DUKHAN BANK Q.P.S.C.

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

DUKHAN BANK Q.P.S.C.
(FORMERLY BARWA BANK Q.P.S.C.)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dukhan Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of changes in owners' equity, consolidated statement of cash flows and consolidated statement of changes in restricted investment accounts for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the Financial Accounting Standards ("FASs") 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's 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 Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 in accordance with these requirements and the IESBA Code. 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 current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.) (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addresses the key audit matters</th></tr>
<tr><td colspan="2">Impairment of financing assets</td></tr>
<tr><td>At 31 December 2020, the Group's financing assets amounted to QR 59 billion (2019: QR 52 billion) representing 68% of Group's total assets (2019: 67%).

The process for estimating impairment provision on credit risk associated with financing assets in accordance with FAS 30 involves significant judgement.

FAS 30 requires use of the Expected Credit Loss ("ECL") model for the purposes of calculating impairment provision. ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for financing assets. Also, COVID-19 pandemic significantly impacted the management's judgment applied to determine the ECL. The assumptions regarding the economic outlook are more uncertain which increases the level of judgment required by the Group in calculating the ECL. Due to the complexity of requirements under FAS 30, and the current situation, significance of judgements applied and the Group's exposure to financing assets forming a major portion of the Group's assets, the audit of ECL for financing assets is a key audit matter.

Refer to the notes to financial statements for:
Note 3 – Significant accounting policy
Note 4 - Credit risk disclosure
Note 5 – Use of estimates and judgements
Note 41 – Impact of COVID -19</td><td>Our audit procedures included, among others, the following:

• We obtained understanding of the Group's impairment provisioning policy, design of the controls, and tested the operating effectiveness of relevant controls and governance around it.

• Evaluated the Group's ECL policy including the criteria of staging and significant increase in credit risk policy based on the requirements of FAS 30, and QCB regulations and guidelines to address the COVID-19 pandemic.

• Checked completeness, accuracy and relevance of the key data used as input for the ECL model and the mathematical accuracy through the model processes.

• We involved a specialist to assist us in reviewing the ECL model used to assess expected credit losses allowance of financing assets.

• For a selected sample of exposures based on our judgement, we performed procedures to evaluate appropriateness of exposure at default, probability of default timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging and recalculated the amounts of ECL.

• Performed detailed credit risk assessment of a sample of performing and non-performing financing assets in line with QCB regulations and the requirements of FAS 30.
• Assessed of the ECL methodology, macroeconomic scenarios weightage (including new scenarios weightage adjustments as a result of COVID-19) and model validation including post model adjustments on sample basis.
• For a selected sample of exposures, we have assessed the impairment allowance for non-performing financing assets in accordance with FAS 30 and QCB guidelines.

• Reviewed and evaluated adequacy of Group's credit risk disclosures in the consolidated financial statements against the requirements of FAS 30 and QCB guidelines.</td></tr>
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.) (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addresses the key audit matters
Impairment of goodwill	
At 31 December 2020, the Group has an existing goodwill of QR 443 million (2019: QR 893 million), in which an amount of QR 327 million arising from past acquisition of subsidiaries namely First Finance Company Q.P.S.C., The First Investor Company Q.P.S.C. and First Leasing Company Q.P.S.C. and an amount of QR 116 million is related to the new merger with International Bank of Qatar (IBQ). Further, the above entities have been identified as four cash generating units ("CGUs") for impairment assessment purposes. As required by the International accounting standard ("IAS") 36 "Impairment of assets", an impairment review is performed on goodwill at least annually and when there is an indicator of impairment. In carrying out the impairment assessment of carrying value of the goodwill, management is required to make judgements in respect to the assumptions used to determine the recoverable amount. We focused on this area because of the significance of the balance and the significant judgments and assumptions involved in determining the recoverable amount of the CGU to which the goodwill is associated. Hence, this is considered a key audit matter. Information regarding the goodwill is included in Note 15 to the consolidated financial statements.	Our producers included, among others, the following: • Obtained an understanding and evaluated the Group's impairment assessment process and evaluated the appropriateness of management's identification of the Group's CGUs and assessed whether the allocation of goodwill to those CGUs was done on a consistent and reasonable basis. • Assessed the competence and capabilities of the management team who performed the impairment evaluation of the goodwill. • We involved a specialist to check the reasonableness of the methodologies and the assumptions used for impairment model of intangibles and ensure that the model is acceptable in line with industry practice, generally accepted valuation guidelines. • Evaluated the key assumptions used in the impairment model for goodwill, including the operating cash flow projections, discount rates, and long-term growth rates and compared them to the available external industry outlook reports and economic growth forecasts. • We assessed the reliability of cash flow forecasts through a review of actual past performance, comparison to previous forecasts and checked the mathematical accuracy. • We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Other information included in the Group's 2020 annual report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available for us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

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Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of the management and the Board of Directors for the consolidated financial statements
The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FASs issued by AAOIFI as modified by the QCB and the applicable provisions of Qatar Central Bank regulations, and for such internal control as the management 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, the management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The 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 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 override of internal control.

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

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

- Conclude on the appropriateness of the management's 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 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUKHAN BANK (Q.P.S.C.) (FORMERLY BARWA BANK Q.P.S.C.) (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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 or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on legal and other regulatory requirements
We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association and the amendments thereto, the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015, having occurred during the financial year that would have had a material adverse effect on the Group's consolidated financial position or the performance as at and for the year ended 31 December 2020.

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Ziad Nader
of Ernst & Young
Qatar Auditors Registry Number 258

Date: 3 March 2021
Doha - State of Qatar

DUKHAN BANK Q.P.S.C.
(FORMERLY BARWA BANK Q.P.S.C.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	*31 December 2020 QAR '000*	*31 December 2019 QAR '000*
ASSETS			
Cash and balances with Qatar Central Bank	8	**3,367,553**	2,378,257
Due from banks	9	**5,891,788**	4,343,485
Financing assets	10	**58,536,992**	51,924,104
Investment securities	11	**16,661,163**	16,099,098
Investment in associates and joint ventures	12	**83,535**	147,404
Investment properties	13	**3,497**	3,730
Fixed assets	14	**372,126**	379,395
Intangible assets	15	**1,070,650**	1,599,269
Other assets	16	**309,317**	255,950
TOTAL ASSETS		**86,296,621**	77,130,692
LIABILITIES			
Due to banks	17	**18,947,753**	14,185,854
Sukuk and fixed income financing	18	**-**	1,824,096
Customer current accounts	19	**7,335,487**	5,392,893
Other liabilities	20	**1,963,291**	1,738,282
TOTAL LIABILITIES		**28,246,531**	23,141,125
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	21	**46,546,052**	42,485,121
OWNERS' EQUITY			
Share capital	22(a)	**5,234,100**	5,234,100
Legal reserve	22(b)	**4,330,473**	4,273,812
Treasury shares	22(e)	**(38,350)**	(38,350)
Risk reserve	22(c)	**1,235,629**	810,504
Fair value reserve	11	**(24,621)**	22,901
Foreign currency translation reserve	12(a)	**-**	(81)
Other reserves	22(d)	**73,333**	673,333
Retained earnings		**693,383**	528,136
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,503,947**	11,504,355
Non-controlling interests	23	**91**	91
TOTAL OWNERS' EQUITY		**11,504,038**	11,504,446
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**86,296,621**	77,130,692

These consolidated financial statements were approved by the Board of Directors on 7 Febraury 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 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2020

	Notes	For the year ended 31 December 2020 QAR '000	2019 QAR '000
Net income from financing activities	24	**2,782,160**	2,316,832
Net income from investing activities	25	**683,105**	635,055
Total net income from financing and investing activities		**3,465,265**	2,951,887
Fee and commission income		**254,005**	256,952
Fee and commission expense		**(65,838)**	(65,592)
Net fee and commission income	26	**188,167**	191,360
Net foreign exchange gain		**143,401**	122,175
Share of results of associates and joint ventures	12	**(19,962)**	(525)
Other income		**11,669**	10,419
Total income		**3,788,540**	3,275,316
Staff costs	27	**(416,462)**	(410,316)
Depreciation and amortisation	14&15	**(109,773)**	(77,846)
Other expenses	28	**(222,348)**	(225,964)
Finance cost		**(190,603)**	(398,458)
Total expenses		**(939,186)**	(1,112,584)
Net impairment loss on financing assets	4(c)	**(929,804)**	(334,924)
Net impairment (loss) / reversal on due from banks	4(c)	**(8)**	2,022
Net Impairment loss on investment securities	4(c)&11	**(5,517)**	(11,292)
Net impairment loss on investment in associates and joint ventures	12	**(34,956)**	(4,762)
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**14,943**	3,184
Profit for the year before return to unrestricted investment account holders		**1,894,012**	1,816,960
Return to unrestricted investment account holders	21	**(875,308)**	(1,050,517)
Net profit for the year before intangible assets impairment and tax		**1,018,704**	766,443
Net impairment loss on intangible assets	15	**(450,179)**	-
Net profit for the year before tax		**568,525**	766,443
Tax expense		**(1,917)**	(1,391)
Net profit for the year		**566,608**	765,052
Net profit for the year attributable to:			
Equity holders of the Bank		**566,608**	765,052
Non-controlling interests		**-**	-
Net profit for the year		**566,608**	765,052
Earnings per share			
Basic and diluted earnings per share (QAR per share)	32	**1.09**	1.69

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2020

For the year ended 31 December 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 at 1 January 2020	**5,234,100**	**4,273,812**	**(38,350)**	**810,504**	**22,901**	**(81)**	**673,333**	**528,136**	**11,504,355**	**91**	**11,504,446**
Fair value reserve movement (Note 11)	**-**	**-**	**-**	**-**	**(47,519)**	**-**	**-**	**-**	**(47,519)**	**-**	**(47,519)**
Share of comprehensive income of associates (Notes 11&12)	**-**	**-**	**-**	**-**	**(3)**	**81**	**-**	**-**	**78**	**-**	**78**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**566,608**	**566,608**	**-**	**566,608**
Total recognised income for the year	**-**	**-**	**-**	**-**	**(47,522)**	**81**	**-**	**566,608**	**519,167**	**-**	**519,167**
Transfer to legal reserve	**-**	**56,661**	**-**	**-**	**-**	**-**	**-**	**(56,661)**	**-**	**-**	**-**
Transfer to risk reserve	**-**	**-**	**-**	**275,304**	**-**	**-**	**-**	**(275,304)**	**-**	**-**	**-**
Transfer from other reserve	**-**	**-**	**-**	**149,821**	**-**	**-**	**(600,000)**	**450,179**	**-**	**-**	**-**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(519,575)**	**(519,575)**	**-**	**(519,575)**
Balance at 31 December 2020	**5,234,100**	**4,330,473**	**(38,350)**	**1,235,629**	**(24,621)**	**-**	**73,333**	**693,383**	**11,503,947**	**91**	**11,504,038**

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

For the year ended 31 December 2019	*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 at 1 January 2019	3,000,000	2,548,997	(38,350)	113,650	1,666	(81)	673,333	450,753	6,749,968	91	6,750,059
Fair value reserve movement (Note 11)	-	-	-	-	21,147	-	-	-	21,147	-	21,147
Share of comprehensive income of associates (Notes 11&12)	-	-	-	-	88	-	-	-	88	-	88
Net profit for the year	-	-	-	-	-	-	-	765,052	765,052	-	765,052
Total recognised income for the year	-	-	-	-	21,235	-	-	765,052	786,287	-	786,287
Business Combination transaction (Note 40 (c))	2,234,100	1,648,310	-	529,938	-	-	-	-	4,412,348	-	4,412,348
Transfer to legal reserve	-	76,505	-	-	-	-	-	(76,505)	-	-	-
Transfer to risk reserve	-	-	-	166,916	-	-	-	(166,916)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(444,248)	(444,248)	-	(444,248)
Balance at 31 December 2019	5,234,100	4,273,812	(38,350)	810,504	22,901	(81)	673,333	528,136	11,504,355	91	11,504,446

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	For the year ended 31 December **2020** QAR '000	*2019* QAR '000
Cash flows from operating activities			
Net profit for the year before tax		**568,525**	766,443
Adjustments for:			
Net impairment loss / (reversal) on due from banks	4(c)	**8**	(2,022)
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**(14,943)**	(3,184)
Net impairment loss on financing assets	4(c)	**929,804**	334,924
Net impairment loss on investment securities	4(c)&11	**5,517**	11,292
Impairment loss on intangible assets	15	**450,179**	-
Impairment loss on investment in associates and joint ventures	12	**34,956**	4,762
Depreciation and amortization	14&15	**109,773**	77,846
Employees' end of service benefits provision	20.1	**18,718**	20,528
Net gain on sale of investment securities	25	**(5,397)**	(21,150)
Dividend income	25	**(35,447)**	(27,283)
Gain on disposal of fixed assets		**(890)**	(264)
Share of results of associates and joint ventures	12	**19,962**	525
Profit before changes in operating assets and liabilities		**2,080,765**	1,162,417
Change in reserve account with Qatar Central Bank		**(237,078)**	124,551
Change in due from banks		**592,529**	169,597
Change in financing assets		**(7,542,692)**	(4,426,547)
Change in other assets		**(53,367)**	101,621
Change in due to banks		**4,761,899**	2,815,530
Change in customer current accounts		**1,942,594**	(748,507)
Change in other liabilities		**237,532**	(405,041)
		1,782,182	(1,206,379)
Dividends received	25	**35,447**	27,283
Tax paid		**(1,391)**	-
Employees' end of service benefits paid	20.1	**(16,824)**	(20,093)
Net cash from / (used in) operating activities		**1,799,414**	(1,199,189)
Cash flows used in investing activities			
Acquisition of investments, net		**(1,249,670)**	(2,119,199)
Proceeds from sale of investments		**640,199**	1,214,959
Disposal of associates and joint ventures	12	**9,029**	-
Acquisition of fixed and intangible assets, net	14	**(26,371)**	(45,179)
Proceeds from sale of fixed assets		**3,197**	497
Cash acquired on business combination	40	**-**	535,863
Net cash used in investing activities		**(623,616)**	(413,059)
Cash flows from financing activities			
Change in unrestricted investment account holders		**4,060,931**	3,754,319
Change in sukuk and fixed income financing		**(1,824,096)**	(834,261)
Dividend paid		**(519,575)**	(444,248)
Net cash from financing activities		**1,717,260**	2,475,810
Net increase in cash and cash equivalents		**2,893,058**	863,562
Cash and cash equivalents at 1 January		**3,758,677**	2,895,115
Cash and cash equivalents at 31 December	33	**6,651,735**	3,758,677

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

For the year ended 31 December 2020	**At 1 January 2020**	**Movements during the year**					**At 31 December 2020**
	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**	**Total value QAR '000**
Discretionary Portfolio Management	**234,628**	**3,052**	**29,132**	**8,862**	**-**	**-**	**275,674**
Other Restricted Wakalas	**561,655**	**144,844**	**73,750**	**-**	**-**	**-**	**780,249**
	796,283	**147,896**	**102,882**	**8,862**	**-**	**-**	**1,055,923**

For the year ended 31 December 2019	At 1 January 2019	Movements during the year					At 31 December 2019
	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	Total value QAR '000
Discretionary Portfolio Management	225,667	-	(2,977)	11,938	-	-	234,628
Other Restricted Wakalas	438,659	35,824	87,172	-	-	-	561,655
	664,326	35,824	84,195	11,938	-	-	796,283

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

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. On 21 March 2019, the Bank changed its status from Qatari Shareholding Company to Qatari Private Shareholding Company (Q.P.S.C.) following approval from shareholders and Ministry of Business and Trade, State of Qatar. 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 as determined by the Shari'a Committee 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 and corporate 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 as as 31 December***	
			2020	*2019*
The First Investor P.Q.S.C. ("TFI") (i)	Qatar	1999	**100%**	100%
First Finance Company P.Q.S.C. ("FFC") (ii)	Qatar	1999	**100%**	100%
First Leasing Company P.Q.S.C ("FLC") (iii)	Qatar	2008	**100%**	100%
BBG Sukuk limited (iv)	Cayman Islands	2015	**100%**	100%
IBQ Finance Limited (v)	Cayman Islands	2015	**100%**	100%
IBQ Global Markets Limited (vi)	Cayman Islands	2017	**100%**	100%

(i) TFI provides a full range of investment banking products and services that comply with Shari'a principles.
(ii) FFC is engaged in Shari'a compliant financing activities in accordance with its Articles of Association and QCB regulations.
(iii) FLC is primarily engaged in the Islamic leasing business.
(iv) BBG Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk financing (issuance) for the benefit of the Group.
(v) IBQ Finance Limited was incorporated in the Cayman Islands to engage in debt issuance for the benefit of IBQ.
(vi) IBQ Global Markets Limited was incorporated in the Cayman Islands to engage in conducting derivative transactions on behalf of the Group.

2. BASIS OF PREPARATION

(a) Statement of compliance

These 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 ("QCB"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Committee of the Group, the applicable provisions of the QCB regulations and the applicable provisions of Qatar Commercial Company's 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").

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. The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank, which did not result in any material adjustment.

(b) Basis of measurement

These 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 consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial statements 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 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.

Information about significant areas of estimation uncertainty and critical judgments in applying the accounting policies that have 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.

(a) New standards, amendments and interpretations

***New standards, amendments and interpretations effective from* 1 January 2020**

FAS 30 Impairment, credit losses and onerous commitments
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards, amendments and interpretations (continued)

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

FAS 30 Impairment, credit losses and onerous commitments (continued)
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 is effective from financial periods beginning on or after 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.

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)
AAOIFI has issued FAS 31 in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (AlWakala Bi Al-Istithmar) instruments and the related assets and obligations, as applicable, for the Islamic financial institutions from both perspectives i.e. the principal (investor) and the agent.

Principal (Investor)
The standard requires the principal either to follow the Pass through approach (as a preferred option) or the Wakala venture approach.

Pass through approach
A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. There is a rebuttable assumption that in all investment agency arrangements, the investor takes direct exposure on the underlying assets (including a business) at the back end. As a result, the investor shall account for the assets (including the business) in its books directly, according to appropriate accounting policies applicable on such assets (or business) in line with respective FAS or the generally accepted accounting principles in absence of a specific FAS on the subject.

Wakala venture approach
Wakala venture approach can be adopted when the investment agency contracts meet the conditions of the instrument being transferable and the investment is subject to frequent changes at the discretion of the agent. In case of this approach, the principal accounts for the investment in Wakala venture by applying the equity method of accounting.

Agent
The standard requires the agent either to follow the off – balance sheet approach or the on – balance sheet approach (only on exceptions by virtue of additional considerations attached to the investment agency contract).

Off-balance sheet approach
At inception of the transaction, the agent shall recognize an agency arrangement under off-balance sheet approach whereby the agent does not control the related assets / business and hence does not record the assets and related income and expenditure in its books of account. The agent shall not recognize the assets and / or liabilities owned by the investor(s) / (principal(s)) in its books of account.
If the agent previously owned such assets directly or through on-balance sheet equity of investment accountholders or similar instruments, the agent shall de-recognize the assets (and liabilities) from its books of account.

On-balance sheet approach
An agent may maintain multi-level investment arrangements based on independent permissible transactions with the agent itself. Notwithstanding the requirements of this standard with regard to investment agency arrangements, such secondary transactions shall be accounted for in line with the requirements of respective FAS in the books of the agent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards, amendments and interpretations (continued)

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

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar) (Continued)
The agent shall consider the investment agency arrangement as a quasi-equity instrument for accounting purposes, if the investment agency instrument, by virtue of additional considerations attached to the instrument, is subordinated to all liabilities of the agent.

Transitional provisions
An entity may opt not to apply this standard only on such transactions:

- which were already executed before the adoption date of this standard for the entity; and
- their original maturity falls no later than 12 months after the adoption date of this standard for the entity.

The adoption of this amendment does not have a significant impact on the consolidated financial statements

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.

The standard classifies investments into equity type, debt type and other investment instruments. Investments in equity instruments must be at fair value and will be subject to impairment provisions as per FAS 30 "Impairment, Credit Losses and Onerous Commitments". In limited circumstances, where the institution is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value. Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement. Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively.

The Group has adopted FAS 33 Investment in sukuks, 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 investments fair value pertaining to such class of stakeholders

The adoption of FAS 33 has resulted in 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 statements for the year ended 31 December 2020, The Groups' existing accounting policies around Investment in Sukuk, shares and similar instruments are not materially different as compared to FAS 33. 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:
(i) monetary debt-type instruments; and
(ii) non-monetary debt-type instruments; and
(c) other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards, amendments and interpretations (continued)

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

FAS 34 - Financial reporting for Sukuk-holders

AAOIFI has issued FAS 34 in 2019. 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 Sukuk holders.

This standard shall apply to Sukuk in accordance with Shari'ah principles and rules issued by an IFI or other institution (called "originator"), directly or through the use of a Special Purpose Vehicle (SPV) or similar mechanism. In respect of Sukuk which are kept on-balance sheet by the originator in line with requirements of FAS 29 "Sukuk in the books of the originator", the originator may opt not to apply this standard. The standard classifies Sukuk as Business Sukuk and Non-Business Sukuk and lays down accounting treatment for Business and Non – Business Sukuk.

Transitional provisions

The Group opt not to apply this standard only on such transactions:

- which were already executed before the adoption date of this standard for the entity; and
- their original maturity falls no later than 12 months after the adoption date of this standard for the entity.

The adoption of this amendment will not have a significant impact on the consolidated financial statements.

New standards, amendments and interpretations issued but 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. The Group is currently evaluating the impact of this standard.

FAS 35 - Risk Reserves

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

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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2020. The Group consolidates a subsidiary when it controls it. Control is achieved when the Bank 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCIs), even if this results in the NCIs 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, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without 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, NCI 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 at the date of loss of control.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in consolidated income statement. In addition, any amounts previously recognised in owners' 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(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 and joint ventures

Associates are entities over which the Group has significant influence but not control, generally significant influence presumed to exist when the Group has 20% or more of the voting rights.

Joint Ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Group's investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated income statement; its share of post-acquisition movements in reserve is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture

Intergroup gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses in associates and joint ventures are recognised in the consolidated income statement. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group.

(v) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (conitnued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) 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 consolidated statement of income.

Foreign currency differences are generally recognised in consolidated statement of income. However, foreign currency differences arising from the translation of the following items are recognized in consolidated statement of changes in equity:

- Fair value through equity investments (except on impairment, in which case foreign currency differences that have been recognized in consolidated statement of changes in equity are reclassified to consolidated income statement);

- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective.

Foreign Operations
The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in consolidated statement of changes in equity. On disposal of a foreign operation, the component of consolidated statement of changes in equity relating to that particular foreign operation is recognised in the consolidated income statement

Hedge of a net investment in foreign operation
The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency.

To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in consolidated statement of changes in equity and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in consolidated income statement. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to consolidated income statement as part of the gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities

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

(i) Classification

Under FAS 33 “Investment in Sukuks, shares and similar instruments”, each investment is to be categorized as investment in:
a) equity-type instruments;
b) debt-type instruments, including (monetary and non-monetary);
c) other investment instruments
Unless irrevocable initial recognition choices provided in para 10 of 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.

Amortised cost

An investment shall be measured at amortised cost if both of the following conditions are met:
a) the investment is held within a business model whose objective is to hold such investment in order to collect expected cashflows till maturity of the instrument; and
b) the investment represents either a debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair through equity

An investment shall be measured at fair value through equity cost if both of the following conditions are met:
a) the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
b) the investment represents a non-monetary debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair through income statement

An investment shall be measured at fair value through income statement unless it is measured at amortised cost or fair value through equity or if irrevocable classification at initial recognition is applied.

Irrevocable classification at initial recognition

The Group may make an irrevocable election to designate a particular investment, at initial recognition, being:
a) an equity-type instrument that would otherwise be measured at fair value through income statement, to present subsequent changes in fair value through equity; and
(b) a non-monetary debt-type instrument or other investment instrument, as measured at fair value through income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different bases.

(ii) Recognition and derecognition

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 statement of income.

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 statement of income 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 statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(iii) Measurement (continued)

Fair value through equity
Policy applicable upto 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 statement of income.

Policy applicable after the issuance of QCB circular 13/2020
The Group adapted Qatar Central Bank's Circular number 13/2020 dated 29 April 2020 (the adoption date) which amended the requirements of FAS 33 "Investment in Sukuk, Shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and required banks to follow the requirements of International Financial Reporting Standard No. ("IFRS") 9 "Financial Instruments" relating to Equity Investments at Fair Value through Equity.

Under IFRS-9, 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. 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.

Whereas for debt type investments classified as fair value through equity, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

(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 bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

(e) 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, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financing assets (continued)

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 Chapter VII, Section D, Para 3/2/1, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Musawama receivables are stated net of deferred profits and impairment allowance (if any). On initial recognition Murabaha receivables are classified and measured at:
- Amortised cost when the contractual terms of the Murabaha receivables give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding; or
- Fair value through income statement ("FVTIS") when the contractual terms of the Murabaha receivables does not give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

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).

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).

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 of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

(f) Other financial assets and liabilities

(i) Recognition and initial measurement
The Group initially recognises due from banks, financing assets, investments, customer current accounts, due to banks, and financing liabilities including sukuk and fixed income financing on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement 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.

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (conitnued)

(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 derecognized.

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.

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.

(iv) 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, and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred. 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 based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such amodification is carried out because of financial difficulties of the financed counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as net income from financing activities.

Financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

Measurement of ECL

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.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (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 derecognized 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 statement of financial position

Loss allowances for ECL are presented in the 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 loan commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- Debt instruments measured at fair value through equity: no loss allowance is recognised in the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of less than three months from the reporting 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.

(i) Investment property

Properties held for rental or for capital appreciation purpose are classified as investment property and are measured at fair value with any change therein recognised in equity within the fair value reserve. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(j) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position and any resulting gain or loss is recognised in the consolidated income statement.

(k) Fixed assets

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of related equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised financing costs. 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. The cost of replacing a component of fixed asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in consolidated statement of income as incurred.

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. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative years are given below. Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Buildings	20 years
IT Equipment (hardware/software)	3-5 years
Fixtures, fittings and office equipment	4-7 years
Motor vehicles	5-7 years

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of income.

The estimated useful lives of intangible assets for the current year are as follows:

Customer relationship	10.0 years
Core deposits	8.5 years

(m) 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill cannot be subsequently reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Customer current accounts

Balances in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Equity of unresticted investment account holders

Equity of unrestricted investment account holders is funds held by the Group, which it can invest at its own discretion. The unrestricted 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 (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after deducting the Group's share of income as a Mudarib. 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 (amortised cost).

(p) Distribution of profit between equity of unrestricted investment account holders and owners

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 owners.
- 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 fee.
- 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.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(r) Employee benefits

Defined contribution plans
The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff cost under note 27 in the consolidated financial statements. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

Defined benefit scheme
The Group provides for employees end of service benefits determined in accordance with the requirements of Qatar Labour law pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Revenue recognition

Murabaha and Musawama
Profit from Murabaha and Musawama 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 it is 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 statement of income on declaration by the Mudarib.

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

Istisna'a
Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion 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 investment banking services
Income from investment banking 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 net profit or loss attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the net profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) 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.

(v) 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.

(w) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account, the Group reserve these funds for charitable purposes.

(x) Taxation

The Group is taxable to the extent of foreign shareholding and pay income tax to General Tax Authority in this regard. Further the Group and its subsidiaries of the Group that meet the Tax Law criteria are required to file income tax returns annually with the General Tax Authority.

(y) Financial information of the parent

A statement of financial position and income statement of the Parent as disclosed at the end of the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

(z) Financial guarantees

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

Financial guarantees are initially recognized 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 reporting 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 statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "fee and commission income".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) 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 shareholders' of the Group.

(ab) Sukuk and fixed income financing

Financing raised under Sukuks or fixed income financing program are recognised at amortised cost and disclosed as a separate line in the consolidated statement of financial position as "Sukuk and fixed income financing". Profit expense is recognised periodically till maturity. Sukuk and fixed income financing bears variable / fixed profit rate, which is paid on semi-annual basis.

(ac) 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.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risks and operational risk.

Risk Management Structure
The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent functions responsible for managing and monitoring risks.

Risk Management and Compliance Committee
The Risk Management and Compliance Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Credit Committee
The Board of Directors has delegated authority to Credit Committee to approve, sub-delegate, direct, monitor and reviews the Group's financing activities, within specified limits, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

The Credit Committee is the highest level of executive credit approval authority in the Group and is responsible for taking credit decisions within its delegated authority, recommending credit policies and future direction of the credit activities in the Group.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Asset Liability Committee (ALCO)
ALCO is responsible for the overall balance sheet management of the Group. ALCO set guidelines for the overall management of the liquidity and profit rate risk. ALCO also determine the borrowing and funding strategy (asset allocation) of the Group in order to maximize the profit and minimize risk.

Operational Risk Committee
The Operational Risk Committee is responsible for managing and overseeing all aspects of operational risk in the Group. The Committee is responsible for the effective implementation of all operational risk policies and standards.

Internal Audit
Risk management processes are audited by the Group Internal Audit function which examines both the adequacy and compliance with the procedures in addition to a specific audit of the Group Risk function itself as per the approved audit plan. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

(b) Key changes to the significant estimates and judgements

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) Covid-19 and Expected Credit Loss (ECL)
Any changes made to ECL to estimate the overall impact of Covid-19 is subject to high levels of uncertainty as so little reasonable and supportable forward-looking information is currently available on which to base those changes. However 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.

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 December 2020, refer to note 41. 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) 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 to get affected. Group has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained of 16.4% is sufficient.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Key changes to the significant estimates and judgements (continued)

Risk management in the current economic scenario (continued)

iii) 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.

iv) 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 NPL 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.

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.

Measurement of equity-type instruments classified as fair value through equity
According to QCB circular 13/2020, the Group is required to follow IFRS-9 for equity-type instruments classified as fair value through equity which requires changes in the fair value of certain investments in equity-type instruments that are not held for trading to be kept under statement of changes in equity. 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.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risk through diversification of investments, capital markets, lending and financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or customer (collectively referred as "counterparties"). It is the risk that a loss will be incurred if counterparty defaults or fails to honor a financial obligation that is due. It takes into account both probability of involuntary default, wherein the counterparty does not possess the financial means to repay, and strategic default, wherein counterparty with the ability to repay deliberately defaults.

Credit risk may have the following results:

- Delay in payment obligation;
- Partial loss of the credit exposure; or
- Complete loss of the credit exposure.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Management of credit risk
The Board of Directors has delegated responsibility for the oversight of credit risk upto a specified limit to its Credit Committee, which is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, compliance with QCB regulations, other applicable legal and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Facilities exceeding a certain threshold require Board of Directors approval;
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of financial risk;
- Limiting geographical exposures, concentration risk based on internal and external ratings, exposure limits and QCB guidelines;
- Collateralising the exposures by adequate tangible and intangible collaterals. The types of collaterals obtained include cash, mortgages over real estate properties, pledges over shares and personal/corporate guarantees, as appropriate; and
- Reviewing business units compliance of agreed exposure limits, including those for selected industries, country risk and product types. Regular review of the credit quality of Group's portfolios is performed and appropriate corrective actions are taken when required.

The Group has implemented Moody's Risk Analyst Rating System, in order to effectively monitor credit risk at an obligor's level on the Group's portfolio and align capital adequacy to such risks. The system is globally proven and enables the Group to rate credit risk on a more objective basis.

(i) Credit risk measurement

Group regularly analyze the quality of the overall credit portfolio with particular focus on the problem credits and the remedial management process.
This include:

- Transaction level review
- Obligor level review
- Portfolio based review
- Exception based review.

Credit review and Credit Administration units are responsible to ensure that all financing activity is undertaken within the approved framework and any deviations are promptly detected, reported and followed up for remedial action.

Credit portfolio management

Objective and responsibility
Portfolio management is an integral part of the credit process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. It does so by incorporating portfolio strategy and planning, performance assessment and reporting functions into one comprehensive management process.

Group is responsible for carrying out the activities in relation to credit risk portfolio management by seeking information from different business units on a regular basis to perform this function. The portfolio analyst undertakes the review, monitoring and control of limits structures based on the portfolio diversification parameters. Further, it prepares portfolio studies and periodic sector/ regional exposure information for management review.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(i) Credit risk measurement (continued)

Credit portfolio management (continued)

Portfolio diversification
The Group takes into consideration the following parameters to assess the diversification of the credit portfolio across:

- Group exposure limits
- Industry/ sector exposure limits
- Country exposure limits
- Product exposure limits
- Exposure to a particular credit risk mitigant

Stress testing of credit portfolio
The Group follows a rigorous and forward looking stress testing procedure (in line with pillar 2 requirements of Basel 3 Accord as well as taking into consideration QCB guidelines) that identifies possible events or changes in market conditions (or risk factors) that could adversely impact the Group. This requires foreseeing situations under hypothetical scenarios considering the question 'what-if' and development of stress tests in such scenarios. This enables the Group to be well equipped to cope with the crisis situations when they arise. Risk function has the responsibility of conducting periodic stress testing of the credit portfolio.

The stress-testing program of the Group involves the following steps:

- Capturing reliable data (accuracy and timeliness)
- Identification of risk factors that have an impact on the portfolio value. The different categories of risk factors used by the Group are:
  a. Obligor rating
  b. Environment (industry, economic, political, real estate prices, etc.)
  c. Model (assumptions, holding period, etc.)
  d. Analytics (correlation, transition matrices, etc.)
- Construction of stress tests on the basis of single factor or multi-factor scenarios
- Deciding magnitude of factor shock
- Running stress tests
- Reporting results of stress tests
- Assessing the impact of abovementioned results on capital adequacy of the Group
- Reassessing the relevance of stress tests on yearly basis.

Credit risk management information system (MIS)
Information on all elements of the Group's risk asset portfolio, and most particularly on irregular accounts and on those displaying characteristics of deterioration, are readily available with the concerned staff. Reports are thoroughly scrutinized and, where indicated, triggers appropriate response from the department concerned.

(ii) Risk limit control and mitigation policies

The Group has processes in place for mitigating credit risk which mainly include processes for credit Initiation, credit standards, collateral management and large exposure management.

Collateral
The Group secures credit exposures through a variety of collaterals including cash margins, lien on fixed deposits, real estate and marketable securities. Independent valuation of real estate collaterals are obtained periodically to determine collateral coverage. The value of marketable securities is constantly monitored to determine whether any replenishments /disposals are required.

Financing limits (for risk management instrument and financing books)
The Group has defined limits by counterparty, borrowing group, country, Board of Directors, subsidiaries and affiliates. Exposures against these limits are monitored and any breach is reported to the Board through Risk Management and Compliance Committee.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(iii) Maximum exposure to credit risk before collateral held or other credit enhancements

At 31 December	***2020*** ***QAR'000***	*2019* *QAR'000*
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with Qatar Central Bank	**2,894,321**	2,125,599
Due from banks	**5,891,788**	4,343,485
Financing assets	**58,536,992**	51,924,104
Investment securities – debt type	**15,552,472**	15,203,161
Other assets	**143,890**	202,262
	83,019,463	73,798,611
Other credit risk exposures are as follows:		
Guarantees	**18,569,351**	17,935,220
Letters of credit	**2,096,827**	1,753,949
Unutilised credit facilities	**17,424,667**	10,438,117
	38,090,845	30,127,286

The above tables represent 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.

(iv) Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Geographical sectors (continued)

31 December 2020

	Qatar QAR'000	***Other GCC QAR'000***	***Europe QAR'000***	***Others QAR'000***	***Total QAR'000***
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	**2,894,321**	**-**	**-**	**-**	**2,894,321**
Due from banks	**5,422,481**	**14,727**	**132,577**	**322,003**	**5,891,788**
Financing assets	**54,068,710**	**187,838**	**2,141,330**	**2,139,114**	**58,536,992**
Investment securities – debt type	**14,470,278**	**338,824**	**-**	**743,370**	**15,552,472**
Other assets	**143,890**	**-**	**-**	**-**	**143,890**
	76,999,680	**541,389**	**2,273,907**	**3,204,487**	**83,019,463**

31 December 2019

	Qatar QAR'000	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	2,125,599	-	-	-	2,125,599
Due from banks	3,906,809	27,555	159,736	249,385	4,343,485
Financing assets	46,036,544	367,122	3,370,157	2,150,281	51,924,104
Investment securities – debt type	14,688,727	196,787	-	317,647	15,203,161
Other assets	202,262	-	-	-	202,262
	66,959,941	591,464	3,529,893	2,717,313	73,798,611

31 December 2020

Other credit risk exposures	***Qatar QAR'000***	***Other GCC QAR'000***	***Europe QAR'000***	***Others QAR'000***	***Total QAR'000***
Guarantees	**15,782,306**	**334,392**	**1,196,674**	**1,255,979**	**18,569,351**
Letters of credit	**2,060,012**	**-**	**-**	**36,815**	**2,096,827**
Unutilised credit facilities	**17,387,902**	**36,765**	**-**	**-**	**17,424,667**
	35,230,220	**371,157**	**1,196,674**	**1,292,794**	**38,090,845**

31 December 2019

Other credit risk exposures	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Guarantees	14,907,104	422,512	1,355,116	1,250,488	17,935,220
Letters of credit	1,727,294	-	-	26,655	1,753,949
Unutilised credit facilities	10,056,586	183,377	196,551	1,603	10,438,117
	26,690,984	605,889	1,551,667	1,278,746	30,127,286

Industry sectors

The following table breaks down the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorised by the industry sectors of the Group's counterparties.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Industry sectors (continued)

As at 31 December	*Total exposure*	
	2020	*2019*
	QAR'000	*QAR'000*
Funded and unfunded		
Government	**27,016,165**	25,054,990
Industry and Manufacturing	**2,319,093**	2,947,261
Commercial	**11,111,726**	9,612,673
Financial services	**11,168,338**	8,962,756
Contracting	**19,316,416**	18,114,362
Real estate	**19,305,535**	12,910,083
Personal	**11,887,277**	11,174,915
Services and others	**18,985,758**	15,148,857
	121,110,308	103,925,897

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation, based on Moody's ratings or their equivalent Standard & Poor's / Fitch:

At 31 December	***2020***	*2019*
	QAR'000	*QAR'000*
Equivalent grades		
Aaa to Aa3	**30,335,231**	28,854,400
A1 to A3	**4,493,853**	3,755,392
Baa1 to Baa3	**72,618**	1,169,427
Ba1 to B3	**750,411**	676,466
Below B3	**-**	29,053
Unrated	**85,458,195**	69,441,159
	121,110,308	103,925,897

(v) Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings except retail portfolio. 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 5 represents investment grade and ORR 6 to 7 represents sub-investment grade ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(v) Credit quality (continued)

Due from banks

	31 December 2020				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**5,891,625**	**-**	**-**	**5,891,625**	4,343,603
Sub-investment grade - ORR 6 to 7	**289**	**-**	**-**	**289**	-
Substandard - ORR 8	**-**	**-**	**-**	**-**	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-
	5,891,914	**-**	**-**	**5,891,914**	4,343,603
Loss allowance	**(126)**	**-**	**-**	**(126)**	(118)
Carrying amount	**5,891,788**	**-**	**-**	**5,891,788**	4,343,485

Financing assets

	31 December 2020				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**38,557,656**	**7,481,514**	**-**	**46,039,170**	39,114,047
Sub-investment grade - ORR 6 to 7	**3,435,531**	**8,722,280**	**-**	**12,157,811**	12,902,459
Substandard - ORR 8	**-**	**-**	**308,949**	**308,949**	297,132
Doubtful ORR 9	**-**	**-**	**644,377**	**644,377**	70,400
Loss - ORR 10	**-**	**-**	**1,224,437**	**1,224,437**	1,556,554
	41,993,187	**16,203,794**	**2,177,763**	**60,374,744**	53,940,592
Loss allowance	**(113,381)**	**(585,984)**	**(995,987)**	**(1,695,352)**	(1,917,146)
Suspended profit	**-**	**-**	**(142,400)**	**(142,400)**	(99,342)
	(113,381)	**(585,984)**	**(1,138,387)**	**(1,837,752)**	(2,016,488)
Carrying amount	**41,879,806**	**15,617,810**	**1,039,376**	**58,536,992**	51,924,104

Investment securities

	31 December 2020				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**1,431,695**	**-**	**-**	**1,431,695**	538,680
Sub-investment grade - ORR 6 to 7	**625,786**	**74,099**	**-**	**699,885**	491,381
Substandard - ORR 8	**-**	**-**	**-**	**-**	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-
	2,057,481	**74,099**	**-**	**2,131,580**	1,030,061
Loss allowance	**(3,967)**	**(9,466)**	**-**	**(13,433)**	(8,172)
Carrying amount	**2,053,514**	**64,633**	**-**	**2,118,147**	1,021,889

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

(v) Credit quality (continued)

Financing commitments and financial guarantees	31 December 2020				31 December 2019
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**14,998,449**	**1,181,328**	**-**	**16,179,777**	16,197,977
Sub-investment grade - ORR 6 to 7	**2,308,143**	**2,163,307**	**-**	**4,471,450**	3,475,418
Substandard - ORR 8	**-**	**-**	**11,661**	**11,661**	2,630
Doubtful ORR 9	**-**	**-**	**-**	**-**	4,000
Loss - ORR 10	**-**	**-**	**3,290**	**3,290**	9,144
	17,306,592	**3,344,635**	**14,951**	**20,666,178**	19,689,169
Loss allowance	**(56,406)**	**(257,804)**	**(3,230)**	**(317,440)**	(332,383)
Carrying amount	**17,250,186**	**3,086,831**	**11,721**	**20,348,738**	19,356,786

At 31 December 2020 and 2019, none of the financial assets in other assets were either past due or impaired and did not have any expected credit loss allowance recognised against them.

(vi) Collateral

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no material deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group. The Group has collateral in form of blocked deposits, pledge of shares and legal mortgages. The aggregate fair value of collateral as at 31 December 2020 is QAR 44,162.9 million (31 December 2019: QAR 41,909.2 million).The value of the collateral held against credit-impaired financing assets and advances as at 31 December 2020 is QR 1,193.4 million (31 December 2019: QR 1,086.0 million).

The amount of contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2020 and 31 December 2019 was Nil.

(vii) Inputs, assumptions and techniques used for estimating impairment

To determine if the risk of default of a financial instrument has increased significantly since origination, the current risk of default at the reporting date is compared with the risk of default at initial recognition. The Group considers SICR based on the rating migration data, historical default rates, Days Past Due (DPD) status of the account, the internal credit rating of the Group and QCB guidelines. The SICR criteria for Internally rated portfolio (Wholesale and Private banking), Un-rated portfolio (Retail banking) and externally rated portfolio (Financials institution/ Banks) has been described below.

Internally rated portfolio:
For the internally rated portfolio the below criteria are used to determine the SICR for each facility

1. Two notch downgrade from ratings 1,2,3 and 4
2. One notch downgrade from ratings 5 and 6
3. Accounts classified under rating 7
4. 30-59 Days Past Due (subject to rebuttal)
5. 60-89 Days past Due
6. Renegotiated accounts in last 12 months

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Externally rated financial instruments
For all the financing portfolio and investments which are externally rated will be subject to the below criteria for determining the SICR:

1. Investment Grade – 2 notch downgrade from Aaa to Baa3
2. Speculative Grade – 1 notch downgrade from Ba1 to Caa3
3. Unrated exposures
4. Restructured accounts

Retail Portfolio
The following staging criteria based on Days Past Dues (DPDs) has been fixed for retail portfolio as per the FAS 30 and QCB guidelines:

FAS 30 presumes 30 DPD criteria for Stage 2 classification. This will be further assessed through forward and backward flow rates to rebut the 30 DPD criteria. However, in any case, this should not exceed 60 days as a back stop measure as defined by QCB.

Apart from the above mentioned staging criteria based upon rating grades and DPD buckets, following qualitative criteria is also evaluated by the management to categorize a particular borrower or portfolio into Stage 2 by providing appropriate reasoning for the same at the time of ECL computation.

1. Any particular industry/sector under stress can be treated as stage 2 for a temporary period as a whole irrespective of individual borrower ratings;
2. Any cross border exposures leading to deterioration in credit quality based upon worsening economic conditions of the country can be adjudged as stage 2 (e.g. all exposures to a country X can be deemed Stage 2);

For retail stage 2 assets, based upon its internal experience, the Group may treat sub portfolios differently as compared to portfolio level staging in case a significant increase in credit risk is seen for a particular segment of borrowers (e.g. by salary bands, employer, nationality etc.).

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 on-going 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 statistical models to analyse the data collected and generate estimates of PD to determine Expected Credit Loss (ECL). The Group has used different methodology for different portfolios based on the default history and rating methodologies. The statistical techniques include Transition matrix analysis for corporate portfolio, Pluto Tasche methodologies for low default portfolio like private Banking, flow rate analysis for retail portfolio.

Renegotiated financial 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. As at 31 December 2020, QAR 3,925.0 million (31 December 2019: QAR 2,541.6 million) of deals were restructured.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

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 8, 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 to reflect all potential future deterioration scenarios for the loan according to their associated probability. This estimation integrates all information available including current conditions and anticipations of future potential economic conditions. The group has developed Merton model, credit index method and regression analysis and used the best fit model for incorporation of forward looking information.

In case none of the 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. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Measurement of ECL (continued)

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 amortization. The EAD of a financial asset is the amount that is outstanding at the time of default.

The off-Balance Sheet instruments such as lending commitments and financial guarantees, the EAD estimation is calculated after applying the credit conversion factor (CCF) to the nominal amount of the off-balance sheet instruments.

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.

Covid-19 impact
While it is challenging to estimate the impact of COVID-19 on our ECL estimates as the situation is still evolving, it is expected to have a deep impact on the macro-economic environment.The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, The Bank has assessed the impact of the crisis and changed the weightages assigned to the scenario probabilities of its ECL models (refer note 41).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Loss allowance (continued)

Due from banks	***31 December 2020***				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**118**	**-**	**-**	**118**	2,140
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**-**	**-**	**-**	**-**	-
Transfers to Stage 3	**-**	**-**	**-**	**-**	-
Impairment allowance for the year, net	**8**	**-**	**-**	**8**	(2,022)
Amounts written off	**-**	**-**	**-**	**-**	-
	126	**-**	**-**	**126**	118

Financing assets	***31 December 2020***				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**151,213**	**587,259**	**1,278,016**	**2,016,488**	1,647,548
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**(64,988)**	**64,988**	**-**	**-**	-
Transfers to Stage 3	**(3,474)**	**(487,691)**	**491,165**	**-**	-
Impairment allowance for the year, net	**30,630**	**421,428**	**477,746**	**929,804**	334,924
Suspended profit, net movement	**-**	**-**	**43,058**	**43,058**	35,223
Amounts written off	**-**	**-**	**(1,151,598)**	**(1,151,598)**	(1,207)
	113,381	**585,984**	**1,138,387**	**1,837,752**	2,016,488

Investment securities	***31 December 2020***				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**3,757**	**4,415**	**-**	**8,172**	10,454
Transfers to Stage 1	**-**	**-**	**-**	**-**	-
Transfers to Stage 2	**-**	**-**	**-**	**-**	-
Transfers to Stage 3	**-**	**-**	**-**	**-**	-
Impairment allowance for the year, net	**210**	**5,051**	**-**	**5,261**	(2,282)
Amounts written off	**-**	**-**	**-**	**-**	-
	3,967	**9,466**	**-**	**13,433**	8,172

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

Loss allowance (continued)

Financing commitments and financial guarantees (including LC & LG)	***31 December 2020***				*31 December 2019*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	**300,841**	**26,061**	**5,481**	**332,383**	51,141
Acquired on business combination	**-**	**-**	**-**	**-**	284,426
Transfers to Stage 1	**263**	**(263)**	**-**	**-**	-
Transfers to Stage 2	**(246,698)**	**246,698**	**-**	**-**	-
Transfers to Stage 3	**-**	**(8,948)**	**8,948**	**-**	-
Impairment allowance for the year, net	**2,000**	**(5,744)**	**(11,199)**	**(14,943)**	(3,184)
Amounts written off	**-**	**-**	**-**	**-**	-
	56,406	**257,804**	**3,230**	**317,440**	332,383

(viii) 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 the 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 amount written off during the year was QAR 1,151.6 million (31 December 2019: QAR 1.2 million).

(d) 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 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.

(i) Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible that it has sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Group's reputation. The primary objective of liquidity risk management over which the Asset and Liability Committee (ALCO) has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. The ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit mobilization plans are regularly reviewed for consistency with the liquidity policy requirements. A contingency plan is also in place which is reviewed periodically.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(i) Management of liquidity risk (continued)

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policy and procedures are subject to review and approval of the Board of Directors and ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors and ALCO.

(ii) 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, other borrowings and commitments maturing within the next month. The Group ratio of liquid assets to customer deposits As at 31 December 2020 was 21% (31 December 2019: 19%).

A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB. As at 31 December 2020, liquidity coverage ratio as per QCB prescribed method was 89.5 % (31 December 2019: 110.0%). The minimum liquidity ratio determined by the QCB is 100%.

(iii) Maturity analysis

Maturity analysis of Group's financial assets and liabilities are prepared on the basis of their contractual maturities. The contractual maturities have been determined on the basis of the remaining period at the statement of financial postion date and do not take into account effective maturities as indicated by the Group's deposit retention history. Cash in hand is not considered for liquidity risk management.

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2020						
Balances with Qatar Central Bank	**2,894,321**	**659,521**	**-**	**-**	**-**	**2,234,800**
Due from banks	**5,891,788**	**5,387,705**	**131,277**	**272,846**	**99,960**	**-**
Financing assets	**58,536,992**	**4,241,561**	**5,380,884**	**12,627,520**	**16,086,911**	**20,200,116**
Investment securities – debt type	**15,552,472**	**47,339**	**109,244**	**971,419**	**9,962,258**	**4,462,212**
Other assets	**143,890**	**80,321**	**-**	**63,569**	**-**	**-**
Total financial assets	**83,019,463**	**10,416,447**	**5,621,405**	**13,935,354**	**26,149,129**	**26,897,128**
Due to banks	**18,947,753**	**12,157,122**	**1,140,867**	**4,920,546**	**729,218**	**-**
Sukuk and fixed income financing	**-**	**-**	**-**	**-**	**-**	**-**
Customer current accounts	**7,335,487**	**7,335,487**	**-**	**-**	**-**	**-**
Other liabilities	**1,248,861**	**683,524**	**30,613**	**534,724**	**-**	**-**
Total financial liabilities	**27,532,101**	**20,176,133**	**1,171,480**	**5,455,270**	**729,218**	**-**
Equiy of unrestricted investment account holders	**46,546,052**	**22,175,119**	**7,154,728**	**13,470,341**	**3,745,864**	**-**
Total	**74,078,153**	**42,351,252**	**8,326,208**	**18,925,611**	**4,475,082**	**-**
Difference	**8,941,310**	**(31,934,805)**	**(2,704,803)**	**(4,990,257)**	**21,674,047**	**26,897,128**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2019						
Balances with Qatar Central Bank	2,125,599	127,877	-	-	-	1,997,722
Due from banks	4,343,485	3,011,876	366,267	928,229	-	37,113
Financing assets	51,924,104	3,705,282	4,348,132	6,009,561	20,522,733	17,338,396
Investment securities – debt type	15,203,161	95,722	-	852,662	8,240,434	6,014,343
Other assets	202,262	125,337	-	76,925	-	-
Total financial assets	73,798,611	7,066,094	4,714,399	7,867,377	28,763,167	25,387,574
Due to banks	14,185,854	13,194,372	-	43,690	856,608	91,184
Sukuk and fixed income financing	1,824,096	-	-	1,824,096	-	-
Customer current accounts	5,392,893	5,392,893	-	-	-	-
Other liabilities	974,996	548,016	20,630	406,350	-	-
Total financial liabilities	22,377,839	19,135,281	20,630	2,274,136	856,608	91,184
Equiy of unrestricted investment account holders	42,485,121	20,418,531	4,966,963	16,025,342	1,074,285	-
Total	64,862,960	39,553,812	4,987,593	18,299,478	1,930,893	91,184
Difference	8,935,651	(32,487,718)	(273,194)	(10,432,101)	26,832,274	25,296,390

(iv) Maturity analysis (Financial liabilities and risk management instruments)

31 December 2020	***Carrying amount QAR'000***	***Gross undisc-ounted cash flows QAR'000***	***Less than 1 month QAR'000***	***1-3 months QAR'000***	***3 months – 1 year QAR'000***	***1-5 years QAR'000***	***More than 5 years QAR'000***
Non-derivative financial liabilities							
Due to banks	**18,947,753**	**18,947,753**	**12,157,122**	**1,140,867**	**4,920,546**	**729,218**	**-**
Sukuk and fixed income financing	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Customer current accounts	**7,335,487**	**7,335,487**	**7,335,487**	**-**	**-**	**-**	**-**
Other liabilities	**1,248,861**	**1,248,861**	**683,524**	**30,613**	**534,724**	**-**	**-**
Total liabilities	**27,532,101**	**27,532,101**	**20,176,133**	**1,171,480**	**5,455,270**	**729,218**	**-**
Equity of unrestricted investment account holders	**46,546,052**	**46,546,052**	**22,175,119**	**7,154,728**	**13,470,341**	**3,745,864**	**-**
Risk management instruments							
Risk Management:	**10,781**						
Outflow		**4,551,639**	**1,232,751**	**1,098,342**	**1,814,276**	**406,270**	**-**
Inflow		**(4,540,799)**	**(1,233,112)**	**(1,104,843)**	**(1,789,709)**	**(413,135)**	**-**
	74,088,934	**74,088,993**	**42,350,891**	**8,319,707**	**18,950,178**	**4,468,217**	**-**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iv) Maturity analysis (Financial liabilities and risk management instruments) (continued)

31 December 2019	*Carrying amount QAR'000*	*Gross undisc-ounted cash flows QAR'000*	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
Non-derivative financial liabilities							
Due to banks	14,185,854	14,185,854	13,194,372	-	43,690	856,608	91,184
Sukuk and fixed income financing	1,824,096	1,824,096	-	-	1,824,096	-	-
Customer current accounts	5,392,893	5,392,893	5,392,893	-	-	-	-
Other liabilities	974,996	974,996	548,016	20,630	406,350	-	-
Total liabilities	22,377,839	22,377,839	19,135,281	20,630	2,274,136	856,608	91,184
Equity of unrestricted investment account holders	42,485,121	42,485,121	20,418,531	4,966,963	16,025,342	1,074,285	-
Risk management instruments							
Risk Management:	(71,661)						
Outflow		3,092,840	492,568	958,459	1,614,934	26,879	-
Inflow		(3,244,909)	(492,511)	(1,046,442)	(1,679,077)	(26,879)	-
	64,791,299	64,710,891	39,553,869	4,899,610	18,235,335	1,930,893	91,184

(e) Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the profit rate management of the entity's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by Board of Directors) and for the day-to-day review of their implementation.

The Board of Directors has set risk limits based on different factors including country-wise exposure limits. These limits are closely monitored by senior management and reviewed by ALCO on a regular basis.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(ii) Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). A fully integrated VaR computation system is used by the Group to calculate VaR through historical simulation, analytical and Monte Carlo approaches, which is based upon a 99 percent confidence level assuming a 1-day, 10-day and 30-day holding periods. Taking account of market data from the previous one year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Market Risk limits are set and monitored by the Market Risk Management function endorsed by BOD.The Group uses VaR limits for total market risk and specific foreign exchange, profit rate, equity and other price risks. The overall structure of VaR limits are reviewed by ALCO and approval by the Board of Directors. VaR limits are allocated to trading portfolios

The Group's trading portfolio is comparitively insignificant in size, consist mainly of Equities however, the Group has established policies for VaR measurement to overlook the trends for market risk management. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

(iii) 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. ALCO is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

The Islamic Financial Services Board ("IFSB") has issued a document on Risk Management guidelines for Institutions (other than Insurance Institutions) offering only Islamic Financial Service ("IFS"). This includes sections on 'Rate of Return Risk' and 'Liquidity Risk'. The Group adheres to the guidelines on 'Rate of Return Risk' and 'Liquidity Risk'.

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

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*Effective profit rate QAR'000*
31 December 2020							
Balances with Qatar Central Bank	**2,894,321**	**-**	**-**	**-**	**-**	**2,894,321**	**0.0%**
Due from banks	**5,891,788**	**36,645**		**99,960**		**5,755,183**	**0.8%**
Financing assets	**58,536,992**	**29,235,039**	**16,573,139**	**5,669,702**	**72,945**	**6,986,167**	**4.4%**
Investment securities-debt type	**15,552,472**	**-**	**-**	**-**	**-**	**15,552,472**	**3.9%**
	82,875,573	**29,271,684**	**16,573,139**	**5,769,662**	**72,945**	**31,188,143**	
Due to banks	**18,947,753**	**729,219**	**-**	**-**	**-**	**18,218,534**	**0.4%**
Sukuk and fixed income financing	**-**	**-**	**-**	**-**	**-**	**-**	
Equity of unresticted investment account holders	**46,546,052**	**21,131,352**	**13,470,341**	**3,745,864**	**-**	**8,198,495**	**1.9%**
Consolidated statement of financial position items - Profit rate sensitivity gap	**17,381,768**	**7,411,113**	**3,102,798**	**2,023,798**	**72,945**	**4,771,114**	
Off-consolidated statement of financial position items	**17,424,667**	**5,344,547**	**4,736,815**	**4,895,866**	**2,447,439**	**-**	**4.1%**
Cumulative profit rate sensitivity gap	**34,806,435**	**12,755,660**	**7,839,613**	**6,919,664**	**2,520,384**	**4,771,114**	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

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

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*Effective profit rate QAR'000*
31 December 2019							
Balances with Qatar Central Bank	2,125,599	-	-	-	-	2,125,599	0.0%
Due from banks	4,343,485	219,782	-	-	-	4,123,703	1.9%
Financing assets	51,924,104	28,219,116	12,540,869	3,238,801	216,464	7,708,854	5.1%
Investment securities-debt type	15,203,161	-	-	-	-	15,203,161	4.0%
	73,596,349	28,438,898	12,540,869	3,238,801	216,464	29,161,317	
Due to banks	14,185,854	731,207	260,274	-	-	13,194,373	2.3%
Sukuk and fixed income financing	1,824,096	-	-	-	-	1,824,096	3.7%
Equity of unresticted investment account holders	42,485,121	18,312,679	16,025,342	1,074,285	-	7,072,815	2.9%
Consolidated statement of financial position items - Profit rate sensitivity gap	15,101,278	9,395,012	(3,744,747)	2,164,516	216,464	7,070,033	
Off-consolidated statement of financial position items	10,438,117	5,270,218	4,192,992	139,273	835,634	-	4.8%
Cumulative profit rate sensitivity gap	25,539,395	14,665,230	448,245	2,303,789	1,052,098	7,070,033	

Sensitivity analysis

Management monitors sensitivity of the Group's financial assets and liabilities to various standard and Non - standard profit rate scenarios. Standard scenario that is considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in yield curve. 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 QAR'000***	***10 bp parallel decrease QAR'000***
31 December 2020		
At 31 December	**10,100**	**(10,100)**
Average for the year	**10,884**	**(10,884)**
31 December 2019		
At 31 December	7,651	(7,651)
Average for the year	8,695	(8,695)

Profit rate movements affect reported equity in the following way:

- retained earnings arising from increases or decreases in net profit and the fair value changes reported in consolidated income statement.

Overall non-trading profit rate risk positions are managed by Treasury & Investments Group (TIG), which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities. The use of risk management instruments to manage profit rate risk.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

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

Foreign currency transactions

Foreign exchange risks arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within approved limits established by the Board of Directors.

As at the reporting date the net foreign currency exposures, other than USD which is pegged to the Qatari Riyal, and their respective sensitivities to a 500 bps change was as follows:

Functional currency of the Group entities **At 31 December**	***2020*** ***QAR'000***	*2019* *QAR'000*
Net foreign currency exposure:		
Pounds Sterling	**4,201**	(2,530)
Euro	**1,156**	1,021
Other currencies*	**8,844**	93,105

5% increase / decrease in currency exchange rate as at 31 December	***Increase / decrease in profit***		***Increase / decrease in equity***	
	2020	*2019*	***2020***	*2019*
	QAR'000	*QAR'000*	***QAR'000***	*QAR'000*
Pound Sterling	**210**	127	**210**	127
Euro	**58**	51	**58**	51
Other currencies	**442**	4,655	**442**	4,655

* Other currencies include net exposure to Other GCC currencies amounting to QAR 1.8 million (31 December 2019: QAR 87.2 million).

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 fair value through income statement and fair value through equity.

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

	2020 ***QAR'000***	*2019* *QAR'000*
5% increase / decrease in QE and other index		
Increase / decrease in profit and loss	**4,436**	1,639
Increase / decrease in equity	**55,435**	44,797

The above analysis has been prepared on the assumption that all other variables such as profit rate, foreign exchange rate, etc are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Market risks (continued)

(v) Inter bank offered rate (IBOR) reforms

Overview
A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and associated instruments related accounting.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators.

In response to the announcements, the Group has set up an IBOR Steering Committee comprised of the various work streams including risk management, business units, treasury, finance, legal, operations and IT. The programme is under the governance of the Group Chief Risk Officer. The aim is to effect an orderly transition of legacy transactions onto risk free rate based repricing indices, and to enable a smooth adoption for new transactions. The IBOR Steering Committee oversights the IBOR transition process in its entirety, including development, legal considerations, system enhancements, operational readiness, staff awareness and customer communication. The Group aims to finalise its transition and fall back plans by the end of first half of 2021.

Risk Management Instruments
The Bank holds Profit rate swaps for risk management purposes. The Profit rate swaps have floating legs that are indexed principally to LIBOR. The Bank's derivative instruments are governed by contracts based on the master hedging agreements.

The bank is monitoring developments with regards to IBOR related amendments, and should it be discontinued or unavailable, then calculations will be determined by fallback arrangements as set out in relevant agreements.

(f) Operational risks
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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Operational risks (continued)

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.

The strategy and framework for operational risk management is set by the Operational Risk Committee (ORC) and is implemented consistently across the Group. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework is coordinated by a dedicated and independent team led by an Operational Risk Manager (ORM). This team reports to the Chief Risk Officer (CRO) of the Group. Each business unit has nominated a “Unit Operational Risk Manager (UORM)” who acts as a single point of contact for ORM regarding all Operational Risks for the respective business unit.

The organization has also invested in a state-of-the-art Operational Risk System to create a repository for all Operational risk incidents, losses and near-miss events. There is a robust process for reporting of issues, conducting of root cause analysis (where applicable) and rolling out mitigation plans to avoid recurrence of the issues.

(g) 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 owners’ 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 period. The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB. The Group’s regulatory capital position under Basel III and QCB regulations was as follows:

At 31 December	***2020 QAR’000***	*2019 QAR’000*
Tier 1 capital	**9,913,641**	9,384,331
Tier 2 capital	**751,097**	668,887
Total regulatory capital	**10,664,738**	10,053,218

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Capital management (continued)

Regulatory capital (continued)

Eligible capital (numerator in Capital Adequecy Ratio) consists of Tier 1 and Tier 2 capitals. Tier 1 consists of two parts: Common Equity Tier 1 (CET1), and Aditional Tier 1 (AT1). CET1, is part of Tier 1 capital and is the purest form of capital, which includes share capital, statutory reserves, general reserve, retained earnings, exchange translation reserve and non-controlling interests, risk reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes. The Group deducts intangible assets(including goodwill) and treasury stock from CET1/ Tier1.

The Group is following the standardised approach for credit and market and Basic Indicator approach for operational risk as permitted by the Qatar Central Bank and as per Pillar 1 of Basel 3. Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Qatar Central Bank. The required information is computed and monitored on monthly basis and filed with the regulators on a quarterly basis after getting reviewed by Group appointed external auditors.

Risk weighted assets and carrying amounts

	Risk weighted amount		***Carrying amount***	
	2020 QAR'000	*2019 QAR'000*	***2020 QAR'000***	*2019 QAR'000*
Balances with Qatar Central Bank	**-**	-	**2,894,321**	2,125,599
Due from banks	**1,219,819**	391,956	**5,891,788**	4,343,485
Financing assets	**43,580,566**	39,335,145	**58,536,992**	51,924,104
Investment securities	**1,260,481**	1,334,514	**15,849,438**	15,452,931
Investment in associates and joint ventures	**257,162**	442,212	**83,535**	147,404
Other assets	**681,443**	642,339	**1,158,172**	891,733
Off balance sheet assets	**12,803,314**	10,960,005	**38,090,845**	30,127,286
Total risk weighted assets for credit risk	**59,802,785**	53,106,171	**122,505,091**	105,012,542
Risk weighted assets for market risk	**1,637,650**	1,386,459	**811,725**	646,167
Risk weighted assets for operational risk	**3,650,798**	2,788,332	**-**	-
	5,288,448	4,174,791	**811,725**	646,167
Total Risk weighted assets			**65,091,233**	57,280,962
Regulatory capital			**10,664,738**	10,053,218
CET1/Tier 1 Ratio			**15.2%**	16.4%
Total Capital Ratio			**16.4%**	17.6%

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Capital management (continued)

Risk weighted assets and carrying amounts (continued)

The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2020 are as follows:

	CET 1 ratio without capital conservation buffer	*CET 1 ratio including capital conservation buffer*	*Tier 1 capital ratio including capital conservation buffer*	*Total capital ratio including capital conservation buffer*	*Total capital including capital conservation buffer and domestic systematic important bank ("DSIB") buffer*	*Total capital Including capital conservation buffer, DSIB buffer and ICAAP Pillar II capital charge*
Actual	**15.2%**	**15.2%**	**15.2%**	**16.4%**	**16.4%**	**16.4%**
Minimum limit (QCB)	**6.0%**	**8.5%**	**10.5%**	**12.5%**	**13.0%**	**15.0%**

The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2019 are as follows:

	CET 1 ratio without capital conservation buffer	*CET 1 ratio including capital conservation buffer*	*Tier 1 capital ratio including capital conservation buffer*	*Total capital ratio including capital conservation buffer*	*Total capital including capital conservation buffer and domestic systematic important bank ("DSIB") buffer*	*Total capital Including capital conservation buffer, DSIB buffer and ICAAP Pillar II capital charge*
Actual	16.4%	16.4%	16.4%	17.6%	17.6%	17.6%
Minimum limit (QCB)	6.0%	8.5%	10.5%	12.5%	13.0%	14.0%

The Group has also adopted new capital requirements for Profit Rate Risk on Banking Book (PRRBB) and have set aside capital based on new standard under Pillar II.

5. USE OF ESTIMATES AND JUDGMENTS

(a) 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 resources to continue in the 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.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(i) Allowances for credit losses (continued)

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(ii) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) 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. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Critical accounting judgments in applying the Group's accounting policies

(i) Valuation of financial instruments

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

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies (continued)

(i) Valuation of financial instruments (continued)

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

(ii) Financial asset and liability classification

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:

	Level 1 QAR'000	*Level 2 QAR'000*	*Level 3 QAR'000*	*Total QAR'000*
31 December 2020				
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**
31 December 2019				
Risk management instruments – assets	-	-	121,978	121,978
Investment securities carried at fair value	618,838	-	277,099	895,937
	618,838	-	399,077	1,017,915
Risk management instruments – liabilities	-	-	50,317	50,317
	-	-	50,317	50,317

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 income statement, 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. Details of the Group's classification of financial assets and liabilities are given in note 7.

(iii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note 3.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies (continued)

(iv) Useful lives of fixed assets

The Group's management determines the estimated useful life of fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

(v) Useful life of intangible assets

The Group's management determines the estimated useful life of its intangible asssets for calculating amortisation. This estimate is determined after considering the expected economic benefits to be received from the use of intangible assets.

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 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.

Wholesale Banking	Includes financings, deposits and other transactions and balances with wholesale customers
Personal and Private Banking	Includes financings, deposits and other transactions and balances with retail and private customers
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, 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 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.

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.

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

31 December 2020	*Wholesale banking QAR'000*	*Personal 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	**1,665,494**	**1,116,666**	**677,355**	**5,750**	**-**	**3,465,265**
Net fee and commission income	**114,246**	**45,728**	**20,148**	**8,045**	**-**	**188,167**
Foreign exchange gain	**48,324**	**54,995**	**40,082**	**-**	**-**	**143,401**
Other income	**11,669**	**-**	**-**	**-**	**-**	**11,669**
Share of results of associates and joint ventures	**-**	**-**	**-**	**(19,962)**	**-**	**(19,962)**
Total segment revenue	**1,839,733**	**1,217,389**	**737,585**	**(6,167)**	**-**	**3,788,540**
Other material non-cash items:						
Net impairment loss on financing assets	**(444,610)**	**(485,194)**	**-**	**-**	**-**	**(929,804)**
Net impairment loss on investment securities	**-**	**-**	**(4,943)**	**(574)**	**-**	**(5,517)**
Net impairment loss on intangible assets	**-**	**-**	**-**	**-**	**(450,179)**	**(450,179)**
Net impairment recovery from off balance sheet exposures subject to credit risk	**14,943**	**-**	**-**	**-**	**-**	**14,943**
	-	**-**	**-**	**-**	**-**	**-**
Reportable segment net profit	**576,636**	**86,747**	**393,203**	**(39,799)**	**(450,179)**	**566,608**
Reportable segment assets	**38,999,372**	**19,904,854**	**25,855,870**	**465,875**	**1,070,650**	**86,296,621**
Reportable segment liabilities	**29,481,960**	**25,860,824**	**19,441,858**	**7,941**	**-**	**74,792,583**

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

31 December 2019	*Wholesale banking QAR'000*	*Personal 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	1,279,642	1,037,190	625,361	9,694	-	2,951,887
Net fee and commission income	136,432	37,720	7,162	10,046	-	191,360
Foreign exchange gain	18,071	38,889	65,215	-	-	122,175
Other income	8,026	-	-	2,393	-	10,419
Share of results of associates and joint ventures	-	-	-	(525)	-	(525)
Total segment revenue	1,442,171	1,113,799	697,738	21,608	-	3,275,316
Other material non-cash items:						
Net impairment loss on financing assets	(292,112)	(42,812)	-	-	-	(334,924)
Net impairment loss on investment securities	-	-	(9,618)	(1,674)	-	(11,292)
Net impairment loss on off balance sheet exposures subject to credit risk	3,184	-	-	-	-	3,184
Reportable segment net profit	178,828	419,937	165,436	851	-	765,052
Reportable segment assets	31,762,468	21,118,939	22,133,077	516,939	1,599,269	77,130,692
Reportable segment liabilities	31,537,917	17,637,360	16,441,979	8,990	-	65,626,246

7. 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 December 2020	*Fair value through income statement 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 and fixed income financing	**-**	**-**	**-**	**-**	**-**
Customer 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**

7. 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 2019	*Fair value through income statement 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	-	-	2,378,257	2,378,257	2,378,257
Due from banks	-	-	4,343,485	4,343,485	4,343,485
Financing assets	-	-	51,924,104	51,924,104	51,924,104
Investment securities:					
- Carried at fair value	32,777	863,160	-	895,937	895,937
- Carried at amortised cost	-	-	15,203,161	15,203,161	15,261,931
Risk management instruments	121,978	-	-	121,978	121,978
	154,755	863,160	73,849,007	74,866,922	74,925,692
Due to banks	-	-	14,185,854	14,185,854	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	1,824,096	1,824,096
Customer current accounts	-	-	5,392,893	5,392,893	5,392,893
Risk management instruments	50,317	-	-	50,317	50,317
	50,317	-	21,402,843	21,453,160	21,453,160
Equity of unrestricted investment account holders	-	-	42,485,121	42,485,121	42,485,121
	50,317	-	63,887,964	63,938,281	63,938,281

8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2020 QAR'000	*2019 QAR'000*
Cash	**473,232**	252,658
Cash reserve with QCB*	**2,234,800**	1,997,722
Other balances with QCB	**659,521**	127,877
	3,367,553	2,378,257

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

9. DUE FROM BANKS

	2020 QAR'000	*2019 QAR'000*
Current accounts	**375,127**	352,051
Wakala placements with banks	**5,273,921**	3,660,113
Mudaraba placements	**163,228**	219,187
Commodity Murabaha receivable	**78,165**	111,521
Accrued profit	**1,473**	731
Allowance for impairment*	**(126)**	(118)
	5,891,788	4,343,485

* For stage-wise exposure and allowance for impairment, refer to Note 4.

10. FINANCING ASSETS

(a) By type

	2020 QAR'000	*2019 QAR'000*
Murabaha	**51,113,474**	45,781,923
Ijarah Muntahia Bittamleek	**4,750,666**	4,746,063
Istisna	**1,247,706**	1,244,002
Musawama	**1,172,913**	1,395,628
Acceptances	**559,503**	395,609
Cards	**195,739**	209,614
Others	**2,248,299**	2,575,266
Accrued profit	**601,826**	458,708
Total financing assets	**61,890,126**	56,806,813
Less: Deferred profit	**1,515,382**	2,866,221
Allowance for impairment on financing assets	**1,695,352**	1,917,146
Suspended profit on non performing financing assets	**142,400**	99,342
Allowance for impairment*	**1,837,752**	2,016,488
Net financing assets	**58,536,992**	51,924,104

* For stage-wise exposure and allowance for impairment, refer to Note 4. The total non-performing financing assets at 31 December 2020 amounted to QAR 2,177.8 million, representing 3.6% of the financing assets (31 December 2019: QAR 1,924.1 million, representing 3.6%).

10. FINANCING ASSETS (CONTINUED)

(a) By type (continued)

Others include QAR 2,248.3 million of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products. 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.

	2020 QAR'000	*2019 QAR'000*
Government	**8,748,222**	7,169,424
Corporate	**34,026,216**	30,485,285
Retail and Private	**19,115,688**	19,152,104
	61,890,126	56,806,813
Less: Deferred profit	**1,515,382**	2,866,221
Allowance for impairment on financing assets	**1,695,352**	1,917,146
Suspended profit on non performing financing assets	**142,400**	99,342
Allowance for impairment	**1,837,752**	2,016,488
	58,536,992	51,924,104

(b) Movement in the allowance (provision) for impairment on financing assets:

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**1,917,146**	1,583,429
Provided during the year	**964,271**	371,886
Recoveries during the year	**(34,467)**	(36,962)
	929,804	334,924
Written off during the year	**(1,151,598)**	(1,207)
	1,695,352	1,917,146
Break down as below:		
Allowance for impairment on financing assets – Specific	**995,987**	1,178,674
Allowance for impairment on financing assets – Expected Credit Loss	**699,365**	738,472

(c) Movement in the suspended profit on non performing financing assets:

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**99,342**	64,119
Additions during the year	**48,300**	40,003
Recoveries during the year	**(5,242)**	(4,780)
	43,058	35,223
Balance at the year end	**142,400**	99,342

10. FINANCING ASSETS (CONTINUED)

(d) Movement in the provision for specific impairment and suspended profit on financing assets - sector wise:

	Corporates QAR'000	***SMEs QAR'000***	***Retail and Private QAR'000***	***Total QAR'000***
Balance at 1 January 2020	**780,515**	**168,195**	**329,306**	**1,278,016**
Provided during the year	**101,425**	**5,650**	**453,438**	**560,513**
Recoveries during the year	**(7,455)**	**(2,212)**	**(30,042)**	**(39,709)**
Trasfer from ECL during the year	**448,556**	**-**	**42,609**	**491,165**
Written off during the year	**(1,147,584)**	**(553)**	**(3,461)**	**(1,151,598)**
Balance at 31 December 2020	**175,457**	**171,080**	**791,850**	**1,138,387**

	Corporates QAR'000	*SMEs QAR'000*	*Retail and Private QAR'000*	*Total QAR'000*
Balance at 1 January 2019	278,106	133,554	221,476	633,136
Provided during the year	251,901	2,099	139,842	393,842
Recoveries during the year	(1,576)	(1,823)	(38,343)	(41,742)
Trasfer from ECL during the year	252,084	34,651	7,252	293,987
Written off during the year	-	(286)	(921)	(1,207)
Balance at 31 December 2019	780,515	168,195	329,306	1,278,016

(e) By sector

	2020 QAR'000	*2019 QAR'000*
Government	**8,738,788**	7,169,424
Industry and Manufacturing	**1,588,869**	2,110,637
Commercial	**7,160,710**	6,878,152
Contracting	**3,767,855**	4,496,101
Real estate	**17,815,074**	13,857,009
Consumer	**4,891,126**	5,402,463
Services & Others	**17,927,704**	16,893,027
Total financing assets	**61,890,126**	56,806,813
Less: Deferred profit	**1,515,382**	2,866,221
Allowance for impairment	**1,837,752**	2,016,488
Net financing assets	**58,536,992**	51,924,104

11. INVESTMENT SECURITIES

At 31 December	***2020***			*2019*		
	Quoted QAR'000	***Unquoted QAR'000***	***Total QAR'000***	*Quoted QAR'000*	*Unquoted QAR'000*	*Total QAR'000*
Investments classified as fair value through income statement						
Investments classified as held for trading:						
• equity-type investments	**79,688**	**-**	**79,688**	29,447	-	29,447
• debt-type investments	**9,036**	**-**	**9,036**	3,330	-	3,330
	88,724	**-**	**88,724**	32,777	-	32,777
Debt-type investments classified at amortised cost						
- Fixed rate*	**3,125,772**	**12,280,720**	**15,406,492**	2,027,493	13,023,396	15,050,889
- Allowance for impairment**	**(13,433)**	**-**	**(13,433)**	(8,172)	-	(8,172)
	3,112,339	**12,280,720**	**15,393,059**	2,019,321	13,023,396	15,042,717
Equity-type investments classified as fair value through equity	**723,001**	**296,966**	**1,019,967**	613,390	249,770	863,160
	3,924,064	**12,577,686**	**16,501,750**	2,665,488	13,273,166	15,938,654
Accrued profit income			**159,413**			160,444
			16,661,163			16,099,098

* Investments in unquoted debt-type instruments classified at amortised cost represent investments in Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 3,195.7 million on business combination, which are in process of conversion into Sovereign sukuks at same terms.

** For stage-wise exposure and allowance for impairment, refer to Note 4.

The carrying amount of the debt-type investments pledged under repurchase agreements amounted to QAR 7,686.4 million (31 December 2019: QAR 1,167 million).

11. INVESTMENT SECURITIES (CONTINUED)

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

	2020 ***QAR'000***	*2019* *QAR'000*
Balance at 1 January	**22,901**	1,666
Net change in fair value	**(47,480)**	8,563
Transferred to consolidated statement of income on impairment	**256**	13,574
	(47,224)	22,137
Share of associate's fair value changes	**(3)**	88
Appropriated to equity of unrestricted investment account holders (note 21)	**(295)**	(990)
Balance at year end	**(24,621)**	22,901

As at 31 December 2020, the cumulative positive and negative balances in the fair value reserve are QAR 36.9 million (31 December 2019: QAR 25.9 million) and QAR 61.6 million (31 December 2019: QAR 3.0 million). During the year nil amount (31 December 2019: QAR 13.6 million) was transferred to consolidated statement of income from negative fair value reserve.

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2020 ***QAR'000***	*2019* *QAR'000*
Balance at 1 January	**147,404**	152,603
Share of results	**(19,962)**	(525)
Disposal during the year	**(9,029)**	-
Share of associates and joint venture fair value changes	**(3)**	88
Share of associates currency translation reserve (12a)	**81**	-
Impairment	**(34,956)**	(4,762)
	83,535	147,404

Name of the Associates and Joint Ventures As at 31 December	***Activities***	***Country***	***Ownership %***		***Amount in QAR'000***	
			2020	*2019*	***2020***	*2019*
Emdad Equipment Leasing Company Qatar W.L.L. (Emdad)	Machinery and equipment leasing	Qatar	**39.2%**	39.2%	**1**	10,179
TFI-Tanween Investment* Company (Tanween Inv.)	Real estate	Qatar	**50.0%**	50.0%	**-**	9,018
Juman Village	Real estate	Saudi Arabia	**27.4%**	27.4%	**2,930**	8,063
Tanween W.L.L. (Tanween)	Real Estate development management	Qatar	**48.0%**	48.0%	**63,969**	84,714
Shatter Abbas	Restaurant	Qatar	**49.0%**	49.0%	**16,635**	35,430
Total					**83,535**	147,404

**Disposed during the year.*

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The Group holds significant influence on all above listed associates. The financial position, revenue and results of significant associates and joint ventures based on latest financial statements, as at and for the year ended 31 December 2020 and 31 December 2019 are as follows:

31 December 2020	***Shatter Abbas QAR'000***	***Emdad QAR'000***	***Tanween QAR'000***	***Juman Village QAR'000***	***Tanween Inv. QAR'000***
Total assets	**17,348**	**68,906**	**301,918**	**105,741**	**-**
Total liabilities	**16,154**	**39,590**	**188,893**	**107,163**	**-**
Total revenue	**30,497**	**-**	**75,276**	**27**	**107**
Net profit	**(4,408)**	**-**	**(36,440)**	**(1,176)**	**22**
Share of profit / (loss)	**(2,160)**	**-**	**(17,491)**	**(322)**	**11**

31 December 2019	*Shatter Abbas QAR'000*	*Emdad QAR'000*	*Tanween QAR'000*	*Juman Village QAR'000*	*Tanween Inv. QAR'000*
Total assets	17,902	68,906	225,001	185,279	18,035
Total liabilities	14,333	39,590	64,347	100,178	-
Total revenue	47,852	-	82,478	28	1,335
Net profit	(1,298)	-	(931)	(402)	1,335
Share of profit / (loss)	(636)	-	(447)	(110)	668

(a) Foreign currency translation reserve

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**(81)**	(81)
Share of associate foreign currency translation reserve changes	**81**	-
	-	(81)

13. INVESTMENT PROPERTIES

The carrying amount of investment property as of 31 December 2020 is QAR 3.5 million (31 December 2019: QAR 3.7 million). The fair value of the investment properties is not materially different from the carrying amount as of the reporting date.

14. FIXED ASSETS

	Land and Buildings QAR'000	*IT Equipment QAR'000*	*Fixtures, Fittings and office equipment QAR'000*	*Motor Vehicles QAR'000*	*Total QAR'000*
Cost:					
Balance at 1 January 2019	197,381	169,031	179,227	14,232	559,871
Acquisitions	-	22,530	4,504	18,145	45,179
Business combination	123,179	106,166	66,670	1,079	297,094
Disposals	-	(1,937)	(580)	(1,138)	(3,655)
Balance at 31 December 2019	320,560	295,790	249,821	32,318	898,489
Balance at 1 January 2020	**320,560**	**295,790**	**249,821**	**32,318**	**898,489**
Acquisitions	**-**	**12,165**	**7,004**	**7,202**	**26,371**
Disposals	**-**	**(3,123)**	**(3,834)**	**(5,812)**	**(12,769)**
Balance at 31 December 2020	**320,560**	**304,832**	**252,991**	**33,708**	**912,091**
Accumulated depreciation and impairment losses:					
Balance at 1 January 2019	8,862	150,378	163,731	7,001	329,972
Depreciation charged during the year	757	17,358	6,041	4,620	28,776
Business combination	-	99,986	63,044	738	163,768
Disposals	-	(1,937)	(580)	(905)	(3,422)
Balance at 31 December 2019	9,619	265,785	232,236	11,454	519,094
Balance at 1 January 2020	**9,619**	**265,785**	**232,236**	**11,454**	**519,094**
Depreciation charged during the year	**756**	**18,837**	**5,940**	**5,800**	**31,333**
Disposals	**-**	**(3,107)**	**(3,772)**	**(3,583)**	**(10,462)**
Balance at 31 December 2020	**10,375**	**281,515**	**234,404**	**13,671**	**539,965**
Carrying amounts					
Net book value at 31 December 2020	**310,185**	**23,317**	**18,587**	**20,037**	**372,126**
Net book value at 31 December 2019	310,941	30,005	17,585	20,864	379,395

15. INTANGIBLE ASSETS

	Goodwill	Customer Relationship	Core Deposits	As at 31 December 2020 QAR'000	2019 QAR'000
Goodwill and Intangibles					
Balance at 1 January	**893,239**	**554,861**	**151,169**	**1,599,269**	777,230
Impairment	**(450,179)**	**-**	**-**	**(450,179)**	-
Amortisation	**-**	**(62,830)**	**(15,610)**	**(78,440)**	(49,070)
Acquired on business combination*	**-**	**-**	**-**	**-**	871,109
Carrying amounts	**443,060**	**492,031**	**135,559**	**1,070,650**	1,599,269

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 and goodwill acquired on IBQ acquisition at Bank level, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU is carried out at each year-end. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. During the year QAR 450.2 million of impairment was recorded on goodwill relating to subsidiaries namely First Finance Company, First Leasing Company and The First Investor. The impairment resulted mainly due to prevailing market conditions because of COVID-19, which impacted cash flow forecast of these subsidiaries. Further deteriorating macro-economic factors and high level of uncertainty also impacted peer multiples under market approach. Due to these factors, the said impairment was accounted considering lowest end of the valuation range resulting in highest level of impairment.

*For further details, refer note 40.

16. OTHER ASSETS

	2020 QAR'000	2019 QAR'000
Positive fair value of risk management instruments	**80,311**	121,978
Prepayments and advances	**32,394**	27,746
Projects under process	**124,458**	22,193
Operating lease receivables	**3,404**	2,798
Sundry debtors	**1,786**	2,560
Others	**67,323**	79,034
	309,676	256,309
Allowance for impairment	**(359)**	(359)
	309,317	255,950

17. DUE TO BANKS

	2020 QAR'000	2019 QAR'000
Commodity Murabaha payable*	**1,337,297**	947,792
Wakala payable	**11,509,631**	13,229,375
Due to QCB*	**6,100,000**	-
Profit payable	**825**	8,687
	18,947,753	14,185,854

* This includes amount held under repurchase agreements amounting to QAR 7,686.4 million (31 December 2019: QAR 1,167 million).

18. SUKUK AND FIXED INCOME FINANCING

On merger with IBQ, the Group assumed USD 500 million five year senior unsecured fixed rate notes under USD two billion European Medium Term Note ("EMTN") Programme, matured during 2020. Its total outstanding balance is nil (31 December 2019: 1,824 million). The notes carried a fixed profit coupon of 3.50% per annum with profit payable semi-annually in arrears and were listed on the Irish Stock Exchange. The Programme established in 2015 was managed through a wholly-owned subsidiary, IBQ Finance Limited. The Group decided to exit this Programme on maturity.

19. CUSTOMER CURRENT ACCOUNTS

	2020 ***QAR'000***	*2019* *QAR'000*
Current accounts by sector:		
- Government & GREs	**775,569**	248,897
- Non-Banking Financial Institutions	**137,025**	99,719
- Corporate	**3,719,225**	2,519,787
- Individuals	**2,703,668**	2,524,490
	7,335,487	5,392,893

20. OTHER LIABILITIES

	2020 ***QAR'000***	*2019* *QAR'000*
Acceptances	**586,086**	395,609
Allowance for impaiment on off balance sheet exposures subject to credit risk *	**317,440**	332,383
Accrued expenses	**159,966**	189,947
Employees' end of service benefits (note 20.1)	**143,547**	141,653
Cash margins	**110,842**	99,201
Unearned commission income	**93,079**	98,949
Sundry creditors	**33,529**	85,848
Negative fair value of risk management instruments	**91,093**	50,317
Others	**427,709**	344,375
	1,963,291	1,738,282

* For stage-wise exposure and allowance for impairment, refer to Note 4

20. OTHER LIABILITIES (CONTINUED)

20.1 Movement in employees' end of service benefits is as follows:

	2020 QAR'000	*2019 QAR'000*
Balance at 1 January	**141,653**	92,140
Acquired on business combination	**-**	49,078
Charge for the year	**18,718**	20,528
Paid during the year	**(16,824)**	(20,093)
Balance at 31 December	**143,547**	141,653

21 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2020 QAR'000	*2019 QAR'000*
Unrestricted investment account holders balance before share of profit (a)	**46,330,383**	42,194,387
Distributable profits for the year (b)	**875,308**	1,050,517
Profit already distributed during the year	**(660,171)**	(760,020)
Profit payable to unrestricted investment account holders	**215,137**	290,497
Share in fair value reserve	**532**	237
Total unrestricted investment account holders balance	**46,546,052**	42,485,121
By type:		
Saving accounts	**5,868,654**	6,013,850
Call accounts	**2,329,841**	965,114
Term accounts	**38,131,888**	35,215,423
Total (a)	**46,330,383**	42,194,387
By sector:		
Government & GREs	**11,430,908**	14,898,366
Non-banking financial institution	**6,214,511**	3,748,506
Individuals	**14,035,453**	12,789,983
Corporate	**14,649,511**	10,757,532
Total (a)	**46,330,383**	42,194,387

	2020 QAR'000	*2019 QAR'000*
Unrestricted Investment account holders' share of profit for the year	**915,117**	1,316,408
Bank shares as Mudarib	**(869,361)**	(1,250,588)
Owners' contribution	**829,552**	984,697
	(39,809)	(265,891)
Distributable profits to unrestricted investment account holders for the year (b)	**875,308**	1,050,517

21 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the year ended 31 December	
	2020	*2019*
	QAR'000	*QAR'000*
Net return breakup as below:		
Saving accounts	**78,568**	71,551
Call accounts	**5,613**	5,071
Term accounts - 1 month	**104,176**	131,647
Term accounts - 3 month	**112,433**	163,974
Term accounts - 6 month	**91,131**	71,144
Term accounts - 9 month	**663**	1,764
Term accounts - 1 year and above	**482,724**	605,366
Total(b)	**875,308**	1,050,517

Movement in share of fair value reserve:

	2020	*2019*
	QAR'000	*QAR'000*
Balance at 1 January	**237**	(753)
Share in fair value reserve movement (note 11)	**295**	990
Balance at 31 December	**532**	237

22. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
In thousands of shares	***2020***	*2019*
Issued	**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 ordinary shares from 400,000 shares, having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2019: 523,410 thousand) are issued and fully paid. For details on issuance of new shares, refer note 40 (a).

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Group, 10% (31 December 2019: 10%) of net profit attributable to the owners of the Group 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. New capital issuance due to Business combination, resulted in increase in legal reserve by QAR 1,648.3 million to QAR 4,197.3 million as at the acquisition date. For details on increase in legal reserve due to business combination, refer note 40 (c). During the year ended 31 December 2020, the appropriation made to legal reserve amounts to QAR 56.7 million (31 December 2019: QAR 76.5 million).

22. OWNERS' EQUITY (CONTINUED)

(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 direct credit facilities 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. On 1 January 2019, the Group after obtaining Qatar Central Bank approval has utilized QAR 645.6 million of risk reserve balance to accommodate the day-1 impact of adoption of ECL regulations. Further as per the QCB directive, pursuant to the business combination, pre-merger risk reserve balance of IBQ was required to be retained by the Group, which increased the risk reserve balance by QAR 529.9 million to QAR 643.6 million. For details on increase in risk reserve due to business combination, refer note 40 (c). During the year ended 31 December 2020, the appropriation made to risk reserve amounts to QAR 425.1 million (31 December 2019: QAR 166.9 million).

(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. Further, the Group has set aside QAR 600 million till 31 December 2019 as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events on recommendation of the Board of Directors. As at 31 December 2020, other reserve total balance was QAR 73.3 million (31 December 2019: QAR 673.3). During the year ended 31 December 2020, the Group utilised QAR 600 million contingency reserve to absorb the goodwill impairment loss of QAR 450 million and remaining QAR 150 million to fulfill minimum risk reserve requirement as per QCB regulations. Nil appropriation was made under other reserve during the year ended 31 December 2020 (31 December 2019: Nil).

	2020 QAR'000	*2019 QAR'000*
Undistributed profit from investments in associates and joint ventures	**73,333**	73,333
Contingency reserve	**-**	600,000
	73,333	673,333

(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) Proposed dividend

The Board of Directors in their meeting held on 7 February 2021 proposed a cash dividend of 10.0 % (31 December 2019: 10.0%) of the paid up share capital amounting to QAR 520 million – QAR 1.0 per share (31 December 2019: QAR 520 million – QAR 1.0 per share), which is subject to approval for distribution at the Annual General Meeting of the shareholders of the Group.

23. NON-CONTROLLING INTERESTS

This represents non-controlling interests in a Group's subsidiary.

24. NET INCOME FROM FINANCING ACTIVITIES

	2020 QAR'000	*2019 QAR'000*
Murabaha	**2,303,245**	1,449,333
Ijarah	**209,237**	272,177
Istisna	**58,333**	66,406
Musawama	**103,488**	123,988
Others	**107,857**	404,928
	2,782,160	2,316,832

25. NET INCOME FROM INVESTING ACTIVITIES

	2020 QAR'000	2019 QAR'000
Coupon income from investment in debt-type instruments, net of amortisation	**611,580**	517,005
Income from inter-bank and murabaha placements with Islamic banks	**30,663**	69,617
Dividend income	**35,447**	27,283
Net gain on sale of debt-type investments	**3,346**	36,301
Net gain / (loss) on sale of equity-type investments	**1,802**	(15,381)
Net fair value and capital gain on investment securities carried as fair value through income statement	**249**	230
Other income	**18**	-
	683,105	635,055

26. NET FEE AND COMMISSION INCOME

	2020 QAR'000	2019 QAR'000
Management and other fee income	**159,621**	160,552
Commission income	**92,081**	92,904
Advisory fee income	**815**	2,024
Structuring and placement fee	**455**	1,162
Performance fee income	**1,033**	310
	254,005	256,952
Commission expense	**(65,838)**	(65,592)
Net fee and commission income	**188,167**	191,360

27. STAFF COSTS

	2020 QAR'000	2019 QAR'000
Basic salaries	**162,970**	164,682
Housing allowance	**52,688**	60,236
Transport allowance	**30,342**	27,235
Staff indemnity costs	**18,718**	20,528
Education fee	**12,273**	12,942
Medical expenses	**11,133**	11,787
Social Allowance	**7,620**	10,026
Others	**120,718**	102,880
	416,462	410,316

28. OTHER EXPENSES

	2020 QAR'000	*2019 QAR'000*
Rent	**46,973**	47,508
Legal and professional fees	**11,707**	44,259
IT expenses	**33,989**	34,325
Utility and services	**34,394**	30,037
Board of Directors' remuneration	**17,100**	17,100
Advertising and marketing expenses	**27,540**	10,243
Repair and maintenance	**7,938**	9,508
Travel expenses	**163**	1,893
Government fee and charges	**540**	1,614
Other expenses	**42,004**	29,477
	222,348	225,964

29. CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities

	2020 QAR'000	*2019 QAR'000*
Unused credit facilities	**17,424,667**	10,438,117
Guarantees	**18,569,351**	17,935,220
Letters of credit	**2,096,827**	1,753,949
	38,090,845	30,127,286

b) Commitments

	2020 QAR'000	*2019 QAR'000*
Profit rate swaps	**2,492,703**	391,258
Options	**706,692**	701,879
Other risk management instruments - WAAD	**3,815,314**	6,589,730
	7,014,709	7,682,867

Unused facilities

Commitments to extend credit represent contractual commitments to make financings and revolving credits. The majority of these expire in the next year. 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.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Lease commitments

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

	2020 ***QAR'000***	*2019* *QAR'000*
Within one year	**41,253**	42,531
After one year but not more than five years	**89,087**	127,210

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

Geographical sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

31 December 2020	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*North America QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets						
Cash and balances with central bank	3,367,553	-	-	-	-	3,367,553
Due from banks	5,422,481	14,727	132,577	286,358	35,645	5,891,788
Financing assets	54,068,710	187,838	2,141,330	732,436	1,406,678	58,536,992
Investment securities	14,833,891	897,732	36,471	-	893,069	16,661,163
Investment in associates and joint ventures	80,605	2,930	-	-	-	83,535
Investment property	3,497	-	-	-	-	3,497
Intangible assets	1,070,650	-	-	-	-	1,070,650
Fixed assets	372,126	-	-	-	-	372,126
Other assets	298,288	-	11,029	-	-	309,317
Total assets	79,517,801	1,103,227	2,321,407	1,018,794	2,335,392	86,296,621
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	16,851,984	1,689	941,379	182,228	970,473	18,947,753
Sukuk and fixed income financing	-	-	-	-	-	-
Customer current accounts	7,314,180	4,635	11,232	26	5,414	7,335,487
Other liabilities	1,952,262	-	11,029	-	-	1,963,291
Total liabilities	26,118,426	6,324	963,640	182,254	975,887	28,246,531
Equity of unrestricted investment account holders	37,839,353	26,356	5,760,126	1,271	2,918,946	46,546,052
Total liabilities and equity of unrestricted investment account holders	63,957,779	32,680	6,723,766	183,525	3,894,833	74,792,583

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

31 December 2019	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*North America QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets						
Cash and balances with central bank	2,378,257	-	-	-	-	2,378,257
Due from banks	3,906,809	27,555	159,736	239,723	9,662	4,343,485
Financing assets	46,036,544	367,122	3,370,157	734,580	1,415,701	51,924,104
Investment securities	14,951,886	690,309	-	26,975	429,928	16,099,098
Investment in associates and joint ventures	139,341	8,063	-	-	-	147,404
Investment property	3,730	-	-	-	-	3,730
Intangible assets	1,599,269	-	-	-	-	1,599,269
Fixed assets	379,395	-	-	-	-	379,395
Other assets	246,835	-	9,115	-	-	255,950
Total assets	69,642,066	1,093,049	3,539,008	1,001,278	1,855,291	77,130,692
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	12,625,559	8,693	553,259	182,815	815,528	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	-	-	1,824,096
Customer current accounts	5,369,105	8,279	11,789	130	3,590	5,392,893
Other liabilities	1,719,894	-	9,115	-	9,273	1,738,282
Total liabilities	19,714,558	16,972	2,398,259	182,945	828,391	23,141,125
Equity of unrestricted investment account holders	38,651,187	16,442	3,800,735	3,079	13,678	42,485,121
Total liabilities and equity of unrestricted investment account holders	58,365,745	33,414	6,198,994	186,024	842,069	65,626,246

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into industrial sectors regions:

31 December 2020	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with central bank	-	-	-	3,367,553	-	-	3,367,553
Due from banks	-	-	-	5,891,788	-	-	5,891,788
Financing assets	16,674,655	4,166,355	814,052	-	10,565,602	26,316,328	58,536,992
Investment securities	121,149	77,241	-	2,203,717	-	14,259,056	16,661,163
Investment in associates and joint ventures	63,969	2,930	-	-	-	16,636	83,535
Investment property	3,497	-	-	-	-	-	3,497
Intangible assets	-	-	-	1,070,650	-	-	1,070,650
Fixed assets	-	-	-	-	-	372,126	372,126
Other assets	-	-	-	80,311	-	229,006	309,317
Total assets	**16,863,270**	**4,246,526**	**814,052**	**12,614,019**	**10,565,602**	**41,193,152**	**86,296,621**
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	18,947,753	-	-	18,947,753
Sukuk and fixed income financing	-	-	-	-	-	-	-
Customer current accounts	295,351	1,071,386	3,575	137,025	2,700,703	3,127,447	7,335,487
Other liabilities	-	449,824	-	26,583	104	1,486,780	1,963,291
Total liabilities	**295,351**	**1,521,210**	**3,575**	**19,111,361**	**2,700,807**	**4,614,227**	**28,246,531**
Equity of unrestricted investment account holders	**1,164,729**	**1,825,416**	**800,015**	**6,214,512**	**14,032,237**	**22,509,143**	**46,546,052**
Total liabilities and equity of unrestricted investment account holders	**1,460,080**	**3,346,626**	**803,590**	**25,325,873**	**16,733,044**	**27,123,370**	**74,792,583**

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector (continued)

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into industrial sectors regions:

31 December 2019	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with central bank	-	-	-	2,378,257	-	-	2,378,257
Due from banks	-	-	-	4,343,485	-	-	4,343,485
Financing assets	12,442,086	4,356,550	1,085,189	1,112	11,173,696	22,865,471	51,924,104
Investment securities	123,733	77,241	275	1,173,094	-	14,724,755	16,099,098
Investment in associates and joint ventures	93,732	8,063	-	-	-	45,609	147,404
Investment property	3,730	-	-	-	-	-	3,730
Intangible assets	-	-	-	1,599,269	-	-	1,599,269
Fixed assets	-	-	-	-	-	379,395	379,395
Other assets	-	-	-	121,978	-	133,972	255,950
Total assets	12,663,281	4,441,854	1,085,464	9,617,195	11,173,696	38,149,202	77,130,692
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	14,185,854	-	-	14,185,854
Sukuk and fixed income financing	-	-	-	-	-	1,824,096	1,824,096
Customer current accounts	232,310	883,017	53,516	98,626	2,524,490	1,600,934	5,392,893
Other liabilities	-	421,007	-	50,317	7,448	1,259,510	1,738,282
Total liabilities	232,310	1,304,024	53,516	14,334,797	2,531,938	4,684,540	23,141,125
Equity of unrestricted investment account holders	567,805	3,112,473	2,357,363	3,043,907	12,789,983	20,613,590	42,485,121
Total liabilities and equity of unrestricted investment account holders	800,115	4,416,497	2,410,879	17,378,704	15,321,921	25,298,130	65,626,246

31. MATURITY PROFILE

31 December 2020	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months - 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	1,132,753	-	-	-	2,234,800	3,367,553
Due from banks	5,518,982	272,846	-	99,960	-	5,891,788
Financing assets	9,622,445	10,952,977	1,674,543	7,021,831	29,265,196	58,536,992
Investment securities	1,110,018	290,210	690,000	5,822,767	8,748,168	16,661,163
Investment in associates and joint ventures	-	-	-	-	83,535	83,535
Investment property	-	-	-	-	3,497	3,497
Intangible assets	-	-	-	-	1,070,650	1,070,650
Fixed assets	-	-	-	19,250	352,876	372,126
Other assets	209,898	29,271	70,148	-	-	309,317
Total financial assets	17,594,096	11,545,304	2,434,691	12,963,808	41,758,722	86,296,621
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	13,297,989	4,920,546	-	729,218	-	18,947,753
Sukuk and fixed income financing	-	-	-	-	-	-
Customer current accounts	7,335,487	-	-	-	-	7,335,487
Other liabilities	714,137	1,105,607	-	-	143,547	1,963,291
Total liabilities	21,347,613	6,026,153	-	729,218	143,547	28,246,531
Equity of unrestricted investment account holders	29,329,847	5,867,255	7,603,086	3,738,404	7,460	46,546,052
Total liabilities and equity of unrestricted investment account holders	50,677,460	11,893,408	7,603,086	4,467,622	151,007	74,792,583
Maturity gap	(33,083,364)	(348,104)	(5,168,395)	8,496,186	41,607,715	11,504,038

31. MATURITY PROFILE (CONTINUED)

31 December 2019	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months - 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	380,535	-	-	-	1,997,722	2,378,257
Due from banks	3,378,143	745,560	182,669	-	37,113	4,343,485
Financing assets	8,053,414	3,398,453	2,611,108	13,014,209	24,846,920	51,924,104
Investment securities	909,863	79,874	806,051	2,093,913	12,209,397	16,099,098
Investment in associates and joint ventures	-	-	-	-	147,404	147,404
Investment property	-	-	-	-	3,730	3,730
Intangible assets	-	-	-	-	1,599,269	1,599,269
Fixed assets	-	-	-	41,998	337,397	379,395
Other assets	125,337	23,683	106,930	-	-	255,950
Total financial assets	12,847,292	4,247,570	3,706,758	15,150,120	41,178,952	77,130,692
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	13,194,372	14,788	28,902	-	947,792	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	-	-	1,824,096
Customer current accounts	5,392,893	-	-	-	-	5,392,893
Other liabilities	568,646	1,027,983	-	-	141,653	1,738,282
Total liabilities	19,155,911	1,042,771	1,852,998	-	1,089,445	23,141,125
Equity of unrestricted investment account holders	25,385,494	7,824,530	8,200,812	947,901	126,384	42,485,121
Total liabilities and equity of unrestricted investment account holders	44,541,405	8,867,301	10,053,810	947,901	1,215,829	65,626,246
Maturity gap	(31,694,113)	(4,619,731)	(6,347,052)	14,202,219	39,963,123	11,504,446

32. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to the owners of the Group by the weighted average number of ordinary shares in issue during the year.

	2020 QAR'000	*2019 QAR'000*
Net profit for the year attributable to the owners of the Group	**566,608**	765,052
Weighted average number of outstanding shares	**519,575**	451,447
Basic and diluted earning per share (QAR)	**1.09**	1.69

The weighted average number of shares have been calculated as follows:

	2020 QAR'000	*2019 QAR'000*
Weighted average number of shares from beginning	**523,410**	300,000
Weighted average number of shares issued on business combination	**-**	155,282
Treasury shares	**(3,835)**	(3,835)
Weighted average number of shares	**519,575**	451,447

33. CASH AND CASH EQUIVALENTS

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

	2020 QAR'000	*2019 QAR'000*
Cash and balances with Qatar Central Bank (excluding QCB restricted reserve account)	**1,132,753**	380,535
Due from banks	**5,518,982**	3,378,142
	6,651,735	3,758,677

34. 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. All transactions conducted with related parties are at arm's length.

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

	31 December 2020		
	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**	**-**

	31 December 2019		
	Subsidiaries QAR'000	*Board of directors QAR'000*	*Others QAR'000*
Assets:			
Customer financing	-	5,694,791	-
Liabilities:			
Customer deposits	706,166	961,840	3,782,578
Off balance sheet items:			
Unfunded credit facilities	4,462	225,673	-

Consolidated statement of income items for the year ended in the same order as above:

	31 December 2020			*31 December 2019*		
	QAR'000	***QAR'000***	***QAR'000***	*QAR'000*	*QAR'000*	*QAR'000*
Profit income	**-**	**177,674**	**-**	-	142,096	-
Profit expense	**15,406**	**11,044**	**115,671**	21,326	39,439	131,229

34. RELATED PARTIES (CONTINUED)

Transactions with key management personnel

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

	2020 QAR'000	*2019 QAR'000*
Financing to key management personel	**13,015**	9,296

Key management personnel compensation comprised as:

	2020 QAR'000	*2019 QAR'000*
Short-term employee benefits	**62,652**	54,944
Post-employment benefits	**4,920**	3,735
	67,572	58,679

35. RISK MANAGEMENT INSTRUMENTS

				Notional / expected amount by term to maturity			
	Positive fair value QAR'000	***Negative fair value QAR'000***	***Notional amount QAR'000***	***within 3 months QAR'000***	***3 - 12 months QAR'000***	***1-5 years QAR'000***	***More than 5 years QAR'000***
At 31 December 2020:							
Risk management instruments:							
Profit rate swaps*	**10,099**	**(10,099)**	**2,492,703**	**-**	**-**	**2,492,703**	**-**
Options	**930**	**(930)**	**706,692**	**-**	**388**	**706,304**	**-**
Forward foreign exchange contracts	**69,282**	**(80,064)**	**3,815,314**	**1,637,528**	**1,786,506**	**391,280**	**-**
Total	**80,311**	**(91,093)**	**7,014,709**	**1,637,528**	**1,786,894**	**3,590,287**	**-**

**Profit rate swaps are subject to IBOR transition.*

At 31 December 2019:							
Risk management instruments:							
Profit rate swaps	7,195	(7,195)	391,258	-	-	391,258	-
Options	1,920	(1,920)	701,879	-	-	701,879	-
Forward foreign exchange contracts	112,863	(41,202)	6,589,730	4,201,091	899,694	1,488,945	-
Total	121,978	(50,317)	7,682,867	4,201,091	899,694	2,582,082	-

36. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners, in accordance with the Articles of Association.

37. 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 Shari'a 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.

38. 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 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 December 2020, such assets total was QAR 3.1 billion (31 December 2019: QAR 2.9 billion). However of such assets, QAR 1,889.0 million (31 December 2019: QAR 1,647.2 million) was held in a fiduciary capacity.

39. COMPARATIVE FIGURES

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

40. BUSINESS COMBINATION

On 21 April 2019, the Bank received Qatar Central Bank approval on the merger with International Bank of Qatar ("IBQ"), being the last requirement before completion of legal merger between both banks. Pursuant to all regulatory and legal approvals, the Merger 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.

The Shariaa' board approved the conversion process which focused on four main pillars:

a) comply with Shariaa' rules and principles;
b) facilitate transactions for the customers, whether on the merger day or after;
c) accelerate the conversion process; and
d) effective conversion plan that can be done financially and operationally.

Also, shariaa' board approved sending correspondence to clients informing them that their current products will be converted to products that comply with Islamic Shariaa' principles.

The Shariaa' board approved the conversion of IBQ conventional products to Islamic compliant products that was executed through different steps by Dukhan Bank.

40. BUSINESS COMBINATION (CONTINUED)

a) Share capital

	Per Share	*Amount in QAR'000*
Outstanding shares of IBQ		110,000
Exchange ratio		2.031
Number of shares of Dukhan Bank to be issued		223,410
Par value of new share (QAR 10 each)	10.00	2,234,100
IBQ Shareholders ownership		43.0%
Outstanding share capital of Dukhan Bank (net of Treasury shares)		2,961,650
Dukhan Bank shareholders ownership		57.0%
Total share capital post acquisition		**5,195,750**
Outstanding Share Capital		5,234,100
Less: Treasury shares		(38,350)
Net Outstanding Share Capital		**5,195,750**

b) Purchase consideration

The purchase consideration is determined to be QAR 4,412 million, calculated on the basis of Dukhan Bank's share price fair value (QAR 19.75) as determined by the independent valuation advisor.

	21 April 2019 QAR'000
Outstanding shares of Dukhan Bank	296,165
Divided by: Dukhan Bank percentage ownership in the Group	57.0%
Total number of share of the Group	**519,575**
Multiplied by: IBQ percentage ownership in the Group	43.0%
Total number of share to be issued by Dukhan Bank to IBQ	**223,410**
Multiplied by: Dukhan Bank share price	19.75
Total Consideration	**4,412,348**

40. BUSINESS COMBINATION (CONTINUED)

c) Share premium

Any share premium on issuance of new shares in accordance with Qatar Commercial Companies Law is to be make part of the legal reserve. However as per QCB directive part of the share premium was assigned to risk reserve as well.

	Per Share	*Amount in QAR'000*
Total Consideration	19.75	4,412,348
Par value of shares issued	10.00	2,234,100
Share premium	9.75	2,178,248
Allocated as:		
- Legal reserve		1,648,310
- Risk reserve		529,938
Legal Reserve		
Dukhan Bank		2,548,997
IBQ		2,025,884
		4,574,881
Less: pre-acquisition legal reserve		(2,025,884)
Add: part share premium on issuance of new shares		1,648,310
		(377,574)
Closing balance post business combination		**4,197,307**
Risk Reserve		
Dukhan Bank		113,650
IBQ		529,938
		643,588
Less: pre-acquisition risk reserve		(529,938)
Add: part share premium on issuance of new shares		529,938
		-
Closing balance post business combination		**643,588**

40. BUSINESS COMBINATION (CONTINUED)

d) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed of IBQ at the date of acquisition.

ASSETS	***21 April 2019 QAR'000***
Cash and balances with central banks	1,469,867
Due from banks	872,918
Financing assets*	19,894,572
Investment securities	4,521,270
Fixed assets	133,326
Other assets	83,369
Intangible assets – Customer relationship	587,500
Intangible assets – Core deposits	167,600
TOTAL ASSETS	**27,730,422**
LIABILITIES	
Due to banks	1,642,759
Fixed income financing	1,814,377
Customer current accounts	3,327,157
Customer deposits	15,511,546
Other liabilities	1,138,244
TOTAL LIABILITIES	**23,434,083**
NET ASSETS AS AT ACQUISITION DATE ATTRIBUTABLE TO ITS COMMON EQUITY HOLDERS	**4,296,339**

* Gross carrying amount of financing assets acquired on the business combination as at 21 April 2019 was QAR 20,986 millions.

e) Intangible assets

The Group has assumed the carrying value of IBQ financial assets and liabilities as at 21 April 2019 (the date of acquisition) to be equal to the fair value for the purpose of calculating goodwill amount except when it was readily available in the market.

	21 April 2019 QAR'000
Total purchase consideration	4,412,348
Net Assets of IBQ	(4,296,339)
Goodwill on business combination	116,009
Existing goodwill	777,230
Total	**893,239**

Separately the Group has completed a comprehensive purchase price allocation, which covered the following items:

- valuation of identifiable intangible assets including customer relationship and core deposits;
- valuation adjustments to the fair value of financing assets;
- valuation adjustments to the fair value of investments;
- valuation of fixed assets; and
- valuation adjustments on other recognised financial and non-financial assets and liabilities.

The goodwill is attributable to the synergies expected to be achieved from integrating IBQ into the Group.

40. BUSINESS COMBINATION (CONTINUED)

e) Intangible assets

The following approach was followed to estimate the fair value of identifiable intangibles:

Customer relationship
The income approach has been used in estimating the fair value of IBQ customer relationships as an intangible asset as at the Transaction Date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life.

Under the income approach, the Multi-period excess earnings method ("MEEM") has been utilized which is a commonly accepted method for valuing customer relationships. MEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").

The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets.

Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental cash flows attributable to the subject intangible asset are then discounted to their present value.

Core deposits
The incremental profit method under the income approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the Transaction Date. Under this method, the economic benefits earned from the core deposit have been computed over the life of the core deposits considering an attrition rate. Such benefits have then been discounted to the present value considering an appropriate discounting rate. The Incremental profit method utilized is a commonly accepted method for valuing core deposits.

f) Impact on Group's results

If the acquisition had occurred on 1 January 2019, management estimated that for the year ended 31 December 2019, consolidated total income from financing and investing activities would have been QAR 3,372.6 million from QAR 2,951.9 million as presented in the consolidated financial statements with an increase of QAR 420.7 million; total income would have been QAR 3,746.1 million from 3,275.3 million as disclosed in the consolidated financial statements with an increase of 470.8 million; and net income would have been QAR 763.5 million from QAR 765.1 million as reported in the consolidated financial statements, which implies a decrease of QAR 1.6 million. The increase or decrease in the income for the year ended 31 December 2019 was due to incorporation of IBQ results from 1 January 2019 upto the legal merger date (21 April 2019) i.e. pre-merger period.

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.

41. IMPACT OF COVID-19 (CONTINUED)

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 year ended 31 December 2020:

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 December 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying 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 2019: real GDP growth 2020: 2.7%, change in volume of export 2020: 1.13% and government expenditure as percentage of GDP 2020: 36.43%). 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 2019: 70% to the Baseline, 15% to Extreme downside and Improved Case). 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):
During 2020, 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 onetime 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 year ended 31 December 2020.

PARENT BANK

The statement of financial position and income statement of the Parent are presented below:

i. STATEMENT OF FINANCIAL POSITION OF THE PARENT

As at 31 December	***2020 QAR'000***	*2019 QAR'000*
ASSETS		
Cash and balances with Qatar Central Bank	**3,367,031**	2,377,286
Due from banks	**5,881,220**	4,316,608
Financing assets	**57,400,245**	50,583,263
Investment securities	**16,456,075**	15,999,241
Investment in subsidiaries and associates	**2,376,986**	2,389,355
Intangible assets	**743,599**	822,039
Fixed assets	**311,523**	317,333
Other assets	**291,668**	224,615
TOTAL ASSETS	**86,828,347**	77,029,740
LIABILITIES		
Due to banks	**18,947,753**	14,185,854
Sukuk and fixed income financing	**-**	1,824,096
Customer current accounts	**7,336,080**	5,393,986
Other liabilities	**1,899,186**	1,675,995
TOTAL LIABILITIES	**28,183,019**	23,079,931
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	**47,175,893**	43,189,957
OWNERS' EQUITY		
Share capital	**5,234,100**	5,234,100
Legal reserve	**4,270,626**	4,213,965
Treasury shares	**(26,550)**	(26,550)
Risk reserve	**1,235,629**	810,504
Fair value reserve	**(30,630)**	4,733
Retained earnings	**786,260**	523,100
TOTAL OWNERS' EQUITY	**11,469,435**	10,759,852
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**86,828,347**	77,029,740

ii. INCOME STATEMENT OF THE PARENT

For the year ended 31 December	*2020* QAR'000	*2019* QAR'000
Net income from financing activities	**2,650,516**	2,165,194
Net income from investing activities	**676,128**	631,586
Total net income from financing and investing activities	**3,326,644**	2,796,780
Fee and commission income	**244,125**	244,311
Fee and commission expense	**(65,838)**	(65,592)
Net fee and commission income	**178,287**	178,719
Net foreign exchange gain	**143,401**	122,175
Dividend from subsidiaries	**255,660**	127,830
Total income	**3,903,992**	3,225,504
Staff costs	**(371,723)**	(358,468)
Depreciation	**(101,264)**	(70,569)
Other expenses	**(194,449)**	(204,347)
Finance cost	**(190,603)**	(398,458)
Total expenses	**(858,039)**	(1,031,842)
Net impairment (loss) / reversal on due from banks	**(25)**	1,985
Net impairment loss on financing assets	**(885,313)**	(326,884)
Net impairment loss on investments	**(4,926)**	(9,618)
Net impairment loss on an associate	**(12,400)**	(1,862)
Net impairment reversal on off balance sheet exposures subject to credit risk	**14,943**	3,184
Profit for the year before return to unrestricted investment account holders	**2,158,232**	1,860,467
Net return to unrestricted investment account holders	**(890,714)**	(1,071,843)
Net profit for the year before tax	**1,267,518**	**788,624**
Tax expense	**(1,817)**	(1,168)
Net profit for the year	**1,265,701**	787,456