Qatar International Islamic Bank (Q.P.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021

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Independent auditor's report to the shareholders of Qatar International Islamic Bank (Q.P.S.C.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements of Qatar International Islamic Bank (Q.P.S.C.) ("QIIB" or the "Bank") and its subsidiaries (together the "Group") present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as modified by the Qatar Central Bank (QCB).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies, and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key audit matter | *Impairment of financing facilities*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment of financing facilities Impairment allowances represent the directors' best estimate of the losses arising from credit risk and particularly from financing facilities. As described in the summary of significant accounting policies to the consolidated financial statements, the impairment losses have been determined in accordance with FAS 30. The outbreak, due to COVID-19 increased the uncertainty around the assumptions regarding the economic outlook and increased the level of judgement required by the Group in calculating the ECL, and the associated audit risk. We focused on this area because the directors make complex and subjective judgements over both amount and timing of recognition of impairment, such as: • Determining criteria for significant increase in credit risk. • Choosing appropriate models and assumptions for the measurement of Expected Credit Losses (ECL) including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).	Our audit procedures in relation to this key audit matter included the following: • Obtained an understanding of the methodology used to identify and calculate individual impairment allowance for stage 3 exposures, and tested a sample of such exposures against the methodology. • Assessed and tested the design and operating effectiveness of the relevant key controls around origination and approval of financing facilities, monitoring of credit exposures, and impairment calculation. • Evaluated the appropriateness of the Group's impairment provisioning policy in accordance with the requirements of FAS 30. • Used our own internal experts to independently assess the reasonableness of the ECL methodology developed and applied by management including model risk parameters (PD, LGD, and EAD), forward-looking information, associated weighting, and staging analysis particularly in the context of COVID-19 pandemic and its implications.

Key audit matter	How our audit addressed the key audit matter
• Establishing the relative weighting of forward-looking scenarios for each type of product/ market and the associated ECL. • Establishing groups of similar assets for the purpose of measuring the ECL. • Determining disclosure requirements in accordance with the FAS. Further, financing facilities and off-balance sheet financing are material within the overall context of the financial statements. The Group's gross financing facilities that are subject to credit risk, include financing assets amounting to QAR 39,630 million, and off-balance sheet finance amounting to QAR 14,356 million as at 31 December 2021, disclosed in note (11) and note (31) to the financial statements. Information on the credit risk and the Group's credit risk management is provided in note 5 to the financial statements. Note 39 sets out the impact of COVID-19 on ECL.	• Obtained an understanding of and tested the completeness and accuracy of the historical and current datasets used for the ECL calculation. • Tested a sample of financing facilities to determine the appropriateness and application of staging criteria. • Obtained samples of the latest available credit reviews and checked that they include appropriate assessment and documentation of borrowers' ability to meet repayment obligations (principal, profit, and fees), in light of the ongoing COVID-19 pandemic. • Assessed the adequacy for additional allowances considering the Group's ECL model, particularly in light of the volatility in economic scenarios caused by the current COVID-19 pandemic and government responses. • Evaluated the adequacy of the financial statements disclosures to determine if they were in accordance with the requirements of FAS 30 and QCB regulations.

Other information

The Directors are responsible for the other information. The other information comprises the Board of Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by the AAOIFI as modified by QCB and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, as amended by law number 8 of 2021 and QCB regulations, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements,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 the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

- 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 the reasonableness of accounting estimates and related disclosures made by Directors.

- Conclude on the appropriateness of the Director'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 our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, as amended by law number 8 of 2021, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Group has maintained proper books of account and the financial statements are in agreement therewith;
- The financial information included in the Board of Directors' report is in agreement with the books and records of the Group; and
- Nothing has come to our attention, which causes us to believe that the Bank has breached any of the applicable provisions of the Qatar Commercial Companies Law number 11 of 2015, as amended by law number 8 of 2021, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2021.

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Waleed Tahtamouni

Auditor's registration number 370
Doha, State of Qatar

13 February 2022

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PRICEWATERHOUSECOOPERS - Qatar Branch
P. O. Box : 6689
Doha, State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 QR'000	2020 QR'000
Assets			
Cash and balances with Qatar Central Bank	9	**2,669,960**	2,776,420
Due from banks	10	**13,426,336**	10,508,081
Financing assets	11	**37,030,881**	40,513,906
Investment securities	12	**7,220,147**	5,852,163
Investment in associates	13	**263,972**	344,990
Investment properties	14	**697,452**	724,267
Fixed assets	15	**231,371**	242,419
Intangible assets	16	**42,293**	35,931
Other assets	17	**209,583**	315,491
Total assets		**61,791,995**	61,313,668
Liabilities, equity of investment account holders and equity			
Liabilities			
Due to banks and financial institutions	18	**9,921,549**	13,128,492
Customers' current accounts	19	**7,428,188**	7,985,205
Sukuk financing	20	**3,542,822**	2,565,602
Other liabilities	21	**978,945**	943,609
Total liabilities		**21,871,504**	24,622,908
Equity of investment account holders	22	**31,217,681**	28,367,124
Equity			
Share capital	23 (a)	**1,513,687**	1,513,687
Legal reserve	23 (b)	**2,452,360**	2,452,360
Risk reserve	23 (c)	**803,726**	750,831
Fair value reserve	23 (d)	**2,767**	1,651
Other reserves	23 (e)	**79,588**	79,554
Retained earnings		**1,758,232**	1,433,103
Total equity attributable to shareholders of the Bank		**6,610,360**	6,231,186
Sukuk eligible as additional capital	24	**2,092,450**	2,092,450
Total equity		**8,702,810**	8,323,636
Total liabilities, equity of investment account holders and equity		**61,791,995**	61,313,668

These consolidated financial statements were approved by the Board of Directors on 24 January 2022 and were signed on its behalf by:

Dr. Khalid bin Thani bin Abdullah Al Thani
Chairman

Dr. Abdulbasit Ahmad Abdulrahman Al Shaibei
Chief Executive Officer

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The attached notes 1 to 39 form integral part of these consolidated financial statements.
Independent auditors' report is set out on pages 1-5.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2021

	Notes	2021 QR'000	2020 QR'000
Income from financing activities	25	**1,834,125**	1,846,474
Net income from investing activities	26	**353,536**	395,541
Total income from financing and investing activities		**2,187,661**	2,242,015
Fee and commission income		**317,301**	267,907
Fee and commission expense		**(67,146)**	(65,196)
Net fee and commission income	27	**250,155**	202,711
Net foreign exchange gains	28	**41,936**	48,183
Share of results of investment in associates	13	**(23,104)**	(42,683)
Total income		**2,456,648**	2,450,226
Staff costs	29	**(170,901)**	(179,099)
Depreciation and amortisation	15&16	**(35,010)**	(40,548)
Finance expenses		**(156,816)**	(212,543)
Other expenses	30	**(121,673)**	(121,192)
Total expenses		**(484,400)**	(553,382)
Net impairment (losses)/reversals on due from banks	5b(iv)	**(287)**	5,163
Net impairment reversals/(losses) on investment securities		**1,174**	(11,111)
Net impairment losses on investment properties	14	**-**	(103,401)
Net impairment losses on financing assets	11	**(377,203)**	(231,172)
Net impairment losses on investment in associates	13	**(54,344)**	-
Net impairment reversals/(losses) on off balance sheet exposures subject to credit risk	5b(iv)	**19,872**	(56,415)
Net profit for the year before return to investment account holders		**1,561,460**	1,499,908
Investment account holders' share of profit	22	**(558,113)**	(562,200)
Net profit for the year		**1,003,347**	937,708
Earnings per share			
Basic and diluted earnings per share (QR per share)	33	**0.59**	0.55

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Share capital QR'000	Legal reserve QR'000	Risk reserve QR'000	Fair Value reserve QR'000	Other reserves QR'000	Retained earnings QR'000	Total equity attributable to shareholders of the Bank QR'000	Sukuk eligible as additional capital QR'000	Total QR'000
Balance at 1 January 2021		**1,513,687**	**2,452,360**	**750,831**	**1,651**	**79,554**	**1,433,103**	**6,231,186**	**2,092,450**	**8,323,636**
Fair value reserve movement		-	-	-	**1,116**	-	-	**1,116**	-	**1,116**
Net profit for the year		-	-	-	-	-	**1,003,347**	**1,003,347**	-	**1,003,347**
Total recognized income and expenses for the year		-	-	-	**1,116**	-	**1,003,347**	**1,004,463**	-	**1,004,463**
Cash dividends paid to shareholders	23(f)	-	-	-	-	-	**(491,950)**	**(491,950)**	-	**(491,950)**
Net movement in other reserve		-	-	-	-	**34**	**(34)**	-	-	-
Social and Sports Fund appropriation	38	-	-	-	-	-	**(25,083)**	**(25,083)**	-	**(25,083)**
Dividend Appropriation to Sukuk eligible as additional capital	24	-	-	-	-	-	**(108,256)**	**(108,256)**	-	**(108,256)**
Transfer to risk reserve		-	-	**52,895**	-	-	**(52,895)**	-	-	-
Balance at 31 December 2021		**1,513,687**	**2,452,360**	**803,726**	**2,767**	**79,588**	**1,758,232**	**6,610,360**	**2,092,450**	**8,702,810**
Balance at 1 January 2020		1,513,687	2,452,360	669,983	866	79,553	1,351,260	6,067,709	2,092,450	8,160,159
Fair value reserve movement		-	-	-	785	-	-	785	-	785
Net profit for the year		-	-	-	-	-	937,708	937,708	-	937,708
Total recognized income and expenses for the year		-	-	-	785	-	937,708	938,493	-	938,493
Cash dividends paid to shareholders	23(f)	-	-	-	-	-	(643,317)	(643,317)		(643,317)
Net movement in other reserve		-	-	-	-	1	(1)	-	-	-
Social and Sports Fund appropriation	38	-	-	-	-	-	(23,443)	(23,443)	-	(23,443)
Dividend Appropriation to Sukuk eligible as additional capital	24	-	-	-	-	-	(108,256)	(108,256)	-	(108,256)
Transfer to risk reserve		-	-	80,848	-	-	(80,848)	-	-	-
Balance at 31 December 2020		1,513,687	2,452,360	750,831	1,651	79,554	1,433,103	6,231,186	2,092,450	8,323,636

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2021 QR'000	2020 QR'000
Cash flows from operating activities			
Net profit for the year		**1,003,347**	937,708
Adjustments for:			
Impairment losses on financing assets	11	**377,203**	231,172
Net impairment (reversals)/losses on investment securities		**(1,658)**	11,111
Net impairment (reversals)/ losses on off balance sheet exposures subject to credit risk		**(19,872)**	56,415
Net impairment losses/(reversals) on Due from banks		**287**	(5,163)
Net impairment losses on Investment properties		**-**	103,401
Net impairment losses on Investment in associates		**54,344**	-
Foreign exchange loss / (gain) on translation of investment in associates	13	**2,611**	(5,808)
Depreciation and amortisation	14,15,16	**64,183**	68,807
Net gain on sale of investments securities	26	**(27,861)**	(31,339)
Dividends income	26	**(1,697)**	(2,325)
Sukuk amortisation of premium		**4,096**	6,450
Share of results of associates	13	**23,104**	42,683
Employees' end of service benefits	21	**9,544**	14,556
Cash flows before changes in working capital changes		**1,487,631**	1,427,668
Working capital changes:			
Cash reserve with Qatar Central Bank		**(120,471)**	(177,594)
Due from banks		**(1,921,615)**	(453,550)
Financing assets		**3,105,822**	(3,734,550)
Other assets		**105,908**	(55,546)
Due to banks and financial institutions		**(3,206,943)**	(881,325)
Customers' current accounts		**(557,017)**	1,561,208
Other liabilities		**53,818**	(25,843)
		(1,052,867)	(2,339,532)
Employees' end of service benefits paid	21	**(2,551)**	(3,574)
Net cash flows used in operating activities		**(1,055,418)**	(2,343,106)
Cash flows generated from investing activities			
Acquisition of investment securities		**(2,313,007)**	(783,803)
Proceeds from sale of investment securities		**949,047**	1,136,166
Acquisition of fixed assets	15	**(8,866)**	(8,063)
Acquisition of intangible assets	16	**(21,458)**	(16,523)
Dividends received from associate company	13	**980**	980
Proceeds from sale of fixed assets		**129**	8
Additions of investment in associates		**-**	(45,685)
Dividends income	26	**1,697**	2,325
Net cash flows (used in)/ generated from investing activities		**(1,391,478)**	285,405
Cash flows from financing activities			
Change in equity of investment account holders		**2,848,530**	3,561,052
Proceeds from issuance sukuk financing		**973,124**	-
Cash dividends paid to shareholders		**(496,506)**	(633,728)
Dividend appropriation to sukuk eligible as additional capital	24	**(108,256)**	(108,256)
Net cash flows generated from financing activities		**3,216,892**	2,819,068
Net increase in cash and cash equivalents		**769,996**	761,367
Cash and cash equivalents at 1 January		**5,414,972**	4,653,605
Cash and cash equivalents at 31 December	34	**6,184,968**	5,414,972

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1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar International Islamic Bank (Q.P.S.C.) ("QIIB" or "the Bank") was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located in Grand Hamad Street in Doha and 15 local branches. The Bank is listed, and its shares are traded on the Qatar Stock Exchange.

The commercial registration number of the Bank is 13023.The address of the Bank's registered office is Grand Hamad Street 2, Doha, State of Qatar, P.O. Box 664. The consolidated financial statements of the Bank for the year ended 31 December 2021 comprise the Bank and its following special purpose entities (together "the Group"):

	Country of incorporation	Capital QR'000	Principal Business Activities	Effective percentage of ownership	
				2021	2020
QIIB Senior Sukuk Ltd	Cayman Islands	-	Sukuk issuance	-	-
QIIB Tier 1 Sukuk Ltd	Cayman Islands	-	Sukuk issuance	-	-

Note:

(i) QIIB Senior Sukuk Ltd and QIIB Tier 1 Sukuk Ltd, were incorporated in the Cayman Islands as an exempted company with limited liability for sole purpose of Sukuk and Tier 1 Sukuk issuance, respectively, for the benefit of QIIB.

The Bank is engaged in banking, financing and investing activities in accordance with its Articles of Incorporation, Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group and regulations of Qatar Central Bank (QCB).

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorised for issuance in accordance with a resolution by the Board of Directors on 24 January 2022.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statement has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") as modified by Qatar Central Bank ("QCB"). The Group has adopted QCB circular no. 13/2020 dated 29 April 2020 (execution date) which modifies the requirements of FAS 33 "Investment in Sukuk, shares and similar instruments", FAS 30 "Impairment, Credit Losses and Onerous Commitments", and requires banks to follow International Financial Reporting Standards (IFRS) for repurchase agreements and for impairment of equity investments measured at fair value through equity. Accordingly, the Group has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Group. Further, AAOIFI issued FAS 32 which was effective from 1 January 2021. The QCB has not as yet instructed Islamic Banks in Qatar to implement FAS 32. The Group is awaiting instructions from QCB in this regard "refer to note 3 (af)". For matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the investment securities classified as Investments at fair value through equity and Investments at fair value through statement of income.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals ("QR"), which is the Group 's functional and presentational currency. Except as otherwise indicated, financial information presented in QR has been rounded to the nearest thousands.

2 BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 6.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group except for the effects of standards mentioned in note 3 (af).

(a) Basis of consolidation

(i) Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitization of particular assets, or the execution of a specific financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards. The Group management concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE;
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances, where the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, would lead to a change in the relationship between the Group and an SPE, the Group then performs a reassessment of control over the SPE.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment in associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee, but not to control or impose joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income; its share of post-acquisition movements in reserve is recognized 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 are equal or exceeds its interest in the associate, including any other unsecured receivables. The Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognizes the amount in the consolidated statement of income.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognized in the consolidated statement of income.

The Group's share of the results of associates is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform to the accounting policies of the Group. The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the investment retained plus proceeds from disposal is recognized in the consolidated statement of income.

(c) Foreign currency

Foreign currency transactions and balances

Foreign currency transactions are denominated in foreign currency, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates on 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 from conversion at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Investments in associate companies are translated into Qatari Riyals at the rates ruling on the reporting date. The income or loss is translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to the foreign exchange loss on translation within the consolidated statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities

Investment securities comprise investments in debt-type, equity-type and other investment instruments.

(i) Classification

Debt-type instruments are types of investments, whereby the transaction structure results in creation of a monetary or non monetary liability. Equity-type instruments are investments that evidence a residual interest in the assets of an entity after deducting all the liabilities and quasi equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instruments in line with the requirements of FAS 33. While Other Investment Instruments are such investment instruments which do not meet the definition of either debt type or equity type instruments.

Amortised cost

An Investment instruments shall be measured at amortised cost if both the following conditions are met:

a. the investment is held within a business model whose objective is to hold such investments 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 reasonably determinable effective yield.

Fair Value through equity (FVTE)

An Investment will be measured at Fair Value through equity if both the following conditions are met:

a. the investment is held within a business model whose objective is achieved by not collecting the expected cashflows and selling the investments; and
b. the investment represents a non monetary debt type instrument or other investment instrument having reasonably determinable effective yield.

Any other investment instruments not classified as per amortised cost or fair value through equity, are classified as fair value through income statement (FVIS).

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

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVIS. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the Investments is solely to collect contractual cash flows. Another example is the debt investment securities, which is held by the Group as part of liquidity management and is generally classified within the hold to collect and sell business model.

(ii) Recognition and derecognition

Investment securities are recognized 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 derecognized 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(iii) Measurement

Initial recognition
Investment securities are initially recognized 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 re-measured at fair value at the end of each reporting period and the resultant re-measurement gains or losses is recognized in the consolidated statement of income in the period in which they arise. 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 amortization process and those arising on de-recognition or impairment of the investments, are recognized in the consolidated statement of income.

Investments at fair value through equity are re-measured 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 recognized in the consolidated statement of changes in shareholders' 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 recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income, except in case of equity type instruments designated as at FVTE, where this difference is recognised in statement of changes in equity and is not recognised in the income statement on derecognition of such instruments.

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

(iv) Measurement principles

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognized 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, Musharaka, Musawama, Ijarah Muntahia Bittamleek, Istisn'a and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama
Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabaha (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabaha over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any). Based on QCB regulations, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not to enter into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financing assets (continued)

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

Ijarah Muntahia Bittamleek
Ijarah Muntahia Bittamleek 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 Muntahia Bittamleek receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisn'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.

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 recognizes due from banks, financing assets, customers' current accounts, due to banks and financial institutions, Sukuk financing and certain other assets and other liabilities on the date at which they were originated. All other financial assets and liabilities are initially recognized 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.

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

The Group derecognizes 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 derecognition that is created or retained by the Group is recognized as a separate asset or liability in the consolidated statement of financial position. On derecognition 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 recognized in consolidated statement of income.

The Group enters into transactions whereby it transfers assets recognized 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (continued)

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized 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 enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

The Group derecognizes a financial liability when they are extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective profit rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of profit rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iii) Offsetting

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitments: 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.

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 the 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. This 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 using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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.

(h) Modified financial assets and liabilities

Modified 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 a new effective profit rate for the asset is recalculated. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Modified financial assets and liabilities (continued)

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 a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as net income from financing activities.

Modified 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 statement of income.

(i) Cash and cash equivalents

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

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

(j) Risk management instruments

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks, including unilateral promise to buy/sell currencies. These transactions are translated at prevailing spot exchange rates.

(k) Investment property

Investment property held for rental or capital appreciation is measured at cost including cash equivalent amount paid or fair value of other consideration given to acquire an asset at the time of its acquisition or construction. Depreciation is systematically allocated for the cost of the investment property over its useful life. Investment property is measured at cost less accumulated depreciation and impairment losses.

Major expenditure incurred by the entity related to additions and improvement subsequent to its acquisition will be added to the carrying amount of investment property in the consolidated statement of financial position, provided that the Group expects that such expenditure will increase the future economic benefits to the Group from the investment property. However, if such economic benefits are not expected to take place, the entity will recognize this expenditure in the consolidated statement of income in the financial period in which it is incurred, taking into consideration the split between the portion related to owners' equity and the portion related to investment account holders.

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

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

	Years
Buildings	20
Fixtures and fittings	5-7

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

Repairs and maintenance expenses are charged to the statement of income when incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investment property (continued)

Investment property is derecognized on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain or losses arising from the retirement will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and will be recognized in consolidated statement of income in the period of the retirement or disposal, taking into consideration the split between the portion related to owner’s equity and the portion related to investment account holders.

(l) Fixed assets

(i) Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The 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 capitalized borrowing costs.

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

When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

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 recognized in other income/other expenses in the consolidated statement of income.

(ii) Subsequent costs

The cost of replacing a component of fixed asset is recognized 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 derecognized. The costs of the day-to-day servicing of fixed assets are recognized in consolidated statement of income as incurred.

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

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

	Years
Buildings	20
IT equipment	3-5
Fixtures and fittings	5-7
Motor vehicles	5

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

Repairs and maintenance expenses are charged to the statement of income when incurred.

(m) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Intangible Assets (continued)

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 amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the nature of the intangible asset.

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 assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

A summary of the useful lives and amortization methods of Group's intangible assets are as follows:

	Software
Useful lives	**Finite (5 years)**
Amortization method used	Amortised on a straight line basis over the periods of availability
Internally generated or acquired	Acquired

(n) 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 recognized 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 utilized 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 recognized in consolidated statement of income. Impairment losses recognized 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 is not reversed. In respect of other assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Customer current accounts

Balances in current accounts are recognized 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.

(p) Equity of unresitriced investment account holders

Equity of unrestricted investment account holders are funds held by the Group, which it can invest at its own discretion. The investment account holders authorize 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 setting aside provisions and 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.

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

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

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

(r) Sukuk financing

Sukuk financing represents common shares in the ownership of identified assets or benefits or services which bears fixed semi-annual profit and mature after 5 years on dates fixed on the issuance date. Profits are recognized periodically till maturity. Sukuks are recognized at amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

(s) Sukuk eligible as additional capital

Sukuks issued by the Group which are perpetual, unsecured, subordinated to ordinary equity shares and the payment of profit for such sukuk is non-cumulative, and are made at the discretion of Group are initially recognized as equity. The Group has the right not to pay profit on these sukuk, and the sukuk holders will have no claim with respect to non-payment. The sukuk does not have a fixed maturity date.

The Group incurs various costs in issuing its own instruments which are accounted as equity as mentioned in the above paragraph. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

Profit distributions on perpetual sukuk are recognized as a deduction in equity after declaration in terms of agreement with sukuk holders and meeting regulatory requirements due to their profit's non-cumulative feature.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions

Provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(u) Employee benefits

(i) 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 costs in the consolidated statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

(ii) Employees' end of service benefits

The Group provides a provision for all end of service benefits payable to employees in accordance with the Group's policies, calculated on the basis of individual employee's salary and period of service at the reporting date.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on a undiscounted basis and are expensed as the related service is provided. A liability is recognized 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.

(v) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the shareholders of the Bank.

(w) Revenue recognition

Murabaha and Musawama
Profit from Murabaha and Musawama transactions is recognized when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognized 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 recognized when the realization is reasonably certain or when actually realized. Income related to non-performing accounts is excluded from the consolidated statement of income.

Mudaraba
Income on Mudaraba financing is recognized 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.

In case Mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Group. In case of termination or liquidation, unpaid portion by Mudarib is recognized as receivable due from Mudarib.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition (continued)

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

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

Istisn'a
Revenue and the associated profit margin are recognized in the Group's consolidated statement of income according to the percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group recognizes anticipated losses on Istisna'a contract as soon as they are anticipated.

Income from investment banking services
Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognized 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 recognized as the related services are performed.

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

(x) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the shareholders after deducting profit payable to sukuk eligible as additional capital by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(y) 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 Chief Executive Officer (being the chief operating decision maker) of the Group to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(z) Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non- Sharia' compliant sources. Accordingly, all non-Shari'a compliant income is credited to a charity account where the Group uses these funds for charitable purposes as defined by the Sharia Supervisory Board.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Repossessed collateral

Repossessed collateral against settlement of financing assets are stated within the consolidated statement of financial position under “Other assets” and will provided same accounting treatment as investment properties.

(ab) Wakala payables

The Group accepts deposits from customers under wakala arrangement under which return payable to customers is agreed in the wakala agreement. There is no restriction on the Group for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit.

(ac) Financial guarantees contracts and financing commitments

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

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure financing, overdrafts and other banking facilities.

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 amount of the loss allowance (calculated as described in note 5 (bii); and
- The premium received on initial recognition less income recognized.

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 amortization of the premium received is recognized in the consolidated statement of income under “commission and fees income”.

Financing commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in note 5 (bii). The Group has not provided any commitment to provide financing at a below-market profit rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For financing commitments and financial guarantee contracts, the loss allowance is recognized as a provision.
However, for contracts that include both a financing and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the financing component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the financing, to the extent that the combined expected credit losses exceed the gross carrying amount of the financing, the expected credit losses are recognized as a provision.

(ad) Contingent liabilities

Contingent liabilities include guarantees, letter of credit, the Group’s obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements, unless they are remote.

(ae) Comparatives

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

During the period, the Group applied the following standards and amendments to standards in preparation of these consolidated financial statements.

FAS 32 Ijara

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 is effective beginning 1 January 2021. Qatar Central Bank ("QCB") had issued a circular No. 0001291/2021 dated 11 April 2021, requesting Islamic banks in Qatar to perform an impact assessment for FAS 32 adoption on the Group's financial statements for the year ending 31 December 2021 and any relevant indicators and regulatory ratios. The Islamic banks in Qatar are in the process of complying with the requirements of QCB. The Implementation of the standard will be made in line with the instructions of QCB.

The Group has performed an impact assessment during the period and has submitted to QCB. According to the impact assessment made the Group would have recognised Right of Use of Assets and Iajarah liabilities amounting to QR 61.8 million and QR 61.8 million respectively as at 1 January 2021 and QR 44.7 million and QR 44.7 million respectively as at 31 December 2021. The impact on income statement and cash flow statement for the year is immaterial to the operations of the Group.

Interest rate benchmark (IBOR) reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes.

The 'phase 1' amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs did not have material impact on the Group as the Group does not have any material hedge exposure.

Further, 'Phase 2' of the amendments were made applicable to group from 1 Jan 2021, which required that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. These expedient is only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

Impact of the above reform was not material to the financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

FAS 35 Risk Reserves

AAOIFI has issued FAS 35 "Risk Reserves" in 2018. This standard along with FAS 30 'Impairment, Credit losses and onerous commitments' supersede the earlier FAS 11 "Provisions and reserves". The Standard has not had any material impact on its adoption.

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 that impact investors, of Islamic financial institutions (IFIs/ the institutions). The standard defines the accounting principles for risk reserves in line with the best practices of financial reporting and risk management. The standard encourages maintaining adequate risk reserves to safeguarding the interest of profit and loss stakeholders particularly against various risks including credit, market, equity investment risks, as well as, the rate of return risk including displaced commercial risk.

(ag) New standards, amendments and interpretations not yet adopted as of 1 January 2021

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are currently in process of being assessed by the management of the Group to consider any implication in the current or future reporting periods and on foreseeable future transactions.

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. In addition, this standard intends to provide accounting principles for 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. The Group will adopt this new standard on the effective date.

4 EXPECTED CREDIT LOSSES

(a) Expected credit loss / Impairment allowances

Exposures subject to ECL	**Stage 1 QR'000**	**Stage 2 QR'000**	**Stage 3 QR'000**	**31 December 2021 QR'000**
Due from banks	**13,345,423**	**81,973**	**-**	**13,427,396**
Debt type investments carried at amortised cost	**7,000,430**	**185,856**	**13,509**	**7,199,795**
Financing assets*	**33,951,584**	**3,362,018**	**980,939**	**38,294,541**
Off balance sheet exposures subject to credit risk	**13,908,164**	**441,114**	**6,634**	**14,355,912**
Total	**68,205,601**	**4,070,961**	**1,001,082**	**73,277,644**

Exposures subject to ECL	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	31 December 2020 QR'000
Due from banks	10,504,229	4,625	-	10,508,854
Debt type investments carried at amortised cost	5,600,137	184,837	13,516	5,798,490
Financing assets*	37,415,400	3,320,872	645,562	41,381,834
Off balance sheet exposures subject to credit risk	12,823,985	428,517	13,562	13,266,064
Total	66,343,751	3,938,851	672,640	70,955,242

*Net of deffered profits

The above balances are gross before deducting the ECL

5 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

Effective risk management is fundamental to the success of the Group, and is recognized as a key in the Group's overall approach to strategy management. The Group has a strong, disciplined risk culture where managing risk is a responsibility shared by all of the Group's employees. The Group has well established risk governance structure, with an active and engaged Board of Directors supported by an experienced executive management team.

The Group's risk management framework is predicated on the three-line-of defence model, within the model;

- The First Line of Defence (typically comprised of the businesslines and most corporate functions)
- The Second Line of Defence (typically comprised of control functions such as Group risk management, Group compliance, and Group finance)
- The Third Line of Defence (typhically comprised of Internal audit)

The Group's main assets and liabilities are financial instruments. Financial assets include cash and balances with QCB, due from banks, investments securities, financing assets and other financial assets.

Financial liablities include customers' current accounts, due to banks, and financial institutions and Sukuk financing. Financial instruments also include equity of unrestricted investment account holders and contingent liabilities and commitments included into off balanace sheet items.

The Group is exposed to the following risks from its use of financial instruments;

- Credit risk
- Liquidity risk
- Market risk
- Operational risk; and
- Capital risk

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or a counterparty to meet its contractual obligations to the Group. It arises principally from the Group's financing assets, due from banks, debt investment securities and some of off balance sheet exposures.

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

(i) Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures the expected credit loss using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). Refer to note 5 (bii) for more details.

Credit risk grading (excluding balances with Ministry of Finance)

The Group uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and finance specific information collected at the time of application (such as disposable income for personal banking exposures; and turnover and industry type for corporate banking exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means the PD for investment grades is lower than the PD for speculative grades

The following are additional consideration for each type of portfolio held by the Group:

Personal banking
After the date of initial recognition, for personal business, the payment behaviour of the borrower is monitored on a periodic basis.

Corporate banking
For wholesale business, the rating is determined at the borrower level. A relationship manager incorporates any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower periodically from sources such as public financial statements. This determines the updated internal credit rating and PD.

Treasury and investments
For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published credit grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Group rating method comprises 10 rating levels. The Group rating method assigned each rating category a specified range of probabilities of default, which is stable over time.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Credit risk measurement (continued)

Below are the ratings for financial assets of the Group as at 31 December 2021:

	Financing assets	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk	Due from Banks	31 December 2021	31 December 2020
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Rating grade						
AAA to AA-	**4,614,202**	**5,194,993**	**2,720,816**	**764,662**	**13,294,673**	17,315,260
A+ to A-	**3,928,303**	**1,152,355**	**596,466**	**11,429,746**	**17,106,870**	14,389,580
BBB to BBB-	**15,105,341**	**110,631**	**1,961,414**	**1,161,961**	**18,339,347**	12,778,013
BB+ to B-	**10,487,038**	**669,554**	**7,062,819**	**25,614**	**18,245,025**	14,897,124
CCC+ to CCC-	**3,812,705**	**13,345**	**1,958,985**	**-**	**5,785,035**	11,469,703
Ca	**324,684**	**-**	**48,778**	**-**	**373,462**	305,074
C	**134,421**	**-**	**360**	**-**	**134,781**	125,332
D	**939,144**	**-**	**6,274**	**-**	**945,418**	626,691
***Total**	**39,345,838**	**7,140,878**	**14,355,912**	**13,381,983**	**74,224,611**	71,906,777

* Gross excluding accrued profit

The above balances are gross before deducting the ECL.

(ii) Expected credit loss measurement

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

Stage 1: 12 months ECL

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

Stage 2: Lifetime ECL - not credit impaired

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Expected credit loss measurement(continued)

Stage 3: Non Performing - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised including the profit calculated on them, according to QCB's instructions. When transitioning financial assets from stage 2 to stage 3, the percentage of impairment made for such assets should be more than the percentage of impairment made before transition.

A pervasive concept in measuring ECL is that it should consider forward-looking information. Section "*Forward-looking information incorporated in the ECL models*" includes an explanation of how the Group has incorporated this in its ECL models.

Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis (refer to section "*grouping of instruments for losses measured on a collective basis*".

The following table summarises the impairment requirements under FAS 30 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

- **Significant increase in credit risk (SICR)**

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

Qualitative criteria:

For personal portfolios, if the borrower meets one or more of the following criteria:

- Direct debit cancellation
- Extension to the terms granted
- In short-term forbearance

For Corporate and Treasury portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/financing

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

The assessment of SICR is performed on a quarterly basis at a portfolio level for all personal financing held by the Group. In relation to Corporate and Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop can be applied when contractual payments are more than 30 days overdue with reasonable information to support the use of longer overdue periods that is not more than 60 days. The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2021.

- **Definition of default and credit-impaired assets**

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower’s financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group’s expected loss calculations.

An instrument is considered no longer be in default (i.e. to have cured) when it is no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

- **Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financing. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment financing, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to section "*forward-looking information incorporated in the ECL models*" for an explanation of forward looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics team on a periodic basis and provide the best estimate view of the economy over the next five years.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

In addition to the base economic scenario, the Group's Economics team also provide other possible scenarios along with scenario weightings. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see section "*significant increase in credit risk (SICR)*").

Economic variable assumptions

The Group considers every changing macro-economic factors in order to reflect these factors into the forward looking PD, EAD and LGD, and this all will be based on local macro-economic indicators and Global indicators, as well the subjective approach toward those indicators. The macro-economic factors may also be reflected in the rating system considering the economic sectors and related economic impacts.

Macroeconomic factors are factors that are pertinent to a broad economy at the global and/or national level and in this case, will affect Qatar economy, subsequently, the banking system.

Macroeconomic factors could impact the obligors or payment behaviour to fulfil the obligations. QIIB utilizes management experience judgment in assessing the impact of these macroeconomic factors on different segments, as well the composition of those impacts toward the Group strategy.

More frequent reviews of economic variable assumptions will be conducted in the event of any significant changes in the regulatory requirements, economic conditions, business strategy of the Group or any other changes in internal as well as external factors that may materially impact the Group.

The Group considers the following as most significant macroeconomic variables:

- GDP (Gross Domestic Product): Refers to the economy size. Forward looking GDP forecast will provide the predictive information regarding the expected size of the economy as well as indication of the economy expansion or contraction. GDP level can also be used as indicator to forecast the earnings and revenue for Corporate and SME's customers.

- Oil Price: Considering that Qatar economy mainly rely on oil and gas sector, this indicator is a baseline to the Qatar economy.

- Inflation: Is the rate at which measure the general price level for goods and services and also reflect the purchasing power. This scenario may lead to an increase in the probability of financing as individuals experience a decrease in their purchasing power and vice versa.

- The Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for ECL measurement in light of available information. Moreover, futuristic PDs based on current and projected economic environment by modelling pessimistic scenarios based on V shaped recovery (V-scenario) and U-shaped recovery (U-scenario). In addition, the Group has analysed the risk of the credit portfolio by focusing on economic sector wise segmentation analysis using both on top-down approach and the Group own experience. The Group has also revised its forward-looking macro- economic factors which for Qatar includes i) yearly average oil price of $ 52.5/ barrel :2021, 52.59:2022 (31 December 2020: Oil price $ 45/barrel : $ 52.2/barrel) ii) GDP of QR 522 bln: 2021 (growth of -1.95%), QR 516 bln:2022 (growth of -1.17%) (31 December 2020: GDP of QR 639 bln: 2020 (growth of -4.3%), QR 626 bln:2021 (growth of -1.955%)) iii)inflation of 1.49%:2021, 1.34%: 2022 (31 December 2020: -1.2%:2020,1.495%: 2021) iv) Government spending (excluding capital expenditure) of QR 103.4 bln: 2021, QR 106.6 bln: 2022 (31 December 2020: QR 107.7 bln: 2020, QR 103.4 bln: 2021). The ECL has been calculated as probability weighted figure for three scenarios i.e. Baseline, pessimistic and further pessimistic with 50%, 25% and 25% weightings respectively (31 December 2020: 50% to the Baseline, 25% to Downside and 25% Improved Case). Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment, the Group has assessed the impact of an increase in probability for the pessimistic scenario in ECL measurement.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit risk exposure

- **Maximum exposure to credit risk financial instruments subject to impairment**

Notes 4a and 5bi represent a worst-case scenario of credit risk exposure to the Group, without taking into account any of collateral held, or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures in note (4a) are based on net carrying amounts as reported on the consolidated statement of financial position excluding balances with MoF and QCB, while the exposures in note 5bi are before deducting the loss allowances.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated statement of financial position.

- **Collateral and other credit enhancements**

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the financing origination process. This assessment is reviewed regularly. The main types of collaterals obtained are as follows:

- Individual credit facilities, secured by salaries.
- For commercial and corporate lending, mortgages over real estate properties, inventory, cash and securities.
- For rental lending, mortgages over residential properties and securities.

Management monitors the market value of collaterals.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally secured by salaries.

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 discerable deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group.

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2021 is QR 384 million (2020: QR 333.3 million.)

(iv) Loss allowance

The loss allowance recognised in the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experienced significant increases (or decreases) of credit risk or becoming credit-impaired during the year.
- Additional allowances for new financial instruments recognised during the year, as well as releases for financial instruments de-recognised in the year;
- Financial assets derecognised during the year and write-offs of allowances related to assets that were written off during the year.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Loss allowance (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL QR'000	Stage 2 Lifetime ECL QR'000	Stage 3 Impairment Losses QR'000	Total QR'000	31 December 2020 QR'000
Due from banks					
Loss allowance as at 1 January 2021	**769**	**4**	**-**	**773**	5,936
Transfer to stage 1	**-**	**-**	**-**	**-**	-
Transfer to stage 2	**(13)**	**13**	**-**	**-**	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-
Charge/(reversal) for the year (net)	**279**	**8**	**-**	**287**	(5,163)
Closing balance of expected credit losses / impairment losses – as at 31 December 2021	**1,035**	**25**	**-**	**1,060**	773

	Stage 1 12-month ECL QR'000	Stage 2 Lifetime ECL QR'000	Stage 3 Impairment Losses QR'000	Total QR'000	31 December 2020 QR'000
Debt type investments carried at amortised cost and fair value through equity					
Loss allowance as at 1 January 2021	**1,227**	**6,068**	**-**	**7,295**	5,313
Transfer to stage 1	**-**	**-**	**-**	**-**	-
Transfer to stage 2	**-**	**-**	**-**	**-**	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-
(Reversal)/charge for the year (net)	**3,705**	**(5,363)**	**-**	**(1,658)**	1,982
Closing balance of expected credit losses impairment losses – as at 31 December 2021	**4,932**	**705**	**-**	**5,637**	7,295

	Stage 1 12-month ECL QR'000	Stage 2 Lifetime ECL QR'000	Stage 3 Impairment Losses QR'000	Total QR'000	31 December 2020 QR'000
Financing assets					
Loss allowance as at 1 January 2021	**164,171**	**210,610**	**457,608**	**832,389**	670,862
Transfer to stage 1	**2,547**	**(2,354)**	**(193)**	**-**	-
Transfer to stage 2	**(76,072)**	**91,657**	**(15,585)**	**-**	-
Transfer to stage 3	**(434)**	**(81,718)**	**82,152**	**-**	-
Charge for the period (net)	**123,585**	**38,585**	**215,033**	**377,203**	231,172
Recovery /Reclassification from off-balance sheet to on balance sheet	**-**	**-**	**3,996**	**3,996**	-
Write off / transfers for the year	**-**	**-**	**(5,587)**	**(5,587)**	(69,645)
Closing balance of expected credit losses / impairment losses – as at 31 December 2021	**213,797**	**256,780**	**737,424**	**1,208,001**	**832,389**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Loss allowance (continued)

Off balance sheet exposures subject to credit risk	Stage 1 12-month ECL QR'000	Stage 2 Lifetime ECL QR'000	Stage 3 Impairment Losses QR'000	Total QR'000	31 December 2020 QR'000
Loss allowance as at 1 January 2021	**99,917**	**7,328**	**-**	**107,245**	50,830
Transfer to stage 1	**425**	**(425)**	**-**	**-**	-
Transfer to stage 2	**(2,516)**	**2,516**	**-**	**-**	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-
(Reversal)/ charge for the year (net)	**(13,725)**	**(6,147)**	**-**	**(19,872)**	56,415
Write off / transfers for the year	**-**	**-**	**-**	**-**	-
Closing balance of expected credit losses / impairment losses – as at 31 December 2021	**84,101**	**3,272**	**-**	**87,373**	107,245

(v) Modification of financial assets

The Group sometimes modifies the terms of financing provided to customers due to commercial renegotiations, or for distressed financing, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term financing assets.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to note 3 (h) above). The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for 12 consecutive months or more .

(vi) Concentration of risks of financial assets with credit risk exposure"Net"

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 enhancements attached), as categorised by geographical region and based on the country of domicile of its counterparties.

2021
Assets recorded on the consolidated statement of financial position:

	Qatar QR'000	Other GCC QR'000	Other Middle East QR'000	Others QR'000	Total QR'000
Balances with Qatar Central Bank	**2,039,867**	**-**	**-**	**-**	**2,039,867**
Due from banks	**13,208,287**	**7,477**	**2,384**	**208,188**	**13,426,336**
Financing assets	**37,030,881**	-	**-**	**-**	**37,030,881**
Investment securities	**6,005,972**	**723,087**	**-**	**491,088**	**7,220,147**
Other assets	**180,499**	**-**	**-**	**-**	**180,499**
	58,465,506	**730,564**	**2,384**	**699,276**	**59,897,730**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(vi) Concentration of risks of financial assets with credit risk exposure "Net" (continued)

2020
Assets recorded on the consolidated statement of financial position:

	Qatar QR'000	Other GCC QR'000	Other Middle East QR'000	Others QR'000	Total QR'000
Balances with Qatar Central Bank	1,891,049	-	-	-	1,891,049
Due from banks	10,342,842	11,909	3,378	149,952	10,508,081
Financing assets	40,513,776	-	-	130	40,513,906
Investment securities	5,181,209	253,252	-	417,702	5,852,163
Other assets	290,916	-	-	-	290,916
	58,219,792	265,161	3,378	567,784	59,056,115

2021
Off balance sheet items

	Qatar QR'000	**Other GCC QR'000**	**Other Middle East QR'000**	**Others QR'000**	**Total QR'000**
Unused financing facilities	**7,149,567**	**-**	**-**	**-**	**7,149,567**
Guarantees	**6,389,646**	**-**	**-**	**15,793**	**6,405,439**
Letters of credit	**787,404**	**-**	**-**	**-**	**787,404**
Others	**13,502**	**-**	**-**	**-**	**13,502**
	14,340,119	**-**	**-**	**15,793**	**14,355,912**

2020
Off balance sheet items

	Qatar QR'000	Other GCC QR'000	Other Middle East QR'000	Others QR'000	Total QR'000
Unused financing facilities	5,238,530	-	-	-	5,238,530
Guarantees	7,111,556	-	-	15,706	7,127,262
Letters of credit	892,259	-	-	-	892,259
Others	8,013	-	-	-	8,013
	13,250,358	-	-	15,706	13,266,064

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(vi) Concentration of risks of financial assets with credit risk exposure "Net" (continued)

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 categorized by the industry sectors of the Group's counterparties:

	Gross exposure 2021 QR'000	Gross exposure 2020 QR'000
Government and related entities	**12,868,377**	16,874,056
Real estate	**7,551,468**	8,030,254
Personal	**13,851,959**	12,004,421
Contingent liabilities	**14,355,912**	13,266,064
Services	**15,634,274**	12,848,841
Commercial	**6,004,956**	6,448,100
Contracting	**3,406,489**	2,089,335
Industry	**369,465**	399,114
Other	**184,754**	503,306
	74,227,654	72,463,491

(vii) Write-off policy

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

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QR 5,782 thousands (2020: QR 35.8 million).

(c) Liquidity risk

Liquidity risk is the risk that the Group bears if unable to meet its obligations when they become 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 maintains a portfolio of high quality liquid assets, largely made up of government Sukuk of State of Qatar, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB. The Market Risk Department monitors the liquidity risk of the Group on a daily basis through liquidity stress testing scenarios and report its results to the Risks Committee for their action if needed. All liquidity policies and procedures are subject to review and approved by Board of Directors.

The Group monitors its liquidity risk according to QCB's guidelines on Basel III through two key ratios, the Liquidity Coverage Ratio (LCR) to monitor the short term (30 days) resilience of the Group's liquidity and non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements. The liqudity risk ratio as of 31 December 2021 is 137.67% (2020: 103.30%).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Exposure to liquidity risk

A key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers, i.e total assets by maturities against total liabilities by maturities. For this purpose net liquid assets are considered as cash and cash equivalents and investment grade debt-type securities for which there is an active and liquid market less any deposits from banks, sukuk issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB, is when the Market Risks Department monitors the liquidity risks of the Group on a daily basis and runs liquidity Stress Testing in order to make sure the Group is in compliance with QCB requirements.

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

	2021	2020
	%	%
At December 31		
Average for the year	**112**	105
Maximum for the year	**141**	121
Minimum for the year	**91**	93

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis

Maturity analysis of the Group's assets, liabilities and equity of investment account holdersare prepared on the basis of their remaining contractual maturity.

2021	**Carrying amount QR'000**	**Less than 3 months QR'000**	**3 - 6 months QR'000**	**6 months – 1 year QR'000**	**1 - 3 years QR'000**	**More than 3 years QR'000**
Cash and balances with Qatar Central Bank	2,669,960	824,104	-	-	-	1,845,856
Due from banks	13,426,336	9,861,198	1,900,274	393,196	1,271,668	-
Financing assets	37,030,881	9,276,282	3,594,987	4,333,067	8,700,650	11,125,895
Investment securities	7,220,147	185,857	220,603	374,347	3,901,039	2,538,301
Other assets	180,499	171,719	-	8,780	-	-
Total assets	**60,527,823**	**20,319,160**	**5,715,864**	**5,109,390**	**13,873,357**	**15,510,052**
Due to banks and financial institutions	9,921,549	8,185,534	1,342,918	393,097	-	-
Customers' current accounts	7,428,188	7,428,188	-	-	-	-
Sukuk financing	3,542,822	-	-	727,809	2,815,013	-
Other liabilities	978,945	678,525	-	233,430	-	66,990
Total liabilities	**21,871,504**	**16,292,247**	**1,342,918**	**1,354,336**	**2,815,013**	**66,990**
Equity of investment account holders	**31,217,681**	**16,546,879**	**3,452,323**	**3,036,842**	**8,181,637**	**-**
Total liabilities and equity of investment account holders	**53,089,185**	**32,839,126**	**4,795,241**	**4,391,178**	**10,996,650**	**66,990**
Maturity gap	**7,438,638**	**(12,519,966)**	**920,623**	**718,212**	**2,876,707**	**15,443,062**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

2020	Carrying amount QR'000	Less than 3 months QR'000	3 - 6 months QR'000	6 months – 1 year QR'000	1 - 3 years QR'000	More than 3 years QR'000
Cash and balances with Qatar Central Bank	2,776,420	1,051,035	-	-	-	1,725,385
Due from banks	10,508,081	8,049,313	700,038	487,029	33,591	1,238,110
Financing assets	40,513,906	13,919,707	4,040,036	3,166,487	9,991,004	9,396,672
Investment securities	5,852,163	388	739	638,500	3,120,159	2,092,377
Other assets	290,916	289,168	1,748	-	-	-
Total assets	59,941,486	23,309,611	4,742,561	4,292,016	13,144,754	14,452,544
Due to banks and financial institutions	13,128,492	11,671,384	697,826	668,233	91,049	-
Customers' current accounts	7,985,205	7,985,205	-	-	-	-
Sukuk financing	2,565,602	24,673	-	-	727,154	1,813,775
Other liabilities	943,609	658,329	-	225,266	-	60,014
Total liabilities	24,622,908	20,339,591	697,826	893,499	818,203	1,873,789
Equity of investment account holders	28,367,124	16,807,776	2,807,066	2,506,216	6,246,066	-
Total liabilities and equity of investment account holders	52,990,032	37,147,367	3,504,892	3,399,715	7,064,269	1,873,789
Maturity gap	6,951,454	(13,837,756)	1,237,669	892,301	6,080,485	12,578,755

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) 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 market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group's Market Risk Department on a daily basis. Regular reports are submitted to the Risks Committee.

Non-trading portfolios primarily arise from the profit rate management of the Group's personal 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.

Interest rate benchmark (IBOR) reform

Regulators and central banks in various jurisdictions have convened national working groups to identify replacement rates for the interbank offer rates ('Ibors') to facilitate an orderly transition to these rates. Libor rate publication is being ceased by 31st December 2021 for GBP Libor, Euro Libor, CHF Libor & JPY Libor. In case of USD Libor, 1 week & 2 months tenor rates are being ceased by 31st December 2021 and other USD Libor tenor rates will be ceased by 30th June 2023.

The Group has initiated an Ibor transition programme with the objective of facilitating an orderly transition from Ibors for the group and its clients. This programme oversees the transition by each of the businesses and is led by the ALCO team. The programme is currently focussed on evaluating the impact of the Ibor transition on legacy contracts as well as new issuance of contract which would refer to alternative reference rate and the proposed changes to processes, legal contracts, IT systems and communication with counterparties and customers. The group has begun to engage clients to determine their ability to transition in line with the readiness of the alternative rate product availability. Covid-19 have affected the ability of clients to transition early and has resulted in compressed timelines for Ibor transition. Therefore, development and use of appropriate migration tools, and industry initiatives such as the ISDA protocol has been necessary to enable a more ordered transition coupled with legislative approaches for the products which are structurally difficult to transition.

The Group does not have any material exposure to Euro Libor, CHF Libor, JPY Libor or GBP Libor hence there is no impact on transition process. As at 31 December 2021, The Bank has USD Libor based financial instruments with nominal amount of contracts amounting to QR 1.361 billion, out of which QR 632 million will mature after anticipated replacement of USD LIBOR on 30 June 2023.

(i) Management of market risks

Overall authority for market risk is vested in ALCO/Investment Committee/ Limits Committee. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by Risks Committee/Board Level) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification and management of market risk in a prudent way to ensure safeguarding interests of all shareholders. The Group views market risk management as a core competency and its purpose is not to neutralise market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

The principle tool used to measure and control market risk exposure within the Group's portfolios is Stress Testing Scenarios modelling.

(ii) 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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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

			Repricing in:					
2021	**Carrying amount QR'000**	**Less than 3 months QR'000**	**3 – 6 months QR'000**	**6 months – 1 year QR'000**	**1 – 3 years QR'000**	**More than 3 years QR'000**	**Non-profit sensitive QR'000**	**Effective profit rate**
Cash and balances with central banks	**2,669,960**	**-**	**-**	**-**	**-**	**-**	**2,669,960**	**-**
Due from banks	**13,426,336**	**9,643,073**	**1,900,274**	**393,196**	**1,271,668**	**-**	**218,125**	**0.71%**
Financing assets	**37,030,881**	**9,276,282**	**3,594,987**	**4,333,067**	**8,700,650**	**11,125,895**	**-**	**4.37%**
Investment securities	**7,220,147**	**185,856**	**220,603**	**348,489**	**3,901,039**	**2,538,301**	**25,859**	**3.56%**
	60,347,324	**19,105,211**	**5,715,864**	**5,074,752**	**13,873,357**	**13,664,196**	**2,913,944**	
Due to banks and financial institutions	**9,921,549**	**7,962,562**	**1,342,918**	**393,097**	**-**	**-**	**222,972**	**0.26%**
Sukuk financing	**3,542,822**	**-**	**-**	**727,809**	**2,815,013**	**-**	**-**	**-**
Equity of investment account holders	**31,217,681**	**16,546,879**	**3,452,323**	**3,036,842**	**8,181,637**	**-**	**-**	**1.85%**
Profit rate sensitivity gap	**15,665,272**	**(5,404,230)**	**920,623**	**917,004**	**2,876,707**	**13,664,196**	**2,690,972**	
Cumulative profit rate sensitivity gap	**15,665,272**	**(5,404,230)**	**(4,483,607)**	**(3,566,603)**	**(689,896)**	**12,974,300**	**15,665,272**	
2020								
Cash and balances with central banks	2,776,420	-	-	-	-	-	2,776,420	-
Due from banks	10,508,081	7,883,999	700,038	487,029	33,591	1,238,110	165,314	1.04%
Financing assets	40,513,906	13,919,707	4,040,036	3,166,487	9,991,004	9,396,672	-	4.67%
Investment securities	5,852,163	388	739	577,664	3,120,159	2,092,377	60,836	3.81%
	59,650,570	21,804,094	4,740,813	4,231,180	13,144,754	12,727,159	3,002,570	
Due to banks and financial institutions	13,128,492	11,411,839	697,826	668,233	91,049	-	259,545	0.84%
Sukuk financing	2,565,602	24,673	-	-	727,154	1,813,775	-	-
Equity of investment account holders	28,367,124	16,807,776	2,807,066	2,506,216	6,246,066	-	-	2.05%
Profit rate sensitivity gap	15,589,352	(6,440,194)	1,235,921	1,056,731	6,080,485	10,913,384	2,743,025	
Cumulative profit rate sensitivity gap	15,589,352	(6,440,194)	(5,204,273)	(4,147,542)	1,932,943	12,846,327	15,589,352	

All customers' current accounts are non-profit bearing (note 19).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non - standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. 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	100 bp parallel Increase QR'000	Decrease QR'000
2021		
At 31 December	**59,805**	**(59,805)**
2020		
At 31 December	45,190	(45,190)

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

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

Market Indices	Change in equity price	Effect on equity		Effect on profit and loss	
	%	**2021 QR'000**	2020 QR'000	**2021 QR'000**	2020 QR'000
Qatar Stock Exchange	**+/ - 10**	**1,248**	1,580	**79**	102
Bahrain Stock Exchange	**+/ - 10**	**730**	360	**-**	-

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.

Currency risk

Currency risk is the risk that the value of a financial instruments will fluctuate due to a change in foreign exchange rates. The Group is exposed to the risk from fluctuation in prevailing foreign currency exchange rates on its financial position. The Board of Directors have set maximum limits on the level of currency exposure, which are monitored daily.

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

Currency	Change in currency rate equity price	Effect on consolidated statement of income	
	%	**2021 QR'000**	2020 QR'000
Euro	**+/ - 10**	**953**	903
Sterling Pounds	**+/ - 10**	**971**	566
Others	**+/ - 10**	**11,891**	18,925

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

The Group manages its currency exposures within limits laid down by the Board of Directors. Limits are laid down for each currency individually and in total at the beginning of each year. The Qatari Riyal is pegged to the US Dollar. Although the Group is not exposed to any currency risk due to the peg, limits are set for US Dollar exposure. All other currency exposures are limited and the Group is not significantly exposed to the other currencies' exposures.

(e) 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.

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.

(f) 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 shareholders' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

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

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

	2021 Basel III	2020 Basel III
Common Equity Tier 1 (CET 1) Capital	**5,589,836**	5,280,964
Tier 1 capital	**7,682,286**	7,373,414
Tier 2 capital	**562,684**	425,828
Total regulatory capital	**8,244,970**	7,799,242

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Risk weighted assets

	2021 Basel III	2020 Basel III
Risk weighted assets for credit risk	**45,402,881**	43,541,822
Risk weighted assets for market risk	**630,443**	691,822
Risk weighted assets for operational risk	**3,217,141**	2,898,186
Total risk weighted assets	**49,250,465**	47,131,830
Regulatory capital	**8,244,970**	7,799,242
Common Equity tier 1 (CET 1) ratio	**11.35%**	11.20%
Risk weighted assets as a percentage of regulatory capital (capital ratio)	**16.74%**	16.55%

The capital adequacy ratio has been calculated as per Basel III guidelines with effect from 1st January 2014 in accordance with QCB regulations. The minimum capital adequacy requirements 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**	**Tier 1 and 2 capital ratio including capital conservation buffer**	**Total capital including capital conservation buffer and domestic systematic important bank buffer**	**Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge**
2021						
Actual	**11.35%**	**11.35%**	**15.60%**	**16.74%**	**16.74%**	**16.74%**
Minimum limit as per QCB	**6.00%**	**8.50%**	**10.50%**	**12.50%**	**12.50%**	**13.50%**
2020						
Actual	11.20%	11.20%	15.64%	16.55%	16.55%	16.55%
Minimum limit as per QCB	6.00%	8.50%	10.50%	12.50%	12.50%	13.50%

6 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5 (bii) section "*measuring ECL – explanation of inputs, assumptions and estimation techniques*", which also sets out key sensitivities of the ECL to changes in these elements.

6 USE OF ESTIMATES AND JUDGMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 5 (bii).

(ii) Determining fair values

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

Fair value is determined for each investment individually in accordance with the general valuation policies as set out below;

(i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.

(ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sells transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

(iv) Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

(b) Critical accounting judgements 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. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

6 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(i) Valuation of financial instruments (continued)

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, sukuk 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 classification

The table below analyses investment securities measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurementis categorised:

		Fair value measurement using		
2021	**Total QR'000**	**Quoted prices in active markets (Level 1) QR'000**	**Significant Observable inputs (Level 2) QR'000**	**Significant unobservable inputs (Level 3) QR'000**
- Quoted equity-type investments classified as fair value through income statement	**789**	**789**	**-**	**-**
- Quoted equity-type investments classified as fair value through equity	**19,786**	**19,786**	**-**	**-**
- Unquoted equity-type investments classified as fair value through equity	**5,283**	**-**	**-**	**5,283**

		Fair value measurement using		
2020	Total QR'000	Quoted prices in active markets (Level 1) QR'000	Significant Observable inputs (Level 2) QR'000	Significant unobservable inputs (Level 3) QR'000
- Quoted equity-type investments classified as fair value through income statement	1,023	1,023	-	-
- Quoted equity-type investments classified as fair value through equity	19,405	19,405	-	-
- Unquoted equity-type investments classified as fair value through equity	40,408	-	-	40,408

There have been no transfers between level 1 and level 2 during the years ended 31 December 2021 and 2020.

The valuation technique in measuring the fair value of the financial instruments categorized as level 3 were in line with 31 December 2020. Significant unobservable inputs of 31 December 2021 were adjusted appropriately for the effects of COVID 19 as disclosed in note 39 to this consolidated financial statement.

Details of the Group's classification of financial assets and liabilities are given in note 8.

6 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(iii) 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.

(iv) Useful lives 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.

7 OPERATING SEGMENTS

The Group has three 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 monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate Banking Includes financing, deposits and other transactions and balances with corporate customers, government and semi government institutions and SME customers.

Personal Banking Includes financing, deposits and other transactions and balances with retail customers.

Treasury & Investments Undertakes the Group's funding and centralised risk management activities through borrowings, issue of Sukuk, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term deposits and corporate and government Sukuk.

Investments activities include the Group's trading and corporate finance activities.

Performance is measured based on segment profit, assets and liabilities growth, as included in the internal management reports that are reviewed by the Assets and Liabilities Committee (ALCO). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

7 OPERATING SEGMENTS (continued)

Information regarding the results, assets and liabilities of each reportable segment is included below.

2021	**Corporate Banking QR'000**	**Personal Banking QR'000**	**Treasury& Investments QR'000**	**Total QR'000**
External revenue:				
Total income from financing and investing activities	**1,044,976**	**789,149**	**353,536**	**2,187,661**
Net fee and commission income	**143,158**	**106,997**	**-**	**250,155**
Net foreign exchange gains	-	-	**41,936**	**41,936**
Share of results of investment in associates (Note 13)	-	-	**(23,104)**	**(23,104)**
Total segment income	**1,188,134**	**896,146**	**372,368**	**2,456,648**
Net impairment losses on due from banks	**-**	**-**	**(287)**	**(287)**
Net impairment reversals on investment securities	**-**	**-**	**1,174**	**1,174**
Net impairment losses on financing assets	**(291,636)**	**(85,567)**	-	**(377,203)**
Net impairment losses on investment in associates	**-**	**-**	**(54,344)**	**(54,344)**
Net impairment reversals on off balance sheet exposures subject to credit risk	**19,872**	**-**	**-**	**19,872**
Finance expenses / Investment account holders' share of profit	**(222,904)**	**(335,209)**	**(156,816)**	**(714,929)**
Reportable segment net profit before allocation of non-segmented expenses	**693,466**	**475,370**	**162,095**	**1,330,931**

2020	Corporate Banking QR'000	Personal Banking QR'000	Treasury& Investments QR'000	Total QR'000
External revenue:				
Total income from financing and investing activities	1,062,572	783,902	395,541	2,242,015
Net fee and commission income	125,754	76,957	-	202,711
Net foreign exchange gains	-	-	48,183	48,183
Share of results of investment in associates (Note 13)	-	-	(42,683)	(42,683)
Total segment income	1,188,326	860,859	401,041	2,450,226
Net impairment reversals on due from banks	-	-	5,163	5,163
Net impairment losses on investment securities	-	-	(11,111)	(11,111)
Net impairment losses on investment Properties	-	-	(103,401)	(103,401)
Net impairment losses on financing assets	(175,700)	(55,472)	-	(231,172)
Net impairment losses on off balance sheet exposures subject to credit risk	(56,415)	-	-	(56,415)
Finance expenses / Investment account holders' share of profit	(226,636)	(335,564)	(212,543)	(774,743)
Reportable segment net profit before allocation of non-segmented expenses	729,575	469,823	79,149	1,278,547

7 OPERATING SEGMENTS (CONTINUED)

2021	**Corporate Banking QR'000**	**Personal Banking QR'000**	**Treasury & Investments QR'000**	**Total QR'000**
Reportable segment assets	**23,660,336**	**13,370,546**	**21,801,917**	**58,832,799**
Reportable segment liabilities and equity of investment account holders	**15,814,123**	**22,831,746**	**13,464,371**	**52,110,240**

2020	Corporate Banking QR'000	Personal Banking QR'000	Treasury & Investments QR'000	Total QR'000
Reportable segment assets	27,978,845	12,535,061	17,595,166	58,109,072
Reportable segment liabilities and equity of investment account holders	13,928,641	22,423,688	15,694,094	52,046,423

The tables below provide reconciliation of reportable segment revenues, profit, assets, liabilities and equity of investment account holders:

	2021 QR'000	2020 QR'000
Reportable segment net profit before allocation of expenses	**1,330,931**	1,278,547
Unallocated expenses	**(327,584)**	(340,839)
Consolidated net profit for the year	**1,003,347**	937,708
Assets		
Total assets for reportable segments	**58,832,799**	58,109,072
Other unallocated amounts	**2,959,196**	3,204,596
Consolidated total assets	**61,791,995**	61,313,668
Liabilities and equity of investment account holders		
Total liabilities and equity of investment account holders for reportable	**52,110,240**	52,046,423
Other unallocated amounts	**978,945**	943,609
Consolidated total liabilities and equity of investment account holders	**53,089,185**	52,990,032

Geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and assets are based on geographical location of the assets.

	Qatar QR'000	**Other GCC QR'000**	**Middle East other than GCC QR'000**	**Europe QR'000**	**North America QR'000**	**Rest of the World QR'000**	**Total QR'000**
2021							
External revenues	**2,429,330**	**19,220**	**-**	**-**	**-**	**8,097**	**2,456,647**
Non-current assets	**29,936,811**	**714,563**	**-**	**-**	**-**	**176,625**	**30,827,999**
2020							
External revenues	2,402,778	41,893	-	(12)	-	5,566	2,450,225
Non-current assets	28,225,068	304,089	-	-	-	415,748	28,944,905

8 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

2021	**Fair value through statement of income QR'000**	**Fair value through equity QR'000**	**Amortised cost QR'000**	**Total carrying amount QR'000**	**Fair value QR'000**
Cash and balances with Qatar Central Bank	-	-	**2,669,960**	**2,669,960**	**2,669,960**
Due from banks	-	-	**13,426,336**	**13,426,336**	**13,426,336**
Financing assets	**-**	**-**	**37,030,881**	**37,030,881**	**37,030,881**
Investment securities:					
- Measured at fair value	**789**	**25,200**	**-**	**25,989**	**25,989**
- Measured at amortised cost	-	-	**7,194,158**	**7,194,158**	**7,171,902**
Other assets (excluding non-financial assets)	-	-	**180,499**	**180,499**	**180,499**
	789	**25,200**	**60,501,834**	**60,527,823**	**60,505,567**
Due to banks and financial institutions			**9,921,549**	**9,921,549**	**9,921,549**
Customers' current accounts	-	-	**7,428,188**	**7,428,188**	**7,428,188**
Sukuk financing	-	-	**3,542,822**	**3,542,822**	**3,542,822**
Other liabilities (excluding non-financial liabilities)	-	-	**978,945**	**978,945**	**978,945**
Equity of investment account holders	-	-	**31,217,681**	**31,217,681**	**31,217,681**
	-	-	**53,089,185**	**53,089,185**	**53,089,185**
2020					
Cash and balances with Qatar Central Bank	-	-	2,776,420	2,776,420	2,776,420
Due from banks	-	-	10,508,081	10,508,081	10,508,081
Financing assets	-	-	40,513,906	40,513,906	40,513,906
Investment securities:					
- Measured at fair value	1,023	59,945	-	60,968	60,968
- Measured at amortised cost	-	-	5,791,195	5,791,195	5,836,443
Other assets (excluding non-financial assets)	-	-	315,491	315,491	315,491
	1,023	59,945	59,905,093	59,966,061	60,011,309
Due to banks and financial institutions	-	-	13,128,492	13,128,492	13,128,492
Customers' current accounts	-	-	7,985,205	7,985,205	7,985,205
Sukuk financing	-	-	2,565,602	2,565,602	2,565,602
Other liabilities (excluding non-financial liabilities)	-	-	943,609	943,609	943,609
Equity of investment account holders	-	-	28,367,124	28,367,124	28,367,124
	-	-	52,990,032	52,990,032	52,990,032

9 CASH AND BALANCES WITH QATAR CENTRAL BANK

	2021 QR'000	2020 QR'000
Cash on hand and in ATMs	**630,093**	885,371
Cash reserve with QCB (i)	**1,845,856**	1,725,385
Other balances with QCB	**194,011**	165,664
	2,669,960	2,776,420

(i) Cash reserve with QCB is not available for use in the Group's day to day operations.

10 DUE FROM BANKS

	2021 QR'000	2020 QR'000
Mudaraba placements	**4,071,903**	1,854,008
Commodity Murabaha receivable	**9,091,955**	8,442,603
Current accounts	**218,125**	165,315
Accrued profit	**45,413**	46,928
Allowance for expected credit losses of due from banks (stages 1 and 2)	**(1,060)**	(773)
	13,426,336	10,508,081

11 FINANCING ASSETS

(a) By type

	2021 QR'000	2020 QR'000
Murabaha and Musawama	**30,406,941**	33,567,830
Ijarah Muntahia Bittamleek	**6,917,262**	6,672,589
Istisn'a	**329,393**	333,135
Mudaraba	**1,340,489**	1,513,425
Musharaka	**593**	603
Others	**351,160**	343,136
Accrued profit	**284,304**	315,024
Total financing assets	**39,630,142**	42,745,742
Less: Deferred profit	**(1,335,601)**	(1,363,908)
Allowance for expected credit losses of financing assets (stages 1 and 2)	**(470,575)**	(374,781)
Allowance for credit impairment of financing assets (stage 3)	**(737,426)**	(457,608)
Suspended profit	**(55,659)**	(35,539)
Net financing assets	**37,030,881**	40,513,906

Total carrying amount of Istisn'a contracts under processing is QR 83.7 million as at 31 December 2021 (2020: QR 150 million).

During the year, the Group had written off fully provided bad debts after meeting conditions stipulated in the instructions of QCB amounting to QR 5.78 million (2020: QR 73 million).

The total non-performing financing assets net of deferred profit at 31 December 2021 amounted to QR 981 million, representing 2.57 % of the gross financing assets (2020: QR 646 million, representing 1.56%).

Refer to Note 39 for COVID 19 impact assessment.

11 FINANCING ASSETS (CONTINUED)

(b) Movement in impairment of financing assets and suspended profit is as follows:

	2021			2020		
	Impairment QR'000	**Suspended profit QR'000**	**Total QR'000**	Impairment QR'000	Suspended profit QR'000	Total QR'000
Balance at 1 January	**832,389**	**35,539**	**867,928**	670,862	38,718	709,580
Provisions provided during the year	**593,303**	**28,528**	**621,831**	484,117	14,009	498,126
Recoveries during the year	**(216,100)**	**(8,213)**	**(224,313)**	(252,945)	(13,603)	(266,548)
Recovery /Reclassification from off-balance sheet to on balance sheet	**3,996**	**-**	**3,996**	-	-	-
Written off during the year	**(5,587)**	**(195)**	**(5,782)**	(69,645)	(3,585)	(73,230)
Balance at 31 December	**1,208,001**	**55,659**	**1,263,660**	832,389	35,539	867,928

11 FINANCING ASSETS (CONTINUED)

(c) Movement in allowance for expected credit losses of financing assets and allowance for credit impairment of financing assets by internal business segments

	Corporates			SMEs			Retail			Real estate mortgages			Total		
	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000
2021															
Balance at 1 January 2021	**91,598**	**14,706**	**55,690**	**14,385**	**18,631**	**61,142**	**52,298**	**154,008**	**272,204**	**7,958**	**21,195**	**68,574**	**166,239**	**208,540**	**457,610**
Charge for the year	**73,935**	**46,381**	**23,963**	**6,828**	**4,933**	**22,876**	**25,474**	**90,620**	**293,399**	**2,225**	**605**	**2,064**	**108,462**	**142,539**	**342,302**
Recoveries during the year	**(27,116)**	**(3,625)**	**(10,155)**	**(7,476)**	**(4,944)**	**(15,122)**	**(24,545)**	**(77,482)**	**(35,618)**	**(1,767)**	**(8,250)**	**-**	**(60,904)**	**(94,301)**	**(60,895)**
Net impairment losses during the year	**138,417**	**57,462**	**69,498**	**13,737**	**18,620**	**68,896**	**53,227**	**167,146**	**529,985**	**8,416**	**13,550**	**70,638**	**213,797**	**256,778**	**739,017**
Recovery/Reclassification from off-balance sheet to on balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,996**	**-**	**-**	**-**	**-**	**-**	**3,996**
Written off during the year	**-**	**-**	**-**	**-**	**-**	**(4,209)**	**-**	**-**	**(1,378)**	**-**	**-**	**-**	**-**	**-**	**(5,587)**
Foreign currency translation and adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2021	**138,417**	**57,462**	**69,498**	**13,737**	**18,620**	**64,687**	**53,227**	**167,146**	**532,603**	**8,416**	**13,550**	**70,638**	**213,797**	**256,778**	**737,426**
2020															
Balance at 1 January 2020	75,808	23,007	7,726	4,746	4,825	67,380	129,944	9,222	324,149	13,124	4,292	6,639	223,622	41,346	405,894
Charge for the year	66,058	4,503	47,972	11,210	13,946	17,304	19,836	146,197	71,591	4,501	18,985	62,014	101,605	183,631	198,881
Recoveries during the year	(50,268)	(12,804)	(8)	(1,571)	(140)	(23,517)	(97,482)	(1,411)	(53,916)	(9,667)	(2,082)	(79)	(158,988)	(16,437)	(77,520)
Net impairment losses during the year	91,598	14,706	55,690	14,385	18,631	61,167	52,298	154,008	341,824	7,958	21,195	68,574	166,239	208,540	527,255
Written off during the year	-	-	-	-	-	(25)	-	-	(69,620)	-	-	-	-	-	(69,645)
Foreign currency translation and adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	91,598	14,706	55,690	14,385	18,631	61,142	52,298	154,008	272,204	7,958	21,195	68,574	166,239	208,540	457,610

11 FINANCING ASSETS (CONTINUED)

(d) By sector

	Murabaha and Musawama QR'000	Musharaka QR'000	Ijarah Muntahia Bittamleek QR'000	Istisna'a QR'000	Mudaraba QR'000	Others QR'000	Accrued profit QR'000	Total QR'000
2021								
Government and related entities	**4,529,312**	**-**	**-**	**92,896**	**-**	**8**	**33,399**	**4,655,615**
Industry	**394,396**	**-**	**-**	**8,159**	**-**	**1,021**	**2,916**	**406,492**
Commercial	**5,621,239**	**-**	**209,902**	**169,515**	**131,358**	**137,398**	**45,301**	**6,314,713**
Services	**1,195,153**	**-**	**90,484**	**4,871**	**7,100**	**843**	**9,382**	**1,307,833**
Contracting	**2,055,730**	**-**	**255,001**	**-**	**1,202,031**	**59,605**	**25,813**	**3,598,180**
Real estate	**2,871,770**	**-**	**4,694,185**	**-**	**-**	**34**	**54,670**	**7,620,659**
Personal	**13,739,341**	**593**	**1,667,690**	**53,952**	**-**	**148,010**	**112,791**	**15,722,377**
Others	**-**	**-**	**-**	**-**	**-**	**4,241**	**32**	**4,273**
Total financing assets	**30,406,941**	**593**	**6,917,262**	**329,393**	**1,340,489**	**351,160**	**284,304**	**39,630,142**

Less: Deferred profit	**(1,335,601)**
Allowance for expected credit losses of financing assets (stages 1 and 2)	**(470,575)**
Allowance for credit impairment of financing assets (stage 3)	**(737,426)**
Suspended profit	**(55,659)**
Net financing assets	**37,030,881**

11 FINANCING ASSETS (CONTINUED)

(d) By sector (continued)

	Murabaha and Musawama QR'000	Musharaka QR'000	Ijarah Muntahia Bittamleek QR'000	Istisna'a QR'000	Mudaraba QR'000	Others QR'000	Accrued profit QR'000	Total QR'000
2020								
Government and related entities	10,029,924	-	-	114,498	-	822	75,323	10,220,567
Industry	425,237	-	-	24,560	-	3,113	3,363	456,273
Commercial	5,495,778	-	467,576	122,808	512,123	125,692	49,922	6,773,899
Services	1,243,522	-	143,679	5,683	5,100	2,346	10,397	1,410,727
Contracting	1,047,341	-	37,584	-	996,202	67,083	15,949	2,164,159
Real estate	2,722,917	-	4,736,580	-	-	44	55,383	7,514,924
Personal	12,596,848	603	1,287,170	65,586	-	140,239	104,614	14,195,060
Other	6,263	-	-	-	-	3,797	73	10,133
Total financing assets	33,567,830	603	6,672,589	333,135	1,513,425	343,136	315,024	42,745,742

Less: Deferred profit	(1,363,908)
Allowance for expected credit losses of financing assets (stages 1 and 2)	(374,781)
Allowance for credit impairment of financing assets (stage 3)	(457,608)
Suspended profit	(35,539)
Net financing assets	40,513,906

12 INVESTMENT SECURITIES

	2021			2020		
	Quoted QR'000	**Unquoted QR'000**	**Total QR'000**	Quoted QR'000	Unquoted QR'000	Total QR'000
Investments classified at fair value through income statement						
- Equity-type investments	**789**	**-**	**789**	1,023	-	1,023
	789	**-**	**789**	1,023	-	1,023
Debt-type investments classified at amortised cost (i)						
- State of Qatar Sukuk	**674,992**	**4,520,000**	**5,194,992**	680,737	3,545,000	4,225,737
- Fixed rate	**1,945,886**	**-**	**1,945,886**	1,522,332	-	1,522,332
- Accrued profit	**23,940**	**34,977**	**58,917**	20,937	29,484	50,421
- Less: allowance for expected credit losses of investment securities (stages 1 and 2)	**(5,637)**	**-**	**(5,637)**	(7,295)	-	(7,295)
	2,639,181	**4,554,977**	**7,194,158**	2,216,711	3,574,484	5,791,195
*Equity-type investments classified at fair value through equity**	**19,786**	**5,283**	**25,069**	19,405	40,408	59,813
Accrued profit	**-**	**131**	**131**	-	132	132
Total	**2,659,756**	**4,560,391**	**7,220,147**	2,237,139	3,615,024	5,852,163

Notes:

(i) The fair value of the investments carried at amortised cost as at 31 December 2021 amounted to QR 7,171 million (2020: QR 5,836 million).

(ii) The fair value hierarchy and the transfers between categories of fair value hierarchy are disclosed in Note 6 (b).

(iii) The carrying value of investment securities pledged under repurchase agreements (REPO) is QR 1.9 billion (2020: QR 1.9 billion) (note 18).

(iv) Refer to Note 39 for COVID 19 impact assessment.

*Total expected credit losses of equity-type investment carried at fair value through equity includes a balance of QR 484 thousand, which represents a reduction in the fair value.

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

	2021			2020		
	Positive fair value QR'000	**Negative fair value QR'000**	**Total QR'000**	Positive fair value QR'000	Negative fair value QR'000	Total QR'000
Balance at 1 January	**4,649**	**(225)**	**4,424**	3,007	(671)	2,336
Net change in fair value	**3,460**	**(95)**	**3,365**	1,642	446	2,088
Balance at 31 December	**8,109**	**(320)**	**7,789**	4,649	(225)	4,424

(a) The movement in impairment of debt-type securities carried at amortised cost and equity-type securities carried at fair value through equity is as follows:

	2021 QR'000	2020 QR'000
Balance at 1 January (net)	**66,642**	64,597
(Reversal) / charge during the year	**(1,658)**	1,982
Change in foreign currencies	**(206)**	63
Balance at 31 December	**64,778**	66,642

13 INVESTMENT IN ASSOCIATES

	2021 QR'000	2020 QR'000
Balance at 1 January (net)	**344,990**	336,622
Increase in investments during the year	**-**	45,685
loss from foreign currency translation	**(2,611)**	5,808
Share of results	**(23,104)**	(42,683)
Cash dividends received	**(980)**	(980)
Other movements	**21**	538
Impairment of associates	**(54,344)**	-
Balance at 31 December	**263,972**	344,990

The Group has the following investments in associates:

	Company's activities	**Country of incorporation**	**Ownership percentage 2021**	2020	**2021 QR'000**	2020 QR'000
Name of the Company						
Mackeen Q.P.S.C.	Real estate	Qatar	**49%**	49%	**152,991**	214,423
Al Tashelat Islamic Company W.L.L.	Financing	Qatar	**49%**	49%	**46,386**	46,700
Al Moqawil Company W.L.L.	Contracting	Qatar	**49%**	49%	**6,106**	5,748
Umnia Bank	Banking	Morocco	**40%**	40%	**58,489**	78,119
					263,972	344,990

The financial position and revenue of associates based on its unaudited 2021 and audited 2020 financial statements which were considered by the Group for the year ended 31 December 2021 and 2020 are as follows:

31 December 2021	**Mackeen Holding Q.P.S.C. QR'000**	**Al Tashelat Islamic Company W.L.L. QR'000**	**Al Moqawil Company W.L.L. QR'000**	**Umnia Bank QR'000**	**Total QR'000**
Total assets	**779,930**	**103,482**	**12,243**	**2,063,634**	**2,959,289**
Total liabilities	**285,869**	**8,767**	**342**	**1,907,572**	**2,202,550**
Total operating (loss) / income	**(2,801)**	**3,177**	**1,557**	**(21,371)**	**(19,438)**
Share of (loss) / profit	**(7,099)**	**654**	**360**	**(17,019)**	**(23,104)**
31 December 2020					
Total assets	803,114	101,939	11,404	1,582,131	2,498,588
Total liabilities	298,147	8,646	135	1,386,834	1,693,762
Total Operating (loss)/ income	14,411	5,731	1,632	(32,777)	(11,003)
Share of (loss) / profit	(28,677)	80	(25)	(14,061)	(42,683)

14 INVESTMENT PROPERTIES

	2021 QR'000	2020 QR'000
Balance at 1 January (Net)	**724,267**	853,867
Additions	**2,358**	2,060
Depreciation during the year	**(29,173)**	(28,259)
Investment properties provision	**-**	(103,401)
Balance at 31 December	**697,452**	724,267

Note:

The fair value of investment properties as at 31 December 2021 is QR 1,283 million (2020: QR 1,325 million).

The fair value of investments properties based on average valuations performed by independent valuers possessing relevant professional qualification, with recent experience in the location and category of the properties being fair valued, as of 31 December 2021 and 31 December 2020. The fair values have been determined based on recent transactions in the market, the independent valuers' knowledge and professional judgment and taking impact of COVID-19.

Investments properties are located in the State of Qatar, KSA and UAE.

Rental income included in the consolidated statement of income from investments properties amounted to QR 46,860 thousands (2020: QR 47,822 thousands) (note 26).

Direct operating expenses (including repairs and maintenance) amounting to QR 6,905 thousands (2020: QR 5,419 thousands) arising from investment properties that generate rental income during the year are included in the consolidated statement of income under income from investing activities.

Investment properties include the Group's share of QR 91,736 thousands (2020: QR 177,377 thousands) which are jointly owned with related parties and other third parties and are subject to normal conditions applicable to joint ownership.

The Group's investment properties are not subject to any other charges, pledge or restriction on transfer of title.

The Group provided provision for impairment amounting to QR 103,401 on the Investment properties situated outside Qatar during the year 2020.

15 FIXED ASSETS

	Land and Buildings QR'000	IT and equipments QR'000	Fixtures and fittings QR'000	Motor vehicles QR'000	Total QR'000
Cost					
Balance at 1 January 2021	**228,165**	**107,802**	**134,116**	**1,532**	**471,615**
Additions	**-**	**3,318**	**5,064**	**484**	**8,866**
Disposals	**-**	**-**	**(9,245)**	**(417)**	**(9,662)**
Balance at 31 December 2021	**228,165**	**111,120**	**129,935**	**1,599**	**470,819**
Balance at 1 January 2020	228,165	104,978	133,004	1,370	467,517
Additions	-	3,210	4,625	228	8,063
Disposals	-	(386)	(3,513)	(66)	(3,965)
Balance at 31 December 2020	228,165	107,802	134,116	1,532	471,615
Accumulated depreciation					
Balance at 1 January 2021	**23,880**	**101,957**	**102,021**	**1,338**	**229,196**
Depreciation during the year	**1,260**	**5,342**	**13,235**	**77**	**19,914**
Disposals	**-**	**-**	**(9,245)**	**(417)**	**(9,662)**
Balance at 31 December 2021	**25,140**	**107,299**	**106,011**	**998**	**239,448**
Balance at 1 January 2020	22,620	92,827	89,789	1,299	206,535
Depreciation during the year	1,260	9,516	15,745	105	26,626
Disposals	-	(386)	(3,513)	(66)	(3,965)
Balance at 31 December 2020	23,880	101,957	102,021	1,338	229,196
Carrying amounts					
Balance at 31 December 2020	204,285	5,845	32,095	194	242,419
Balance at 31 December 2021	**203,025**	**3,821**	**23,924**	**601**	**231,371**

16 INTANGIBLE ASSETS

	Software QR'000	Total QR'000
Net book value		
Balance at 1 January 2021	**35,931**	**35,931**
Additions	**21,458**	**21,458**
Net cost	**57,389**	**57,389**
Amortization charged during the year	**(15,096)**	**(15,096)**
Balance at 31 December 2021	**42,293**	**42,293**
Balance at 1 January 2020	33,330	33,330
Additions	16,523	16,523
Net cost	49,853	49,853
Amortization charged during the year	(13,922)	(13,922)
Balance at 31 December 2020	35,931	35,931

17 OTHER ASSETS

	2021 QR'000	2020 QR'000
Prepayments and advances	**29,084**	24,575
Assets acquired against settlement of debts	**84,545**	85,545
Refundable Insurance/Collateral	**1,651**	24,184
Others	**94,303**	181,187
	209,583	315,491

18 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2021 QR'000	2020 QR'000
Wakala payable	**9,694,351**	12,858,409
Current accounts	**222,972**	259,545
Profit payable	**4,226**	10,538
	9,921,549	13,128,492

Note:

Wakala payable includes various facilities with maturities ranging from 4 days to 1 year (2020: 4 days to 3 years) and carries profit rates of 0.008% -up to 1 % per year (2020: 0.02% -up to 3.12%).

19 CUSTOMERS' CURRENT ACCOUNTS

	2021 QR'000	2020 QR'000
Current accounts by sector:		
- Retail	**4,434,601**	4,754,925
- Corporate	**2,162,268**	2,358,154
- Government	**747,447**	739,710
- Non-Banking Financial Institutions	**83,872**	132,416
	7,428,188	7,985,205

20 SUKUK FINANCING

Instrument	Issue date	Coupon Rate	Issued amount QR'000	Unamoritzed premium QR'000	Accrued profit QR'000	Prepaid expense QR'000	2021 Total QR'000	2020 Total QR'000
QIIB Sukuk 2024	March 2019	4.2%	**1,820,750**	**-**	**24,826**	**(735)**	**1,844,841**	1,838,385
QIIB Sukuk 2024	October 2021	4.2%	**910,375**	**52,646**	**12,508**	**(5,420)**	**970,109**	-
QIIB Sukuk 2022	September 2019	3.1%	**728,300**	**-**	**63**	**(491)**	**727,872**	727,217
Balance as at 31 December			**3,459,425**	**52,646**	**37,397**	**(6,646)**	**3,542,822**	2,565,602

21 OTHER LIABILITIES

	2021 QR'000	2020 QR'000
Cash margins	**153,797**	117,406
Manager cheques	**61,716**	67,663
Accrued expenses	**121,417**	123,947
Contra acceptance	**142,283**	126,472
Dividend payable	**78,234**	82,790
Employees' end of service benefits (i)	**51,141**	44,148
Contribution to Social and Sports fund	**25,083**	23,443
Retention from suppliers	**937**	1,615
Allowance for expected credit losses of off balance sheet exposures subject to credit risk (stages 1 and 2)	**87,374**	107,246
Others	**256,963**	248,879
	978,945	943,609

Note:

(i) Movement in employees' end of service benefits is as follows:

	2021 QR'000	2020 QR'000
Balance at 1 January	**44,148**	33,166
Charge for the year (Note 29)	**9,544**	14,556
Payments made during the year	**(2,551)**	(3,574)
Balance at 31 December	**51,141**	44,148

22 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2021 QR'000	2020 QR'000
Investment account holders balance before share of profit	**31,021,568**	28,198,429
Add: Profits for investment account holders for the year (a)	**558,113**	562,200
Less: Profit paid during the year	**(367,022)**	(396,500)
Total investment account holders balance after share of profit and before share of fair value reserve (b)	**31,212,659**	28,364,129
By type:		
Term accounts	**23,707,851**	21,282,046
Saving accounts	**7,504,808**	7,082,083
Total (b)	**31,212,659**	28,364,129

22 EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	2021 QR'000	2020 QR'000
By sector:		
Retail	**18,689,149**	18,113,770
Government	**6,105,458**	4,158,392
Corporate	**2,181,565**	2,267,754
Non-banking financial institution	**646,905**	333,882
Semi government organizations	**3,589,582**	3,490,331
Total (b)	**31,212,659**	28,364,129
Total investment account holders balance after share of profit and before share of fair value reserve (b)	**31,212,659**	28,364,129
Share in fair value reserve	**5,022**	2,995
Total investment account holders balance	**31,217,681**	28,367,124
Share of investment account holders' of the profit for the year before the bank's share as Mudarib	**980,534**	967,010
Bank's share as Mudarib	**(882,481)**	(870,309)
Support provided by the bank	**460,060**	465,499
Net return to investment account holders (a)	**558,113**	562,200

The whole balance of equity of investment account holders is unrestricted for 2021 and 2020.

23 SHAREHOLDERS EQUITY

(a) Share capital

At 31 December	**Number of shares (thousand)**	
	2021	2020
Issued and fully paid*	**1,513,687**	1,513,687

* Issued and fully paid capital of QR 1,513,687 thousands comprises 1,514 million shares with a nominal value of 1 Qatari Riyal each (2020: QR 1,513,687 thousands comprises 1,514 million shares with a nominal value of QR 1 each).

(b) Legal reserve

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit 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 No. 11 of 2015 and after QCB approval. No appropriation was made as the legal reserve equals more than 100% of the paid up share capital.

(c) Risk reserve

In accordance with QCB regulations, the minimum requirement for risk reserve is 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount transferred to the risk reserve during the year amounted to QR 52.8 million (2020: QR 80.8 million).

23 SHAREHOLDERS EQUITY (CONTINUED)

(d) Fair value reserve

Fair value reserve represents unearned profits or losses at year end. The profit is not available for distribution unless realized and charged to the consolidated statement of income.

	2021 QR'000	2020 QR'000
Investments carried as fair value through equity:		
Balance at 1 January	**1,651**	866
Movement during the year	**3,143**	2,309
Share of investment account holders	**(2,027)**	(1,524)
As at 31 December	**2,767**	1,651

(e) Other reserves

Other reserves include the undistributed share of the associates' profit after deducting dividends received.

Movements in the undistributed share of associates profit are as follows:

	2021 QR'000	2020 QR'000
Undistributed share of associates profit:		
Balance at 1 January	**79,554**	79,553
Add: Undistributed profit of associates of the year	**(980)**	(980)
Less: Recognized profit of associate	**1,014**	981
	79,588	79,554

(f) Proposed cash dividends

The Board of Directors has proposed a cash dividend of 37.5% of paid up share capital amounting to QR 567 million (2020: 32.5% of paid up share capital amounting to QR 492 million) which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

24 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

(a) Sukuk eligible as additional capital issued during the year ended 2016

During the year 2016, the Group issued perpetual sukuk eligible as additional capital for an amount of QR 1 billion. The sukuk is unsecured and the profit distributions are discretionary, non –cumulative, payable annually, with a fixed profit rate for the first five years which will be revised upon the completion of the initial five years' period. The Group has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The sukuk does not have a maturity date and has been classified as an equity.

(b) Sukuk eligible as additional capital issued during the year-ended 2019

In 2019, the Group issued additional perpetual, unsecured, subordinated sukuk eligible as additional tier 1 capital amounting to USD 300 million listed in London Stock Exchange. The payment of profit for these sukuk is non-cumulative, and are made at the discretion of QIIB. The Group has the right not to pay profit on these sukuk, and the sukuk holders will have no claim with respect to non-payment. The applicable profit rate have a reset date as per the terms of the agreement of the issued sukuks. The sukuk does not have a fixed maturity date. The Group classified the sukuk as equity.

25 INCOME FROM FINANCING ACTIVITIES

	2021 QR'000	2020 QR'000
Murabaha and Musawama	**1,373,251**	1,436,417
Ijarah Muntahia Bittamleek	**364,123**	331,234
Istisn'a	**12,882**	13,292
Mudaraba	**83,869**	65,531
	1,834,125	1,846,474

26 NET INCOME FROM INVESTING ACTIVITIES

	2021 QR'000	2020 QR'000
Income from Inter-bank placements with Islamic banks	**94,072**	126,983
Income from investment in debt-type instruments	**220,408**	223,273
Net gain on sale of equity-type investments carried at fair value	**3,595**	2,467
Net gain on sale of debt-type investments carried at amortised cost	**24,266**	28,872
Rental income	**46,860**	47,822
Gain on sale of fixed assets	**129**	8
Dividend income	**1,697**	2,325
Depreciation on investment properties	**(29,177)**	(28,259)
Investment fees	**(8,314)**	(7,950)
	353,536	395,541

27 NET FEE AND COMMISSION INCOME

	2021 QR'000	2020 QR'000
Fee and commission income		
Bank charges	**187,650**	157,852
Commission on local financing	**85,578**	70,540
Commission on letters of credit and guarantees	**44,073**	39,515
	317,301	267,907
Fee and commission expenses	**(67,146)**	(65,196)
Net fee and commission income	**250,155**	202,711

28 NET FOREIGN EXCHANGE GAINS

	2021 QR'000	2020 QR'000
Dealing in foreign currencies	**39,605**	35,123
Revaluation of assets and liabilities	**2,331**	13,060
	41,936	48,183

29 STAFF COSTS

	2021 QR'000	2020 QR'000
Basic salaries	**55,692**	57,344
Housing allowance	**24,984**	25,422
Employees' end of service benefits (Note 21)	**9,544**	14,556
Staff pension fund costs	**2,274**	1,941
Training	**573**	705
Other staff benefits	**77,834**	79,131
	170,901	179,099

30 OTHER EXPENSES

	2021 QR'000	2020 QR'000
Computer and ATMs expenses	**23,689**	27,913
Rent	**21,297**	20,965
Professional fees	**16,369**	17,509
Telephone, telex and post	**13,923**	15,092
Board of Directors remuneration	**14,206**	13,394
Advertising and promotion	**8,616**	7,634
Maintenance and cleaning expenses	**3,875**	4,105
Fees and subscriptions	**9,626**	4,727
Water and electricity	**807**	715
Security service expenses	**1,822**	1,293
Stationery and printing	**719**	921
Business travelling expenses	**94**	10
Insurance	**1,333**	1,238
Shari'a Committee remuneration	**1,000**	944
Hospitality expenses	**413**	350
Donations	**-**	750
Miscellaneous expenses	**3,884**	3,632
	121,673	121,192

31 CONTINGENT LIABILITIES AND COMMITMENTS

	2021 QR'000	2020 QR'000
Contingent liabilities		
Unused financing facilities	**7,149,567**	5,238,530
Guarantees	**6,405,439**	7,127,262
Letters of credit	**787,404**	892,259
Others	**13,502**	8,013
	14,355,912	13,266,064

Unused financing facilities
Commitments to extend credit represent contractual commitments to make financing and revolving financing. 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 case of a specific event. Guarantees and standby letters of credit carry the same credit risk as financing.

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

Geographical sector

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

2021	Qatar QR'000	Other GCC QR'000	Europe QR'000	North America QR'000	Others QR'000	Total QR'000
Cash and balances with Qatar Central Bank	2,669,960	-	-	-	-	2,669,960
Due from banks	13,208,287	7,477	-	59,249	151,323	13,426,336
Financing assets	37,030,881	-	-	-	-	37,030,881
Investment securities	6,005,972	723,087	-	-	491,088	7,220,147
Investment in associates	205,483	-	-	-	58,489	263,972
Investment properties	612,213	85,239	-	-	-	697,452
Fixed assets	231,371	-	-	-	-	231,371
Intangible assets	42,293	-	-	-	-	42,293
Other assets	209,583	-	-	-	-	209,583
Total assets	60,216,043	815,803	-	59,249	700,900	61,791,995

Liabilities and equity of investment account holders

Liabilities

Due to banks and financial institutions	6,274,639	2,840,375	-	-	806,535	9,921,549
Customers' current accounts	7,393,621	-	-	53	34,514	7,428,188
Sukuk financing	-	-	3,542,822	-	-	3,542,822
Other liabilities	978,945	-	-	-	-	978,945
Total liabilities	14,647,205	2,840,375	3,542,822	53	841,049	21,871,504
Equity of investment account holders	31,173,931	67	-	5,961	37,722	31,217,681
Total liabilities and equity of investment account holders	45,821,136	2,840,442	3,542,822	6,014	878,771	53,089,185

32 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)

2020	Qatar QR'000	Other GCC QR'000	Europe QR'000	North America QR'000	Others QR'000	Total QR'000
Cash and balances with Qatar Central Bank	2,776,420	-	-	-	-	2,776,420
Due from banks	10,342,841	11,909	104,702	36,195	12,434	10,508,081
Financing assets	40,513,776	-	-	-	130	40,513,906
Investment securities	5,181,209	253,252	2	-	417,700	5,852,163
Investment in associates	266,871	-	-	-	78,119	344,990
Investment properties	627,243	97,024	-	-	-	724,267
Fixed assets	242,419	-	-	-	-	242,419
Intangible assets	35,931	-	-	-	-	35,931
Other assets	315,491	-	-	-	-	315,491
Total assets	60,302,201	362,185	104,704	36,195	508,383	61,313,668
Liabilities and equity of investment account holders						
Liabilities						
Due to banks and financial institutions	7,597,972	4,629,966	34,982	-	865,572	13,128,492
Customers' current accounts	7,984,538	-	-	-	667	7,985,205
Sukuk financing	-	-	2,565,602	-	-	2,565,602
Other liabilities	943,609	-	-	-	-	943,609
Total liabilities	16,526,119	4,629,966	2,600,584	-	866,239	24,622,908
Equity of investment account holders	28,343,581	-	6,172	13,390	3,981	28,367,124
Total liabilities and equity of investment account holders	44,869,700	4,629,966	2,606,756	13,390	870,220	52,990,032

33 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to the shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Net profit for the year attributable to the shareholders of the Bank (QR'000)	**1,003,347**	937,708
Less: Profit attributable to Sukuk eligibale as additional capital (note 24)	**(108,256)**	(108,256)
Profit for EPS computation	**895,091**	829,452
Weighted average number of outstanding shares (thousands)	**1,513,687**	1,513,687
Basic and diluted earnings per share (QR)	**0.59**	0.55

The Board of directors approved the dividend payable to Sukuk eligible as additional capital amounting to QR 108 million (December 2020: QR 108 million), these dividends pertain to period ended 31 Decmeber 2020 and approved in FY 2021 and are reduced from Net Profits to arrive at profit for EPS computation.

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

34 CASH AND CASH EQUIVALENTS

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

	2021 QR'000	2020 QR'000
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	**824,104**	1,051,035
Due from banks	**5,360,864**	4,363,937
	6,184,968	5,414,972

The cash reserve with Qatar Central Bank is excluded as it is not used in the day-to-day operations of the Group.

35 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the shareholders who can control or exercise significant influence over the Group, associates of the Group and entities over which the Group and the shareholders (who have the ability to exercise their influence over the Group) exercise significant influence, in addition to directors and executive management of the Group.

The amount outstanding/transactions during the year with members of the Board or the companies in which they have significant interests were as follows:

	2021			2020		
	Associate companies QR'000	**Board of Directors QR'000**	**Sharholders and others QR'000**	Associate Companies QR'000	Board of Directors QR'000	Sharholders and others QR'000
Assets:						
Financing assets	**31**	**594,254**	**3,006,374**	5,800	542,045	3,147,207
Equity of investment account holders	**14,840**	**275,213**	**729,930**	21,754	212,449	662,418
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	**72**	**13,283**	**267,317**	912	7,326	397,630
Consolidated statement of income items:						
Income from financing assets	**279**	**22,015**	**112,205**	391	20,929	132,172
Profit paid on deposits	**411**	**3,726**	**11,010**	477	2,139	6,839
Board remunerations	-	**14,206**	**-**	-	13,394	-

Transactions with key mangement personnel

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

	2021 QR'000	2020 QR'000
Mortgage and other secured financing	**620**	1,258
Credit cards	**242**	124
	862	1,382

Key management personnel compensation for the year comprised:

	2021 QR'000	2020 QR'000
Short-term benefits	**14,209**	13,199
Long-term benefits	**1,318**	862
	15,527	14,061

36 ZAKAH

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

37 SHARI'A SUPERVISORY BOARD

The Shari'a Supervisory Board of the Group consists of 3 scholars who are specialized in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

38 SOCIAL AND SPORTS FUNDS APPROPRIATION

The Group discharges its social responsibilities through donations to charitable causes and organizations when profits are reported. The Group has created provisions during the year of 2021 of QR 25,083 which represents 2.5% (2020: QR 23,443) of net profit as per Law No.13 for year 2008 and explanatory notes issued for year 2010.

39 IMPACT OF COVID-19

The coronavirus ("COVID-19") pandemic has spread across various regions globally, causing disruptions 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 fiscal and stimulus measures across the globe to encounter possible adverse implications.

Business continuity planning

The Group is closely monitoring the situation and taking certain measures to ensure safety and security of the Group staff and assure uninterrupted service to customers. The Group is taking these measures with the objective to maintain services levels, address customer complaints as they may arise, and continiuly meet clients' needs as they would do in normal scenarios.

The Group regularly conducts stress tests to assess the resilience of the statement of position and its capital adequacy. The stress tests are used to consider the Group's risk appetite and to provide insights into financial stability. The Group is closely monitoring the situation and has activated its risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

Impact on Expected Credit Losses

The Group has robust governance in place to ensure the appropriateness of the FAS 30 framework and resultant ECL estimates at all times. Specifically, all aspects of the FAS 30 framework are overseen by an IFRS 9 Committee ("the Committee"). The Committee is chaired by the Chief Risk Officer (CRO) with participation from Chief Financial Officer and the Heads of business divisions as members. The Group, through the Committee, reviews the appropriateness of inputs and methodology for FAS 30 ECL on an ongoing basis.

The Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for ECL measurement in light of available information. Moreover, futuristic PDs based on current and projected economic environment by modelling pessimistic scenarios based on V shaped recovery (V-scenario) and U-shaped recovery (U-scenario). For riskier portfolios, in addition, the Group has analysed the risk of the credit portfolio by focusing on economic sector wise segmentation analysis using both on top-down approach and the Group's own experience. The Group has also revised its forward-looking macro- economic factors which are mentioned in note 5 b (ii).

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.

The Group has 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 observable information. Markets however remain volatile and the recorded amounts remain sensitive to market Fluctuations.

39 IMPACT OF COVID-19 (continued)

Liquidity management

Global stress in the markets brought on by the COVID-19 crisis is being felt by banks through lack of liquidity in foreign funding markets. In this environment, the Group has already taken measures to manage its liquidity carefully. The Group has a robust Liquidity Contingency Plan. The Group's ALCO primary focus has been to ensure liquidity throughout the situation.

Qatar Government issued a package of QR 75 billion to reduce the economic effect of COVID-19. QCB has also lowered its policy rates. QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The benefit arising out of the zero rate repos was not considered to be material.

Further, QCB has encouraged banks to postpone loan instalments and obligations of the private sector up to March 2022.

Further, Government launched a program directed to allocate guarantees which aims at shoring up small and medium businesses and hard-hit sectors, through salaries and rental fees. The Combination of the above measures by QCB and the actions taken by the State of Qatar Government, along with prudent management of the liquidity by the Group will help ensure that the Group is able to meet its clients' banking services requirements effectively and without disruption.

Impairment of associate

During the year, the Group has assessed one of the Associate's financial condition, realisability of assets and ongoing legal disputes during the period on account of periodic review of associates undertaken by the bank. As a result of this review, Management of the Group expects reduction in realisable value of certain assets of the Associate for which the Group has recognised an additional provision of QR 54 million, being its share in the expected reduction in realisable value of assets of the associate, over and above accounting for its share in loss for the period in its income statement.

Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, QCB has encouraged banks in Qatar to delay repayments for affected sectors, via circular issued on 22 March 2020 and subsequent circulars, pursuant to which the Group has delayed repayments of certain SME and Corporate customers. In line with the requirements of the FAS, the Group amortizes the remaining amount of the deferred profit over the remaining period of the financing facilities.