	11,503,947	91	11,504,038
Net profit for the period	-	-	-	-	-	-	266,673	266,673	-	266,673
Fair value reserve movement	-	-	-	-	15,873	-	-	15,873	-	15,873
Transferred to retained earnings on disposal of equity-type instruments classified as fair value through equity	-	-	-	-	8,170	-	(8,170)	-	-	-
Share of comprehensive income of associates	-	-	-	-	1,058	-	-	1,058	-	1,058
Total recognised income for the period	-	-	-	-	25,101	-	258,503	283,604	-	283,604
Dividend paid (Note 14(f))	-	-	-	-	-	-	(519,575)	(519,575)	-	(519,575)
Balance at 31 March 2021 (Reviewed)	5,234,100	4,330,473	(38,350)	1,235,629	480	73,333	432,311	11,267,976	91	11,268,067

ERNST & YOUNG
Doha - Qatar
29 APR 2021
Stamped for Identification
Purpose Only

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three month period ended 31 March 2021

For the three month period ended 31 March 2020	Share capital QAR '000	Legal reserve QAR '000	Treasury shares QAR '000	Risk reserve QAR '000	Fair value reserve QAR '000	Foreign currency translation reserve QAR '000	Other reserves QAR '000	Retained earnings QAR '000	Total equity attributable to equity holders of the Bank QAR '000	Non-controlling interests QAR '000	Total owners' equity QAR '000
Balance as at 1 January 2020 (Audited)	5,234,100	4,273,812	(38,350)	810,504	22,901	(81)	673,333	528,136	11,504,355	91	11,504,446
Net profit for the period	-	-	-	-	-	-	-	241,824	241,824	-	241,824
Fair value reserve movement	-	-	-	-	(23,488)	-	-	-	(23,488)	-	(23,488)
Share of comprehensive income of associates	-	-	-	-	70	(16)	-	-	54	-	54
Total recognised income for the period	-	-	-	-	(23,418)	(16)	-	241,824	218,390	-	218,390
Balance at 31 March 2020 (Reviewed)	5,234,100	4,273,812	(38,350)	810,504	(517)	(97)	673,333	769,960	11,722,745	91	11,722,836

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

ERNST & YOUNG
Doha - Qatar
29 APR 2021
Stamped for Identification
Purpose Only

DUKHAN BANK Q.P.S.C. (FORMERLY BARWA BANK Q.P.S.C.)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the three month period ended 31 March 2021

	Notes	*For the three month period ended 31 March* **2021** *(Reviewed)* *QAR '000*	2020 *(Reviewed)* *QAR '000*
Cash flows from operating activities			
Net profit for the period before tax		**267,223**	242,324
Adjustments for:			
Net impairment loss / (reversal) on due from banks	4(c)	**32**	(35)
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**(15,575)**	(24,953)
Net impairment loss on financing assets	4(c)	**258,903**	137,728
Net impairment reversal on investment securities	4(c)	**(58)**	(393)
Depreciation and amortisation		**33,659**	27,806
Employees' end of service benefits provision		**4,328**	5,461
Net gain on sale of investment securities		**(21,390)**	(1,165)
Dividend income		**(10,002)**	(8,289)
Gain on disposal of fixed assets		**(875)**	-
Share of results of associates and joint ventures	11	**2,921**	(104)
Profit before changes in operating assets and liabilities		**519,166**	378,380
Change in reserve account with Qatar Central Bank		**(586,628)**	(152,434)
Change in due from banks		**245,976**	737,578
Change in financing assets		**(16,655,662)**	(2,407,235)
Change in other assets		**(116,822)**	(148,713)
Change in due to banks		**(585,986)**	3,835,310
Change in sukuk and fixed income financing		**-**	(167,576)
Change in customer current accounts		**192,107**	300,792
Change in other liabilities		**380,026**	59,285
		(16,607,823)	2,435,387
Dividends received		**10,002**	8,289
Employees' end of service benefits paid		**(2,469)**	(5,584)
Net cash (used in) / from operating activities		**(16,600,290)**	2,438,092
Cash flows from investing activities			
Acquisition of investments, net		**(553,388)**	(602,661)
Sale proceeds from Investment		**675,186**	120,574
Acquisition of fixed and intangible assets		**(7,774)**	(4,038)
Proceeds from sale of fixed assets		**2,736**	-
Net cash from / (used in) investing activities		**116,760**	(486,125)
Cash flows from financing activities			
Change in unrestricted investment account holders		**14,287,734**	(3,963,528)
Dividend paid		**(519,575)**	-
Net cash from / (used in) financing activities		**13,768,159**	(3,963,528)
Net decrease in cash and cash equivalents		**(2,715,371)**	(2,011,561)
Cash and cash equivalents at 1 January		**6,651,735**	3,758,677
Cash and cash equivalents at 31 March	19	**3,936,364**	1,747,116

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

For the three month period ended 31 March 2021		*Movements during the period*					
	At 1 January 2021 (Audited) Total value QAR '000	***Investment / (withdrawal) QAR '000***	***Revaluation QAR '000***	***Gross Income QAR '000***	***Dividends paid QAR '000***	***Group's fee as an agent QAR '000***	***At 31 March 2021 (Reviewed) Total value QAR '000***
Discretionary Portfolio Management	**275,674**	**56,000**	**(3,426)**	**9,266**	**-**	**-**	**337,514**
Other Restricted Wakalas	**780,249**	**63,744**	**3,111**	**-**	**-**	**-**	**847,104**
	1,055,923	**119,744**	**(315)**	**9,266**	**-**	**-**	**1,184,618**

For the three month period ended 31 March 2020		*Movements during the period*					
	At 1 January 2020(Audited) Total value QAR '000	*Investment / (withdrawal) QAR '000*	*Revaluation QAR '000*	*Gross Income QAR '000*	*Dividends paid QAR '000*	*Group's fee as an agent QAR '000*	*At 31 March 2020 (Reviewed) Total value QAR '000*
Discretionary Portfolio Management	234,628	-	(46,096)	7,368	-	-	195,900
Other Restricted Wakalas	561,655	52,828	-	-	-	-	614,483
	796,283	52,828	(46,096)	7,368	-	-	810,383

1. REPORTING ENTITY

Dukhan Bank (formerly known as Barwa Bank) was incorporated as a Qatari Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). Dukhan Bank (the "Bank") commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2007. The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in financing, investing and advisory activities in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

On 12 August 2018, the Bank and International Bank of Qatar ("IBQ") entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by shareholder of both banks at respective extraordinary general meetings in December 2018. On 21 April 2019 (the effective date), the merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the Central Bank Law, Article 278 of the Companies Law, and the Merger Agreement. On the effective date, the assets and liabilities of IBQ has been assumed by Dukhan Bank in consideration for the issue of New Dukhan Bank Shares to existing IBQ Shareholders. Upon the merger becoming effective, IBQ has been dissolved as a legal entity pursuant to the provisions of Article 291 of the Companies Law. The combined bank retains Dukhan Bank's legal registrations and licenses and continued to be a Shari'a compliant entity. Bank operates through its head office situated on Grand Hamad Street, Doha and its 9 branches in Doha, State of Qatar.

The merger transaction has been executed through a share swap, with the IBQ shareholders receiving 2.031 Dukhan Bank shares for each of the IBQ share they hold. Following the issuance of the new Dukhan Bank shares, shareholders of the Bank own approximately 57% of the combined bank and IBQ shareholders own approximately 43%. The Bank post completion of merger is now 24.48% owned by General Retirement and Social Insurance Authority, 11.67% by Military Pension Fund (Qatar), and 6.96% by Qatar Holding, strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; and remaining shares are owned by several individuals, Corporates and Government related entities. The Bank rebranded itself from Barwa Bank to Dukhan Bank during October 2020 post obtaining necessary approvals as per the State of Qatar applicable laws and regulations.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	*Country of incorporation*	*Year of incorporation*	*Percentage of ownership as at*	
			31 March 2021	*31 December 2020*
The First Investor P.Q.S.C. ("TFI")	Qatar	1999	**100%**	100%
First Finance Company P.Q.S.C. ("FFC")	Qatar	1999	**100%**	100%
First Leasing Company P.Q.S.C ("FLC")	Qatar	2008	**100%**	100%
BBG Sukuk limited	Cayman Islands	2015	**100%**	100%
IBQ Finance Limited	Cayman Islands	2015	**100%**	100%
IBQ Global Markets Limited	Cayman Islands	2017	**100%**	100%

The business description and principal activities of each of the above listed subsidiaries is consistent with the explanation as provided in the 31 December 2020 year-end audited financial statements.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors passed on 27 April 2021.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated financial statements have been prepared using accounting policies which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020, except for adoption of new standards effective from 1 January 2021 as stated in note 3. These interim condensed consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank, the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the applicable provisions of the Qatar Central Bank regulations and the applicable provisions of Qatar Commercial Companies' Law No. 11 of 2015. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard ("IFRS"). Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 'Interim Financial Reporting'.

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

(b) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the statement of income, derivatives held for risk management purposes and Shari'a compliant risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

The preparation of these interim condensed consolidated financial statements in conformity with FAS 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.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2020 including the following estimates which are subject to high level of uncertainty due to COVID-19:

i) Covid-19 and Expected Credit Loss (ECL)

Any changes made to ECL to estimate the overall impact of Covid-19 is subject to very high levels of uncertainty as so little reasonable and supportable forward-looking information is currently available on which to base those changes. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario") are obtained externally.

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments (continued)

i) Covid-19 and Expected Credit Loss (ECL) (continued)

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as 1) Average volume of exports of Qatar government; 2) Average volume of government expenditures; and 3) Gross Domestic Product of Qatar. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination.

In light of the current uncertain economic environment, the Group has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 31 March 2021, refer to note 23. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

ii) Valuation of financial and non-financial assets (including goodwill)

The Group has also considered potential impacts of the current economic volatility in determination of the fair value of the Group's financial and non-financial assets and liabilities, for which there is no observable inputs, and these are considered to represent management's best assessment based on available or observable information. However markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended 31 December 2020, except for the changes as described below:

During the period, the Group applied the following standards and amendments to standards that have been applied in the preparation of these interim condensed consolidated financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Group, but they may result in additional disclosures at year end.

New standards, amendments and interpretations effective from 1 January 2021

FAS 32 - Ijarah

This standard supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". FAS 32 sets out the 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 is effective beginning 1 January 2021.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its Ijarah into a) operating Ijarah b) Ijara Muntahia Biltamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Biltamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including Diminishing Musharaka Ijarah.

The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a net Ijarah liability, duly comprising of a) gross Ijarah liability and b) deferred Ijarah cost (shown as contra-liability). Further, the net Ijarah liability should be netted-off against the advance rental's payments made prior to the commencement of lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations effective from 1 January 2021 (continued)

FAS 32 - Ijarah (continued)

Transitional provisions
An entity may opt not to apply this standard on a prospective basis for transactions executed on or after the effective date.

The Group has adopted FAS 32 Ijarah as issued by AAOIFI from its mandatory adoption date, 1 January 2021, on a prospective basis. The adoption of FAS 32 has resulted in certain changes in the accounting policies for recognition, classification and measurement of Ijarah type transactions. Set out below are the details of the specific FAS 32 accounting policies applied in the current period.

Categorization and classification
FAS 32 contains classification for Ijarah type transactions that the Group as a lessor or lessee, shall classify each of its Ijarah as:
(a) An operating Ijarah;
(b) An Ijarah Muntahia Bittamleek ("Ijarah MBT"), including:
(i) An Ijarah MBT with expected transfer of ownership after end of Ijarah term either through a sale or a gift; and
(ii) An Ijarah MBT with gradual transfer of ownership during the Ijarah term (Including Diminishing Musharaka Ijarah;

The application of this standard has resulted in almost all type of Ijarah being recognized on the statement of financial position, as the distinction of accounting treatment between operating and Ijarah MBT (financing Ijarah) is removed. Under the new standard, an asset (the right to use the Ijarah item) and a financial liability to pay rentals are recognized as Ijarah liability. The only recognition exemptions are short-term and low-value Ijarah.

The standard resulted in changes regarding accounting treatment of operating Ijarah as a lessee. Following adoption of this standard from 1 January 2021, the Group has applied the simplified transition approach and has not restated comparative amounts, prior to the date of adoption of the standard. As allowed under FAS 32, right-of-use assets are measured at the amount of the Ijarah liability on adoption (adjusted for any prepaid or accrued expenses).

Further the Group has used the following practical expedients on initial application:
-Used the Group's previous assessment of which existing contracts are, or contain, operating Ijarah;
-Exclude initial direct costs from the measurement of right-of-use asset at the date of initial application;
-Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the operating lease; and
-Where unexpired Ijarah term of less than 12 months of leases are of low value (QAR 25,000 or less), then the Group has elected to use the short term Ijarah exception.

When measuring operating Ijarah liabilities, the Group discounted operating Ijarah payments using its effective rate of borrowing at 1 January 2021.

The Group's activities as a lessor in relation to operating Ijarah of land or building are not material and hence the Group did not have any significant impact on the interim condensed consolidated financial statements. Regarding Ijarah financing transactions, the adoption of FAS 32 had no impact on any amounts reported in the interim condensed consolidated financial statements for the period ended 31 March 2021. The Groups' existing accounting policies around all type of Ijarah financing transactions will remain the same even pursuant to the adoption of FAS 32 as mandated by QCB (until any further instructions in this regard from their end), where it will continue to be recognised as part of the 'Financing Assets' and its corresponding revenue is recognised as part of the 'Net Income from Financing Activities' on effective rate of return basis on net Ijarah assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations effective from 1 January 2021 (continued)

FAS 32 - Ijarah (continued)

The following amounts are recognised under the new standard and included in the respective headings of the interim condensed consolidated statement of financial position and income statement.

	31 March 2021 (Reviewed) QAR'000
Right-of-use asset ('Fixed assets')	66,823
Gross Operating Ijarah liability	101,786
Less: Deferred profit	(39,085)
Net Operating Ijarah liability ('Other liabilities')	62,701

	For three month period ended 31 March 2021 (Reviewed) QAR'000
Depreciation charge for right-of-use asset ('Depreciation & amortization')	6,020
Profit expense on operating Ijarah liabilities ('Finance cost')	2,477

FAS 35 - Risk Reserves

AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 - Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). The adoption of this standard does not have any significant impact on the interim condensed consolidated financial statements.

New standards, amendments and interpretations issued but not yet effective

FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 "Wa'ad, Khiyar and Tahawwut" 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. Wa'ad and Khiyar are used by institutions in various forms. Some are ancillary to other transactions, whereas a few are used as primary products. This standard intends to provide accounting principles for both of these, as well as the Tahawwut transactions which are normally based on Wa'ad or Khiyar, or a series or combination thereof. 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 this standard.

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2020. Following are some special considerations due to the COVID - 19 pandemic, which are also consistent with the Group's financial risk management objectives and policies as disclosed in the consolidated financial statements as at and for the year ended 31 December 2020 but subject to constant review and evaluation:

4 FINANCIAL RISK MANAGEMENT (CONTNUED)

(a) Risk management in the current economic scenario

The COVID - 19 and the measures to reduce its spread has impacted the local economy. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Group is closely monitoring the situation and has invoked required actions to ensure safety and security of Group staff and an uninterrupted service to our customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Group has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected. COVID 19 has impacted the banks in Qatar from various facets which includes increase in overall credit risk pertaining to financing assets portfolio in certain sectors, reduced fee income. We have mentioned below the major aspects of COVID 19 on the Group's risk management policies:

i) Assets quality and credit risk
The Risk department of the Group is conducting assessments to identify borrowers operating in various sectors which are most likely being affected by the pandemic. Group has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained of 16.4% is sufficient.

ii) Liquidity management
Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments of certain customers. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Group has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

iii) Capital Adequacy Ratio
Under the current scenario, the financial institutions are under pressure to extend further credit to its borrowers under national guarantee program, while overall deteriorating credit risk and increased non-performing assets (NPLs) may also put additional pressures on the Group from Capital Adequacy Ratio perspective. The Group believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

(b) FAS 30 and ECL Regulations

AAOIFI has issued FAS 30 Impairment, credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

The standard was effective from financial periods beginning 1 January 2020 with early adoption permitted. However, in 2018, the Group early adopted FAS 30 effective 1 January 2018 based on QCB instructions pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 1 January 2018 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Further detail on the key considerations relating to estimates and judgements relating to ECL calculation is given under note 2 (d) and note 23.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Expected credit loss / Impairment allowances

	Stage 1 QAR '000	*Stage 2 QAR '000*	*Non - performing QAR '000*	*Total QAR '000*
Exposure (carrying value) subject to ECL as at 31 March 2021 (Reviewed)				
- Financing assets	57,255,827	17,593,562	2,195,827	77,045,216
- Due from banks	3,351,405	-	-	3,351,405
- Debt type investments carried at amortised cost	1,652,369	92,646	-	1,745,015
- Off balance sheet exposures subject to credit risk	16,271,236	3,921,031	23,761	20,216,028
	78,530,837	21,607,239	2,219,588	102,357,664
Opening Balance – as at 1 January 2021 (Audited)				
- Financing assets	113,381	585,984	1,138,387	1,837,752
- Due from banks	126	-	-	126
- Debt type investments carried at amortised cost	3,967	9,466	-	13,433
- Off balance sheet exposures subject to credit risk	56,406	257,804	3,230	317,440
	173,880	853,254	1,141,617	2,168,751
Net transfer between stages				
- Financing assets	(25,823)	15,838	9,985	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(14,273)	14,273	-	-
	(40,096)	30,111	9,985	-
Charge for the period (net)				
- Financing assets	13,725	183,454	61,724	258,903
- Due from banks	32	-	-	32
- Debt type investments carried at amortised cost	(1,852)	1,794	-	(58)
- Off balance sheet exposures subject to credit risk	(10,225)	(6,216)	866	(15,575)
	1,680	179,032	62,590	243,302
- Financing assets – write-off	-	-	(392)	(392)
- Financing assets – profit in suspense net movement	-	-	15,202	15,202
	1,680	179,032	77,400	258,112
Closing Balance – as at 31 March 2021 (Reviewed)				
- Financing assets	101,283	785,276	1,224,906	2,111,465
- Due from banks	158	-	-	158
- Debt type investments carried at amortised cost	2,115	11,260	-	13,375
- Off balance sheet exposures subject to credit risk	31,908	265,861	4,096	301,865
	135,464	1,062,397	1,229,002	2,426,863

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Expected credit loss / Impairment allowances (continued)

	Stage 1 *QAR '000*	*Stage 2* *QAR '000*	*Non - performing* *QAR '000*	*Total* *QAR '000*
Exposure (carrying value) subject to ECL as at 31 March 2020 (Reviewed)				
- Financing assets	41,606,051	12,737,800	2,011,325	56,355,176
- Due from banks	1,322,219	-	-	1,322,219
- Debt type investments carried at amortised cost	1,415,032	53,621	-	1,468,653
- Off balance sheet exposures subject to credit risk	17,777,283	2,311,343	10,470	20,099,096
	62,120,585	15,102,764	2,021,795	79,245,144
Opening Balance – as at 1 January 2020 (Audited)				
- Financing assets	151,213	587,259	1,278,016	2,016,488
- Due from banks	118	-	-	118
- Debt type investments carried at amortised cost	3,757	4,415	-	8,172
- Off balance sheet exposures subject to credit risk	300,841	26,061	5,481	332,383
	455,929	617,735	1,283,497	2,357,161
Acquired on Business Combination – Off-balance sheet exposures provision				
Net transfer between stages				
- Financing assets	(28,719)	22,989	5,730	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(227,731)	227,731	-	-
	(256,450)	250,720	5,730	-
Charge for the period (net)				
- Financing assets	24,538	103,260	9,930	137,728
- Due from banks	(35)	-	-	(35)
- Debt type investments carried at amortised cost	(202)	(191)	-	(393)
- Off balance sheet exposures subject to credit risk	(5,082)	(20,560)	689	(24,953)
	19,219	82,509	10,619	112,347
- Financing assets – write-off	-	-	-	-
- Financing assets – profit in suspense net movement	-	-	7,349	7,349
	19,219	82,509	17,968	119,696
Closing Balance – as at 31 March 2020 (Reviewed)				
- Financing assets	147,032	713,508	1,301,025	2,161,565
- Due from banks	83	-	-	83
- Debt type investments carried at amortised cost	3,555	4,224	-	7,779
- Off balance sheet exposures subject to credit risk	68,028	233,232	6,170	307,430
	218,698	950,964	1,307,195	2,476,857

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit quality assessments

Pursuant to the adoption of the ECL regulations, the Group has mapped its internal credit rating scale to Moody's rating scale, 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) as at 31 March 2021:

Rating grade	***Financing assets QAR '000***	***Due from Banks QAR '000***	***Debt type investments carried at amortised cost QAR '000***	***Off balance sheet exposures subject to credit risk QAR '000***
AAA to AA-	**30,340,945**	**546,855**	**55,730**	**1,529,303**
A+ to A-	**10,540,833**	**2,278,687**	**1,244,473**	**2,223,874**
BBB+ to BBB-	**16,121,304**	**525,863**	**103,874**	**12,086,891**
BB+ to B-	**12,548,447**	**-**	**340,938**	**4,352,199**
Below B-	**2,195,827**	**-**	**-**	**23,761**
Unrated	**5,297,860**	**-**	**-**	**-**
Total (Reviewed)	**77,045,216**	**3,351,405**	**1,745,015**	**20,216,028**

31 December 2020

Rating grade	*Financing assets QAR '000*	*Due from Banks QAR '000*	*Debt type investments carried at amortised cost QAR '000*	*Off balance sheet exposures subject to credit risk QAR '000*
AAA to AA-	13,634,792	2,537,518	55,798	1,562,876
A+ to A-	10,510,783	3,172,831	1,321,274	2,502,745
BBB+ to BBB-	16,619,640	44,620	54,623	12,114,156
BB+ to B-	12,157,811	289	699,885	4,471,450
Below B-	2,177,763	-	-	14,951
Unrated	5,273,955	136,656	-	-
Total (Auditied)	60,374,744	5,891,914	2,131,580	20,666,178

5. 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 Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

5. OPERATING SEGMENTS (CONTINUED)

Wholesale Banking	Includes financing, deposits and other transactions and balances with wholesale customers
Retail and private Banking	Includes financing, deposits and other transactions and balances with retail and private customers including part asset management activities for private customers.
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further it also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

5. OPERATING SEGMENTS (CONTINUED)

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. 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.

Information about operating segments

31 March 2021 (Reviewed)	***Wholesale banking QAR '000***	***Retail and private banking QAR '000***	***Treasury and investments division QAR '000***	***Investment banking and asset management QAR '000***	***Unallocated QAR '000***	***Total QAR '000***
Total income from financing and investing activities	**347,658**	**297,515**	**183,994**	**2,590**	**-**	**831,757**
Net fee and commission income	**28,398**	**8,257**	**15**	**1,834**	**-**	**38,504**
Reportable segment net profit	**171,742**	**(55,570)**	**150,988**	**(487)**	**-**	**266,673**
Reportable segment assets	**40,171,896**	**36,139,134**	**22,564,629**	**467,516**	**1,051,033**	**100,394,208**

31 March 2020 (Reviewed)	*Wholesale banking QAR '000*	*Retail and private banking QAR '000*	*Treasury and investments division QAR '000*	*Investment banking and asset management QAR '000*	*Unallocated QAR '000*	*Total QAR '000*
Total income from financing and investing activities	359,880	284,663	174,323	5	-	818,871
Net fee and commission income	24,537	7,376	15,809	2,220	-	49,942
Reportable segment net profit	66,145	67,153	108,370	156	-	241,824
Reportable segment assets	34,610,177	20,947,314	19,740,600	511,046	1,579,652	77,388,789

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

31 March 2021 (Reviewed)	*Fair value through statement of income QAR '000*	*Fair value through equity QAR '000*	*Amortised cost QAR '000*	*Total carrying amount QAR '000*	*Fair value QAR '000*
Cash and balances with Qatar Central Bank	-	-	3,533,343	3,533,343	3,533,343
Due from banks	-	-	3,351,247	3,351,247	3,351,247
Financing assets	-	-	74,933,751	74,933,751	74,933,751
Investment securities:					
- Carried at fair value	113,362	1,309,972	-	1,423,334	1,423,334
- Carried at amortised cost	-	-	15,153,410	15,153,410	15,310,977
Risk management instruments	68,004	-	-	68,004	68,004
	181,366	1,309,972	96,971,751	98,463,089	98,620,656
Due to banks	-	-	18,361,767	18,361,767	18,361,767
Sukuk and fixed income financing	-	-	-	-	-
Customers current accounts	-	-	7,527,594	7,527,594	7,527,594
Risk management instruments	92,026	-	-	92,026	92,026
	92,026	-	25,889,361	25,981,387	25,981,387
Equity of unrestricted investment account holders	-	-	60,833,786	60,833,786	60,833,786
	92,026	-	86,723,147	86,815,173	86,815,173

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

31 December 2020 (Audited)	*Fair value through statement of income QAR '000*	*Fair value through equity QAR '000*	*Amortised cost QAR '000*	*Total carrying amount QAR '000*	*Fair value QAR '000*
Cash and balances with Qatar Central Bank	-	-	3,367,553	3,367,553	3,367,553
Due from banks	-	-	5,891,788	5,891,788	5,891,788
Financing assets	-	-	58,536,992	58,536,992	58,536,992
Investment securities:					
- Carried at fair value	88,724	1,019,967	-	1,108,691	1,108,691
- Carried at amortised cost	-	-	15,552,472	15,552,472	15,668,454
Risk management instruments	80,311	-	-	80,311	80,311
	169,035	1,019,967	83,348,805	84,537,807	84,653,789
Due to banks	-	-	18,947,753	18,947,753	18,947,753
Sukuk financing	-	-	-	-	-
Customers current accounts	-	-	7,335,487	7,335,487	7,335,487
Risk management instruments	91,093	-	-	91,093	91,093
	91,093	-	26,283,240	26,374,333	26,374,333
Equity of unrestricted investment account holders	-	-	46,546,052	46,546,052	46,546,052
	91,093	-	72,829,292	72,920,385	72,920,385

Note: Certain fair value and classification of financial instruments for the three month period ended 31 March 2020 were reclassified in the interim condensed consolidated financial statements for the the three month period ended 31 March 2021 to confirm to the presentation and classification adopted in the current period.

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 March 2021 (Reviewed)	*Level 1 QAR '000*	*Level 2 QAR '000*	*Level 3 QAR '000*	*Total QAR '000*
Risk management instruments (assets)	**-**	**-**	**68,004**	**68,004**
Investment securities carried at fair value	**1,117,970**	**-**	**305,364**	**1,423,334**
	1,117,970	**-**	**373,368**	**1,491,338**
Risk management instruments (liabilities)	**-**	**-**	**92,026**	**92,026**
	-	**-**	**92,026**	**92,026**
31 December 2020 (Audited)				
Risk management instruments (assets)	-	-	80,311	80,311
Investment securities carried at fair value	811,725	-	296,966	1,108,691
	811,725	-	377,277	1,189,002
Risk management instruments (liabilities)	-	-	91,093	91,093
	-	-	91,093	91,093

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through Statement of Income, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used and quoted investment securities for which level 1 valuation method has been used.

The valuation technique in measuring the fair vale financial instruments categorized as level 3 were in line with 31 December 2020.

7. CASH AND BALANCES WITH QATAR CENTRAL BANK

	31 March 2021 (Reviewed) QAR '000	*31 December 2020 (Audited) QAR '000*
Cash	**356,757**	473,232
Cash reserve with QCB*	**2,821,428**	2,234,800
Other balances with QCB	**355,158**	659,521
	3,533,343	3,367,553

*The cash reserve with QCB is not available for use in the Group's day to day operations.

8. DUE FROM BANKS

	31 March 2021 (Reviewed) QAR '000	*31 December 2020 (Audited) QAR '000*
Current accounts	**664,546**	375,127
Wakala placements with banks	**2,446,742**	5,273,921
Mudaraba placements	**84,618**	163,228
Commodity Murabaha receivable	**154,572**	78,165
Accrued profit	**927**	1,473
Allowance for impairment*	**(158)**	(126)
	3,351,247	5,891,788

*For stage wise exposure and allowance for impairment refer note 4(c).

9. FINANCING ASSETS

	31 March 2021 (Reviewed) QAR '000	*31 December 2020 (Audited) QAR '000*
Murabaha	**67,903,480**	51,113,474
Ijarah Muntahia Bittamleek	**5,254,357**	4,750,666
Musawama	**1,166,117**	1,172,913
Istisna	**723,216**	1,247,706
Acceptances	**751,076**	559,503
Cards	**189,811**	195,739
Others	**2,178,742**	2,248,299
Accrued profit	**617,588**	601,826
Total financing assets	**78,784,387**	61,890,126
Less: Deferred profit	**1,739,171**	1,515,382
Allowance for impairment on financing assets	**1,953,863**	1,695,352
Suspended profit on non performing financing assets	**157,602**	142,400
Allowance for impairment*	**2,111,465**	1,837,752
Net financing assets	**74,933,751**	58,536,992

*For stage wise exposure, allowance for impairment and profit in suspense refer note 4(c). The total non-performing financing assets at 31 March 2021 amounted to QAR 2,195.8 million, representing 2.9% of the gross financing assets (31 December 2020: QAR 2,177.8 million, representing 3.6%).

Others include QAR 2,178.7 million (31 December 2020: QAR 2,248.3 million) of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products or kept on a run-off basis. These are carried at amortised cost and its corresponding income is recognised on a time-apportioned basis over the period of the loan term using effective profit rate till conversion is completed.

10. INVESTMENT SECURITIES

	31 March 2021 (Reviewed)			31 December 2020 (Audited)		
	Quoted QAR'000	Unquoted QAR'000	Total QAR'000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
Investments classified as fair value through statement of income						
- Investments classified as held for trading:						
• Equity-type investments	**97,653**	**-**	**97,653**	79,688	-	79,688
• Debt-type investments	**15,709**	**-**	**15,709**	9,036	-	9,036
	113,362	**-**	**113,362**	88,724	-	88,724
Debt-type investments classified at amortised cost						
- Fixed rate*	**2,738,395**	**12,281,950**	**15,020,345**	3,125,772	12,280,720	15,406,492
- Allowance for impairment**	**(13,375)**	**-**	**(13,375)**	(13,433)	-	(13,433)
	2,725,020	**12,281,950**	**15,006,970**	3,112,339	12,280,720	15,393,059
Investments classified as fair value through equity						
• Equity-type investments	**1,004,608**	**305,364**	**1,309,972**	723,001	296,966	1,019,967
• Debt-type investments	**-**	**-**	**-**	-	-	-
	1,004,608	**305,364**	**1,309,972**	723,001	296,966	1,019,967
	3,842,990	**12,587,314**	**16,430,304**	3,924,064	12,577,686	16,501,750
Accrued profit income			**146,440**			159,413
			16,576,744			16,661,163

*Investments in unquoted debt-type instruments classified at amortised cost at fixed rate represent investments in the Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 3,196.9 million (31 December 2020: QAR 3,195.7 million) on business combination, which are being held till maturity without conversion to equivalent Sharia compliant Sovereign instrument as approved by the Sharia Board of the Bank.

** For stage wise exposure and allowance for impairment refer note 4(c).

10. INVESTMENT SECURITIES (CONTINUED)

The cumulative change in the fair value reserve of investments is as follows:

	31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
Balance at 1 January	**(24,621)**	22,901
Net change in fair value	**15,873**	(47,480)
Transferred to consolidated statement of income on impairment	**-**	256
	15,873	(47,224)
Share of associate's fair value changes	**1,058**	(3)
Transferred to retained earnings on disposal of equity-type instruments classified as fair value through equity	**8,170**	-
Appropriated to equity of unrestricted investment account Holders	**-**	(295)
Balance at period / year end	**480**	(24,621)

11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
Balance at 1 January	**83,535**	147,404
Share of results of associates and joint ventures	**(2,921)**	(28,991)
Share of associates and joint ventures fair value changes	**1,058**	78
Impairment	**-**	(34,956)
Balance at period / year end	**81,672**	83,535

12. DUE TO BANKS

	31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
Due to QCB*	**5,600,000**	6,100,000
Commodity Murabaha payable*	**1,347,604**	1,337,297
Wakala payable	**11,412,279**	11,509,631
Profit payable	**1,884**	825
	18,361,767	18,947,753

*This represents amounts held under repurchase agreements amounting to QAR 7,186.4 million (31 December 2020: QAR 7,686.4 million).

13. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	31 March 2021 (Reviewed) QAR'000	31 December 2020 (Audited) QAR'000
Unrestricted investment account holders balance before share of profit (a)	**60,557,517**	46,330,383
Distributable profits to unrestricted investment account holders for the period (b)*	**226,925**	875,308
Profit payable including from prior year net of distributed during the period	**48,812**	(660,171)
Profit payable to unrestricted investment account holders	**275,737**	215,137
Share in fair value reserve	**532**	532
Total unrestricted investment account holders balance	**60,833,786**	46,546,052
(a) Unrestricted investment account holders balance before share of profit, by type:		
Saving accounts	**6,232,744**	5,868,654
Call accounts	**2,514,543**	2,329,841
Term accounts	**51,810,230**	38,131,888
Total	**60,557,517**	46,330,383

(b) Return to unrestricted investment account holders for the period:	For the three month period ended 31 March 2021 (Reviewed) QAR'000	For the three month period ended 31 March 2020 (Reviewed) QAR'000
Saving accounts	**19,085**	23,428
Call accounts	**925**	967
Term accounts - 1 month	**14,802**	54,058
Term accounts - 3 month	**43,335**	36,765
Term accounts - 6 month	**18,876**	19,475
Term accounts - 9 month	**390**	305
Term accounts - 12 month	**123,765**	136,063
Term accounts - 2 year	**2,010**	1,469
Term accounts - 4 year	**3,737**	7,176
Total*	**226,925**	279,706

*It represents net return to unrestricted investment account holders however Group's share as Mudarib and Owners' contribution will be determined at year end, which is not expected to change the distributable profit amount.

14. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
	31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
Issued *(in thousands of shares)*	**523,410**	523,410

The Merger between the Bank and IBQ was effected by a capital issuance of 223.410 million shares of QAR 10 by the Bank to the shareholders of IBQ, in a share swap transaction at the exchange rate of 2.031 shares of the Bank for each share of IBQ. Following issuance of the new shares, the authorised share capital was increased to 523,410 thousand (31 December 2020: 523,410 thousand) ordinary shares, having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2020: 523,410 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Bank, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law and after QCB approval. The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law. As at 31 December 2020, legal reserve balance was QAR 4,330.5 million. No further transfer has been made for the three month period ended 31 March 2021 as the Bank transfers the required amount at the year-end.

(c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, 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 – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. As at 31 December 2020, risk reserve balance was QAR 1,235.6 million which complies with the minimum requirement as stipulated by the Qatar Central Bank regulations. No further transfer has been made for the three month period ended 31 March 2021 as the Bank transfers the required amount at the year-end.

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates and joint ventures, and should be transferred to a separate reserve account in Owners' equity. As at 31 December 2020, other reserve total balance was QAR 73.3 million. No further transfer has been made for the three month period ended 31 March 2021 as the Bank transfers the required amount at the year-end.

(e) Treasury shares

Treasury shares represent ordinary shares of Dukhan Bank with nominal value of QAR 10 each. Treasury shares are presented as a deduction from equity.

(f) Dividend

The Board of Directors in its meeting held on 7 February 2021 proposed a cash dividend for the year 2020 of 10.0% (31 December 2019: 10.0%) of the paid up share capital amounting to QAR 520 million – QAR 1.00 per share (31 December 2019: QAR 520 million – QAR 1.00 per share), which was subsequently approved for distribution at the Annual General Meeting of the shareholders of the Bank held on 24 March 2021.

15. CONTINGENT LIABILITIES AND COMMITMENTS

		31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
a)	**Contingent liabilities**		
	Unused credit facilities	**17,307,271**	17,424,667
	Guarantees	**2,200,690**	18,569,351
	Letters of credit	**18,015,338**	2,096,827
		37,523,299	38,090,845
b)	**Commitments**		
	Profit rate swaps	**2,492,703**	2,492,703
	Options	**703,413**	706,692
	Other risk management instruments – WAAD	**1,380,006**	3,815,314
		4,576,122	7,014,709

Unused credit facilities
Commitments to extend credit represent contractual commitments to make financings and revolving credits. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and Letters of credit
Guarantees and letters of credit commit the Group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as financings.

Lease commitments
The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
Within one year	**3,070**	41,253
After one year but not more than five years	**-**	89,087

16. INTANGIBLE ASSETS

	31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
Goodwill and Intangibles		
Goodwill	**443,060**	443,060
Customer relationship	**477,344**	492,031
Core deposits	**130,629**	135,559
	1,051,033	1,070,650

Impairment testing for cash-generating unit containing goodwill
For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU will be carried out at the year-end, however refer note 2(d) (ii). When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

17. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the three month period ended	
	31 March 2021 (Reviewed) QAR'000	*31 March 2020 (Reviewed) QAR'000*
Net profit for the period attributable to the equity holders of the Bank	**266,673**	241,824
Weighted average number of outstanding shares	**519,575**	519,575
Basic and diluted earning per share (QAR)	**0.513**	0.465
Weighted average number of shares from beginning	**523,410**	523,410
Less: Treasury shares	**(3,835)**	(3,835)
Weighted average number of shares at 31 March	**519,575**	519,575

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

18. 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.

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

	31 March 2021 (Reviewed)		
	Subsidiaries QAR'000	***Board of directors QAR'000***	***Others QAR'000***
Assets:			
Customer financing	**-**	**4,694,811**	**-**
Liabilities:			
Customer deposits	**675,087**	**1,728,290**	**3,952,532**
Off balance sheet items:			
Unfunded credit facilities	**517,090**	**1,886,605**	**-**

18. RELATED PARTIES (CONTINUED)

	31 December 2020 (Audited)		
	Subsidiaries QAR'000	Board of directors QAR'000	Others QAR'000
Assets:			
Customer financing	-	4,854,194	-
Liabilities:			
Customer deposits	630,966	1,247,641	3,377,413
Off balance sheet items:			
Unfunded credit facilities	21,608	454,435	-

Transactions with key management personnel

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

	31 March 2021 (Reviewed) QAR'000	31 December 2020 (Audited) QAR'000
Financing to key management personnel	**13,316**	13,015

	For the three month period ended	
	31 March 2021 (Reviewed) QAR'000	31 March 2020 (Reviewed) QAR'000
Compensation of key management personnel		
Short-term employee benefits	**16,660**	15,882
Post-employment benefits	**1,262**	1,220
	17,922	17,102

19. CASH AND CASH EQUIVALENTS

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

	31 March 2021 (Reviewed) QAR'000	31 December 2020 (Audited) QAR'000
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	**711,915**	1,132,753
Due from banks	**3,224,449**	5,518,982
	3,936,364	6,651,735

20. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassification did not have any effect on the consolidated net profit or the consolidated owners' equity for the comparative period/year.

21. ASSETS UNDER MANAGEMENT

Assets under management represent the funds belonging to Group's customers, for which it has assumed investment management responsibilities in accordance with the terms and conditions of the investment agreement entered into with the customers. Such funds are invested on behalf of the customers by the Group, acting as an agent or a trustee, and accordingly such funds and the attributable investment gains or losses are not included in these interim condensed consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or fee. As at 31 March 2021, such assets total was QAR 3.3 billion (31 December 2020: QAR 3.1 billion). However, of such assets, only QAR 2,156.9 million (31 December 2020: QAR 1,889.0 million) was held in a fiduciary capacity.

22. CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the capital ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer, ICAAP pillar II capital charge and the applicable Domestically Systemically Important Bank ("DSIB") Buffer is 15.0% for 2021.

The table below summarises the composition of prevailing regulatory capital and the ratios of the Group. The Group complied with the externally imposed capital requirements to which they are subject to:

	31 March 2021 (Reviewed) QAR'000	*31 December 2020 (Audited) QAR'000*
Common Equity Tier 1 (CET) Capital	**9,958,531**	9,913,641
Additional Tier 2 Capital	**746,178**	751,097
Total Eligible Capital	**10,704,709**	10,664,738
Risk Weighted Assets	**65,144,696**	65,091,233
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio	**15.3%**	15.2%
Total Capital Adequacy Ratio *(i)*	**16.4%**	16.4%

23. IMPACT OF COVID-19

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

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

The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 31 March 2021, which is consistent from expected credit loss methodology adopted and valuation estimates and judgements as at and for the year ended 31 December 2020:

23. IMPACT OF COVID-19 (CONTINUED)

i. Expected credit losses

a) Reasonableness of Forward-Looking Information and probability weights:
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 expected credit losses ("ECLs") as at 31 March 2021. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightings assigned to these scenarios.

The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Bank. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes i) real GDP (decline) / growth of 2.52% for 2021 and 3.87% for 2022; ii) change in volume of exports of 2.29% for 2021 and 1.65% for 2022; and iii) government expenditure as percentage of GDP of 30.03% for 2021 and 27.63% for 2022 (31 December 2020: i) real GDP (decline) / growth of 2.52% for 2021 and 3.87% for 2022; ii) change in volume of exports of 2.29% for 2021 and 1.65% for 2022; and iii) government expenditure as percentage of GDP of 30.03% for 2021 and 27.63% for 2022). The ECL has been calculated as probability weighted figure for three scenarios viz.; Baseline, Extreme Downside and Improved with 65%, 25% and 10% weightings respectively (31 December 2020: Baseline, Extreme Downside and Improved with 65%, 25% and 10% weightings respectively). The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue. In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

b) Identifying significant increase in credit risk (SICR):
Post start of pendamic and upto 31 March 2021, the Group has delayed repayments for the affected sectors, that payment delay may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger an SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers due to the effect of Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constrains and a change in its lifetime credit risk.

The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

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 Group has delayed repayments for the affected sectors. The accounting impact of the one-off extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of AAOIFI AAB 1-/2020 "Accounting implications of the impact of COVID- 19 pandemic".

iv. Accounting for zero rate repo facility

The QCB has encouraged banks to defer existing repayments of principal and profit due and extend new financing to affected sectors at reduced rates. It has extended support to all local banks to avail repo facilities at zero cost as well as providing guarantees in some cases from the Government of the State of Qatar to support the affected sectors. The benefit arising out from the zero rate repos was not considered to be material for the period ended 31 March 2021.