45

45 years old

45 times stronger

Annual Report 2020

His Highness
Sheikh Tamim Bin Hamad Al Thani
Amir of the State of Qatar

His Highness
Sheikh Hamad Bin Khalifa Al Thani
Father Amir

Contents

Rising up to the Challenge

Commercial Bank acted quickly and decisively to the challenge of COVID-19, remaining fully operational and enabling our customers to bank safely, simply and securely under pandemic conditions.

Our innovative, digitally-driven response reflects a strong continuing focus on the Five Cs we implemented in 2016:

- Corporate Earnings Quality
- Client Experience
- Creativity and Innovation
- Culture
- Compliance

Commercial Bank's technological and service innovations have always been driven by human values and customer need. We continued to demonstrate our leadership in digital banking during the pandemic and we are proud to have helped make everyday life safer and easier for our customers.

In 2020, Commercial Bank celebrated its 45th anniversary and by working collaboratively together as 'One Bank, One Team', we have shown that anything is possible even in the most challenging of times.


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البنك التجاري القطري المحدود
THE COMMERCIAL BANK OF QATAR




Commercial bank البنك التجاري
Commercial bank البنك التجاري

45 Years of Success and Innovation

It all started 45 years ago. In 1975, Commercial Bank was founded as a designated 'Bank of Account', providing valuable support as Qatar's first private sector bank.

Ever since, we have evolved into one of Qatar's most successful banks. We have introduced new services and product offerings to Qatar, continued to expand our local, regional and international footprint, innovated and integrated cutting-edge technologies into our systems, and built our brand and client service as leaders in the banking market in Qatar.

Throughout this fascinating history, we have maintained and upheld our identity as a Qatari bank. Commercial Bank has contributed in several aspects to the prosperity and development of the State of Qatar, by introducing brand-new facilities and solutions to the local market, hiring and investing in talented locals and expatriates, as well as supporting the country's national vision and goals. We have been together through it all; we have faced challenges and risen above them. Whether social, political or economic, together as One Bank we have continued to progress.

It all started 45 years ago.

Ever since, we have **evolved** into Qatar's most successful, **innovative**, and digitally-driven bank.

About Commercial Bank

Incorporated in 1974 as the first private bank in the country, Commercial Bank is today one of the leading financial institutions in Qatar with a profitable track record since inception. We continue to play an important role in driving innovation and raising service standards in banking across the region through our investment in new technology, a clear focus on customers and prudent management.

Our country-wide network includes 28 full-service branches and 172 ATMs, and we also own and operate the exclusive 'Diners Club' franchise in Qatar and Turkey. We are listed on the Qatar Exchange and were the first Qatari bank to list its Global Depository Receipts on the London Stock Exchange. Commercial Bank's bonds issuances are listed on the Irish Stock Exchange and the Swiss Exchange (SIX).

Expanding its geographical footprint, Commercial Bank is 100% owner of Alternatif Bank in Turkey and has strategic partnerships with the National Bank of Oman (S.A.O.G.) and United Arab Bank (P.J.S.C.).

These strategic alliances enable Commercial Bank to offer integrated services across the region, including cross-border services for corporate banking and capital markets, trade services for corporate banking customers, private banking services and syndicated loans in our alliance markets.

Our continual investment in technology and people, together with our strong capital base, provides a solid foundation for further growth. Commercial Bank has a robust financial position, with total assets of QAR 153.6 billion as at 31 December 2020 and a capital adequacy ratio of 17.8%. The Bank enjoys strong credit ratings of (A3) from Moody's, (A) from Fitch, and (BBB+) from Standard & Poor's.

True to our pioneering origins and history of success, we are dedicated to supporting Qatar's economic development and social infrastructure through Corporate Social Responsibility programmes and sponsorship of various events which help to raise Qatar's profile internationally.

Our business segments

Wholesale Banking Provides a range of conventional commercial and investment banking services and products to large, medium and small enterprises, including corporate lending, trade finance, syndicated loans, deposits, letter of credit and guarantees.

Retail Banking Provides a full suite of conventional retail banking services and products to retail customers in Qatar, including current and deposit accounts, wealth management, mortgage lending, personal and vehicle loans and credit card and other card services.

Subsidiaries

Alternatif Bank A fully owned subsidiary in Turkey that operates through a network of 44 branches.

Commercial Bank Financial Services LLC A fully owned subsidiary that provides direct access to the Qatar Exchange, online trading and brokerage services.

Orient 1 Limited A fully owned subsidiary incorporated in Bermuda that owns an exclusive 'Diners Club' franchise in Turkey.

CBQ Finance Limited A fully owned subsidiary incorporated in Bermuda and organised as a special purpose entity established to raise capital for Commercial Bank by issue of debt instruments.

CB Global Trading Limited A fully owned subsidiary incorporated in Cayman Islands, an issuing vehicle for derivatives.

CB Innovation Services L.L.C. A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority providing the Bank with Operations management services.

CB Asset Management L.L.C. A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority established to provide asset management services.

CB Real Estate Properties L.L.C. A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority providing the Bank with advisory services in relation to property.

CB Leasing Company L.L.C. A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority that leases and subleases properties in Qatar.

Associates

National Bank of Oman (S.A.O.G.) An associate entity that operates through 60 conventional branches and 6 Islamic branches in Oman, and one branch each in Egypt, Abu Dhabi and Dubai.

United Arab Bank (P.J.S.C.) An associate entity that operates through 7 conventional branches in the United Arab Emirates.

Massoun Insurance Services L.L.C. A joint arrangement entity that provides tailored corporate and personal insurance products to the Bank's customers.

Business at a Glance

Our voyages

1974 Commercial Bank is incorporated as Qatar's first private sector bank

1975 The Bank begins operations under a management services contract with Chase Manhattan Bank

1981 The contract with Chase Manhattan Bank officially ends and Commercial Bank is fully independent

1987 A new Commercial Bank 1987 head office opens on Grand Hamad Street

1990 ATMs are introduced in Qatar by Commercial Bank

1991 Commercial Bank acquires the Diners Club franchise for Qatar

1992 Point-of-sale machines are introduced in Qatar by Commercial Bank

1997 A dedicated Customer Call Centre is established

2005 Commercial Bank forms a strategic alliance with National Bank of Oman

2006 Commercial Bank signs an agreement to become the Title Sponsor for the Qatar Masters Golf Tournament

2008 First Qatari bank to list GDRs on the London Stock Exchange

2009 Commercial Bank Plaza, the new headquarters of Commercial Bank, is opened on 13 May 2009 by H E Sheikh Hamad bin Jassim bin Jaber Al-Thani, Prime Minister and Minister for Foreign Affairs of Qatar

2011 Incorporates Commercial Bank Investment Services (re-branded to become Commercial Bank Financial Services)

2013 Commercial Bank acquires 74.24% shareholding in Alternatif Bank in Turkey

2015 Commercial Bank celebrates its 40th anniversary milestone as Qatar's first private bank

2016 Commercial Bank signs a debut USD 166 million 3-year Ninja loan facility – the first Ninja loan for a GCC financial institution Commercial Bank successfully completes the acquisition of the remaining 25% shareholding in Alternatif Bank

2017 Commercial Bank incorporates CB Innovation Services LLC, a management operation services captive entity that has successfully on-shored previously outsourced activities

2018 Commercial Bank receives 'Best Bank in Qatar' award from Global Finance, 'Best Remittance Service' and 'Best Cash Management Bank' in the Middle East from The Asian Banker

2019 Commercial Bank embraces a new era of digitization by launching 'CB Fawri', 'CB Wallet', and 'SWIFT GPI'. Commercial Bank successfully upgrades its Mobile App and widens its digital infrastructure

2020 Commercial Bank launches a number of digital firsts such as CB Household Worker PayCard; CB Smart Payroll; CB Pay; and CB Pay for Merchants. The Bank also receives more than 12 prestigious awards from international and regional awarding bodies and shines in innovation and digital banking

Throughout our **history**, we have maintained and **upheld** our identity as a Qatari Bank.

Forward Looking Statements

Net Profit	Earnings per Share	Loans and Advances	Customer Deposits	Total Assets
QAR 1,301 million	QAR 0.27	QAR 96.7 bn	QAR 75.8 bn	QAR 153.6 bn

This document contains certain forward-looking statements with respect to certain plans and current goals and expectations of Commercial Bank and its associated companies relating to their future financial condition and performance.

These forward-looking statements do not relate only to historical or current facts. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including a number of factors which are beyond Commercial Bank's control.

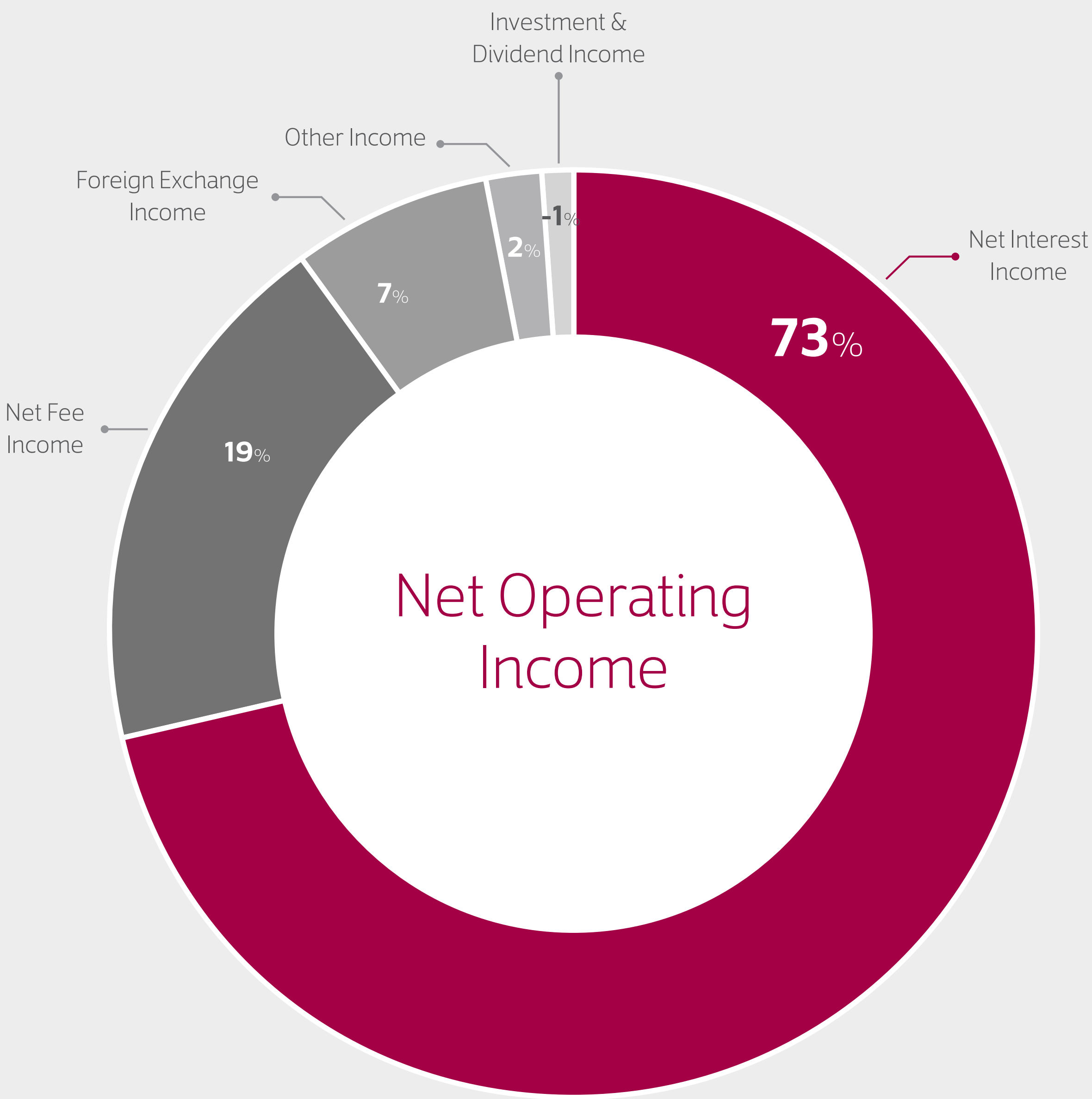
As a result, Commercial Bank's actual future results may differ materially from the plans, goals and expectations set forth in Commercial Bank's forward-looking statements.

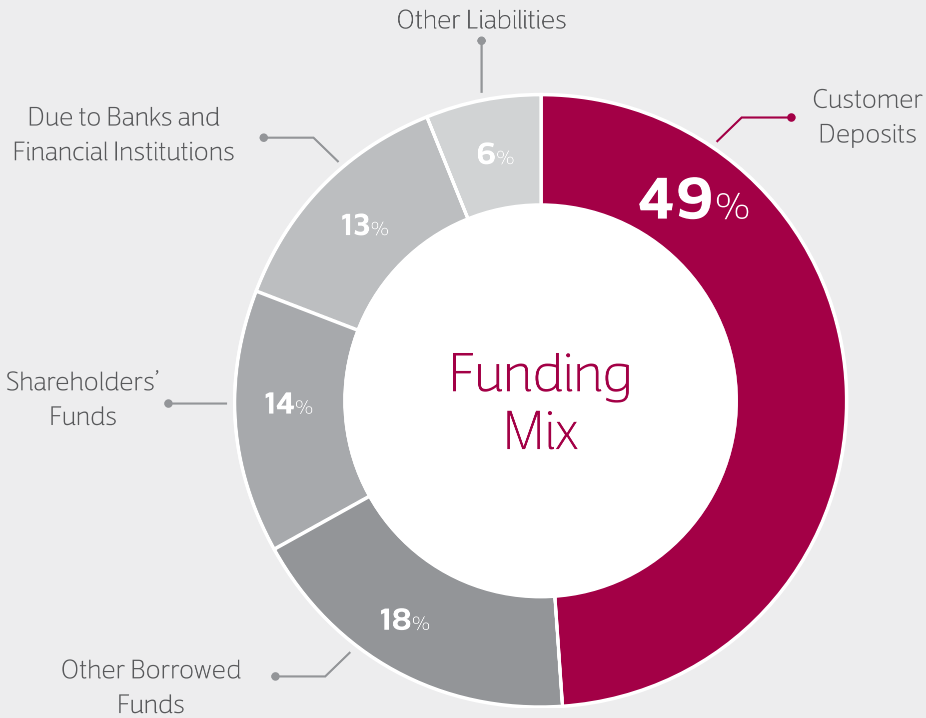
Any forward-looking statements made by or on behalf of Commercial Bank are made in the context of the time of publication of this report. Commercial Bank does not undertake to update forward looking statements to reflect any changes in Commercial Bank's expectations with regard to any changes in events, conditions or circumstances on which any such statement is based.

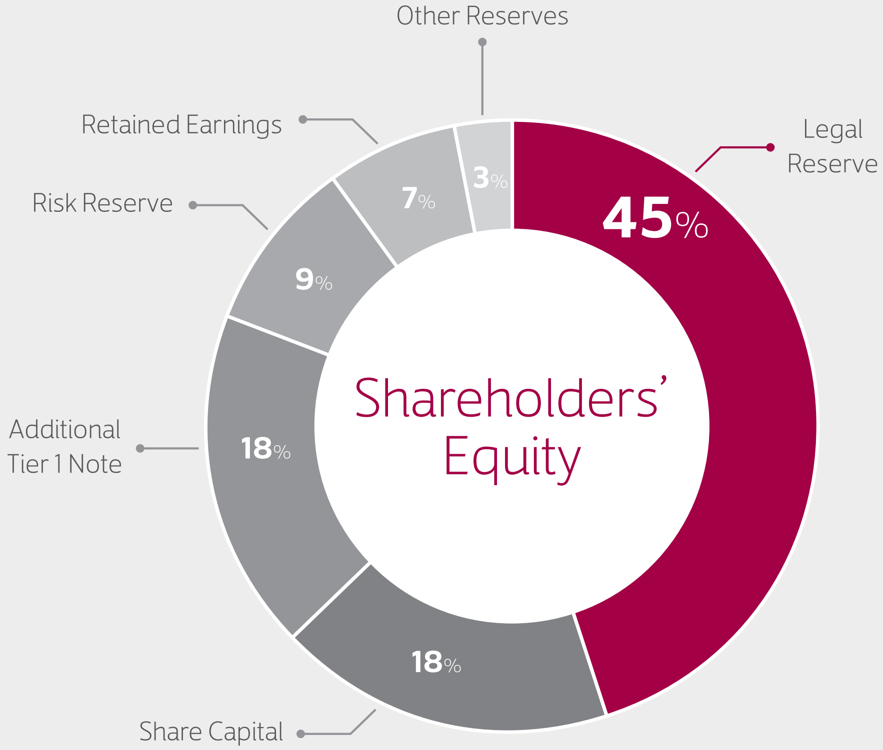
The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation, or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice, or recommendation with respect to such securities or other financial instruments.

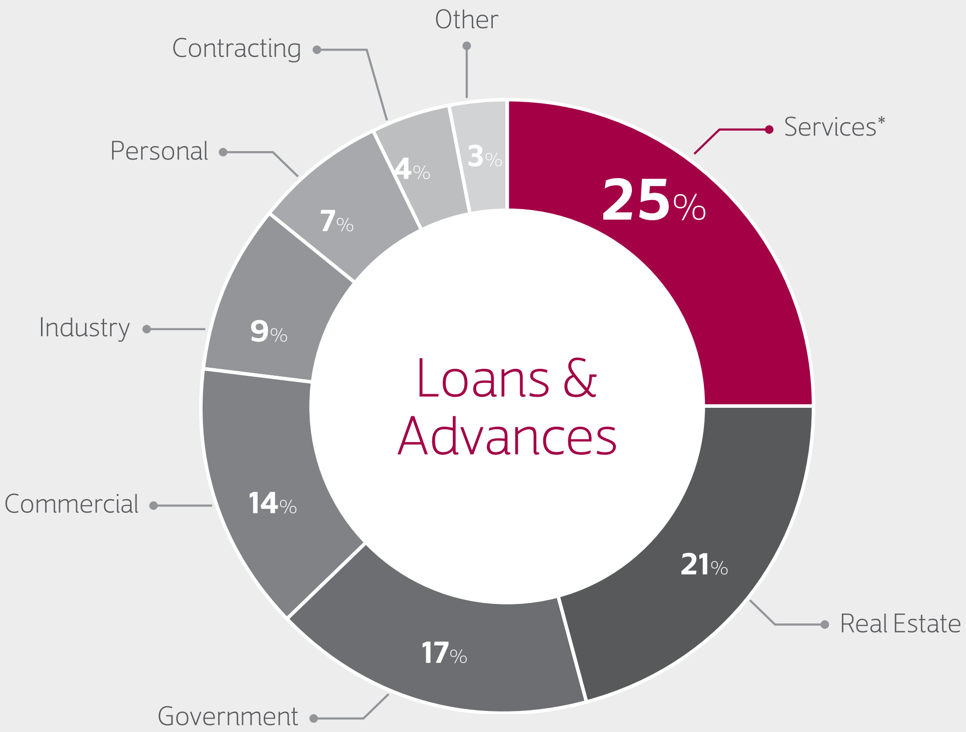
NET PROFIT (QAR MILLION)

1,301

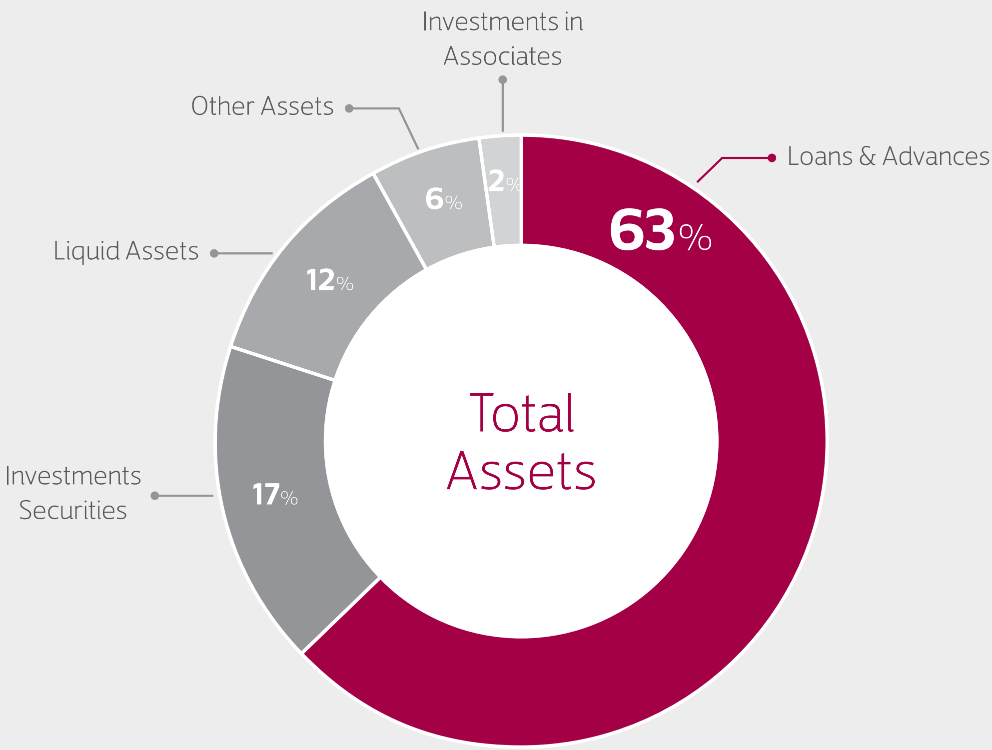

Investment &
Dividend Income
Other Income
Foreign Exchange
Income
Net Interest
Income
Net Fee
Income
73%
19%
7%
2%
-1%
Net Operating
Income


Funding Mix
Other Liabilities
6%
Customer Deposits
49%
Due to Banks and Financial Institutions
13%
Shareholders' Funds
14%
Other Borrowed Funds
18%


Shareholders' Equity
Other Reserves
3%
Legal Reserve
45%
Retained Earnings
7%
Risk Reserve
9%
Additional Tier 1 Note
18%
Share Capital
18%



*includes Non-banking financial institutions



Financial Highlights

In QAR million, except per share amounts and as stated otherwise	**2020**	2019	2018	2017	2016
Net interest income	**3,100**	2,963	2,482	2,518	2,341
Net operating income	**4,237**	4,347	3,508	3,529	3,578
Net profit	**1,301**	2,021	1,674	604	501
Total assets	**153,606**	147,536	134,928	138,449	130,380
Lending to customers	**96,698**	88,009	84,642	89,122	77,798
Basic/diluted earnings per share in QAR*	**0.27**	0.44	0.35	0.09	0.08
Dividends declared per ordinary share including bonus shares in QAR*	**0.10**	0.20	0.15	0.10	0.05
Closing market price per ordinary share in QAR (at year end)*	**4.40**	4.70	3.94	2.89	3.25
Book value per ordinary share in QAR*	**5.48**	5.38	4.91	5.19	5.91
Long-term debt (at year end)	**27,233**	21,568	24,451	20,908	22,495
Shareholders' equity (at year end)	**22,170**	21,756	19,856	21,022	19,301
Return on average shareholders' equity	**5.9%**	9.7%	8.2%	3.0%	2.7%
Return on average assets	**0.9%**	1.4%	1.2%	0.5%	0.4%
Capital adequacy ratio	**17.8%**	16.4%	15.5%	16.1%	15.2%
Full-time employees (at year end)	**2,304**	2,320	2,270	2,251	2,138

* 2016-2018 restated to reflect share split from QAR 10 to QAR 1 as per QFMA regulations

Key Highlights

▼35.6%

NET PROFIT OF
QAR 1,301.2 MILLION,
DOWN BY 35.6%

▼2.5%

OPERATING INCOME OF
QAR 4,237.1 MILLION, DOWN BY 2.5%
(however, up by 9.9% on normalized basis)

Other key financial highlights

- Operating profit of QAR 3,140.8 million, up by 0.7% (+14.1% on normalized basis).
- Cost to income ratio of 25.9% (normalized 26.0%), reduced from 28.3% (normalized 28.7%).
- Strong capital adequacy ratio of 17.8% compared to 16.4% in 2019.
- Gross loan provisions of QAR 1,236.4 million, up by 51.6% primarily due to COVID-19 related model increases in ECL. This was offset by recoveries resulting in net provisions on loans and advances to customers at QAR 836.4 million, up by 40.7%.
- Total assets of QAR 153.6 billion, up by 4.1%.
- Customer loans and advances of QAR 96.7 billion, up by 9.9%.
- Successfully launched a senior unsecured five-year bond for USD 500 million. The issuance was oversubscribed 3.8 times and had one of the lowest prices by a Qatari FI issuer on a public transaction.
- Best Cash Management and Transaction Bank in Qatar for 2020 from the "Asian Banker".
- Social Responsibility Award from "Arab Media Forum".
- Best Performing Bank in Qatar for 2020 from "The Banker".
- Most Innovative Digital Bank and Best Mobile Banking Application for 2020 from "International Finance Magazine".
- Excellence in Leadership in the Middle East award for 2020 from "Euromoney".
- Best Retail Bank in Qatar award for the fourth year in a row and the Best Digital Deposit Product in Asia Pacific, Middle East and Africa for 2020 from "The Asian Banker".

Today, we take pride in leading the **digital era** in Qatar and guiding our customers on their **life journey**.

CBQ Mobile App

Chairman's Message

Abdulla Bin Ali Bin Jabor Al Thani
Chairman

On behalf of the Board of Directors, I am pleased to present Commercial Bank's Annual Report for the year ended on 31 December 2020.

2020 was dominated by the COVID-19 pandemic, which has infected millions of people around the world and caused economic and social disruption in every nation. At the global level, COVID-19 has inflicted a major recession, with the IMF forecasting global growth to be -4.4%. However, the impact of COVID-19 has been far from equal across different countries. Due to strong leadership and decisive action on both health and the economy, Qatar has thankfully been less affected by COVID-19 than other parts of the world.

Qatar reacted quickly to the pandemic and took effective steps to control the spread of infection. As a result of preventative measures, health policies and long-term investment, Qatar's health system has proven its reliability in dealing with the pandemic and ensured the wellbeing of citizens and residents. The government also intervened to support the economy, with the Qatar

Central Bank declaring a QAR 75 billion stimulus package for the private sector.

Qatar's strong economic fundamentals and financial buffers have been able to withstand the twin shocks of low energy prices and COVID-19. This resilience has been recognized by the major rating agencies and Qatar has maintained strong sovereign ratings of Aa3, AA- and AA- from Moody's, S&P and Fitch respectively. Qatar's Planning and Statistics Authority expects the country's GDP growth to be around -2.6% for 2020 but the economy is forecast to rebound in 2021 to 2022 with an average GDP growth rate of 1.85%.

Qatar's budget deficit in the first half of the year was lower than early projections due to the rationalisation of government spending and increased public sector efficiency. Despite budget cuts, the government continues to concentrate spending on health, education, and major infrastructure projects which gives us confidence in the immediate years ahead. Qatar remains the world's leading LNG exporter and expansion of development in the North Field will help to secure Qatar's economic future in combination with diversification efforts.

Commercial Bank has a clear five-year strategic plan initiated in 2016 to transform the Bank. Within that plan, key areas have been strengthening our risk culture, increasing our capital, reducing our cost to income ratio and continuing to build the Bank's 45-year-old franchise in terms of new technology and innovation. Actions taken under this strategic plan enabled Commercial Bank to respond effectively to COVID-19, remaining fully operational while protecting the health and safety of our staff and customers.

As a leading Qatari bank, Commercial Bank recognizes our responsibilities towards supporting our customers and the economy following COVID-19. Banks are key enablers for the government's economic stimulus measures and Commercial Bank is one of the largest providers of loans to SMEs and sectors particularly affected by COVID-19 under the National Response Guarantee Programme. This Programme is guaranteed by the Qatar Development Bank and allows loans to be taken by companies for rental and wage payments. Working in collaboration with the Qatar Central Bank, which acted as the apex controlling institution, we have deferred principal and interest payments for a number of months for customers in affected sectors such as hospitality, tourism, and retail, together with fee removals and reductions on remittances and other transaction fees.

On behalf of the Board of Directors, I would like to express our thankfulness and gratitude for the visionary leadership of His Highness The Amir Sheikh Tamim Bin Hamad Al Thani. Under the leadership of His Highness, Qatar has experienced far less adverse impacts as a result of COVID-19 compared to other countries and continued to achieve its objectives in accordance with the Qatar National Vision 2030. Commercial Bank is fully aligned with, and contributes towards Qatar's national development objectives. I also want to convey our appreciation for the guidance and support we have received from His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, His Excellency the Minister of Commerce and Industry, and His Excellency the Governor of Qatar Central Bank.

Progress in reshaping our business under our five-year strategic plan has delivered strong revenue momentum despite the pandemic. Commercial Bank, its subsidiaries and associates announced its financial results for the full year ended on 31 December 2020, and the Board of Directors has recommended, for approval at the Annual General Assembly on 10 March 2021, a cash dividend payout of QAR 0.1 per share. I would like to thank the Board of Directors for its continued guidance, our employees for their hard work, our customers for their loyalty, and our shareholders for their support.

2020 has been an unusual year due to COVID-19 but the pandemic has strengthened our belief in our five-year strategic plan and we are optimistic about 2021 as we continue on our transformation journey.

Abdulla Bin Ali Bin Jabor Al Thani
Chairman

Board of Directors









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1. **Sheikh Abdulla Bin Ali bin Jabor Al Thani**
   Chairman
2. **Mr. Hussain Ibrahim Alfardan**
   Vice Chairman
   (Representing Alfardan Investment Company)
3. **HE Mr. Abdul Rahman Bin Hamad Al Attiyah**
   Member
4. **Mr. Omar Hussain Alfardan**
   Managing Director
5. **HE Mr. Bader Omar Al Dafa**
   Member
6. **Sheikh Faisal Bin Fahad bin Jassim Al Thani**
   Member
7. **Mr. Mohd Ismail Mandani Al Emadi**
   Member
8. **HE Mr. Khalaf Ahmed Al Mannai**
   Member
   (Representing Qatar Insurance Company)
9. **HE Mr. Saleh Abdulla Mohamed Al Ibrahim Al Mannai**
   Member

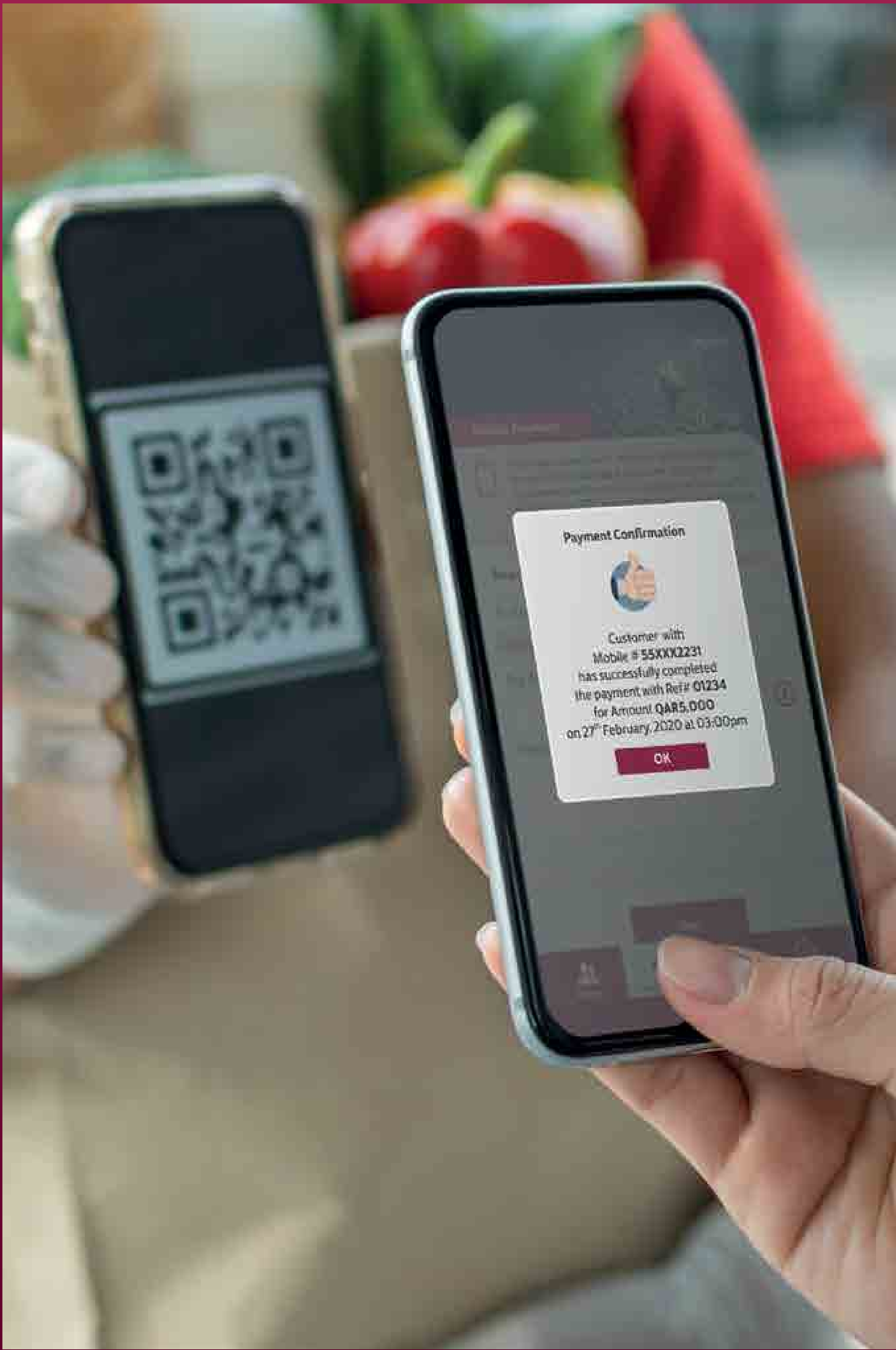
From launching the first

contactless payment

to the first mobile wallet in Qatar,

we innovate and strive towards

digital and **banking excellence**.



CBPay Merchants App

Vice Chairman's Message

Mr. Hussain Ibrahim Alfardan
Vice Chairman

In 2020, Commercial Bank affirmed its role as a source of stability against the disruption caused by COVID-19 and continued to support its customers and the Qatari community. Thanks to our five-year strategic plan and the investment we have made in our business over the past four years, Commercial Bank demonstrated resilience at the business and operating level in challenging market conditions.

Operating profit was stable despite reduced commercial activity and the Bank's participation in COVID-19 related economic stimulus schemes with concessionary interest rates and payment deferrals. The Bank delivered a consolidated operating profit of QAR 3.1 billion up by 0.7% (+14.1% on normalized basis) compared to the previous year. Consolidated net profit declined 35.6% to QAR 1.3 billion, impacted by impairments to our associate UAB and increased provisioning due to the COVID-19 pandemic, as well as difficult market conditions in Turkey which impacted Alternatif Bank. Domestically, the Bank reported a net profit of QAR 2.1 billion, representing a 20.4% decrease over the same period last year.

Despite the low interest rate environment, consolidated net interest income for 2020 increased by 4.6% to QAR 3.1 billion compared to the same period last year. Adjusting for the impact of IFRS 2, net interest income increased 17.7%. The improvement was driven by the effective management of our cost of funding to ensure that our cost of deposits declined faster than our asset yields. Operating income for 2020 was QAR 4.2 billion compared with QAR 4.3 billion (normalized QAR 3.9 billion) in the previous year, impacted by a reduction in total fees and other income due to lower spends on credit cards as a result of reduced international travel.

Our strategic focus on Transaction Banking and fee-based services such as remittances, cash management and wealth management support sustainable growth in the long-term as it builds fee income that is not purely based on lending. Total fees and other income declined 17.8% to QAR 1.1 billion (-6.8% on normalized basis) in 2020 compared to the previous year due to reduced card spending related to COVID-19 and a reduction in investment income as a result of unprecedented volatility in the global markets. The decline in investment income was partially offset by gains in FX and trading income as our remittance and trade services continued to expand.

Supported by the success of Transaction Banking and cash management services, consolidated low-cost deposits grew 24.8% in 2020, contributing to an improvement in NIMs. Group customer deposits decreased to QAR 75.8 billion, marginally down by 0.7% compared to the previous year. Group loans and advances were QAR 96.7 billion at the end of 2020, up 9.9% compared to the previous year supported by strong services, commercial and public sector borrowings. Under the five-year strategic plan, our strategic intent is to de-risk and re-shape our balance sheet. In terms of re-shaping, the Bank's exposure to government and public sector loans increased by 14.9% in 2020.

Net provisioning in 2020 increased 40.7% compared to the previous year, in addition to strong recoveries, reflecting our prudent approach of factoring in the impact of COVID-19 into our ECL models. With increased COVID-19 model impacts, cost of risk was 95bps higher than the previous year of 68bps. Our NPL ratio improved to 4.3% in 2020 compared to 4.9% in the previous year due to resolution of certain cases.

In line with our strategy to drive operational efficiencies across the business through investment in digitization and eliminating waste, the Bank's cost to income ratio improved to 25.9% (26.0% on normalized basis) in 2020 from 28.3% (28.7% on normalized basis) in the previous year.

Our subsidiary Alternatif Bank's performance in 2020 was impacted by the softening of the Turkish economy and an 18.5% depreciation of the Turkish lira during the period. Despite these challenges, Alternatif Bank reported a profit of QAR 57.5 million during the year supported by a 11.0% improvement in operating expenses as the bank focused on driving efficiency. The impact from our share of associates in 2020 was negative as we recorded an impairment in the carrying value of UAB in line with our guidance to bring the book value of the asset closer to its fair value.

On behalf of the Board of Directors, I would like to convey our sincere gratitude for the visionary and gracious leadership of His Highness The Amir, His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, His Excellency the Minister of Commerce and Industry, and His Excellency the Governor of the Qatar Central Bank for their wisdom in guidance and support, which we continue to greatly appreciate.

Mr. Hussain Ibrahim Alfardan
Vice Chairman

Group Chief Executive Officer's Message

Joseph Abraham
Group Chief Executive Officer

The arrival of COVID-19 in 2020 has affected everyone's lives and caused dramatic changes to the way we work, bank, socialize and travel. For Commercial Bank, the pandemic has presented both a challenge and an opportunity to demonstrate resilience and provide our clients with world-class banking services, particularly in the digital field.

Our five-year strategic plan is based on the 5 Cs of Commercial Bank: Corporate earnings quality; Client experience; Creativity and innovation (Digital Creativity); Culture; and Compliance, together with a focus on best-in-class Transaction Banking. 2020 marked the fourth full year of strong execution our strategic plan, with all elements being even more relevant today as a result of the pandemic. The actions we have taken to execute against the 5 Cs over the last four years have laid the essential foundations that have made Commercial Bank resilient to the shock of COVID-19 and given us the ability to quickly adapt, positioning us well for the future.

Corporate earnings quality showed some effects of COVID-19 in 2020 but at the same time resilience. We continued to conservatively provision and take impairments for our associates but our strong risk culture and work to clean up our legacy loan book has limited some of the impacts of the pandemic. We have reshaped and diversified our loan book by proactively exiting high risk names, decreased our concentration in real estate and increased our share of high-quality government and public sector loans. We increased our capital to 12.2% to exceed our CET1 target range of 11-11.5% a year early and we continued to improve our cost to income ratio, moving down from the highest in the market four years ago at 45% to 25.9%, much closer to the market average. Costs have been reduced by cutting out waste and unproductive parts of the business, while we have continued to invest significantly in our people, processes, technology, brand and premises.

This investment over four years means that we are well placed to capture the changes in customer behaviour that have been accelerated by COVID-19. The pandemic has fundamentally shifted the way we interact with our customers, with more and more Transaction Banking performed digitally through internet, mobile and self-service channels. Digital is a core part of our 5 Cs and continued investment under our strategic plan means that that we have the right capabilities to be successful in our new world where Client experience, Creativity, innovation, digital and technology all mix together.

Our collaborative "One Bank" culture is one of our strengths and this was demonstrated in 2020 with teams across Commercial Bank working together to maintain full banking operations during the pandemic and by rapidly executing large, complex cross-departmental projects. Compliance continues to be a key focus area for the Bank under our strategic plan and we made good progress in 2020.

Commercial Bank's achievements in 2020 have been recognised by a number a publications and industry bodies and we have received several awards including many repeat awards: "Excellence in Leadership in the Middle East" for our swift and innovative response to the pandemic that ensured business continuity while continuing to support customers and staff to protect their health and safety; "Best Digital Bank in Qatar"; "Most Innovative Digital Bank"; "Best Cash Management Bank in Qatar"; and "Best Retail Bank in Qatar." These awards are testament to all our staff in Commercial Bank and our subsidiary and associates for their hard work and dedication during this unusual and unique year.

In support of our customers and Qatar's economy, we are one of the largest providers of loans to SMEs and sectors particularly affected by COVID-19 under Qatar Development Bank's National Response Guarantee Programme, and we have implemented further stimulus measures in collaboration with the Qatar Central Bank, such as loan postponements and concessionary interest rates for SMEs and corporates in affected sectors, together with fee removals and reductions on other transaction fees.

Today we are more integrated with our subsidiary and associates than at the start of our five-year plan and we will continue to deepen our collaboration with our subsidiary Alternatif Bank in Turkey and our associates National Bank of Oman and United Arab Bank. Alternatif Bank has a good management team and despite a softening of the Turkish economy and the depreciation of the Turkish lira, delivered positive returns and reported a net profit of QAR 57.5 million. National Bank of Oman was impacted by the economic climate and we took an impairment on the carrying value of United Arab Bank in line with our prudent approach, meaning the overall impact from our share of associates during 2020 was negative.

Our five-year strategic plan and the investment we have made in our business have given us the capabilities and confidence to meet the challenges of COVID-19. Building on this foundation, the continued support and guidance of our Board and the commitment of our staff working together across the whole Bank means that we will end 2020 in a strong position and we are well positioned for a resumption of growth in 2021.

Joseph Abraham
Group Chief Executive Officer

We have been **together** through it all. We have faced **challenges** and **risen** above them.

Management Review of Operations

Financial Results

In 2020, Commercial Bank delivered a net profit of QAR 1,301 million, a decrease of 35.6% compared to the QAR 2,021 million achieved in 2019.

Loans and advances to customers increased by 9.9% to QAR 96.7 billion at 31 December 2020, compared with QAR 88.0 billion in 2019. The increase was mainly in the commercial and government public sectors.

Our deposits decreased by 0.7%, to QAR 75.8 billion at 31 December 2020 compared with QAR 76.3 billion in 2019, the decrease is mainly in time deposits however, current and savings deposits have increased by 24.8% due to the various cash management initiatives and digital products that the bank offers.

Investment securities decreased by 4.0% to QAR 25.8 billion as at 31 December 2020 compared with QAR 26.8 billion at the end of December 2019. The decrease is mainly due to maturities in Government bonds.

Financial Results (QAR million)	2020	2019
Net interest income	**3,100**	2,963
Non-interest income	**1,137**	1,384
Net operating income	**4,237**	4,347
Operating expenses	**(1,096)**	(1,228)
Impairment on loans & financial assets	**(1,024)**	(654)
Impairment on Associate	**(591)**	(414)
Share of results of associates	**(210)**	(7)
Income tax expense	**(15)**	(23)
Net profit for the year	**1,301**	2,021

Operating Expenses (QAR million)	2020	2019
Staff costs	**633**	796
General and administrative expenses	**264**	227
Depreciation and amortization	**199**	205
Total operating expenses	**1,096**	1,228

Rehan Khan
EGM, Chief Financial Officer

Net Operating Income

Commercial Bank's net operating income reached QAR 4,237 million for the year ended 31 December 2020, a decrease of 2.5% compared with QAR 4,347 million achieved in 2019. Net operating income for the Bank in Qatar increased by 1.5% to QAR 3,804 million compared to the same period in 2019.

Net interest income for the group increased by 4.6% to QAR 3,100 for the year ended 31 December 2020 compared with QAR 2,963 in 2019. On normalized basis, net interest margin increased to 2.4% for the year ended 31 December 2020 compared to 2.3% (reported 2.5%) achieved in the same period in 2019. Although asset yields have reduced, the increase in margins is mainly due to proactive management of the cost of funding.

Non-interest income decreased by 17.8% to QAR 1,137 million for the year ended 31 December 2020 compared with QAR 1,384 million in 2019. The overall decrease in non-interest income was mainly due to an adverse unrealized mark to market movement in investment and trading income as a result of the unprecedented volatility in the global markets in H1 2020.

Operating Expenses
Total operating expenses decreased at a group level by 10.7% to QAR 1,096 million for the year ended 31 December 2020 compared with QAR 1,228 million in 2019. The decrease was primarily driven by our continued productivity enhancements.

Provisions for Impairment Losses
Provisions for loans and advances for the group increased by 40.7% to QAR 836 million for the year ended 31 December 2020, compared to QAR 594 million provided in 2019. The non-performing loan ratio decreased to 4.3% in December 2020 compared to 4.9% in 2019, the loan coverage ratio increased to 101.6% as at December 2020 compared to 82.1% in December 2019.

The bank sets aside a risk reserve against its lending as part of shareholders' equity. At 31 December 2020, the risk reserve was QAR 2,037 million.

In addition, the group impaired its associate United Arab Bank by QAR 591 million in 2020.

Total Assets and Funding
Commercial Bank balance sheet increased by 4.1% in 2020, with total assets at QAR 153.6 billion compared to QAR 147.5 billion in 2019.

Balance sheet increase was driven by QAR 8.7 billion increase in loans and advances, and partially offset by decrease of QAR 1.1 billion in investment securities and a decrease of QAR 2.0 billion in due from banks.

Customers' deposits slightly decreased by 0.7% to QAR 75.8 billion at 31 December 2020, compared with QAR 76.3 billion in 2019, a decrease of QAR 0.5 billion. Low-cost deposits grew by 24.8% in 2020, contributing to the improvement in NIMs.

Capital
Commercial Bank's capital position remains strong, the capital adequacy ratio increased to 17.8% as at 31 December 2020 compared to 16.4% at the end of 2019. The capital adequacy ratio is above the Qatar Central Bank's required minimum level of 14.0%.

Subsidiaries

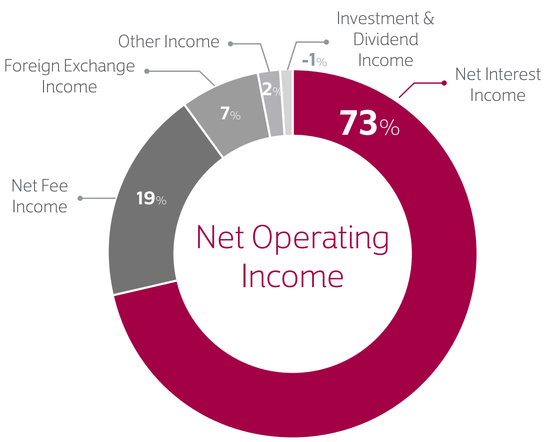
Alternatif Bank
Alternatif Bank delivered a net profit of TL 58 million for the year ended 31 December 2020, with total assets of TL 36.9 billion and lending of TL 23.6 billion.

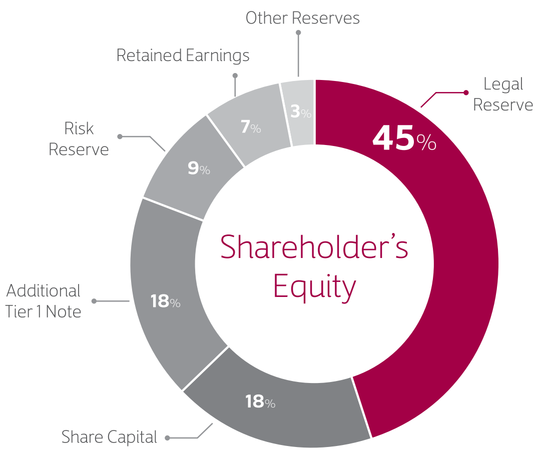
Alternatif Bank provides its customers in the corporate, commercial and retail banking segments with high value products, services and solutions. Alternatif Bank has 44 branches widely distributed around Turkey. In 2020, Alternatif Bank continued to work closely with its counterparts in Commercial Bank to implement best international practice and continue to realise synergies.

Commercial Bank Financial Services (L.L.C.)
Commercial Bank Financial Services (CBFS) is a fully owned subsidiary of Commercial Bank. CBFS provides direct access to the Qatar Exchange and offers seamless online trading capabilities for individuals, institutions, corporate and foreign counterparties. In addition to its electronic trading platform, CBFS is also licensed by Qatar Financial Markets Authority to act as Liquidity Provider for certain securities at Qatar Exchange. In 2020, CBFS delivered a net profit of QAR 10.7 million.

Orient 1 Limited
A fully owned subsidiary that owns and manages an exclusive Diners Club franchise in Turkey.

CBQ Finance Limited
A fully owned subsidiary incorporated in Bermuda and organised as a special purpose entity established to raise capital for Commercial Bank by issue of debt instruments.





Management Review of Operations continued

CB Global Trading Limited
A fully owned subsidiary incorporated in Cayman Islands, an intermediary vehicle for Derivatives.

CB Innovation Services (L.L.C.)
A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority providing the Bank with operations management services.

CB Asset Management L.L.C.
A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority established to provide asset management services.

CB Real Estate Properties L.L.C.
A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority providing the Bank with advisory services in relation to property.

CB Leasing Company L.L.C.
A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority that leases and subleases properties in Qatar.

Associates

National Bank of Oman (S.A.O.G.)
National Bank of Oman (NBO) achieved net profit of OMR 18 million, compared with OMR 51 million in 2019. Operating income decreased to OMR 117 million, compared with OMR 128 million in 2019.

During 2020, NBO loans and advances increased by 3.1% to OMR 2.9 billion.

United Arab Bank (P.J.S.C.)
We have taken a goodwill charge of QAR 591 million for United Arab Bank in 2020 and continuously working to ensure that UAB achieves improved results through implementation of a new strategic plan.

Massoun Insurance Services (L.L.C.)
Massoun Insurance Services is a Qatari incorporated joint venture company between Commercial Bank and Qatar Insurance Company. The company provides a range of insurance products which have been tailored to meet the specific needs of the Bank's retail and corporate customers.

Raju Buddhiraju
EGM, Wholesale Banking

Wholesale Banking

Commercial Bank's Wholesale Banking department offers a comprehensive range of financial services to corporate businesses in Qatar, international companies trading or implementing projects in Qatar, and corporate relationships across the Bank's strategic markets in Turkey, the GCC and other target geographies with high-growth potentials. These services include commercial banking, treasury, investment banking, cash management, trade, transaction banking, corporate finance and advisory services across different industries.

Wholesale Banking comprises Domestic Corporate Banking and Transaction Banking, and has strong and longstanding banking relationships with leading Qatari businesses, nurtured over the years through excellent customer service, tailored financial solutions, and the application of innovative technologies.

Business performance
In 2020, Wholesale Banking's business represented the growth of most of the Bank's total loan book and generated over half of the Bank's total revenues. In line with the Bank's five-year strategic plan, Wholesale Banking proactively initiated several new measures, such as:

- Growing the balance sheet in line with the market, primarily within the government and public sector;

- Strategically re-shaping the composition of the balance sheet to reflect the market;
- Proactively de-risking the balance sheet for sustainable growth;
- Building a strong pipeline of the right customers, with the right risk profile and the right quality of assets;
- Focusing on Transaction Banking;
- Diversifying revenue streams;
- Working closely with Alliance banks.

Growing the government and public sector balance sheet

Asset growth in the government and public sector balance sheet during 2020 was over 25%. The growth of this sector in Commercial Bank's book is estimated to be significantly faster than the market growth. We have identified more than 35 new public sector customers to focus on, targeting cash management, FX opportunities, and trade facilities apart from lending.

Re-shaping Wholesale Banking's balance sheet

The composition of the balance sheet has been reshaped in two key areas to reflect stresses in the market and to ensure a quality mix of assets, which are:

- Growth of government and public sector lending from 21% of Wholesale Banking's portfolio in YTD 2019 to 29% in YTD 2020;
- Rationalisation of real estate exposure with a significant reduction in Wholesale Banking portfolio in line with bank's Strategic plan.

Growth of government and public sector Lending and rationalisation of real estate exposure remains a strategic aim, with a five-year target of 21% and 25% composition of the Wholesale Banking book respectively.

De-risking selected exposures

As part of prudent risk management, Wholesale Banking identified certain clients with exposure to be either partially or fully reduced to ensure Commercial Bank does not have very large exposure towards any client. In 2020, the total amount of intentionally de-risked assets was more than QAR 1.45 billion, with an additional de-risking of over QAR 1.0 billion by 2021, for an optimized balance sheet containing high-quality customers and assets.

Growth and strong lending pipeline

Wholesale Banking's lending book grew by approximately 11% in 2020, most of it in the Public Sector segment. Wholesale Banking's focus in 2020 was to grow its lending book with the right risk profile and the right quality, in conjunction with the strategic aims of reshaping and de-risking to maintain growth and ensure a sustainable revenue stream in the future. The lending pipeline originating from the public sector represents over 50% of the total lending pipeline.

Cross-selling

Diversification of the revenue, primarily an increase of the fee income that is not lending-based, is one of the major strategic aims of Wholesale Banking. Fee income was above 15% of Wholesale Banking's total operating income, resulting in part from cross-selling innovative new services to customers across Domestic, Corporate Banking, and Transaction Banking.

Working with Alliance banks

Wholesale Banking contributes to the efforts of enhancing synergies with our Alliance banks, Alternatif Bank and National Bank of Oman, through cross-selling activities, supporting Turkish companies as well as Qatari business in Oman. We have been very active in this area.

Domestic Corporate Banking

Domestic Corporate Banking provides a comprehensive range of cross-product banking solutions to corporate clients operating in Qatar. This unit services client relationships across the following sectors: large corporates, mid-market corporates, contracting, ultrahigh net worth, government and public sector.

Domestic Corporate Banking was active in arranging large financings in the domestic syndicated and club loan markets, and was associated with a number of the successful transactions in 2020, including key arterial highways connecting stadiums being built for the 2022 World Cup, and supporting district cooling in the Lusail area.

In 2020, Domestic Corporate Banking continued to focus on organic growth of operations by delivering the best client experience and service quality through innovative banking solutions with state-of-the-art technologies. This includes introducing host-to-host connectivity and providing a direct link with our customers to enhance the client experience.

Wholesale Banking continues to work very closely with Retail Banking through the successful Banking at Work unit, where a key strategic focus has been to enhance the total relationship value for each customer across all business portfolios.

Management Review of Operations continued

Transaction Banking

Commercial Bank has been continuously enhancing products and services to maintain its leadership position in Transaction Banking in Qatar. In 2020, the Bank rolled out new services and strengthened the product suite. Customer adoption of digital channels has improved substantially - 85% of payments, 98% of salaries and 50% of trade transactions are now conducted digitally. The Bank's efforts with regards to digitization are also recognized by Global Finance and the Bank has been rewarded the "Best Trade Finance Services, Corporate Digital Banking" award and the "Best Online Cash Management Bank" in Qatar award.

Following a meticulous study by qualified research organizations that look into the nominated institutions, talent, leadership skills, industry net worth and capability, this year has been very successful for the Transaction Banking Team of the Bank as we have by far secured the following prestigious awards:

- Best Cash Management Bank
- Best Mobile Banking App
- Best Trade Finance Service

Some of other significant initiatives are as follows:

- Automated insurance service for trade finance customers;
- Postdated cheque Management solution for the benefit of Real Estate sector that provides control of data, remote submission of cheques and custody;
- Corporate Mobile App with rich features to conduct all payments and inquiries of bank accounts;
- Updated CB Smart Trade solution that helps ease transaction flow, faster turnaround time and real-time status updates;
- Corporate Mobile application enriched with seamless retrieval and approval of Salary and bulk payments initiated on line (Corporate Internet Banking);
- Swift GPI for corporates through CIB and mobile for online tracking customer transactions on real time basis;
- Multiple structured trade solutions for leading automobile Dealers and other commodity traders that assisted imports in Qatar on an extended credit period;
- Implemented customized B2B solutions for large public sector conglomerates engaged in Transportation, Aviation and Exports;
- International remittances have seen significant growth of 49% and exports share has moved up to 19% from 16%.

Transaction Banking has worked closely with international Block Chain initiatives for Trade Finance conducted by Voltron and Marco Polo along with many international banks and in 2021 will move to testing phase from the current design phase. This would be a significant innovation which will add value to our customers.

International Banking

International Banking at Commercial Bank is responsible for providing correspondent banking services, corporate cross-border loans and other Wholesale Banking products to financial institutions, large corporates, sovereigns, non-bank financial institutions, and high to ultra-high net worth family offices based outside of Qatar. In 2020, the Bank's international corporate lending strategy focused mostly on diversified sectors with strong Qatari angles.

The corporate lending business maintained its strategic drive towards diversification, targeting landmark opportunities both on direct balance sheet transactions and cross-selling activities such as FX and derivatives.

Commercial Bank's cross-border business strategy remains cautious and focused on portfolio diversification and revenues from trade finance flows and banks, and strategic relationships with large corporates in the EMEA region, Turkey, and selectively across the North American, Asia Pacific and Sub-Saharan African markets.

The lower risk and mostly short-term trade finance book saw prudent activity in 2020. Another key pillar of our strategy was to collaborate more closely on correspondent banking services, credit products and other cross-border business activities of Commercial Bank with our Alliance bank partners to benefit from synergistic growth across the Commercial Bank Group.

Diversifying funding

The International Banking department also plays a key role in supporting the Bank's funding needs by leveraging its global relationships and supporting the Treasury Department in diversifying the Bank's funding. This is achieved by arranging bilateral and syndicated loans for the Bank and expanding treasury and corporate deposit relationships with regional and Asian sovereign wealth funds, asset managers, and other nonbank financial institutions.

Supporting business initiatives

Supporting major business initiatives that are relevant to the Qatari banking sector remains a key pillar of the International Banking business. In 2020, the Bank sponsored and participated in several major banking industry events and conferences. These included:

- The Annual Meetings of the International Monetary Fund (IMF) and the Institute of International Finance (IIF).
- SIBOS, a major industry event for banks and financial institutions around the world.

Fahad Badar
EGM, International Banking

Commercial Bank continues to support its financing and services network with global trade and development institutions such as the ICC Banking Commission, SWIFT, the Institute of International Finance, the International Finance Corporation, IMF, Arab Trade Finance Program, ISDA and other development institutions.

2021 priorities

Moving forward, our strategic priorities in 2021 and beyond will be to manage and expand the business along the following lines:

- Focus on opportunistic growth in the network countries of our Alliance banks, with a view to strengthening the client proposition and create synergies in these markets;
- Diversify cautiously into Asia and Africa as trade and investment flows pick up and also grow into developed markets like the US, UK and select OECD countries for portfolio diversification and risk management purposes;
- Enhance the value proposition by developing structured finance, distribution, trade, and treasury capabilities, which lead to increased cross-selling and improve International Banking's portfolio returns;
- Maintain a well-diversified portfolio with no large concentrations in line with regulatory and the Bank's governance standards, focusing on tangible collateral and security support for risk mitigation to withstand credit event downturns;
- Support the Commercial Bank Group's funding initiatives and balance sheet growth by leveraging Commercial Bank's international corporate network.

Management Review of Operations continued

Retail and Enterprise Banking

Commercial Bank's Retail Banking team manages the banking and financial needs for individuals and businesses of small and medium-sized enterprise (SMEs).

Our broad product range includes bank accounts, deposits, loans, credit cards, insurance, and wealth management. These financial solutions help our customers as both individuals and business entities.

The Enterprise banking team is dedicated to support the needs of small and medium sized businesses in a range of industries and provide tailor-made solutions for their customers.

As a business group, we are fully aligned and committed to the Bank's 5-year transformation strategy underpinned by Five Cs - Corporate Earnings Quality, Client Experience, Creativity & Innovation, Culture and Compliance.

We are proud to have won 9 awards in 2020, as a testimony to our commitment and innovation, that makes it easy and convenient for our customers to bank with us: Many were for excellence in the digital banking space:

- "Best Retail Bank in Qatar" by The Asian Banker for the 4th consecutive year
- "The Best Digital Deposit Product of the year 2020" by The Asian Banker
- "Best Mobile Banking Application" in Qatar award by International Finance Magazine 2020

Amit Sah
EGM, Consumer Banking

- "Most innovative Digital Bank" in Qatar award by International Finance Magazine 2020
- The Banker Award for "Innovation in Digital Banking" in the Middle East 2020
- "Best Consumer Digital Bank in Qatar" Award by Global Finance Middle East 2020
- "Most Innovative Digital Bank in Qatar" Award by Global Finance Middle East 2020
- "Best Online Product Offerings in Qatar" Award by Global Finance Middle East 2020
- "Best Mobile Banking app in Qatar" Award by Global Finance Middle East 2020

Business performance

Retail Banking continues to contribute significantly to Commercial Bank's overall performance.

Built on a strong franchise of customer service and innovation, Retail Banking has delivered strong performance in 2020.

The Retail and Enterprise balance sheet remained healthy with lending to customers adjusted to QAR 9.7 billion and deposits growing to QAR 24.7 billion as at end October 2020.

Our innovative services, especially in remittances and product positioning including Wealth Management, have helped Retail Banking maintain consistency in performance through 2020.

We take great pride in delivering a quality service to all our customers, with our Private Banking and Sadara Premium Banking services leading with exceptional standards.

Branch and ATM networks

We continue to maintain one of the largest branch networks amongst all the banks in the country and we continued to reshape our distribution mode, to ensure fit for purpose physical distribution that complements our strong digital banking presence.

Our modern look-and-feel new breed of smart Branches, offer customers increased self-service functionality and customers can use our branches 24x7 at their convenience.

In addition to re-aligning our footprint, we continue to transform and enrich customer experiences for key branch services offering reduced wait times and limiting use of manually filled paper work.

Our branch network is supplemented by over 172 ATMs that are strategically located around Qatar to ensure optimum usage of the network by customers.

Customers can conveniently perform Cash withdrawals, Cash & Cheque deposits, Bill Payments, Transfers and generate or change PINs for their cards through our ATM network.

Retail Internet and Mobile Banking

Motivated by our continued digital success, we maintained persistent efforts in 2020 to enhance the range of services offered by our Internet Banking platform and Mobile Banking App.

The CB Internet Banking and Mobile Banking App offer greater flexibility than ever before with millions of customer logins every month, reducing the need for customer to visit or call us, whilst continuing to transact in a safe, secure and convenient manner.

Success of our 60-Seconds Remittances' initiative encouraged us to expand our reach to over 30 countries including India, the Philippines, Sri Lanka, Pakistan, Nepal, Bangladesh, Turkey, Jordan, UK & Europe allowing customers to send faster payments to accounts and through cash pickup services, reducing reliance on other traditional methods.

In Q1-2020 we enabled customers to use their mobile devices to perform 'Tap n Pay' transactions while making payments at any contactless POS terminals and even complete remote online e-commerce purchases via Masterpass checkout services without exposing their credit card details.

With a customer centric approach, we engage our customers with innovative features such as augmented reality, Instant account opening via our Mobile App, digital mobile cheque deposit, CB Household Worker Paycard, CB Pay for Merchants supporting Mobile and QR code payments and many more services.

We are proud that our CB Mobile App consistently features as the #1 Financial App in Qatar, in both Apple and Android App stores. Customer satisfaction remains high with net promoter score ratings above 80.

Cards

In recent years, the card market has seen significant changes due to the technological advancement and the digitization of the banking scene. Commercial Bank's Cards and Payments business has been ahead of the curve for a long time now, and that is thanks to the Bank's solid strategy and clear vision around adoption of technology to serve its customer better. Commercial Bank was one of the first banks in Qatar to launch the comprehensive Contactless payment ecosystem comprising Contactless Credit Cards, Debit Cards and POS terminals in 2018. Leveraging the contactless payment platform, Commercial Bank launched Qatar's first Cards digital mobile wallet, enabling Android users to pay for goods and services by simply tapping their phones at point of sale terminals.

In an effort to encourage good hygiene and social distancing to prevent the spread of COVID-19, the bank promoted heavily the contactless cards and their usage. The result being the Bank has achieved market dominating numbers of issuance of over 350,000 Contactless Cards and processing more than 10 million Contactless POS transactions in 2020. Bank also deployed over 200 contactless terminals in 2020 bringing the total number of contactless terminals deployed in the market to 10,700 terminals.

Management Review of Operations continued

Qatar University Winner with officials

Qatar has one of the highest per capita income in the world and given the fact that affluent consumers tend to use their Credit cards frequently, we continue to invest in our flagship portfolio of the Limited-Edition Cards. The Metal World Elite MasterCard Credit Card for Limited Edition Customers, a brand-new metal card offering contactless payment functionality unlocks a universe of world-class privileges for its holders, and offers an unparalleled array of specially selected travel, lifestyle and rewards.

CB Fawri the instant discount at POS terminals, without customer having to ask for the discount continues to grow.

Commercial Bank continues to play a key role in Qatar's merchant acquiring business and has forged ahead with fully integrated ECR payment system with retailers. Commercial Bank also launched "CB Pay for Merchants" a unique QR code-based payments acceptance solution to help merchants with remote payments acceptance.

During Corona virus lockdown, domestic workers were restricted in their options to send money home. The Household Worker Paycard product was launched in this context and provides a solution for domestic workers who could otherwise had trouble to send remittances.

Wealth Management

Our Wealth Management themes today continue to revolve around utilizing our competitive strengths of size, AUMs, and operating capabilities.

We continue to increase our developments in our people, process, products and systems. We focus on building on strong foundations and provide the diversified portfolios and wealth solutions based on our customers' needs and objectives. As part of providing Wealth Management Products to our customers as a competitive advantage, we focused on enhancing our wealth product account opening process and facilitating our customers' journey. Looking ahead we will continue automating the operational processes and introduce a wider range of wealth products, enabling our customers to diversify their portfolios.

Customer Acquisition

We developed numerous methods to enable new customers to join the Bank, in easy to apply and digitally enhanced account applications.

Digital Account Opening was made available across frontline channels to make account opening quick and easy. Customers walk out from CB branches with an active account, details including the IBAN are all provided in a welcome letter. A personalized debit card can be instantly printed too.

CB Instant Account was launched for new customers wishing to open a Commercial Bank account. Customers can simply download the Bank's award-winning mobile application, "CBQ Mobile", complete the application on their mobile device after uploading the QID, Passport and Salary Certificate and receive their bank account number in less than 5 minutes. A staff member ultimately meets the customer to assist in providing debit cards and cheque books as part of the welcome experience.

Whilst the COVID-19 pandemic caused a temporary disruption in the arrivals of new working expats to Qatar, our Life in Qatar innovative offer continued to be available to welcome them again and allow to open a bank account quickly. Customers can have their account numbers ready as soon as they apply, even before arriving in the country. A dedicated team who speaks their language welcomes them the minute they land in Qatar with their debit and credit cards. The partnership with Qatar Visa Centres in selected overseas locations also enables inbound expat customers to resolve banking needs even before stepping foot in the country.

Focus on the Youth

Sadara Youth, is a digital product designed to fit the needs and lifestyles of young Qatari customers aged between 18 and 25 years. A year after the Sadara Youth package delivered the 1st Mobile Banking application in Qatar that educates and rewards young customers and issued the 1st vertical design Credit Card in Qatar, the proposition lead the launch of another 1st in Qatar.

The 1st ever Commercial Bank and Qatar University Design competition was launched to allow Qatar University students to create their own space at the CB Metro Station branch. Students were engaged to propose their ideas on how they want their Sadara Youth space in this modern new branch in order to suit the needs of the modern young society. The QU partnership has been a huge success in terms of honing the skills and developing talents of the youth. This is only the beginning of future collaborations that will assist in the advancement of current and future generations.

SME - Small and Medium Enterprise banking

We remain committed to the empowerment of the SME sector in line with the Qatar National Vision 2030. Commercial Bank was at the forefront of the recent government initiatives to support the SME sector, playing a significant role in disbursing the National Response Guarantee Program loans created as a result of the pandemic's financial impact on business. We were able to quickly provide technology solutions to facilitate safer and more efficient transactions for customers during this challenging period.

Building upon the 360-degree view of our customers, we have revamped our relationship management model and successfully launched industry specific cash management and digital banking solutions. Commercial Bank introduced a new and innovative product, CB Pay for Merchants, a dedicated mobile application to support businesses to initiate, receive and track payments seamlessly from their customers.

We continue to educate and migrate our customers to self-service digital banking services. The digital channels have given SMEs better control over cash flows and provided flexibility to securely transact from the comfort of their offices.

Response to COVID-19

Our customer feedback on how we handled and responded during the peak of the COVID-19 pandemic was most reassuring. We acted with pace and took decisive actions to keep our customers safe and their banking needs catered for digitally.

Branches were made safe with distancing, cleansing, digital appointment booking. Digital development happened constantly with products launched to help customers remit funds, transact online, increase contactless payments and minimize the need to handle cash. Communications were 24/7 with a variety of messages keeping customers well informed with the changing scenarios through lockdowns and restricted working hours.

Treasury and Investments

The Commercial Bank's Treasury and Investments Department is responsible for asset-liability management, capital and financial market investments, trading, and treasury sales. The department manages the overall funding and liquidity requirements of the Bank. This includes management of operational and strategic liquidity requirements, as well as accessing the international debt capital markets for funding needs.

Departmental functions

Proactive management allows the Bank to manage its funding base in a cost-efficient manner while ensuring its balance sheet is managed in accordance with the expectations of rating agencies, regulators, the Board of Directors and shareholders. The department's treasury function has been instrumental in maintaining a stable cost of funding, managing the duration of the Bank's liabilities in a volatile interest rate environment, seeking diversification of funding channels, and maintaining key liquidity ratios and related business regulatory ratios as required by the Qatar Central Bank.

The department's investments function is engaged in managing the Bank's investments in capital markets to achieve superior and stable returns. It continued to provide strong revenue generation in 2020 whilst ensuring a liquidity buffer for the Bank by focusing on liquid and diversified investments. Its goal in 2021 is to maintain returns momentum in a challenging geopolitical and monetary policy environment aggravated by the COVID- 19. The investment emphasis remains on active portfolio management to optimize returns and ensure effective risk management by flexible asset allocation, hedging, and duration management.

Management Review of Operations continued

Parvez Khan
EGM, Treasury and Investments

Treasury Sales

The Treasury Sales unit provides a full suite of products to the Bank's customers, supporting their needs with regards to managing and hedging their foreign exchange, interest rate exposures and other asset classes. Commercial Bank Treasury and Investments department continues to grow its footprint as a leading market-maker in the regional rates, fixed income, treasury securities, and FX markets, and in providing market access to corporates and institutions.

In 2020, Commercial Bank Treasury and Investments expanded its capacity to support client needs by adding digital execution capabilities and risk management solutions, both domestically as well as cross-border, demonstrating its ability to provide seamless client solutions across multiple geographies.

Treasury is also actively engaged with Commercial Bank's subsidiary in Turkey – Alternatif Bank to provide end-to end origination, structuring, negotiation, and execution.

Risk Management

Managing risk is a fundamental part of Commercial Bank's day-to-day business activities. As part of the overall corporate governance framework, the Board of Directors is responsible for overseeing a strong risk governance framework, including a strong risk culture, a well-developed risk appetite – articulated through the Bank's Risk Appetite Statement – and well-defined responsibilities for risk management and control functions. The keystone of the Bank's risk governance framework is the three lines of defense, namely:

1. **The first line of defense** consisting of frontline business units and functions that create risk. These groups are the Bank's primary risk-takers, responsible for implementing effective internal controls and maintaining processes for identifying, assessing, controlling, and mitigating the risks associated with their activities, consistent with the Bank's Risk Appetite Statement and risk limits.
2. **The second line of defense** consisting of independent risk management, which oversees risk-taking and assesses risks independent of frontline business units and functions that create risk. Independent risk management complements the frontline units' risk-taking activities through its monitoring and reporting responsibilities, including compliance with the Bank's risk appetite, and is responsible for identifying, measuring, monitoring, and controlling aggregate and emerging risks enterprise-wide.
3. **The third line of defense** consisting of internal audit, which provides independent assurance to the Board on the effectiveness of governance, risk management, and internal controls.

During 2020, Commercial Bank continued to enhance its risk systems infrastructure platforms, including enhancements in retail customer scorecards, improvements in credit approval workflow, among others. The Bank also implemented improvements in ICAAP and IRRBB, and Internal Controls over Financial Reporting in accordance with Qatar Financial Markets Authority.

Paul Gossiaux
EGM, Chief Risk Officer

In 2021, Commercial Bank will continue to employ clear risk management objectives and well-established strategies through core risk management processes.

Credit Risk

Commercial Bank has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks decisions, with specific portfolio standards applying to all major lending areas. These incorporate obligor quality, income capacity, repayment sources, acceptable terms and security, and loan documentation tests.

The Bank assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security such as real estate, charge over income or assets, and financial securities is generally taken for business credit, except for government, major banks and corporate counterparties that are externally risk-rated and of strong financial standing.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal risk but excludes strategic and reputational risk.

The Operational Risk Management ('ORM') unit supports the achievement of Commercial Bank's financial and business goals. ORM manages operational risk using industry standard operational risk tools. The primary objectives of the ORM Department are:

- Maintenance of an effective internal control environment and system of internal control;
- Demonstration of effective governance, including a consistent approach to operational risk management across the Bank;
- Transparency, escalation and resolution of risk and control incidents and issues.

Market Risk

Market Risk is the potential loss in value or earnings arising from changes in market factors, and is managed by the Bank's Market Risk Department with oversight by the Asset and Liability Committee ('ALCO'), which provides specific guidelines for market risk management.

Commercial Bank uses value-at-risk ('VaR') as one of the measures for Market Risk. VaR measures potential loss using historically observed market volatility. Stressed VaR is used at the Bank to measure the potential for economic loss from extreme market events.

For assessing interest rate risk, metrics include earnings-at-risk (EaR), change in yield ('DV01') and economic value of equity ('EVE').

The results of these measures are reported to the ALCO and the Management Risk Committee on a regular basis.

Liquidity and Funding Management

Commercial Bank follows a balanced liquidity management strategy through the combined use of liquid asset holdings and borrowed liquidity to meet its liquidity needs. The Bank's funding policies provide that:

- Liquidity requirements be measured using several approaches including sources and uses, structure of funds, and liquidity indicators;
- An appropriate level of assets is retained in highly liquid form;
- The level of liquid assets complies with stressed scenario assumptions to provide for the risk of the Bank's committed but undrawn lending obligations;
- Establishment of credit lines.

Board Risk-related Committees

The two Board Committees that have primary responsibility and oversight for risk are:

1. The **Board Risk Committee** ('BRC'), which is responsible for all aspects of enterprise wide risk management including, but not limited to, credit risk, market risk, liquidity risk and operational risk. The BRC reviews policy on all risk issues and maintains oversight of all Bank risks.
2. The **Board Executive Committee** ('BEC') which is responsible for evaluating and granting credit facilities within authorised limits as per Qatar Central Bank and Board guidelines.

Management Review of Operations continued

The Board of Directors or its subcommittees are regularly updated on any potential risk that the Bank may face.

Risk Management continues to be very well positioned to manage risk resulting from the increasing sophistication, scope and diversity of the Bank's business and operations.

In summary, the governance framework, policies and administrative procedures and practices relating to risk management in Commercial Bank align well with global best practice, the recommendations of the Basel Committee and the guidelines of Qatar Central Bank.

Marketing

The Marketing Department of Commercial Bank establishes and promotes the Bank's reputation and brand identity to stakeholders and customers through effective communication using both traditional and digital media channels.

Marketing works closely with the Bank's main business units and supports functions to develop integrated marketing campaigns targeting different customer segments with diverse products and services based on ongoing research, consumer insight and return on investment analysis. Marketing also runs the Bank's sponsorships and key events, as well as its Corporate Social Responsibility (CSR) programmes.

Commercial Bank is proud of its leading position as a digital bank. Through exemplary thought leadership in digital marketing – alongside our proactive approach to digital media, introduction of first-to market technologies, quality content offering, and customer engagement on and through social media – Commercial Bank continues to dominate Qatar's digital banking spaces.

Following a national vision

Commercial Bank's successes and achievements this year emerged from the Bank's commitment towards Qatar National Vision 2030, which inspired us to achieve results, in alignment with the country's key strategic messages and fulfilment of the Qatar National Vision 2030.

For 2020, our theme was "Qatar, my Home." It represents much in just two words; Home is where we are happy, dedicated, at ease, and in our comfort zone. Inspired by that, we created a social media campaign to celebrate QND by creating a tile with each letter of the word Qatar in Arabic. And, to commemorate this special occasion, we decided this year to launch an original poem written by us. The poem, which was praised by many, was featured in an eye-catching hero video that showcases a falcon's journey around Qatar's most prominent sites, cultural elements, foods, and most importantly, HH the Amir. The falcon lands on a Qatari guy's shoulder at the end of the video as a symbol of continuity of the journey that Qatar has started years ago, and has succeeded in achieving against all the odds.

Corporate Social Responsibility (CSR)

Since its inception over forty-five years ago, Commercial Bank has been committed to supporting Qatar's national development by giving back to the wider community through a comprehensive range of meaningful corporate social responsibility programmes formulated and implemented by the Bank's Marketing Department.

As part of Commercial Bank CSR, and given the precautionary measures imposed by the State, the Bank launched a donation campaign among its employees, whereby every employee donated the amount of a food box that contains dates, rice, and other essential foods during the holy month of Ramadan. The aim of this campaign was for everybody to participate and take part in the Bank's CSR agenda by helping impoverished families amidst these tough times. The participation of the Bank's employees in this campaign during Ramadan reflects our commitment to the "one bank, one team" culture.

In 2020, Commercial Bank shone in Kuwait with the bank's creative agency, DotSpace, receiving the Social Responsibility Award at the Arab Media Forum's 8th Kuwait Creativity Award, for the awareness campaign launched by the Bank during the COVID-19 pandemic. "For you Qatar" is a production video Commercial Bank launched months ago in collaboration with DotSpace, to raise awareness on the importance of staying at home to limit the spread of COVID-19. The video and the song reflect a patriotic and nationalistic feel and convey the message of "staying at home is a national duty" with an upbeat yet serious rhythm.

Sports, health, and fitness

At Commercial Bank, our people are our greatest asset, and we are committed to invest in their wellbeing. Improving the nation's health is also one of the most important parts of the human development pillar of the Qatar National Vision 2030, and we promote sports and wellness activities for our staff not only during National Sports Day but throughout the year, advertising the message that sport and physical exercise perform a vital function for the community, promoting active and healthy lifestyles and cultivating values of dedication, teamwork, competition and good sportsmanship.

Since the beginning of 2020, Commercial Bank has embarked on a series of well-organized events and activities that showcased its commitment towards promoting sports. The Bank's participation in Ooredoo Marathon was a big success, as over 130 employees and their families have participated, confirming that Commercial Bank is a big supporter of healthy and active lifestyle. Additionally, Commercial Bank participated in the celebrations of the National Sport Day with a mix of physical activities, staff wellness and a community outreach programme.

In the same context, Commercial Bank Staff Club prepared an exclusive CB Olympics event for staff which turned out to be an intense competition, spreading a positive energy that represents the Bank's character. The CB Olympics event was a day full of challenges designed to promote competition, teamwork, and boost employees' morals. Commercial Bank Staff Club is keen on fulfilling the Bank's obligation towards promoting sports and wellness activities for our staff by providing a selection of fitness training programmes designed and scheduled to run throughout the year for the benefit our staff.

Hussein M Ali Al-Abdulla
EGM, Chief Marketing Officer

Commercial Bank remains committed to enhancing Qatar's sporting reputation by bringing the best international competitors to Qatar annually for a golf tournament that attracts a global audience. As a result of this commitment, the Bank and Qatar Golf Association (QGA) have signed a three-year sponsorship agreement to host the Qatar Masters Golf Tournament. With this agreement, Commercial Bank will continue to be the official Title Sponsor for QGA's Qatar Masters Golf tournament until 2022. We are proud of being the title sponsor of Qatar Masters 2020 for the 15th year in a row which is a source of pride for Commercial Bank. It is the live proof of the bank's keenness on playing an active role in spreading awareness to the public in the field sport.

In the same context, Commercial Bank entered a partnership agreement with Education City Golf Club (ECGC) to help develop the next generation of golfers in Qatar. Two key initiatives of the partnership were set to develop golf programs for the youth and lady golfers. Commercial Bank also introduced over 100 new women to golf in the private coaching area at Education City Golf Club. The aim is to encourage healthy participation in sport and develop a community of women golfers in Qatar.

Commercial Bank Qatar Masters 2020 Winner

Commercial Bank takes part in Ooredoo Marathon 2020

Management Review of Operations continued

In 2020, Commercial Bank and Al Shaqab, member of Qatar Foundation, entered for the first time into a three-year partnership, making the largest private bank in Qatar the title sponsor of the country's premier equestrian competition – CHI AL SHAQAB. Commercial Bank CHI AL SHAQAB Presented by Longines took place from 27 to 29 February at the Longines Arena at Al Shaqab. The three-day event will saw top-ranking local and international riders compete in the Olympic disciplines of showjumping, dressage, and para dressage. The Bank's sponsorship of the equestrian event reflects its commitment to supporting and promoting Qatar's heritage and legacy.

In its efforts to enhance awareness of key health issues in Qatar in 2020, and in light of the restrictions due to COVID-19, Commercial Bank launched a digital campaign among its female employees and customers to raise awareness on breast cancer early detection. Under the slogan "You are strong," Commercial Bank urged its staff and customers to get themselves checked through a comprehensive awareness campaign.

Educating the public and spreading awareness
Due to Covid-19 and the lockdown imposed by the State of Qatar to flatten the curve of the pandemic, Commercial Bank took its operations digital more than ever. The Marketing Department went even further by strengthening its social media and digital presence. In addition to launching a set of digital products and services that granted customers access to their banking needs from home, we took to social media with employee-led videos under the hashtag #Qatar_is_Calling_StayHome, offering step-by-step, multi-lingual guidance to all customers. Our communications covered general health and government advice, new branch guidance, mobile options for SMEs and corporate customers, and retail digital services ranging from international transfers to mobile app contactless and school-fee payments, and more. We left no social stone unturned in the quest to ensure that our customers stayed healthy, informed and empowered – but not overwhelmed – in six languages.

As a result, the Bank has seen the greatest rate of engagement, number of posts and fan growth rates on its social channels in comparison to other banks. To crown its unparalleled efforts and success, Commercial Bank received the "Best in Social Media Marketing and Services" award from Global Finance, Middle East.

Commercial Bank won prestigious awards in 2020

2020 Awards

As we celebrate 45 years of success and innovation, Commercial Bank has garnered this year more than 12 prestigious awards:

- From Global Finance, Middle East
  "Best Consumer Digital Bank" Award
  "Best Online Product Offerings" Award
  "Most Innovative Digital Bank" Award
  "Best Online Product Offerings" Award
  "Best Online Cash Management Services" Award
  "Best Trade Finance services" Award
  "Best Mobile Banking App" Award
  "Best in Social Media Marketing and Services" Award
- Euromoney's "Excellence in Leadership" Award in the Middle East
- The Banker's "Innovation in Digital Banking" Award in the Middle East
- The Banker's "Best Performing Bank" Award in Qatar
- Finance Monthly Magazine's CFO Award
- The Asian Banker's "Best Retail Bank" Award in Qatar
- International Finance's "Most Innovative Digital Bank" Award in Qatar and Asiamoney's "Best Digital Bank" Award in Qatar
- The Asian Banker's "Best Cash Management and Transaction Bank" Award in Qatar
- Arab Media Forum's "Social Responsibility Award"

Human Capital

In 2020, Commercial Bank continued to invest in its entrepreneurial and performance culture. Driven with the agility of the management teams and despite the exceptional situation with the global pandemic, Commercial Bank applied immediate measures to ensure business continuity, safety and care for our customers and employees alike including:

- Working from home measures. As our services and technology infrastructure were ready to handle the requirement to work remotely, managing and reducing active branches allowed availability of our service.
- Gradual phasing approach to ensure business continuity and team abilities to work remotely. In alignment with the state-wide phases, our approach was more reserved than the mandated, taking into consideration the safety of everybody.

Jassim Al Thani
Chief Human Capital Officer

- Communications, internal communications and updates on measures, changes and support shared with all employees and customers alike, enhancing the culture change and provide assurances to conduct.

- Continuing with our performance management system and putting more focus on people, conversations and development; despite the challenging economics in 2020, the business delivered well and reflected with quality improvements towards our strategy and shareholders commitment;
- Leaders development, setting new, challenging performance standards for our leaders and teams;
- Despite the new limitations on sourcing, we have continued to attract and recruit the right talent that will contribute further in delivering on the Bank's strategic plan;
- In addition, the care extended with staff club activities during the quarantine period, talking the emotional and physical wellbeing;
- Partnering with the ministries and educational institutions; in partnership with the Ministry of Labour to source national talent and provide them with career opportunities within the Bank Nationalization plans, the bank contributes to education and development in collaboration with universities and schools through events and training programs. Delivered virtually and on campus, student engagement events held in 2020 provided students with key insight on how to transfer academic excellence into performance;

Management Review of Operations continued

- Restructuring concept to all nationalization themes, from internal development initiatives, mentorship, top talent program and enhanced development programs to attract, retain and motivate the right candidates;
- Continuing on our e-learning approaches, developed with the business expertise in Commercial Bank. Story-based e-learning courses, built on real life sceneries and cases, enhancing and delivering compliances and on demand learning.

Enhanced career experiences
In 2020, we went strong with our nationalization programs by building towards inner focused development, progressing our talents to higher positions and enabling them to take significant roles in business, supported by the newly introduced Head of National development team NDT, into re-establishing our strategic target to achieve 60% Nationalization.

Learning and development
We invest in making Commercial Bank a great place for learning. We target our development resources toward our people who are skilled in sharing knowledge and training others through leader-led training. This strengthens our creative and innovative culture.

With on-demand learning portal, we have provided all compliance courses through e-learning. With other development initiatives, we are pursuing our study support initiative for staff working towards full- or part-time study programs, focused on Qatari nationals and endorsed by the NDT.

Compensation and benefits
The Board of Directors regularly reviews compensation and benefits to ensure we pay fairly and competitively, reward high performers, and link incentive payments to the overall performance of the Bank. The Board of Directors also focuses on risk management by considering:

- The split between salary and incentives;
- The balance between profit, risk and the time horizons associated with those risks.

We disclose our remuneration policies and practices in our financial reports.

Human Capital operations
Newly intake in 2020: Commercial Bank has successfully attracted skilled and competent new graduate nationals across various strategic business units. These employees have been able to contribute significantly and successfully towards the Bank's strategic goals.

Moreover, focusing on world-class and uplifting experiences, Commercial Bank successfully attracted global new key talents and leaders to accelerate its strategic vision, with technology and customer focus in mind.

Developing our nationals is one of our strategic pillars. Through experience and knowledge transfer, we have promoted new national leaders from our talent pool.

Operations

In 2020, the impact of coronavirus has been highly disruptive for businesses across the globe. Many have had their business models stressed, and demand for remote services has led to a permanent shift in the way businesses interact with customers. At Commercial Bank, the flexibility of our operating model allowed us to mobilize quickly to work remotely during the lockdown period, assuring client service outcomes and ensuring minimal disruption to the business.

Digitalization accelerated during COVID-19 restrictions
The COVID-19 related restrictions such as closure of malls, restaurants, exchange houses, and branches led to a spike in digital transactions. Biometric registrations increased by 35% and active digital users increased by 16% during the period. The trend of using mobile phones continued with mobile usage representing 90% of all digital transactions. Furthermore, the increase in digital activity is expected to be permanent with 80% of customers using more digital services and 70% expected to use branches less.

Leonie Ruth Lethbridge
EGM, Chief Operating Officer

The Digital payment market is changing rapidly
Digital solutions provide the customer with convenient, fast and efficient products and services, while allowing Commercial Bank to automate processing end-to-end. Globally, the market for digital payment solutions is evolving rapidly. Entrants such as mobile network operators, social networking and messaging companies like Facebook, WhatsApp, and Google have all launched their own digital wallets and payment transfer applications. At Commercial Bank, we are cognizant of market changes and opportunities and have assembled a world-class, agile technology capability with the ability to deliver digital innovation at speed.

Key components to the strategy include:

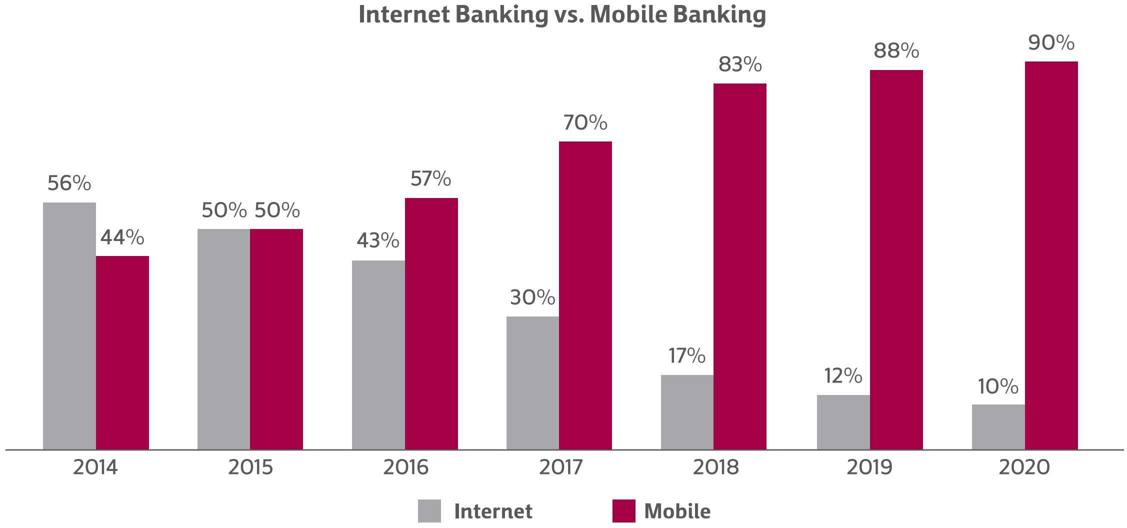
- A highly capable diverse team;
- An agile delivery process;
- Leveraging from an open architecture;
- Proactive adoption of global Fintech solutions;
- Enhanced data and analytics capability: This year's client centric advancement in technology includes not only new products but also an increase in client engagement and client centricity;
- Enhanced personalization through the use of the new customer relationship management system, and improvement in booking systems and branch processes;
- CB Pay digital wallet, making Commercial Bank the first bank in Qatar to release a digital wallet;
- Household Paycard, granting many workers a remote digital access and allowing them to send remittances to their families during lockdown.

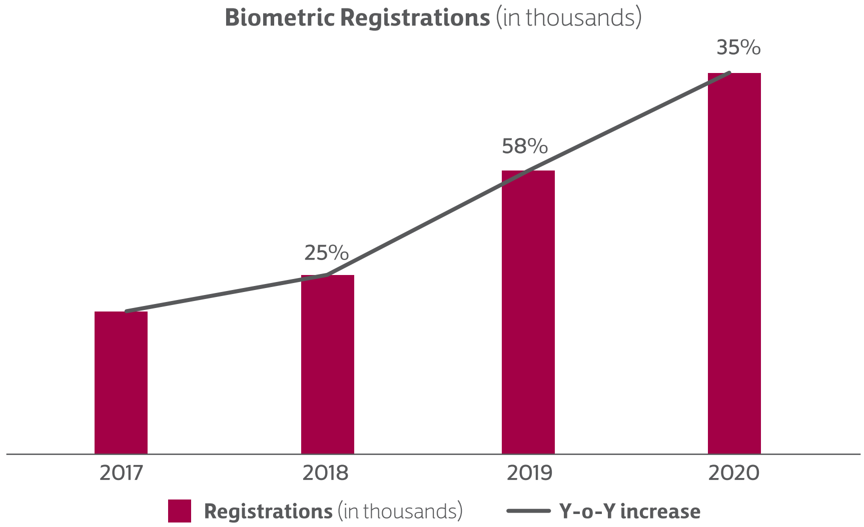
Investment in key infrastructure has provided the ability to scale and the flexibility to adapt to new technologies
This year has seen investment in key infrastructure and upgrading of core applications which is an important enabler to provide customer centric digital solutions, including;

- Upgrade to data hardware giving ability to scale, flexibility, speed, and storage;
- Enhanced cybersecurity, protecting customer personal information;
- Capitalizing on data acquisition and management through data analytics and smart technologies (Artificial Intelligence & Algorithms);
- Core Banking Engine Upgrade, providing greater flexibility to interface with new applications;
- Customer Relation Management System Upgrade, which is a key system to drive customer sales, self-service and digitization;
- New Fraud detection system that leverages of smart technologies to detect fraudulent or suspicious transactions safeguarding customers assets.

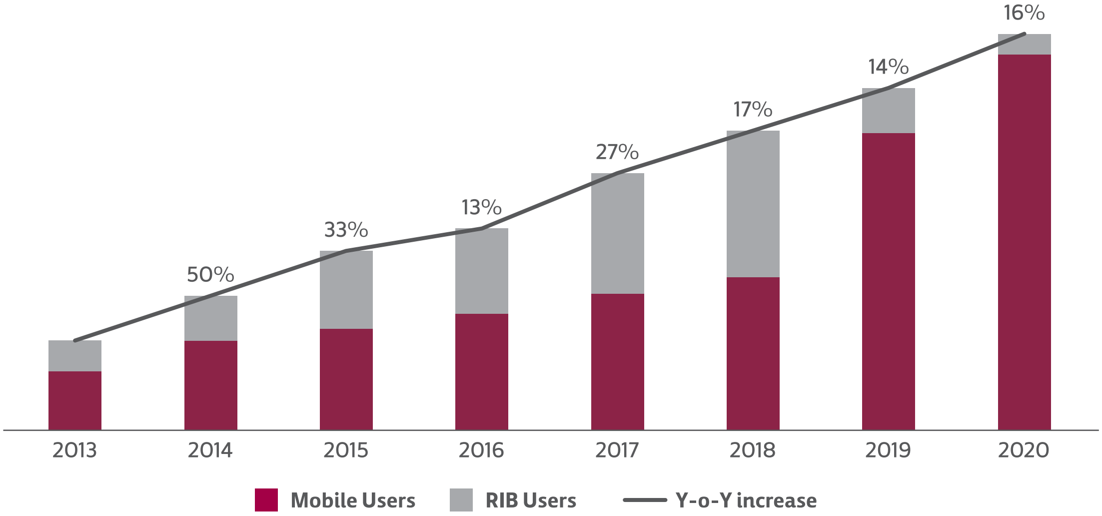
Despite the everchanging landscape, be it from a pandemic, new entrants or changing technologies, Commercial Bank has strong flexible infrastructure and agile, innovative technology capability to remain dominant in transaction banking for years to come.

Management Review of Operations continued

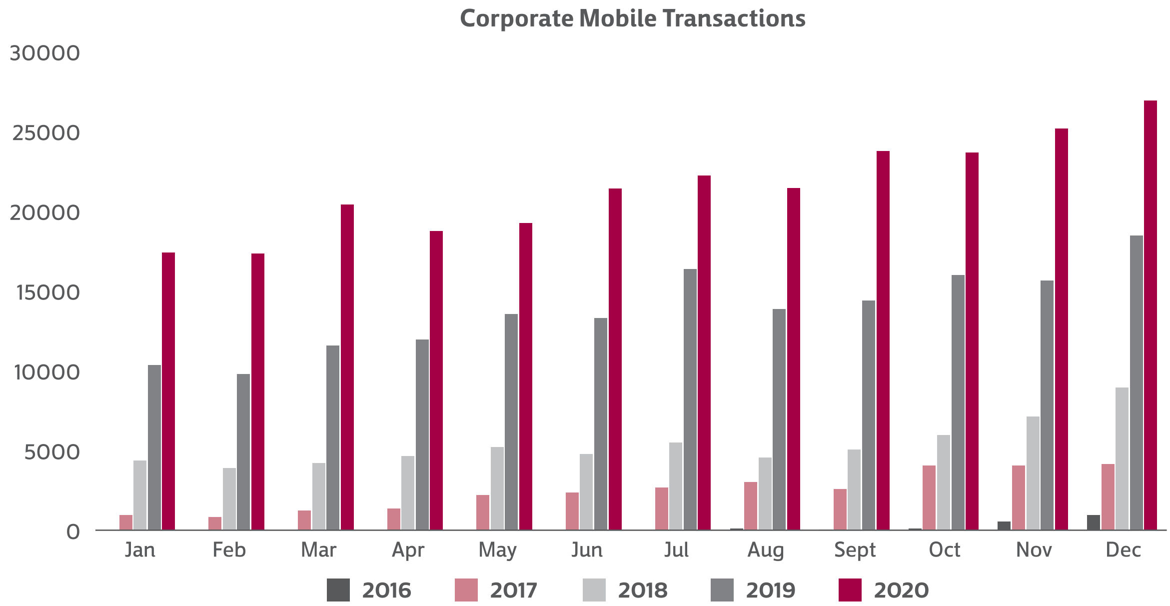


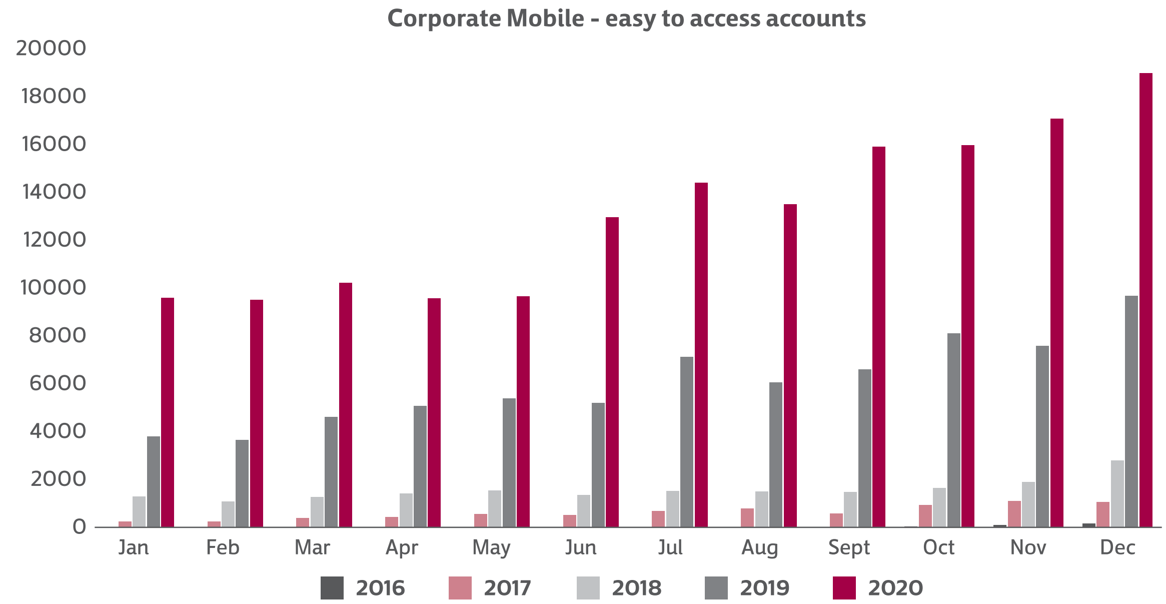


Digital Active Users vs Mobile Users (in thousands)



Management Review of Operations continued





Acknowledgement

Commercial Bank's successful business performance in 2020 has only been possible through the dedication and hard work of our valued employees and the leadership team. We are also extremely grateful for the ongoing support and guidance provided by the Chairman, Vice Chairman and Managing Director and Members of the Board. Under their leadership, we have continued to achieve growth and have maintained our reputation of being one of Qatar's oldest and most successful banks for more than four decades.

In conclusion, we would like to express our sincere gratitude to His Highness Sheikh Tamim Bin Hamad Al Thani, Amir of the State of Qatar, for his visionary leadership of Qatar. We would also like to thank His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, the Qatar Central Bank and the Ministry of Commerce and Industry for their continued guidance and support of the Bank throughout this past year.

The Qatar Central Bank, under the leadership of His Excellency the Governor Sheikh Abdullah Bin Saud Al Thani, has shown prudence with clear and consistent leadership of the banking industry enabling Qatar's financial sector to prosper. We are very proud of our success over the years and are optimistic about what the future will bring for Commercial Bank and for Qatar.

Hand-in-hand we made it **possible** to overcome everything and **achieve** the **impossible**.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Corporate Governance

COMMERCIAL BANK'S CORPORATE GOVERNANCE REFLECTS OUR COMMITMENT TO COMPLY WITH LOCAL REGULATIONS AND INTERNATIONALLY ACCEPTED STANDARDS INCLUDING TRANSPARENT DISCLOSURE FOR THE BEST INTERESTS OF OUR STAKEHOLDERS.

Effective governance is, at its core, simply about doing the right things for stakeholders. It is enabled by having the right checks and balances throughout the organization to ensure that the right things are always done. It comprises the processes and structures which affect the way an organization is directed, managed and monitored and its activities are reported, including: the elements of internal control, ethics, various risk functions, policies and procedures, internal audit, external audit and formal committees that promote greater transparency and facilitate efficient and effective management for the best interests of stakeholders.

The Board of Directors firmly believes that good corporate governance is fundamental in ensuring the proper management of Commercial Bank in the interests of all of our stakeholders. We recognise that the way we interact with stakeholders is key for the success of our business and the transparent disclosure of our governance assists investors in their investment decisions.

Corporate Governance developments

Following the election of the Board of Directors at the AGM on 23 March 2020, the Board welcomed a newly elected Member, HE. Mr. Bader Omar Al Dafa, whose skills and experience are an asset to the Board and Commercial Bank. During 2020, we continued to enhance our corporate governance practices as the Bank's business evolves and regulatory requirements change. Commercial Bank's Corporate Governance Charter and Board Committees Charter were reviewed an updated for increased alignment with applicable regulation and changes to the Bank's business. In response to QCB Circular No. 25 of 2020, the Board of Directors and senior management underwent a disclosure exercise regarding identification of any first-degree relatives with a direct or indirect interest with the Bank.

During 2020, we participated in two new digital initiatives: the XBRL-based reporting system covering financial statements and non-financial disclosures (a joint initiative of the Qatar Stock Exchange and QFMA); and the QCB's F2F digital financial sector correspondence system. We also participated in the Qatar Stock Exchange's voluntary Environment Social Governance ("ESG") disclosure initiative and our MSCI ESG rating was upgraded to "A".

The Board of Directors and Board Committees continued to operate as normal during lockdown restrictions as a result of COVID-19, with the Board fully embracing remote working technologies to allow for virtual meetings and the digital distribution and signature of documents

Corporate Governance framework

The Board understands that sound corporate governance principles and practices are fundamental to maintaining the trust of its stakeholders, which is also critical in business growth, sustainability and profitability.

The Board is committed to implement the corporate governance principles of justice, equality among stakeholders without discrimination, transparency and disclosure, while upholding the values of corporate social responsibility and acting in the public interest of Commercial Bank and stakeholders over their personal interests, as well as performing their duties, tasks and functions in good faith, integrity, honour and sincerity.

The implementation of these principles is driven by a qualified Board aided by a seasoned and experienced Executive Management team. The Board ensures that the Bank adheres to these corporate governance principles in its day-to-day activities at all times.

Refer to "Board of Directors" section in the Annual Corporate Governance Report for further information.

Commercial Bank's Code of Conduct provides a clear statement of our conduct expectations and ethical values, supported by our conduct and ethics standards.

Refer to "Governance Framework" section in the Annual Corporate Governance Report for further information

Our governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the respective Board Committees, the Group CEO, CRO, and the board of directors of the Bank's subsidiaries, in accordance with their respective responsibilities and levels of authority.

Refer to "Board of Directors" and "Board Committees" sections in the Annual Corporate Governance Report for further information.

Corporate Governance
continued

The main rules, procedures and practical application of Commercial Bank's governance are contained in the Bank's Corporate Governance Charter, Board of Directors Charter and Board Committees Charter. These charters reflect Commercial Bank's long-standing ethical governance practices and the regulatory requirements mandated by:

- guidelines and instructions issued by the Qatar Central Bank on 26 July 2015 by virtue of Circular No. 68/2015 (QCB Corporate Governance Guidelines);
- the Commercial Companies Law promulgated by Law No. 11 of 2015 (CCL); and
- the Governance Code for Companies and Legal Entities Listed on the Main Market issued by Qatar Financial Markets Authority pursuant to Decision No. 5 of 2016 (QFMA Corporate Governance Code).

These charters also follow the recommendations of international best practice for corporate governance developed by leading international frameworks.

Complying with rules and regulations

We fully adhere to the principles set out in the QCB Corporate Governance Guidelines and to the provisions of the QFMA Corporate Governance Code as at 31 December 2020.

The detailed Annual Corporate Governance Report 2020 is an attachment to this Annual Report, forms an integral part of it, and is presented to shareholders for approval at the Bank's AGM in 2021. The Annual Corporate Governance Report 2020 can also be viewed on Commercial Bank's website at www.cbq.qa

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Consolidated Financial Statements
31 December 2020

Independent Auditor’s Report

To the Shareholders of The Commercial Bank (P.S.Q.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank regulations.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters where addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
1. Impairment of loans and advances to customers	

The process of estimating Expected Credit Losses (ECL) on credit risk associated with loans and advances in accordance with IFRS 9 Financial instruments (IFRS 9) involves complexity and significant judgement.
 	
COVID-19 pandemic and the regulatory payment holidays associated with it have impacted the management determination of the ECL as they increased the level of uncertainty associated with the management judgement, which may result in outputs significantly different from the future credit losses and staging of the customers.
 	
IFRS 9 requires use of the ECL model for the purposes of calculating impairment provision. Due to the complexity of requirements under IFRS 9, significance of judgements applied and the Group's exposure to loans and advances forming a major portion of the Group's assets, the audit of ECL for loans and advances is a key audit matter.
 	
As at 31 December 2020, the Group's gross loans and advances amounted to QR 100,008 million and the related allowances for impairment amounted to QR 4,397 million, comprising QR 1,521 million of ECL against Stage 1 and 2 exposures and QR 2,876 million against exposures classified under Stage 3.
 	
The basis of calculation of ECL is presented in the summary of significant accounting policies and notes 4(b) and 10 to the consolidated financial statements.
	Our audit approach included testing the controls associated with the relevant processes for estimating the ECL and performing substantive procedures on such estimates. We involved our internal specialist where their specific expertise was required. Our key audit procedures were as follows:
	• We obtained understanding of the Group's ECL policy and the design of the controls and tested the operating effectiveness of relevant controls and governance around it.
	• We have checked the completeness of the data used as input for the ECL model and the mathematical accuracy through the model processes.
	• We assessed:
	  ◦ the Group's ECL policy including the criteria of staging and significant increase in credit risk with the requirements of IFRS 9, considering the regulatory guidelines to address the COVID-19 pandemic;
	  ◦ the Group's forward-looking economic variables by comparing them on a sample basis against supporting evidences, where applicable;
	  ◦ the reasonableness of changes made to the economic scenarios to reflect the effect of COVID-19; and
	  ◦ the basis of determination of the management overlays considering the impact of the COVID-19 global pandemic against the requirements of the Group's ECL policy and guidance issued by the regulator.
	• For a sample of exposures, we performed procedures to evaluate:
	  ◦ appropriateness of exposure at default, probability of default and loss given default in the calculation of ECL;
	  ◦ timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and
	  ◦ the ECL calculation.

Independent Auditor's Report continued

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
1. Impairment of loans and advances to customers (continued)	
	• Assessed the impairment allowance for individually impaired loans and advances (stage 3) in accordance with IFRS 9. • Assessing the adequacy of the Group's disclosures in relation to IFRS 9 by reference to the requirements of the relevant financial reporting standards and QCB regulations.
2. Impairment of investments in associates	
The determination of recoverable amounts of the Group's investments in associates relies on management's estimates of future cash flows and their judgment with respect to the associates' performance. Due to the uncertainty of forecasting and discounting future cash flows, the level of management's judgement involved and the significance of the Group's investment in associates, this audit area is considered as a key audit matter. As at 31 December 2020, the Group's investment in associates amounted to QR 3,109 million. Refer to the significant accounting policies and note 12 to the consolidated financial statements.	Our audit procedures focused on the following key areas: • We obtained the calculation of recoverable amounts of the Group's investments in associates. • With the assistance of our own specialists, we assessed the assumptions and compared the estimates used to externally available industry, economic and financial data and methodologies used by the management to determine the recoverable amount of the investments in associates. • We assessed the forecasts of future cash flows prepared by management. • Discussions with management on the performance of the associates and their future outlook.

Other information

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

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

Responsibilities of the management and the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of Qatar Central Bank regulations, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors 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 guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

Independent Auditor's Report continued

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

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures 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

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

Ahmed Sayed
of Ernst & Young
Qatar Auditors Registry Number 326

Doha - State of Qatar
Date: 15 February 2021

Consolidated Statement of Financial Position

QAR '000s

As at 31 December	Notes	2020	2019
ASSETS			
Cash and balances with central banks	8	8,278,537	6,075,044
Due from banks	9	10,401,014	12,396,433
Loans and advances to customers	10	96,698,098	88,009,448
Investment securities	11	25,778,211	26,844,226
Investment in associates and a joint arrangement	12	3,116,557	4,021,239
Property and equipment	13	3,158,264	2,853,712
Intangible assets	14	174,830	236,377
Other assets	15	6,000,204	7,100,005
TOTAL ASSETS		**153,605,715**	147,536,484
LIABILITIES			
Due to banks	16	20,006,985	22,530,782
Customer deposits	17	75,789,543	76,296,592
Debt securities	18	13,107,134	9,524,590
Other borrowings	19	14,125,676	12,043,167
Other liabilities	20	8,405,896	5,385,126
TOTAL LIABILITIES		**131,435,234**	125,780,257
EQUITY			
Share capital	21	4,047,254	4,047,254
Legal reserve	21	9,871,972	9,841,333
General reserve	21	26,500	26,500
Risk reserve	21	2,037,236	1,421,236
Fair value reserve	21	1,000,301	600,094
Treasury shares	21	-	(38,860)
Foreign currency translation reserve	21	(2,235,107)	(1,946,677)
Other reserves	21	557,273	859,893
Revaluation reserve	21	1,287,569	1,283,920
Retained earnings		1,577,474	1,661,524
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**18,170,472**	17,756,217
Non-controlling interests		9	10
Instruments eligible for additional capital	21	4,000,000	4,000,000
TOTAL EQUITY		**22,170,481**	21,756,227
TOTAL LIABILITIES AND EQUITY		**153,605,715**	147,536,484

The consolidated financial statements were approved by the Board of Directors on 27 January 2021 and were signed on its behalf by:

Sheikh Abdulla Bin Ali Bin Jabor Al Thani
Chairman

Mr. Omar Hussain Alfardan
Managing Director

Mr. Joseph Abraham
Group Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

QAR '000s

For the year ended 31 December	Notes	2020	2019
Interest income	24	5,671,377	6,795,410
Interest expense	25	(2,571,242)	(3,832,227)
Net interest income		**3,100,135**	2,963,183
Fee and commission income	26	1,110,095	1,289,220
Fee and commission expense	27	(299,246)	(374,374)
Net fee and commission income		**810,849**	914,846
Net foreign exchange gain	28	296,351	281,045
Net (loss) / income from investment securities	29	(23,447)	68,993
Other operating income	30	53,245	118,578
Net operating income		**4,237,133**	4,346,645
Staff costs	31	(632,599)	(796,352)
Depreciation	13	(140,345)	(149,994)
Amortization of intangible assets	14	(58,395)	(55,023)
Net impairment (losses) / reversals on investment securities		(32,041)	6,797
Net impairment losses on loans and advances to customers	10	(836,386)	(594,427)
Net impairment losses on other financial assets		(115,124)	(66,108)
Impairment on investment in an associate		(591,242)	(413,881)
Other provisions		(40,177)	-
Other expenses	32	(265,038)	(226,644)
Profit before share of results of associates and a joint arrangement		**1,525,786**	2,051,013
Share of results of associates and a joint arrangement	12	(210,006)	(6,799)
Profit before tax		**1,315,780**	2,044,214
Income tax expense		(14,566)	(23,173)
Profit for the year		**1,301,214**	2,021,041
Attributable to:			
Equity holders of the bank		1,301,213	2,021,040
Non-controlling interests		1	1
Profit for the year		**1,301,214**	2,021,041
Earnings per share			
Basic/diluted earnings per share (QAR)	33	**0.27**	0.44

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

QAR '000s

For the year ended 31 December	Note	2020	2019
Profit for the year		**1,301,214**	2,021,041
Other comprehensive income for the year:			
Items that are, or may be subsequently reclassified to profit or loss:			
Foreign currency translation differences from foreign operation	22	(288,430)	(129,811)
Share of other comprehensive income of investment in associates and a joint arrangement	22	1,214	28,059
Net movement in cash flow hedges-effective portion of changes in fair value	22	59,634	9,053
Net change in fair value of investments in debt securities designated at FVOCI:	22		
Net change in fair value		443,081	663,769
Net amount transferred to consolidated statement of income		(3,519)	(9,091)
Items that may not be subsequently reclassified to profit or loss:			
Net change in fair value of equity investments designated at FVOCI	22	43,104	(34,072)
Foreign currency translation differences	22	(131,272)	-
Share of other comprehensive income of investment in associates and a joint arrangement	22	(12,035)	(6,008)
Other comprehensive income for the year		**111,777**	521,899
Total comprehensive income for the year		**1,412,991**	2,542,940
Attributable to:			
Equity holders of the bank		1,412,990	2,542,939
Non-controlling interests		1	1
Total comprehensive income for the year		**1,412,991**	2,542,940

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve
Balance as at 1 January 2020		**4,047,254**	**9,841,333**	**26,500**	**1,421,236**	**600,094**
Profit for the year		-	-	-	-	-
Other comprehensive income	21	-	-	-	-	400,207
Total comprehensive income for the year		-	-	-	-	400,207
Transfer to legal reserve	21	-	6,717	-	-	-
Transfer to risk reserve		-	-	-	616,000	-
FVOCI instrument loss transferred to Retained earnings	21	-	-	-	-	-
Dividend for instruments eligible for additional capital	21	-	-	-	-	-
Net movement in revaluation and other reserves		-	-	-	-	-
Provision for Sports and Social Activities Support Fund	23	-	-	-	-	-
Movement in treasury shares	21	-	23,922	-	-	-
Tax Adjustment		-	-	-	-	-
Transactions with equity holders, recognised directly in equity						
Contributions by and distributions to equity holders of the bank:						
Dividends for the year 2019	21	-	-	-	-	-
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-
Net movement in non-controlling interests		-	-	-	-	-
Balance as at 31 December 2020		**4,047,254**	**9,871,972**	**26,500**	**2,037,236**	**1,000,301**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

QAR '000s

Treasury shares	Foreign currency translation reserve	Other reserves	Revaluation reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instruments eligible for additional capital	Total equity
(38,860)	**(1,946,677)**	**859,893**	**1,283,920**	**1,661,524**	**17,756,217**	**10**	**4,000,000**	**21,756,227**
-	-	-	-	1,301,213	1,301,213	1	-	1,301,214
-	(288,430)	-	-	-	111,777	-	-	111,777
-	(288,430)	-	-	1,301,213	1,412,990	1	-	1,412,991
-	-	-	-	(6,717)	-	-	-	-
-	-	-	-	(616,000)	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	(223,000)	(223,000)	-	-	(223,000)
-	-	(302,620)	3,649	302,620	3,649	-	-	3,649
-	-	-	-	(32,530)	(32,530)	-	-	(32,530)
38,860	-	-	-	-	62,782	-	-	62,782
-	-	-	-	(185)	(185)	-	-	(185)
-	-	-	-	(809,451)	(809,451)	-	-	(809,451)
-	-	-	-	(809,451)	(809,451)	-	-	(809,451)
-	-	-	-	-	-	(2)	-	(2)
-	**(2,235,107)**	**557,273**	**1,287,569**	**1,577,474**	**18,170,472**	**9**	**4,000,000**	**22,170,481**

Consolidated Statement of Changes in Equity continued

For the year ended 31 December 2019	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve
Balance as at 1 January 2019		4,047,254	9,745,152	26,500	886,151	(96,333)
Profit for the year		-	-	-	-	-
Other comprehensive income	21	-	-	-	-	651,710
Total comprehensive income for the year		-	-	-	-	651,710
Transfer to legal reserve	21	-	8,803	-	-	-
Transfer to risk reserve		-	-	-	535,085	-
FVOCI instrument loss transferred to Retained earnings	21	-	-	-	-	44,717
Dividend for Instruments eligible for additional capital	21	-	-	-	-	-
Net movement in other reserve		-	-	-	-	-
Provision for Sports and Social Activities Support Fund	23	-	-	-	-	-
Movement in treasury shares	21	-	87,378	-	-	-
Transactions with equity holders, recognised directly in equity						
Contributions by and distributions to equity holders of the bank:						
Dividends for the year 2018	21	-	-	-	-	-
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-
Net movement in non-controlling interests		-	-	-	-	-
Balance as at 31 December 2019		4,047,254	9,841,333	26,500	1,421,236	600,094

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

QAR '000s

Treasury shares	Foreign currency translation reserve	Other reserves	Revaluation reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instruments eligible for additional capital	Total equity
(179,507)	(1,816,866)	959,764	1,283,920	1,000,413	15,856,448	11	4,000,000	19,856,459
-	-	-	-	2,021,040	2,021,040	1	-	2,021,041
-	(129,811)	-	-	-	521,899	-	-	521,899
-	(129,811)	-	-	2,021,040	2,542,939	1	-	2,542,940
-	-	-	-	(8,803)	-	-	-	-
-	-	-	-	(525,000)	10,085	-	-	10,085
-	-	-	-	(44,717)	-	-	-	-
-	-	-	-	(240,000)	(240,000)	-	-	(240,000)
-	-	(99,871)	-	99,871	-	-	-	-
-	-	-	-	(50,526)	(50,526)	-	-	(50,526)
140,647	-	-	-	16,334	244,359	-	-	244,359
-	-	-	-	(607,088)	(607,088)	-	-	(607,088)
-	-	-	-	(607,088)	(607,088)	-	-	(607,088)
-	-	-	-	-	-	(2)	-	(2)
(38,860)	(1,946,677)	859,893	1,283,920	1,661,524	17,756,217	10	4,000,000	21,756,227

Consolidated Statement of Cash Flows

QAR '000s

For the year ended 31 December	Notes	2020	2019
Cash flows from operating activities			
Profit before tax		1,315,780	2,044,214
Adjustments for:			
Net impairment losses on loans and advances to customers		836,386	594,427
Net impairment losses / (reversal) on investment securities		32,041	(6,797)
Net impairment losses on other financial assets		115,124	66,108
Depreciation	13	140,345	149,994
Amortization of intangible assets and transaction costs		87,904	90,926
Gain on sale of treasury shares		(23,922)	(87,378)
Net loss / (income) from investment securities	29	27,111	(64,642)
Other provisions		40,177	-
Gain on disposal of property and equipment		-	3,902
Impairment on investment in an associate		591,242	413,881
Share of results of associates and a joint arrangement		210,006	6,799
Operating profit before working capital changes		**3,372,194**	3,211,434
Working capital changes			
Change in due from banks		213,462	(3,845,259)
Change in loans and advances to customers		(11,710,184)	(5,821,742)
Change in other assets		1,016,089	(2,341,566)
Change in due to banks		(2,635,334)	10,167,792
Change in customer deposits		1,430,497	5,702,956
Change in other liabilities		2,745,022	490,037
Contribution to social and sports fund		(50,526)	(41,580)
Net cash flows (used in) / from operating activities		**(5,618,780)**	7,522,072
Cash flows from investing activities			
Acquisition of investment securities		(4,725,866)	(8,620,481)
Proceeds from sale of treasury shares		62,782	228,025
Dividend received from associates and a joint arrangement	12	92,614	93,072
Proceeds from sale/maturity of investment securities		5,567,499	4,255,059
Acquisition of property and equipment and intangible assets	14&15	(125,311)	(157,359)
Proceeds from the sale of property and equipment and other assets		150	6,801
Net cash flows from / (used in) investing activities		**871,868**	(4,194,883)

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows continued

QAR '000s

For the year ended 31 December	Notes	2020	2019
Cash flows from financing activities			
Proceeds from issue of debt securities	18	5,452,640	3,486,978
Repayment of debt securities	18	(2,157,982)	(9,932,780)
Repayment of other borrowings	19	(6,073,532)	(3,735,723)
Proceeds from other borrowings	19	8,922,233	7,793,321
Payment of Lease Liability		(34,074)	(39,499)
Payment on Coupon of instrument eligible for additional Tier 1 Capital		(223,000)	(240,000)
Dividends paid		(809,451)	(607,088)
Net cash flows from / (used in) financing activities		**5,076,834**	(3,274,791)
Net increase in cash and cash equivalents		329,922	52,398
Effect of exchange rate fluctuation		136,073	19,027
Cash and cash equivalents as at 1 January		10,055,971	9,984,546
Cash and cash equivalents at the end of the year	35	**10,521,966**	10,055,971
Net cash flows from interest and dividend from operating activities:			
Interest paid		2,808,966	3,829,417
Interest received		5,355,351	6,916,197
Dividend received		3,664	4,350

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

QAR '000s

1. REPORTING ENTITY

The Commercial Bank (P.S.Q.C.) (the "Bank") is an entity domiciled in the State of Qatar and was incorporated in 1974 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration number of the Bank is 150. The address of the Bank's registered office is PO Box 3232, Doha, State of Qatar. The consolidated financial statements of the Bank comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in conventional banking, brokerage services and the credit card business and operates through its head office, branches and subsidiaries.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Capital of the subsidiary	Activity of the subsidiary	Percentage of ownership	
				2020	2019
Alternatifbank A.S.	Turkey	TRY 2,038,390,000	Banking services	100%	100%
Commercial Bank Financial Services L.L.C.	Qatar	QAR 100,000,000	Brokerage services	100%	100%
CBQ Finance Limited	Bermuda	US$ 1,000	Debt issuance for the Bank	100%	100%

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of the Qatar Central Bank ("QCB") regulations.

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement of assets/liabilities within twelve months after the end of the reporting date ("current") and more than twelve months after the reporting date ("non-current") is presented in Note 4(c) (iii).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are measured at fair value:

- derivative financial instruments;
- investments measured at fair value through profit or loss ('FVTPL');
- other financial assets designated at fair value through profit or loss ('FVTPL');
- financial investment measured at fair value through other comprehensive income ('FVOCI');
- land and buildings; and
- the carrying values of recognized assets and liabilities that are hedged items in quantifying fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

As at and for the year ended 31 December 2020 QAR '000s

2. BASIS OF PREPARATION (continued)

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS and QCB regulations 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 5.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2020

The following standards, amendments and interpretations, which became effective as of 1 January 2020, are relevant to the Group:

Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Interest Rate Benchmark Reform - Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

Standards issued but not yet effective

A number of standards and amendments to standards are issued but not yet effective and the Group has not adopted these in the preparation of these consolidated financial statements. The below standards may have a significant impact on the Group's consolidated financial statements, however, the Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates.

COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 January 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)	1 January 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred of any non-controlling interest and the acquisition-date fair value of any previous equity interest over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

(ii) Non-controlling interests (NCI)

In accordance with IFRS 3R, for each business combination, the acquirer can measure, at the acquisition date, components of NCI in the acquired business that represent ownership interests and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value on the acquisition date; or
(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

NCI is measured only on initial recognition. The Group measures the NCI at fair value, including its share of goodwill.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Associates and joint arrangements

Associates and joint arrangements are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

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

The Bank performs impairment assessment of investment in associates on an annual basis, or changes in circumstances indicate a potential impairment. Impairment testing involves calculating the value in use (VIU) by estimating the present values of future cash flows based on management's estimates of future earnings available to ordinary shareholders and observable market inputs. Where the carrying amount exceeds the VIU, an impairment would be recognized in the statement of income and the carrying amount will be reduced.

Intergroup gains on transactions between the Group and its associates and joint arrangement are eliminated to the extent of the Group's interest in the associates and joint arrangements. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates' financial statements are being prepared using similar accounting policies and period end as the parent.

(vi) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in Note 37.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency

(i) Foreign currency transactions and balances

Foreign currency transactions that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the date of the transactions.

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

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

(ii) Foreign operations

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

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

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

When the Group has any foreign operation that is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

(d) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and advances to customers, due from / to banks, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(ii) Classification

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice.
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated.

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest ("the SPPI test"), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration of the time value of money.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification takes place from the start of the first reporting period following the change.

Financial liabilities

The Group has classified and measured its financial liabilities at amortized cost.

(iii) Derecognition

The Group derecognises 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 recognised as a separate asset or liability. 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 recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(iii) Derecognition (continued)

A financial asset (in whole or in part) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

The Group enters into transactions whereby it transfers assets recognised, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Modification of financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such 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 interest income.

Financial Liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) Measurement principles

- **Amortized 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 principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate (EIR).

- **Fair value measurement**

  'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

  When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

  If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

  The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

  If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(vi) Measurement principles (continued)

- **Fair value measurement** (continued)
  Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

  The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

  The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments; and
- Loan commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.

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 financial instruments that are possible with the 12 months after the reporting date.

The Group applies three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL - not credit impaired Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Interest is computed on the gross carrying amount of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Stage 2: Lifetime ECL - not credit impaired Stage 2 includes financial assets that have had a significant increase in credit risk (SICR) since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest 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.

Stage 3: Lifetime ECL - credit impaired Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

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 loan 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 derecognised and ECL are measured as follows.

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI 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 loan or advance 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original 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 includes amounts due from banks and with an original maturity of 90 days or less.

(f) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to customers are initially measured at the transaction price, which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, except for the financial assets which are classified to be measured at FVTPL, which are measured at fair value with changes recognised immediately in the consolidated income statement.

(g) Investment Securities

The investment securities includes:

- Debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Debt securities measured at FVOCI; and
- Equity investment securities designated at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest income using the effective interest method;
- Expected credit losses and reversals; and
- Foreign exchange gains and losses

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships.

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivatives (continued)

(i) Derivatives held for risk management purposes and hedge accounting (continued)

Cash flow hedge (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(ii) Derivatives held for trading purposes

The Group's derivative trading instruments includes, forward foreign exchange contracts and interest rate swaps. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the profit or loss.

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any, except for land and building which are subsequently measured at fair value.

Revaluations of freehold land and buildings are carried out by an independent valuer. Net surpluses arising on revaluation are credited to a revaluation reserve, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. A decrease as a result of a revaluation is recognised as an expense, except that it is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. On disposal the related revaluation surplus is credited to retained earnings.

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 labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

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

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

The depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most 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 Capital work in progress are not depreciated.

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

Buildings	20 - 30 years
Leasehold improvements	6 - 10 years
Furniture and equipment	3 - 8 years
Motor vehicles	5 years

(vi) Right-of-use assets (Leases)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases less than 12 months and leases of low-value assets (USD 5,000 or less). The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	2 - 40 years

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date. Right-of-use assets are subject to impairment in line with the policy for the impairment of non-financial assets.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of goodwill and intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

The estimated useful economic life of intangible assets with finite lives are; Brand 18 to 19 years, Customer relationship 11 to 12 years, Core deposit 13 to 16 years and Internally developed software and others 5 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(k) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Provisions

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

(m) Financial guarantee contract and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument and the guarantees may become payable on demand. Financial guarantee liabilities are recognised initially at their fair value, and this initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(n) Employee benefits

Defined contribution plans

The Bank 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 in staff cost in the consolidated income statement. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Bank makes provision for end of service benefits payable to its expatriate employees on the basis of the employees' length of service in accordance with the employment policy of the Bank and the applicable provisions of the Labour Law. This provision is included in other provisions as part of other liabilities in the consolidated statement of financial position. The expected costs of these benefits are accrued over the period of employment.

Alternatifbank, under Turkish Labour Law, is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary subject to a maximum threshold per employee for each year of service. There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

Short-term employee benefits

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

Share-based payments

Employees (including senior management) of the Bank receive remuneration in the form of share-based payments, whereby employees are granted share appreciation rights, which are settled in cash (cash settled transactions).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits (continued)

Cash settled transactions

The cost of cash settled transactions is measured at fair value at the grant date using Black Scholes model, further details of which are given in Note 20. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense Note 31. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

(o) 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 instruments.

(ii) Dividends on ordinary shares

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

(p) Interest income and expense

Interest income and expense are recognised in the consolidated income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

For the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income / expense;
- The ineffective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of interest rate risk; and
- Fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items in fair value hedges of interest rate risk.

Interest income on investment (debt) securities measured at FVOCI and measured at amortised cost is calculated using effective interest rate method and is also included in interest income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Fee and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(r) Income from investment securities

Gains or losses on the disposal of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

(s) Dividend income

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

(t) Income tax expenses

Taxes are calculated based on tax laws and regulations in the countries in which the Group operates. Tax is recognized based on an evaluation of the expected tax charge/credit. Income tax and deferred tax mainly arising from Alternatif bank operations.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on laws that have been enacted at the reporting date.

(u) Earnings per share

The Bank 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 ordinary equity holders of the Bank, further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 Capital, if any, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders , further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 Capital, if any, and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer of the Bank as its chief operating decision maker.

All transactions between operating segments are conducted on an arm's length basis directly associated with each segment are included in determining operating segment performance.

(w) Fiduciary activities

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

(x) Repossessed collateral

Repossessed collaterals in settlement of customers' debts are stated under "Other assets" at carrying value of debts or fair value if lower. According to QCB instructions, the Group should dispose of any land and properties acquired in settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended with the approval of QCB.

(y) Appropriations for Instruments Eligible for Additional Capital

Appropriations for Instruments Eligible for Additional Capital are treated as dividends.

(z) Comparatives

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

4. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

a) Introduction and overview (continued)

Financial instruments

Financial instruments comprise the Group's financial assets and liabilities. Financial assets include cash and balances with Central banks, due from banks, loans and advances, investment securities, derivative financial assets and certain other assets and financial liabilities include customer deposits, borrowings under repurchase agreements and interbank takings, debt issued and other borrowed funds, derivative financial liabilities and certain other liabilities. Financial instruments also include rights and commitments included in off- balance sheet items.

Note 3(d) describes the accounting policies followed by the Group in respect of recognition and measurement of the key financial instruments and their related income and expense.

Risk management

The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations. Market risk, which includes foreign currency, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields. Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events or execution or regulatory issues.

Risk and other committees

The governance structure of the Group is headed by the Board of Directors. The Board of Directors evaluates risk by engaging with the Group Chief Executive Officer and Chief Risk Officer alongwith the following Board and Management Committees:

1) Board Risk Committee is responsible for all aspects of Risk Management across the Group including but not restricted to credit risk, market risk, and operational risk. This committee sets the policy on all risk issues and maintains oversight of all Group risks through the Management Risk Committee.

2) Board Audit and Compliance Committee is responsible for setting the policy on all Audit issues and maintains oversight of all Bank audit issues through the Chief Internal Auditor. In addition, the committee is also responsible for Compliance & Anti-Money Laundering which is managed through the Chief Compliance Officer.

3) Board Executive Committee is responsible for evaluating and granting credit facilities and approval of the Group's investment activities within authorized limits per Qatar Central Bank and Board of Directors' guidelines. In addition, this committee is also responsible for all policies and strategies of the business and compliance of corporate governance.

4) Management Credit Committee (MCC) is the third highest-level authority on all Counterparty Credit Risk Exposures, after the Board of Directors and Board Executive Committee. The MCC also is responsible for watch list and non-performing assets to minimize risks, prevent losses, maximize recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions. MCC exercises its credit authority as conferred upon them by the Delegation of Authority ("DoA") as approved by the Board.

4. FINANCIAL RISK MANAGEMENT (continued)

a) Introduction and overview (continued)

Risk and other committees (continued)

5) Management Risk Committee is the highest management authority on all risk related issues in the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.

6) Asset and Liability Committee (ALCO) is a management committee which is a decision making body relating to Asset and Liability management. (i.e. balance sheet structure, funding, pricing, hedging, setting limits etc.) Under the overall risk management framework, ALCO is a key component of risk management within the Bank.

7) Investment Committee (ICO) is the decision making committee for Bank's proprietary investment activities, with a view to optimize returns, ensuring that the investment book provides a liquidity buffer for the bank and mitigate market risk attached to the nature of targeted investment.

8) Crisis Management Committee (CMC) is the authority for management of a crisis, entailing business continuity, prevention, planning, testing, and evaluation. The CMC's objective is to mitigate and minimize the consequences of crisis events.

(b) Credit risk

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Loans and advances are the largest sources of credit risk for the Group. Other sources of credit risk exist throughout the activities of the Group, including investments in the banking book and in the trading book. The Group also faces credit risk (or counterparty risk) in various financial instruments other than loans, including: acceptances, interbank transactions, trade financing, foreign exchange transactions, derivative instruments, and in the extension of commitments and guarantees, as well as the settlement of transactions. The Group maintains well defined, written policies and procedures for identifying, measuring, monitoring, and controlling credit risk, governing credit-granting activities in conformance with the risk appetite and limits defined by the Board. All extensions of credit are made on an arm's length basis in accordance with the Group's credit-granting approval process by a combination of authorized individuals, groups or credit committees, depending on the size and nature of the credit, who have the experience, knowledge and background to exercise prudent judgement in assessing, approving and managing credit risks.

(i) Credit risk measurement

1. Loans and advances

The Group's aim is to maintain a sound asset portfolio by optimizing its loan mix. This is being achieved through a strategy of reducing exposure to non-core client relationships while selectively targeting economic sectors that are core to the overall business strategy. In addition, the Group intends to diversify risk by increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages. In measuring credit risk of loan and advances to customers and to banks, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely potential future exposure, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk measurement (continued)

1. Loans and advances (continued)

(i) The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They combine statistical analysis along with the business relationship officers and credit risk officers assessment and are independently validated. Clients of the Group are segmented based on a 10-point rating scale (22 notches including modifiers) for the corporate book and product based application scores for the retail book. The Group's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, the probability of default changes with the migration of ratings. The rating tools are kept under review and upgraded as necessary.

The ratings of the major rating agency are mapped to Group's rating grades based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the carrying value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. For undrawn facilities, the Group applies credit conversion factors that are prescribed by Qatar Central Bank and are aligned to Bank of International Settlements (BIS) guidelines.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

2. Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's and Moody's ratings or their equivalents are used by Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to improve the overall asset quality, enhance yield and provide a readily available source to meet the funding requirement.

(ii) Risk limit control and mitigation policies

Portfolio diversification

Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Group is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfil its payment obligations, large exposure limits have been established per credit policy following the local regulations. Limits are also in place to manage exposures to a particular country or sector. These risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Collateral

In order to proactively respond to credit deterioration, the Group employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Lending against lien marked deposits;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; working capital credit facilities are generally unsecured. In addition, in order to minimize the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as at the reporting date. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation but the counterparty fails to deliver the counter-value.

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

	2020	2019
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	5,851,972	5,250,971
Due from banks	10,401,014	12,396,433
Loans and advances to customers	96,698,098	88,009,448
Investment securities - debt	24,977,468	26,408,148
Other assets	2,486,722	1,690,200
Total as at 31 December	**140,415,274**	133,755,200
Other credit risk exposures are as follows:		
Guarantees	17,788,756	21,353,539
Letters of credit	2,291,488	1,706,950
Unutilized credit facilities	4,465,134	4,287,871
Total as at 31 December	**24,545,378**	27,348,360
	164,960,652	161,103,560

The above table represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached.

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Geographical sectors

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

2020	**Qatar**	**Other GCC**	**Other Middle east**	**Rest of the world**	**Total**
Balances with central banks	4,168,694	-	1,683,278	-	5,851,972
Due from banks	991,136	200,706	3,094,605	6,114,567	10,401,014
Loans and advances to customers	74,958,590	204,077	18,226,563	3,308,868	96,698,098
Investment securities - debt	18,935,247	446,275	4,280,798	1,315,148	24,977,468
Other assets	2,097,767	-	388,955	-	2,486,722
	101,151,434	**851,058**	**27,674,199**	**10,738,583**	**140,415,274**

2019	Qatar	Other GCC	Other Middle east	Rest of the world	Total
Balances with central banks	3,698,747	-	1,552,224	-	5,250,971
Due from banks	4,275,094	675,608	4,089,664	3,356,067	12,396,433
Loans and advances to customers	73,308,248	474,138	13,491,026	736,036	88,009,448
Investment securities - debt	19,914,595	364,868	4,059,685	2,069,000	26,408,148
Other assets	1,302,765	516	276,834	110,085	1,690,200
	102,499,449	1,515,130	23,469,433	6,271,188	133,755,200

2020	**Qatar**	**Other GCC**	**Other Middle east**	**Rest of the world**	**Total**
Guarantees	9,181,740	775,795	59,798	7,771,423	17,788,756
Letters of credit	1,196,565	463	38,465	1,055,995	2,291,488
Unutilized credit facilities	2,728,362	1,456,059	173	280,540	4,465,134
	13,106,667	**2,232,317**	**98,436**	**9,107,958**	**24,545,378**

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Geographical sectors (continued)

2019	Qatar	Other GCC	Other Middle east	Rest of the world	Total
Guarantees	9,723,889	1,303,244	253,249	10,073,157	21,353,539
Letters of credit	1,326,800	463	-	379,687	1,706,950
Unutilized credit facilities	3,179,533	828,211	-	280,127	4,287,871
	14,230,222	2,131,918	253,249	10,732,971	27,348,360

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 2020	Gross exposure 2019
Funded		
Government	40,183,405	39,234,483
Government agencies	4,676,713	3,975,558
Industry	8,560,647	8,091,993
Commercial	15,324,793	13,710,085
Services	36,974,355	38,612,198
Contracting	2,845,738	2,857,702
Real estate	20,555,049	19,495,282
Consumers	6,701,930	5,907,053
Other sectors	4,592,644	1,870,846
Total funded	**140,415,274**	133,755,200
Un-funded		
Government institutions & semi government agencies	2,237,635	3,446,069
Services	10,096,812	11,986,717
Commercial and others	12,210,931	11,915,574
Total un-funded	**24,545,378**	27,348,360
Total	**164,960,652**	161,103,560

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality

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

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

	2020			
Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade - ORR 1 to 4	9,518,594	-	-	9,518,594
Sub-investment grade - ORR 5 to 7	4,814,478	1,991,315	-	6,805,793
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	**14,333,072**	**1,991,315**	**-**	**16,324,387**
Loss allowance	(23,961)	(63,524)	-	(87,485)
	14,309,111	**1,927,791**	**-**	**16,236,902**
Accrued Interest				16,084
Carrying amount				**16,252,986**

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

	2020			
Loans and advances to Customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade - ORR 1 to 4	41,424,708	476,114	-	41,900,822
Sub-investment grade - ORR 5 to 7	38,296,983	15,478,765	-	53,775,748
Substandard - ORR 8	-	-	741,024	741,024
Doubtful - ORR 9	-	-	1,426,348	1,426,348
Loss - ORR 10	-	-	2,159,756	2,159,756
Total - Gross	**79,721,691**	**15,954,879**	**4,327,128**	**100,003,698**
Loss allowance	(281,049)	(1,239,905)	(2,875,668)	(4,396,622)
	79,440,642	**14,714,974**	**1,451,460**	**95,607,076**
Accrued Interest				1,091,022
Carrying amount				**96,698,098**

ORR = Obligatory Risk Rating

	2020			
Investment Securities - Debt	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade - ORR 1 to 4	19,296,219	282,620	-	19,578,839
Sub-investment grade - ORR 5 to 7	4,310,623	102,886	-	4,413,509
Substandard - ORR 8	-	-	-	-
Doubtful ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	**23,606,842**	**385,506**	**-**	**23,992,348**
Loss allowance	(35,166)	(14,112)	-	(49,278)
	23,571,676	**371,394**	**-**	**23,943,070**
Accrued interrest				141,519
Carrying amount				**24,084,589**

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

	2020			
Loan Commitments and financial Guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade - ORR 1 to 4	5,724,049	115,806	-	5,839,855
Sub-investment grade - ORR 5 to 7	14,945,312	3,472,303	-	18,417,615
Substandard - ORR 8	-	1,459	44,378	45,837
Doubtful ORR 9	-	-	1,035	1,035
Loss - ORR 10	-	-	241,036	241,036
Total - Gross	**20,669,361**	**3,589,568**	**286,449**	**24,545,378**
Loss allowance	(89,665)	(47,673)	(23,545)	(160,883)
Carrying amount	**20,579,696**	**3,541,895**	**262,904**	**24,384,495**

	2019			
Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	9,174,366	-	-	9,174,366
Sub-investment grade - ORR 5 to 7	5,459,786	3,043,808	-	8,503,594
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	14,634,152	3,043,808	-	17,677,960
Loss allowance	(7,515)	(33,037)	-	(40,552)
	14,626,637	3,010,771	-	17,637,408
Accrued Interest				9,996
Carrying amount				17,647,404

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

	2019			
Loans and advances to Customers	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	36,969,262	110,704	-	37,079,966
Sub-investment grade - ORR 5 to 7	34,143,968	15,204,195	-	49,348,163
Substandard - ORR 8	-	545	962,594	963,139
Doubtful - ORR 9	-	-	1,345,136	1,345,136
Loss - ORR 10	-	-	2,179,512	2,179,512
Total - Gross	71,113,230	15,315,444	4,487,242	90,915,916
Loss allowance	(61,964)	(872,666)	(2,751,042)	(3,685,672)
	71,051,266	14,442,778	1,736,200	87,230,244
Accrued Interest				779,204
Carrying amount				88,009,448

ORR = Obligatory Risk Rating

	2019			
Investment Securities - Debt	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	17,397,199	270,761	-	17,667,960
Sub-investment grade - ORR 5 to 7	6,947,653	295,715	-	7,243,368
Substandard - ORR 8	-	-	-	-
Doubtful ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
Total - Gross	24,344,852	566,476	-	24,911,328
Loss allowance	(4,071)	-	-	(4,071)
	24,340,781	566,476	-	24,907,257
Accrued interrest				138,199
Carrying amount				25,045,456

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

	2019			
Loan Commitments and financial Guarantees	Stage 1	Stage 2	Stage 3	Total
Investment grade - ORR 1 to 4	5,490,388	100,661	-	5,591,049
Sub-investment grade - ORR 5 to 7	17,271,678	4,141,518	-	21,413,196
Substandard - ORR 8	-	8,509	45,426	53,935
Doubtful ORR 9	-	-	518	518
Loss - ORR 10	-	-	289,662	289,662
Total - Gross	22,762,066	4,250,688	335,606	27,348,360
Loss allowance	(26,345)	(41,764)	(27,644)	(95,753)
Carrying amount	22,735,721	4,208,924	307,962	27,252,607

Rescheduled loans and advances to customers

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non-impaired. The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indices of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against loans and advances to customers. Aggregate collateral for stage 1 as at 31 December 2020 is QAR 62,752 million (2019: QAR 56,806 million), stage 2 QAR 17,797 million (2019: QAR 13,272 million) and stage 3 QAR 3,332 million (2019: QAR 3,587 million).

(vi) Repossessed collateral

During the year, the Group acquired ownership of land and building by taking possession of collateral held as security for an amount of QAR 512 million (2019: QAR 1,922 million).

Repossessed properties proceeds are used to reduce the outstanding indebtedness and are sold as soon as practicable. Repossessed property is classified in the consolidated statement of financial position within other assets.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(vii) Write-off policy

The Group writes off a loan or an investment in debt security balance, and any related allowances for impairment losses, when the relevant Credit Committees determines that the loan or security is uncollectible. QCB approval is required for local write offs when the amount to be written off exceeds Qatar Riyal one hundred thousand.

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 standardized loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 450 million (2019: QAR 1,035 million).

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

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a significant increase in credit risk based on particular Qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its Quantitative analysis on a timely basis.

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

i) Two 'absolute' notches downgrade for ratings better than Rating Grade 5 at the time of origination and one 'absolute' notch rating downgrade for other rated customers.
ii) Facilities restructured during previous twelve months.
iii) Facilities overdue by 30 days as at the reporting date in case of Retail Products and overdue by 60 days for corporate customers.

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

The Group uses its own database of default history to model estimates of PD for respective ratings that are used in credit decision making. Yearly transition matrices are developed to capture the rating migration of borrowers and yearly PDs are calculated over 5 years to get the through-the-cycle (TTC) PD. In order the transform the TTC PD to point in time, a credit index for the last five historical years is calculated based upon minimizing the sum of the squared differences between the TTC PD and Point-in-time (PIT) PD matrix elements. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group has exposures.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Renegotiated financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

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

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is rated 9 (Doubtful) or 10 (Loss).

In assessing whether a borrower is in default, the Group also considers indicators that are:

- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

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

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Measurement of ECL (continued)
LGD is the magnitude of the likely loss if there is a default. The Group has applied LGD factors based on the type of collateral available and has used the LGD floors that are prescribed by QCB for certain collateral types. LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.
2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

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

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

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

The assessment of Significant Increase in Credit Risk (SICR) and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In the case that none of the macro-economic parameters are statistically significant or the results of forecasted PDs are too deviated from the present forecast of the economic conditions, qualitative PD overlay is used by management based on portfolio analysis.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the 'base economic scenario') are based on available information and include mean reversion approaches for long-term forecasts. The impact of these economic variables on the PD has been determined by performing statistical regression analysis.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Incorporation of forward-looking information (continued)

In addition to the base economic scenario, other possible scenarios are assessed along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non linearities are captured. At 31 December 2020, the Group concluded that three scenarios appropriately captured non linearities for all portfolios. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the base, and other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historically data estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

On the backdrop of COVID-19, despite reaffirmation of Qatar's strong fundamentals and stable outlook by international bond markets, and the extraordinary measures taken by the Qatar Government to alleviate the financial and economic impact of COVID-19 on affected sectors, the Bank has decided to take a conservative view for the purpose of estimating expected credit loss. These assumptions include: oil prices will range bound at around $43/bbl (31 December 2019: $58/bbl to $61/bbl); and, conservative real GDP growth estimates around -3.5% (31 December 2019: 2.8% to 3.1%) for 2020. The Bank also continues to review its Loss Given Default assumptions and has made adjustments to the same. The aforementioned values of macro-economic factors have been further overlaid by applying conservative scenario weightings of 55%, 45% and 0% for Base, Downside and Upside case scenarios, respectively, (31 December 2019: 70% to the Base Case, 15% to Downside and Upside Case) reflecting a possibility of flattening of the oil prices at current levels (and consequently government revenue) over the medium term. As the COVID-19 situation continues to evolve, these estimates may be reassessed and adjusted in future.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

The table below shows the loss allowance on loans and advances to customers assuming each forward-looking scenario (e.g. base, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios.

	2020	2019
100% Base Case, loss allowance would be higher/ (lower) by	(87,998)	(3,069)
100% Upside Case, loss allowance would be higher/ (lower) by	(325,294)	(138,896)
100% Downside Case, loss allowance would be higher/ (lower) by	92,079	153,220

These estimates are based on comparisons performed during the year.

Movement in ECL	**2020**			
Opening Balance as at 1 January 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Due from banks and balances with central banks	7,515	33,037	-	**40,552**
Loans and advances to customers	61,964	872,666	2,751,042	**3,685,672**
Investment Securities (Debt)	4,277	12,979	-	**17,256**
Loan Commitments and Financial Guarantees	26,345	41,764	27,644	**95,753**
	100,101	**960,446**	**2,778,686**	**3,839,233**
ECL Charge for the Period (net)				
Due from banks and balances with central banks	17,250	30,487	-	**47,737**
Loans and advances to customers	216,851	392,976	612,014	**1,221,841**
Investment Securities (Debt)	30,906	1,133	-	**32,039**
Loan Commitments and Financial Guarantees	65,041	5,892	(3,546)	**67,387**
	330,048	**430,488**	**608,468**	**1,369,004**
Write offs / Transfer				
Due from banks and balances with central banks	-	-	-	**-**
Loans and advances to customers	-	-	(450,479)	**(450,479)**
Investment Securities (Debt)	-	-	-	**-**
Loan Commitments and Financial Guarantees	-	-	-	**-**
	-	**-**	**(450,479)**	**(450,479)**

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Exchange differences				
Due from banks and balances with central banks	(804)	-	-	**(804)**
Loans and advances to customers	2,234	(25,737)	(36,909)	**(60,412)**
Investment Securities (Debt)	(17)	-	-	**(17)**
Loan Commitments and Financial Guarantees	(1,721)	17	(553)	**(2,257)**
	(308)	**(25,720)**	**(37,462)**	**(63,490)**
Closing Balance as at 31 December 2020				
Due from banks and balances with central banks	23,961	63,524	-	**87,485**
Loans and Advances to Customers*	281,049	1,239,905	2,875,668	**4,396,622**
Investment Securities (Debt)	35,166	14,112	-	**49,278**
Loan Commitments and Financial Guarantees	89,665	47,673	23,545	**160,883**
	429,841	**1,365,214**	**2,899,213**	**4,694,268**

* Allowances for impairment of loans and advances to customers includes QAR 892 million of interest in suspense (2019: QAR 711 million).

Movement in ECL	2019			
Opening Balance as at 1 January 2019	Stage 1	Stage 2	Stage 3	Total
Due from banks and balances with central banks	619	13,079	-	13,698
Loans and advances to customers	50,382	952,226	2,844,017	3,846,625
Investment Securities (Debt)	236	23,817	-	24,053
Loan Commitments and Financial Guarantees	25,711	76,308	1,953	103,972
	76,948	1,065,430	2,845,970	3,988,348
ECL Charge for the Period (net)				
Due from banks and balances with central banks	7,019	19,958	-	26,977
Loans and advances to customers	2,750	(39,394)	963,815	927,171
Investment Securities (Debt)	4,041	(10,838)	-	(6,797)
Loan Commitments and Financial Guarantees	6,122	(34,116)	67,125	39,131
	19,932	(64,390)	1,030,940	986,482

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

	2019			
	Stage 1	Stage 2	Stage 3	Total
Write offs / Transfer				
Due from banks and balances with central banks	-	-	-	-
Loans and advances to customers	-	(10,084)	(1,024,756)	(1,034,840)
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	(41,198)	(41,198)
	-	(10,084)	(1,065,954)	(1,076,038)
Exchange differences				
Due from banks and balances with central banks	(123)	-	-	(123)
Loans and advances to customers	8,832	(30,082)	(32,034)	(53,284)
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	(5,488)	(428)	(236)	(6,152)
	3,221	(30,510)	(32,270)	(59,559)
Closing Balance as at 31 December 2019				
Due from banks and balances with central banks	7,515	33,037	-	40,552
Loans and Advances to Customers	61,964	872,666	2,751,042	3,685,672
Investment Securities (Debt)	4,277	12,979	-	17,256
Loan Commitments and Financial Guarantees	26,345	41,764	27,644	95,753
	100,101	960,446	2,778,686	3,839,233

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives etc. Such outflows would deplete available cash resources for client lending, 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 lending 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.

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(i) Management of liquidity risk

The management of liquidity risk is governed by the Group's liquidity policy. The primary objective of liquidity risk management; over which ALCO has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Group's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by the Bank's credit ratings, which are as follows:

Moody's:	Long Term A3, Short Term P2, financial strength Ba1 and outlook Stable.
Fitch:	Long Term A, Short Term F1, financial strength bb+ and outlook Stable.
Standard & Poor's:	Long Term BBB+, Short Term A-2, financial strength bb+ and outlook stable

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, 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 the Group's lead regulator, QCB under the heading 'Liquidity adequacy ratio' (LAR). The minimum ratio limit set by QCB is 100%.

Following table sets out the LAR position of the Group during the year as follows:

	2020 (%)	2019 (%)
At 31 December	**100.78**	108.11
Average for the year	**106.08**	109.14
Maximum for the year	**114.89**	120.18
Minimum for the year	**100.36**	100.48

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis

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

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2020								
Cash and balances with central banks	**8,278,537**	2,890,659	-	-	**2,890,659**	-	-	5,387,878
Due from banks	**10,401,014**	5,564,842	1,458,600	2,962,451	**9,985,893**	415,121	-	-
Loans and advances to customers	**96,698,098**	10,788,017	2,576,137	10,300,869	**23,665,023**	19,250,983	53,782,092	-
Investment securities	**25,778,211**	7,191	461,789	2,527,467	**2,996,447**	11,154,389	10,808,777	818,598
Investment in associates and a joint arrangement	**3,116,557**	-	-	-	**-**	-	-	3,116,557
Property and equipment and all other assets	**9,333,298**	2,602,763	402,291	-	**3,005,054**	2,995,151	-	3,333,093
Total	**153,605,715**	**21,853,472**	**4,898,817**	**15,790,787**	**42,543,076**	**33,815,644**	**64,590,869**	**12,656,126**
Due to banks	**20,006,985**	9,806,955	4,469,548	5,274,050	**19,550,553**	203,048	253,384	-
Customer deposits	**75,789,543**	44,038,234	13,707,994	13,857,373	**71,603,601**	4,185,942	-	-
Debt securities	**13,107,134**	182,463	2,040,317	3,490,996	**5,713,776**	6,030,537	1,362,821	-
Other borrowings	**14,125,676**	216,320	2,205,732	7,959,518	**10,381,570**	3,512,158	231,948	-
Other liabilities	**8,405,896**	4,321,852	953,528	2,315,979	**7,591,359**	814,537	-	-
Total	**131,435,234**	**58,565,824**	**23,377,119**	**32,897,916**	**114,840,859**	**14,746,222**	**1,848,153**	**-**
Difference	**22,170,481**	**(36,712,352)**	**(18,478,302)**	**(17,107,129)**	**(72,297,783)**	**19,069,422**	**62,742,716**	**12,656,126**

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2019								
Cash and balances with central banks	6,075,044	1,631,106	-	-	1,631,106	-	-	4,443,938
Due from banks	12,396,433	7,554,562	560,646	2,875,551	10,990,759	1,405,674	-	-
Loans and advances to customers	88,009,448	9,618,237	2,450,468	11,421,574	23,490,279	19,093,568	45,425,601	-
Investment securities	26,844,226	19,971	365,272	1,890,660	2,275,903	13,047,121	11,085,124	436,078
Investment in associates and a joint arrangement	4,021,239	-	-	-	-	-	-	4,021,239
Property and equipment and all other assets	10,190,094	1,776,949	26,089	-	1,803,038	4,690,583	-	3,696,473
Total	147,536,484	20,600,825	3,402,475	16,187,785	40,191,085	38,236,946	56,510,725	12,597,728
Due to banks	22,530,782	10,951,690	4,768,171	4,483,820	20,203,681	2,073,717	253,384	-
Customer deposits	76,296,592	44,985,571	11,455,043	14,842,913	71,283,527	5,013,065	-	-
Debt securities	9,524,590	143,726	297,430	752,320	1,193,476	7,069,889	1,261,225	-
Other borrowings	12,043,167	422,229	1,334,034	5,340,550	7,096,813	4,946,354	-	-
Other liabilities	5,385,126	3,288,364	1,142,730	545,907	4,977,001	408,125	-	-
Total	125,780,257	59,791,580	18,997,408	25,965,510	104,754,498	19,511,150	1,514,609	-
Difference	21,756,227	(39,190,755)	(15,594,933)	(9,777,725)	(64,563,413)	18,725,796	54,996,116	12,597,728

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

2020	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	20,006,985	21,018,672	9,889,605	4,445,636	6,187,663	210,670	285,098
Customer deposits	75,789,543	76,685,385	44,535,786	13,880,596	14,031,635	4,237,368	-
Debt securities	13,107,134	14,907,263	187,103	2,055,339	4,800,641	6,953,485	910,695
Other borrowings	14,125,676	14,445,693	219,881	2,222,083	8,169,722	3,602,303	231,704
Total liabilities	**123,029,338**	**127,057,013**	**54,832,375**	**22,603,654**	**33,189,661**	**15,003,826**	**1,427,497**

2019	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	22,530,782	24,001,339	11,148,211	4,851,681	5,542,683	2,164,738	294,026
Customer deposits	76,296,592	77,685,628	45,794,237	11,656,175	15,125,744	5,109,472	-
Debt securities	9,524,590	11,999,211	155,456	303,258	920,432	7,839,350	2,780,715
Other borrowings	12,043,167	12,639,842	432,450	1,481,117	5,471,222	5,255,053	-
Total liabilities	120,395,131	126,326,020	57,530,354	18,292,231	27,060,081	20,368,613	3,074,741

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

Derivative financial instruments:
Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

2020	Total	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Derivatives Held for Trading:					
Forward foreign exchange contracts:					
Outflow	(24,726,645)	(9,577,210)	(2,863,279)	(8,943,978)	(3,342,178)
Inflow	24,273,283	9,350,891	2,855,802	8,724,013	3,342,577
Interest rate swaps:					
Outflow	(2,383,799)	(3,735)	(186,217)	(1,375,220)	(818,627)
Inflow	2,410,152	6,364	193,987	1,389,147	820,654
Derivatives Held as Fair Value Hedges:					
Interest rate swaps:					
Outflow	(313,669)	-	(22,800)	(99,005)	(191,864)
Inflow	31,580	-	2,115	8,792	20,673
Derivatives Held as Cash Flow Hedges:					
Forward foreign exchange contracts:					
Outflow	(4,664,191)	(1,316,125)	(460,683)	(2,887,383)	-
Inflow	4,800,575	1,384,472	424,242	2,991,861	-
Interest rate swaps:					
Outflow	(392,460)	(7,352)	(115,026)	(270,082)	-
Inflow	375,803	4,037	104,552	267,214	-
Total Outflows	**(32,480,764)**	**(10,904,422)**	**(3,648,005)**	**(13,575,668)**	**(4,352,669)**
Total Inflows	**31,891,393**	**10,745,764**	**3,580,698**	**13,381,027**	**4,183,904**

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

Derivative financial instruments:
Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

2019	Total	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Derivatives Held for Trading:					
Forward foreign exchange contracts					
Outflow	(23,838,530)	(7,255,454)	(2,133,677)	(9,976,329)	(4,473,070)
Inflow	23,884,092	7,327,951	2,135,873	9,947,720	4,472,548
Interest rate swaps:					
Outflow	(806,861)	(159)	(3,665)	(267,615)	(535,422)
Inflow	826,333	1,661	9,207	279,601	535,864
Derivatives Held as Fair Value Hedges:					
Interest rate swaps:					
Outflow	(348,207)	(3,902)	(17,550)	(89,924)	(236,831)
Inflow	304,973	4,506	14,934	76,081	209,452
Derivatives Held as Cash Flow Hedges:					
Forward foreign exchange contracts:					
Outflow	(2,399,405)	-	(87,966)	(2,311,439)	-
Inflow	2,233,481	-	15,137	2,218,344	-
Interest rate swaps:					
Outflow	(28,455)	(9,111)	(19,344)	-	-
Inflow	15,210	5,003	10,207	-	-
Total Outflows	(27,421,458)	(7,268,626)	(2,262,202)	(12,645,307)	(5,245,323)
Total Inflows	27,264,089	7,339,121	2,185,358	12,521,746	5,217,864

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(v) Off-balance sheet items

The table below summarizes contractual expiry dates of the Group's off - financial position financial instruments:

2020	Below 1 Year	Above 1 Year	Total
Loan commitments	1,914,115	2,551,019	4,465,134
Guarantees and other financial facilities	8,339,842	11,740,402	20,080,244
Capital commitments	127,548	-	127,548
Total liabilities	**10,381,505**	**14,291,421**	**24,672,926**

2019	Below 1 Year	Above 1 Year	Total
Loan commitments	1,854,247	2,433,624	4,287,871
Guarantees and other financial facilities	12,131,603	10,928,886	23,060,489
Capital commitments	421,352	-	421,352
Total liabilities	14,407,202	13,362,510	27,769,712

(d) Market risk

The Group takes exposure to market risk, 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 interest 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 interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios and by product type.

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

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

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and sovereign bond investments.

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(i) Management of market risks

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

The Group's proprietary investments are managed according to the Group's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the Qatar Central Bank guidelines. The Group's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Group employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits.

Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under ALCO oversight and approved by the Board.

(ii) Exposure to interest rate risk – non – trading portfolio

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 interest rates. Interest rate risk is managed principally through monitoring interest 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 Treasury in its day-to-day monitoring activities.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The Asset and Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Group's non-trading financial instruments.

The Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Group typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non–discretionary and discretionary. The non-discretionary portfolio consists of the Group's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Group's non-discretionary portfolio, the Group uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements, and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Group largely manages the interest rate sensitivity in the non-discretionary portfolio.

The following table summarizes the interest sensitivity position at year end, by reference to the re-pricing period or maturity of the Group's assets and liabilities.

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non – trading portfolio (continued)

A summary of the Group's interest rate gap position on non-trading balances are as follows:

		Repricing in:					
2020	**Carrying amount**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Non-interest sensitive**	**Effective interest rate %**
Cash and balances with central banks	8,278,537	2,796,073	-	-	-	5,482,464	-
Due from banks	10,401,014	7,003,679	3,397,335	-	-	-	1.79%
Loans and advances to customers	96,698,098	40,328,884	49,004,989	3,140,173	835,460	3,388,592	4.91%
Investment securities	25,778,211	1,583,294	3,507,324	8,935,315	9,910,557	1,841,721	4.28%
Investment in associates and a joint arrangement	3,116,557	-	-	-	-	3,116,557	-
Property and equipment and all other assets	9,333,298	-	-	-	-	9,333,298	-
	153,605,715	**51,711,930**	**55,909,648**	**12,075,488**	**10,746,017**	**23,162,632**	**-**
Due to banks	(20,006,985)	(14,276,504)	(5,730,481)	-	-	-	1.79%
Customer deposits	(75,789,543)	(43,060,955)	(13,857,373)	(4,185,942)	-	(14,685,273)	2.42%
Debt securities	(13,107,134)	(1,422,763)	(4,287,073)	(6,033,550)	(1,363,748)	-	3.81%
Other borrowings	(14,125,676)	(2,182,560)	(11,688,594)	(190,619)	(63,903)	-	2.40%
Other liabilities	(8,405,896)	-	-	-	-	(8,405,896)	-
Equity	(22,170,481)	-	-	-	-	(22,170,481)	-
	(153,605,715)	**(60,942,782)**	**(35,563,521)**	**(10,410,111)**	**(1,427,651)**	**(45,261,650)**	**-**
Interest rate sensitivity gap	**-**	**(9,230,852)**	**20,346,127**	**1,665,377**	**9,318,366**	**(22,099,018)**	**-**
Cumulative Interest rate sensitivity gap	**-**	**(9,230,852)**	**11,115,275**	**12,780,652**	**22,099,018**	**-**	**-**

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non – trading portfolio (continued)

A summary of the Group's interest rate gap position on non-trading balances are as follows:

		Repricing in:					
2019	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate %
Cash and balances with central banks	6,075,044	2,392,663	-	-	-	3,682,381	-
Due from banks	12,396,433	8,115,209	4,281,224	-	-	-	3.01%
Loans and advances to customers	88,009,448	37,268,422	43,780,437	4,785,851	705,096	1,469,642	6.67%
Investment securities	26,844,226	1,621,866	2,895,737	11,659,216	10,231,329	436,078	4.73%
Investment in associates and a joint arrangement	4,021,239	-	-	-	-	4,021,239	-
Property and equipment and all other assets	10,190,094	-	-	-	-	10,190,094	-
	147,536,484	49,398,160	50,957,398	16,445,067	10,936,425	19,799,434	-
Due to banks	(22,530,782)	(15,918,496)	(6,612,286)	-	-	-	3.61%
Customer deposits	(76,296,592)	(44,590,651)	(15,265,298)	(5,013,065)	-	(11,427,578)	3.71%
Debt securities	(9,524,590)	(441,156)	(1,064,513)	(6,757,695)	(1,261,226)	-	3.95%
Other borrowings	(12,043,167)	(2,434,614)	(9,529,003)	(79,550)	-	-	3.84%
Other liabilities	(5,385,126)	(97,059)	(30,449)	(19,197)	(65,236)	(5,173,185)	-
Equity	(21,756,227)	-	-	-	-	(21,756,227)	-
	(147,536,484)	(63,481,976)	(32,501,549)	(11,869,507)	(1,326,462)	(38,356,990)	-
Interest rate sensitivity gap	-	(14,083,816)	18,455,849	4,575,560	9,609,963	(18,557,556)	-
Cumulative Interest rate sensitivity gap	-	(14,083,816)	4,372,033	8,947,593	18,557,556	-	-

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non – trading portfolio (continued)

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 25 basis point (bp) parallel fall or rise in all yield curves worldwide and a 25 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no a symmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net interest income	25 bp parallel increase	25 bp parallel decrease
2020		
At 31 December	**82,764**	**(82,764)**
Average for the year	**46,964**	**(46,964)**
2019		
At 31 December	8,919	(8,919)
Average for the year	22,696	(22,696)

Sensitivity to reported Fair value reserve in equity of interest rate movements	25 bp parallel increase	25 bp parallel decrease
2020		
At 31 December	**757**	**(757)**
Average for the year	**464**	**(464)**
2019		
At 31 December	172	(172)
Average for the year	88	(88)

Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- Fair value reserves arising from increases or decreases in fair values of debt securities which are reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non – trading portfolio (continued)

Inter Bank Offered Rate (IBOR) Reforms

Effective from 1 January 2020, the Group has implemented amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms. The amendments (referred as Phase I of IBOR transition project) provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an "RFR"). A hedging relationship is affected if interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Such uncertainty may impact the hedging relationship, for example its effectiveness assessment and highly probable assessment. The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

The Bank has IBOR exposure to LIBOR linked contracts for Loans, Bank Borrowings, Repurchase agreements, Derivatives and Debt issuances that mature beyond the end of 2021 and are generally expected to transition to RFRs. The Bank has established a cross-functional IBOR steering committee sponsored by the Executive Management which is evaluating the IBORs related exposure, managing the transition activities to the alternative reference rates, engagement with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. It provides periodic reports to ALCO and Central Treasury to support management of interest rate risk, and works closely with the Group Operational Risk Committee to identify operational risks arising from IBOR reform. The project is under the governance of the Chief Risk Officer.

The IBOR steering committee is in the process of establishing policies for amending the interbank offered rates on its existing floating-rate financial assets and liabilities indexed to IBORs that will be replaced as part of IBOR reforms. The Bank expects that certain exposures such as retail products, will be amended in a uniform way. However, the Bank expects to participate in bilateral negotiations with the counterparties in its bespoke products, such as Loans and Advances issued to corporates. The Bank expects to begin amending the contractual terms of its existing floating-rate assets in the 2021; however, the exact timing will vary depending on the extent to which standardized language can be applied across certain asset types and the extent of bilateral negotiations between the Bank and counterparties. Further, the IBOR Committee and the Bank's treasury team are in discussions with the counterparties of our financial liabilities to amend the contractual terms in preparation for IBOR reform.

The Group holds derivatives for risk management purposes, some of which are designated in hedging relationships. The interest rate and foreign exchange derivative instruments have floating legs that are indexed to various IBORs. Currently, the desired substitute rates are the Sterling Overnight Index Average (SONIA) for GBP LIBOR and Secured Overnight Financing Rate (SOFR) for USD LIBOR.

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

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

Foreign currency transactions

The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities. The table shows the net foreign currency exposure by major currencies at the end of the reporting period along with the sensitivities if there were to be a change in the currency exchange rate.

Net foreign currency exposure:	2020	2019
Pound Sterling	(297,932)	(498,768)
Euro	(2,283,393)	(324,782)
USD	(15,635,579)	(8,241,260)
Other currencies	(65,988)	2,058,159

	Increase (decrease) in profit or loss		Increase (decrease) in fair value reserve	
5% increase in currency exchange rate	2020	2019	2020	2019
Pound Sterling	(14,897)	(24,938)	-	-
Euro	(114,170)	(16,239)	-	-
USD	(781,779)	(412,063)	-	-
Other currencies	(3,299)	102,908	32,153	-

Open exchange position in other currencies represents Group's investment in associates and a joint arrangement denominated in OMR and AED.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through other comprehensive income. A 10 per cent increase in the Qatar Exchange market index at 31 December 2020 would have increased equity by QAR Nil (2019: QAR Nil). An equivalent decrease would have resulted in an equivalent but opposite impact.

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

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

Equity price risk (continued)
The Group is also exposed to equity price risk and the sensitivity analysis there of is as follows:

	2020	2019
Increase / (decrease) in other comprehensive income:		
Qatar Exchange	-	-

The above analysis has been prepared on the assumption that all other variables such as interest 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 and is subject to impairment assessment at the end of each reporting period.

(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 behavior.

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 authorization 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.

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(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 equity holders' 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 period. The Capital Adequacy Ratio (CAR) of the group is calculated in accordance with the Basel Committee guidelines as adopted by Qatar Central Bank (QCB). From 1st January 2014 QCB adopted Basel III guidelines for CAR calculation.

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

	Basel III 2020	Basel III 2019
Common Equity Tier 1 (CET 1) Capital	14,122,195	13,020,429
Additional Tier 1 Capital	4,000,000	3,962,723
Tier 1 Capital	**18,122,195**	16,983,152
Tier 2 Capital	2,404,946	2,282,590
Total Eligible Capital	**20,527,141**	19,265,742
Risk Weighted Assets for Credit Risk	105,900,553	108,221,142
Risk Weighted Assets for Market Risk	2,173,161	2,559,342
Risk Weighted Assets for Operational Risk	7,459,902	7,026,182
Total Risk Weighted Assets	**115,533,616**	117,806,666
Total Capital Ratio	**17.77%**	16.35%

As at and for the year ended 31 December 2020 QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

	CET 1 ratio Without Capital Conservation buffer	CET 1 ratio Including Capital Conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB' buffer	Total capital including conservation buffer, DSIB' buffer and ICAAP Pillar II capital charge
2020						
Actual	**12.22%**	**12.22%**	**15.69%**	**17.77%**	**17.77%**	**17.77%**
Minimum QCB limit	**6.00%**	**8.50%**	**10.50%**	**12.50%**	**13.00%**	**14.00%**
2019						
Actual	11.05%	11.05%	14.42%	16.35%	16.35%	16.35%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.00%	14.00%

5. 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) Going concern

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

(ii) Allowances for credit losses

Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL, refer to note 4(b)(viii).

(iii) Determing 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 the accounting policy. 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.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

(iii) Determing fair values (continued)

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(iv) Goodwill impairment

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment; assets are grouped together into smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to the CGU which is expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(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: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: Inputs other than quoted prices included within Level1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which 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 value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at and for the year ended 31 December 2020 QAR '000s

5. 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 and comparison to similar instruments for which market observable prices exist.

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

	Level 1	Level 2	Level 3	Carrying amount
2020				
Derivative assets	-	1,621,501	-	1,621,501
Investment securities	2,284,663	4,874,555	36,320	7,195,538
	2,284,663	**6,496,056**	**36,320**	**8,817,039**
Derivative liabilities	-	1,059,829	-	1,059,829
	-	**1,059,829**	**-**	**1,059,829**
2019				
Derivative assets	-	764,320	-	764,320
Investment securities	1,004,890	5,651,830	29,102	6,685,822
	1,004,890	6,416,150	29,102	7,450,142
Derivative liabilities	-	526,643	-	526,643
	-	526,643	-	526,643

There have been no transfers between level 1 and level 2

Reconciliation of level 3 investments are as follows:

	2020	2019
Balance at 1 January	29,102	164,951
Cost movement	26,729	(68,340)
Profit and loss movement	(19,511)	(16,934)
Fair value reserve movement	-	(50,575)
Balance at 31 December	**36,320**	29,102

5. USE OF ESTIMATES AND JUDGMENTS (continued)

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

(ii) Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 3 (d) (ii) for further information.

(iii) Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

(iv) Impairment of investments in equity and debt securities

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward –looking information in the measurement of ECL. Refer to note 4 (b) (viii) Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

(v) Useful life of intangible assets

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

(vi) Fair value of land and buildings

The fair value of land and building is determined by valuations from an external professional real estate valuer using recognized valuation techniques and the principles of IFRS 13 "Fair Value Measurement".

(vii) Leases - Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates).

6. OPERATING SEGMENTS

For management purposes, the Group is divided into four operating segments, which are based on business lines, together with its associates and a joint arrangement companies, as follows:

Qatar operations:

1. **Wholesale Banking** provides an extensive range of conventional funded and non-funded credit facilities, demand and time deposit services, currency exchange facilities, interest rate swaps and other derivative trading services, loan syndication and structured financing services to corporate, commercial and multinational customers. Money market funds and proprietary investment portfolio are also managed by this operating segment.

2. **Retail Banking** provides personal current, savings, time and investment account services, credit card and debit card services, consumer and vehicle loans, residential mortgage services, custodial services to retail and individual customers and brokerage services provided by Commercialbank Financial Services L.L.C. wholly owned subsidiary operating in Qatar.

3. **Others** include subsidiaries and joint arrangement operating in Qatar.

International:

4. **Alternatif Bank:** A subsidiary that provides banking services through its branch network in Turkey. Alternatif bank also has its subsidiaries. The Group reported Abank group result under this operating segment.

5. Investment in associates includes strategic investments in the National Bank of Oman in the Sultanate of Oman, United Arab Bank in the United Arab Emirates.

All Associates and joint arrangement Companies are accounted for under the equity method.

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations. (For example, Group headquarters, common property & equipment, cash functions and net of intra-group transactions).

Management monitors the results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis.

As at and for the year ended 31 December 2020 QAR '000s

6. OPERATING SEGMENTS (continued)

(a) By operating segment

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

2020	Qatar Operations					
	Wholesale Banking	Retail Banking	Others	International	Unallocated and Intra-group transactions	Total
Net interest income	1,926,142	881,452	282	292,259	-	**3,100,135**
Net fee, commission and other income	447,666	553,259	-	113,744	22,329	**1,136,998**
Segmental revenue	**2,373,808**	**1,434,711**	**282**	**406,003**	**22,329**	**4,237,133**
Net Impairment losses on investment securities	(31,899)	-	-	(142)	-	**(32,041)**
Net impairment loss on loans and advances to customers and other financial assets	(984,886)	158,403	-	(125,027)	-	**(951,510)**
Segmental profit	**986,118**	**1,080,017**	**4,749**	**57,517**	**(25,939)**	**2,102,462**
Impairment for investment in an associate	-	-	-	(591,242)	-	**(591,242)**
Share of results of associates and a joint arrangement	-	-	2,528	(212,534)	-	**(210,006)**
Net profit for the period	**986,118**	**1,080,017**	**7,277**	**(746,259)**	**(25,939)**	**1,301,214**
Other information						
Loans and advances to customers	73,792,143	11,265,125	-	11,640,830	-	**96,698,098**
Investments in associates and a joint arrangement	-	-	7,952	3,108,605	-	**3,116,557**
Assets (other than above)	39,098,828	1,494,733	90,243	6,570,806	6,536,450	**53,791,060**
						153,605,715
Customer deposits	41,774,265	25,075,689	-	8,939,589	-	**75,789,543**
Liabilities (other than above)	45,563,122	2,166,967	1,065	7,797,358	117,179	**55,645,691**
						131,435,234
Contingent items	18,987,074	1,071,245	-	4,487,059	-	**24,545,378**

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,409 million, Liabilities: QAR 1,347 million).

As at and for the year ended 31 December 2020 QAR '000s

6. OPERATING SEGMENTS (continued)

(a) By operating segment (continued)

2019	Qatar Operations					
	Wholesale Banking	Retail Banking	Others	International	Unallocated and Intra-group transactions	Total
Net interest income	1,658,244	987,991	158	383,831	(67,041)	2,963,183
Net fee, commission and other income	671,412	578,031	1	189,876	(55,858)	1,383,462
Segmental revenue	2,329,656	1,566,022	159	573,707	(122,899)	4,346,645
Net impairment reversals / (losses) on investment securities	6,856	-	-	(59)	-	6,797
Net impairment loss on loans and advances to customers and other financial assets	(204,912)	(240,822)	28	(214,829)	-	(660,535)
Segmental profit	1,788,776	809,248	4,144	100,126	(260,573)	2,441,721
Impairment for investment in an associate	-	-	-	(413,881)	-	(413,881)
Share of results of associates and a joint arrangement	-	-	2,571	(9,370)	-	(6,799)
Net profit for the period	1,788,776	809,248	6,715	(323,125)	(260,573)	2,021,041
Other information						
Loans and advances to customers	58,349,751	18,125,456	-	11,534,241	-	88,009,448
Investments in associates and a joint arrangement	-	-	7,924	4,013,315	-	4,021,239
Assets (other than above)	41,446,278	1,389,525	297,193	4,434,806	7,937,995	55,505,797
						147,536,484
Customer deposits	43,306,921	23,282,182	20,991	9,686,498	-	76,296,592
Liabilities (other than above)	41,202,171	868,859	30,321	7,278,368	103,946	49,483,665
						125,780,257
Contingent items	22,080,759	224,543	560,000	4,483,058	-	27,348,360

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,789 million, Liabilities: QAR 1,262 million).

As at and for the year ended 31 December 2020 QAR '000s

6. OPERATING SEGMENTS (continued)

(b) By geography

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2020							
Cash and balances with central banks	6,503,599	-	1,774,938	-	-	-	8,278,537
Due from banks	989,234	200,843	3,095,675	2,796,577	2,639,510	679,175	10,401,014
Loans and advances to customers	74,937,510	210,530	18,229,926	849,025	125,555	2,345,552	96,698,098
Investment securities	18,957,962	534,775	4,932,909	43,020	201,790	1,107,755	25,778,211
Investment in associates and a joint arrangement	7,952	3,108,605	-	-	-	-	3,116,557
Property and equipment and all other assets	8,177,819	-	1,155,346	-	-	133	9,333,298
Total assets	**109,574,076**	**4,054,753**	**29,188,794**	**3,688,622**	**2,966,855**	**4,132,615**	**153,605,715**
Due to banks	6,137,077	1,851,087	738,059	10,003,894	56,470	1,220,398	20,006,985
Customer deposits	53,368,020	1,828,676	8,967,145	4,467,046	1,187,311	5,971,345	75,789,543
Debt securities	-	-	1,292,145	11,814,989	-	-	13,107,134
Other borrowings	485,639	1,501,959	3,186,509	4,086,530	1,458,942	3,406,097	14,125,676
Other liabilities	7,337,001	-	1,067,831	-	-	1,064	8,405,896
Equity	20,968,798	-	1,201,683	-	-	-	22,170,481
Total liabilities and equity	**88,296,535**	**5,181,722**	**16,453,372**	**30,372,459**	**2,702,723**	**10,598,904**	**153,605,715**

As at and for the year ended 31 December 2020 QAR '000s

6. OPERATING SEGMENTS (continued)

(b) By geography (continued)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2020							
Net interest income	3,093,161	(11,366)	658,626	(551,387)	(39,893)	(49,006)	3,100,135
Net fee, commission and other income	922,504	99,338	144,013	(30,802)	232	1,713	1,136,998
Net operating income	**4,015,665**	**87,972**	**802,639**	**(582,189)**	**(39,661)**	**(47,293)**	**4,237,133**
Staff cost	(518,432)	-	(114,167)	-	-	-	(632,599)
Depreciation	(116,889)	-	(23,456)	-	-	-	(140,345)
Amortization of intangible assets	(48,268)	-	(10,127)	-	-	-	(58,395)
Net impairment losses on investment securities	(31,899)	-	(142)	-	-	-	(32,041)
Net impairment loss on loans and advances to customers	(719,021)	-	(117,365)	-	-	-	(836,386)
Net impairment losses on other financial assets	(107,461)	-	(7,663)	-	-	-	(115,124)
Impairment on Investment in an Associate	-	(591,242)	-	-	-	-	(591,242)
Other Provision	(40,177)	-	-	-	-	-	(40,177)
Other expenses	(202,653)	-	(62,284)	-	-	(101)	(265,038)
Profit before share of results of associates and a joint arrangement	**2,230,865**	**(503,270)**	**467,435**	**(582,189)**	**(39,661)**	**(47,394)**	**1,525,786**
Share of results of associates and a joint arrangement	2,528	(212,534)	-	-	-	-	(210,006)
Profit for the year before tax	**2,233,393**	**(715,804)**	**467,435**	**(582,189)**	**(39,661)**	**(47,394)**	**1,315,780**
Income tax expenses	(759)	-	(13,282)	-	-	(525)	(14,566)
Net profit for the year	**2,232,634**	**(715,804)**	**454,153**	**(582,189)**	**(39,661)**	**(47,919)**	**1,301,214**

As at and for the year ended 31 December 2020 QAR '000s

6. OPERATING SEGMENTS (continued)

(b) By geography (continued)

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2019							
Cash and balances with central banks	4,431,379	-	1,643,665	-	-	-	6,075,044
Due from banks	4,275,094	675,608	4,089,664	1,364,764	838,935	1,152,368	12,396,433
Loans and advances to customers	73,308,248	474,138	13,491,026	596,344	-	139,692	88,009,448
Investment securities	19,951,886	612,636	4,060,018	231,367	594,220	1,394,099	26,844,226
Investment in associates and a joint arrangement	7,924	4,013,315	-	-	-	-	4,021,239
Property and equipment and all other assets	8,798,664	15,738	1,163,612	202,962	-	9,118	10,190,094
Total assets	110,773,195	5,791,435	24,447,985	2,395,437	1,433,155	2,695,277	147,536,484
Due to banks	6,865,322	1,895,718	2,396,674	10,799,162	-	573,906	22,530,782
Customer deposits	54,401,976	2,225,789	9,516,489	1,588,987	853,982	7,709,369	76,296,592
Debt securities	-	-	1,733,336	7,791,254	-	-	9,524,590
Other borrowings	501,300	782,157	3,062,483	3,235,029	2,196,931	2,265,267	12,043,167
Other liabilities	4,307,492	17,250	642,387	340,816	15,154	62,027	5,385,126
Equity	21,756,217	-	10	-	-	-	21,756,227
Total liabilities and equity	87,832,307	4,920,914	17,351,379	23,755,248	3,066,067	10,610,569	147,536,484

As at and for the year ended 31 December 2020 QAR '000s

6. OPERATING SEGMENTS (continued)

(b) By geography (continued)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2019							
Net interest income	3,464,077	(44,592)	534,091	(598,299)	(47,543)	(344,551)	2,963,183
Net fee, commission and other income	1,054,288	68,913	228,124	10,141	-	21,996	1,383,462
Net operating income	4,518,365	24,321	762,215	(588,158)	(47,543)	(322,555)	4,346,645
Staff cost	(663,231)	-	(133,112)	-	-	(9)	(796,352)
Depreciation	(125,482)	-	(24,512)	-	-	-	(149,994)
Amortization of intangible assets	(46,268)	-	(8,755)	-	-	-	(55,023)
Net impairment (losses) / reversals on investment securities	6,856	-	(59)	-	-	-	6,797
Net impairment loss on loans and advances to customers	(377,030)	28	(217,425)	-	-	-	(594,427)
Net impairment losses on other financial assets	(68,704)	-	2,596	-	-	-	(66,108)
Impairment on Investment in an Associate	-	(413,881)	-	-	-	-	(413,881)
Other expenses	(156,899)	-	(69,517)	-	-	(228)	(226,644)
Profit before share of results of associates and a joint arrangement	3,087,607	(389,532)	311,431	(588,158)	(47,543)	(322,792)	2,051,013
Share of results of associates and a joint arrangement	2,571	(9,370)	-	-	-	-	(6,799)
Profit for the year before tax	3,090,178	(398,902)	311,431	(588,158)	(47,543)	(322,792)	2,044,214
Income tax expenses	(377)	-	(22,796)	-	-	-	(23,173)
Net profit for the year	3,089,801	(398,902)	288,635	(588,158)	(47,543)	(322,792)	2,021,041

As at and for the year ended 31 December 2020 QAR '000s

7. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

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

Consolidated statement of financial position	Fair value through Profit & loss		Fair value through other comprehensive income				
2020	Debt instruments	Equity instruments	Debt instruments	Equity instruments	Amortised Cost	Total carrying amount	Fair value
Cash and balances with central banks	-	-	-	-	8,278,537	8,278,537	8,278,537
Due from banks	-	-	-	-	10,401,014	10,401,014	10,401,014
Loans and advances to customers	-	-	-	-	96,698,098	96,698,098	96,698,098
Investment securities	906,755	127,368	5,549,692	648,267	18,546,129	25,778,211	26,373,538
	906,755	**127,368**	**5,549,692**	**648,267**	**133,923,778**	**141,155,860**	**141,751,187**
Due to banks	-	-	-	-	20,006,985	20,006,985	20,006,985
Customer deposits	-	-	-	-	75,789,543	75,789,543	75,789,543
Debt securities	-	-	-	-	13,107,134	13,107,134	13,358,818
Other borrowings	-	-	-	-	14,125,676	14,125,676	14,125,676
	-	**-**	**-**	**-**	**123,029,338**	**123,029,338**	**123,281,022**

As at and for the year ended 31 December 2020 QAR '000s

7. FINANCIAL ASSETS AND LIABILITIES (continued)

Accounting classifications and fair values (continued)

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

Consolidated statement of financial position	Fair value through Profit & loss		Fair value through other comprehensive income				
2019	Debt instruments	Equity instruments	Debt instruments	Equity instruments	Amortised Cost	Total carrying amount	Fair value
Cash and balances with central banks	-	-	-	-	6,075,044	6,075,044	6,075,044
Due from banks	-	-	-	-	12,396,433	12,396,433	12,396,433
Loans and advances to customers	-	-	-	-	88,009,448	88,009,448	88,009,448
Investment securities:	1,362,693	430,878	4,921,729	5,199	20,123,727	26,844,226	27,063,912
	1,362,693	430,878	4,921,729	5,199	126,604,652	133,325,151	133,544,837
Due to banks	-	-	-	-	22,530,782	22,530,782	22,530,782
Customer deposits	-	-	-	-	76,296,592	76,296,592	76,296,592
Debt securities	-	-	-	-	9,524,590	9,524,590	9,736,064
Other borrowings	-	-	-	-	12,043,167	12,043,167	12,043,167
	-	-	-	-	120,395,131	120,395,131	120,606,605

8. CASH AND BALANCES WITH CENTRAL BANKS

	2020	2019
Cash	2,426,565	824,073
Cash reserve with central banks *	3,898,915	3,619,864
Other balances with central banks	1,950,130	1,629,546
	8,275,610	6,073,483
Accrued interest	2,927	1,561
	8,278,537	6,075,044

* The cash reserve with central banks is a mandatory reserve and is not available for use in the Group's day to day operations.

As at and for the year ended 31 December 2020 QAR '000s

9. DUE FROM BANKS

	2020	2019
Current accounts	3,523,796	2,009,118
Placements	3,774,293	6,540,135
Loans to banks	3,177,253	3,879,297
	10,475,342	12,428,550
Accrued interest	13,157	8,435
Allowance for impairment of due from bank	(87,485)	(40,552)
	10,401,014	12,396,433

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

	2020	2019
Loans	86,134,540	79,403,992
Overdrafts	10,674,888	9,734,710
Bills discounted	152,870	303,614
Bankers acceptances	3,046,190	1,480,885
	100,008,488	90,923,201
Deferred profit	(4,790)	(7,285)
	100,003,698	90,915,916
Accrued interest	1,091,022	779,204
Allowance for impairment of loans and advances to customers**	(2,875,668)	(2,751,042)
ECL on loans and advances to customers	(1,520,954)	(934,630)
Net loans and advances to customers*	**96,698,098**	88,009,448

*The aggregate amount of non-performing loans and advances to customers amounted QAR 4,327 million which represents 4.3% of total loans and advances to customers (2019: QAR 4,487 million 4.9% of total loans and advances to customers).

**Allowance for impairment of loans and advances to customers includes QAR 892 million of interest in suspense (2019: QAR 711 million).

Modified financing assets

The Group has allowed delayed repayments of certain customers in line with the QCB instructions issued to local banks in Qatar. The modification loss on these loans was not considered to be material for the year.

Zero rated repo facility by QCB

QCB has issued zero rated repo facilities to the local banks in Qatar in order to support the banks liquidity who are extending loans to affected sectors at reduced rates and guarantees from the government of the State of Qatar. The Bank has not utilized zero rated repo facility beyond 15 September 2020.

As at and for the year ended 31 December 2020 QAR '000s

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

b) By sector

2020	**Loans**	**Overdrafts**	**Bills discounted**	**Bankers acceptances**	**Total**
Government and related agencies	9,355,381	7,926,307	-	-	17,281,688
Non-banking financial institutions	921,067	10,876	-	-	931,943
Industry	8,728,538	8,445	3,204	4,002	8,744,189
Commercial	12,029,839	356,887	12,086	1,689,140	14,087,952
Services	23,043,631	411,085	68,142	971,699	24,494,557
Contracting	2,789,230	470,797	69,438	379,298	3,708,763
Real estate	20,453,442	50,455	-	-	20,503,897
Personal	6,014,864	1,401,803	-	-	7,416,667
Others	2,798,548	38,233	-	2,051	2,838,832
	86,134,540	**10,674,888**	**152,870**	**3,046,190**	**100,008,488**
Accrued interest					1,091,022
Less: Deferred profit					(4,790)
Allowance for impairment of loans and advances to customers					(2,875,668)
ECL on loans and advances to customers					(1,520,954)
					(3,310,390)
Net loans and advances to customers					**96,698,098**

2019	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	9,194,619	5,845,271	-	4,049	15,043,939
Non-banking financial institutions	847,212	29,475	12,618	-	889,305
Industry	8,168,393	8,015	5,510	10,423	8,192,341
Commercial	10,488,416	256,924	52,223	973,560	11,771,123
Services	23,018,547	1,257,758	108,689	231,998	24,616,992
Contracting	2,710,789	666,143	124,574	260,232	3,761,738
Real estate	18,764,910	237,111	-	-	19,002,021
Personal	5,006,804	1,407,199	-	-	6,414,003
Others	1,204,302	26,814	-	623	1,231,739
	79,403,992	9,734,710	303,614	1,480,885	90,923,201
Accrued interest					779,204
Less: Deferred profit					(7,285)
Allowance for impairment of loans and advances to customers					(2,751,042)
ECL on loans and advances to customers					(934,630)
					(2,913,753)
Net loans and advances to customers					88,009,448

As at and for the year ended 31 December 2020 QAR '000s

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Movement in allowance for impairment of loans and advances to customers

	2020	2019
Balance at 1 January	3,685,672	3,846,625
Allowance made during the year	1,622,189	1,086,841
Recoveries / reversals during the year	(400,348)	(159,670)
Net allowance for impairment during the year *	**1,221,841**	927,171
Written off / transferred during the year	(450,479)	(1,034,840)
Exchange differences	(60,412)	(53,284)
Balance at 31 December	**4,396,622**	3,685,672

*This includes net interest suspended during the year QAR 244.5 million (2019: QAR 212.6 million) as per QCB regulations.

Net impairment losses on loans and advances to customers

	2020	2019
Gross allowance made during the year	1,622,189	1,086,841
Less: Recoveries / reversals during the year	(400,348)	(159,670)
	1,221,841	927,171
Less: Interest suspended during the year	(244,467)	(212,595)
Less: Recoveries on previously written off loans	(140,988)	(120,149)
	836,386	594,427

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10. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Movement in allowance for impairment of loans and advances to customers (continued)

	Commercial Bank					
	Stage 1		**Stage 2**		**Stage 3**	
	Wholesale Banking	**Retail Banking**	**Wholesale Banking**	**Retail Banking**	**Wholesale Banking**	**Retail Banking**
Balance at 1 January 2020	45,023	40,938	716,379	43,822	1,332,104	1,215,927
Adjustment due to reclassification between segments	-	-	-	-	-	-
Allowance made during the year	159,384	31,506	292,367	42,532	355,116	397,290
Recoveries/reversal during the year	-	-	-	-	(96,302)	(99,265)
Written off / transferred during the year	-	-	-	-	(279,606)	(168,800)
Exchange differences	-	-	-	-	-	-
Balance at 31 December 2020	**204,407**	**72,444**	**1,008,746**	**86,354**	**1,311,312**	**1,345,152**

	Commercial Bank					
	Stage 1		Stage 2		Stage 3	
	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking
Balance at 1 January 2019	30,393	43,181	680,475	11,938	1,449,129	1,009,833
Adjustment due to reclassification between segments	481	(481)	(41,060)	41,060	(59,756)	59,756
Allowance made during the year	14,149	(1,762)	87,048	(9,176)	250,230	446,077
Recoveries/reversal during the year	-	-	-	-	(4,242)	(72,550)
Written off / transferred during the year	-	-	(10,084)	-	(303,257)	(227,189)
Exchange differences	-	-	-	-	-	-
Balance at 31 December 2019	45,023	40,938	716,379	43,822	1,332,104	1,215,927

Notes to the Consolidated Financial Statements continued

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	Subsidiaries							
	Stage 1	**Stage 2**	**Stage 3**		**Stage 1**	**Stage 2**	**Stage 3**	
Total Commercial Bank		**Alternatif bank**		**Total Alternatif Bank**		**Others**		**Total**
3,394,193	(23,997)	112,466	191,211	279,680	-	-	11,799	**3,685,672**
-	-	-	-	-	-	-	-	**-**
1,278,195	140,732	127,505	75,326	343,563	431	-	-	**1,622,189**
(195,567)	(115,202)	(69,428)	(20,151)	(204,781)	-	-	-	**(400,348)**
(448,406)	-	-	(2,073)	(2,073)	-	-	-	**(450,479)**
-	2,234	(25,737)	(36,909)	(60,412)	-	-	-	**(60,412)**
4,028,415	**3,767**	**144,806**	**207,404**	**355,977**	**431**	**-**	**11,799**	**4,396,622**

	Subsidiaries							
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Total Commercial Bank		Alternatif bank		Total Alternatif Bank		Others		Total
3,224,949	(23,192)	259,813	373,228	609,849	-	-	11,827	3,846,625
-	-	-	-	-	-	-	-	-
786,566	54,931	100,991	144,353	300,275	-	-	-	1,086,841
(76,792)	(64,568)	(218,257)	199,975	(82,850)	-	-	(28)	(159,670)
(540,530)	-	-	(494,310)	(494,310)	-	-	-	(1,034,840)
-	8,832	(30,081)	(32,035)	(53,284)	-	-	-	(53,284)
3,394,193	(23,997)	112,466	191,211	279,680	-	-	11,799	3,685,672

As at and for the year ended 31 December 2020 QAR '000s

11. INVESTMENT SECURITIES

	2020	2019
Fair value through other comprehensive income (FVOCI)	6,166,547	4,899,768
Fair value through profit & loss (FVTPL)	1,028,991	1,786,054
Amortised cost (AC)	18,441,154	20,012,686
	25,636,692	26,698,508
Accrued interest	141,519	145,718
	25,778,211	26,844,226

*The carrying value of investment securities pledged under repurchase agreements (REPO) is QAR 9,947 million (2019: QAR 10,610 million).

a) Fair value through other comprehensive income

	2020		
	Quoted	**Unquoted**	**Total**
Equities	643,069	5,199	648,268
State of Qatar debt securities	4,044,987	-	4,044,987
Debt and other securities*	1,415,449	57,843	1,473,292
Total	**6,103,505**	**63,042**	**6,166,547**

	2019		
	Quoted	Unquoted	Total
Equities	-	5,198	5,198
State of Qatar debt securities	3,624,920	-	3,624,920
Debt and other securities*	1,215,752	53,898	1,269,650
Total	4,840,672	59,096	4,899,768

* Fixed rate securities and floating rate securities amounted to QAR 1,171 million and QAR 302 million respectively (2019: QAR 1,201 million and QAR 69 million respectively).

As at and for the year ended 31 December 2020 QAR '000s

11. INVESTMENT SECURITIES (continued)

(b) Fair value through profit & loss

	2020		
	Quoted	**Unquoted**	**Total**
Equities	105,220	22,148	127,368
State of Qatar debt securities	111,000	-	111,000
Debt and other securities	765,516	-	765,516
Investment funds	6,948	18,159	25,107
Total	**988,684**	**40,307**	**1,028,991**

	2019		
	Quoted	Unquoted	Total
Equities	390,718	8,321	399,039
State of Qatar debt securities	111,000	-	111,000
Debt and other securities	1,207,774	36,400	1,244,174
Investment funds	7,439	24,402	31,841
Total	1,716,931	69,123	1,786,054

c) Amortised Cost

	2020		
By Issuer	**Quoted**	**Unquoted**	**Total**
State of Qatar debt securities	14,255,183	-	14,255,183
Debt and other securities	3,940,129	245,842	4,185,971
Total	**18,195,312**	**245,842**	**18,441,154**

	2020		
By Interest Rate	**Quoted**	**Unquoted**	**Total**
Fixed Rate Securities	18,157,936	245,842	18,403,778
Floating Rate Securities	37,376	-	37,376
Total	**18,195,312**	**245,842**	**18,441,154**

QAR '000s

11. INVESTMENT SECURITIES (continued)

c) Amortised Cost (continued)

		2019	
By Issuer	Quoted	Unquoted	Total
State of Qatar debt securities	15,533,030	-	15,533,030
Debt and other securities	4,197,774	281,882	4,479,656
Total	19,730,804	281,882	20,012,686

		2019	
By Interest Rate	Quoted	Unquoted	Total
Fixed Rate Securities	19,577,298	281,882	19,859,180
Floating Rate Securities	153,506	-	153,506
Total	19,730,804	281,882	20,012,686

12. INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT

The Group's investment in associates and a joint arrangement are as follows:

	2020	2019
Balance at 1 January	4,021,239	4,512,940
Share of results -(note 21)	(210,006)	(6,799)
Cash dividend - (note 21)	(92,614)	(93,072)
Other movements	(10,820)	22,051
Impairment of investment in an associate	(591,242)	(413,881)
Balance at 31 December	**3,116,557**	4,021,239

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12. INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT (continued)

Name of the Entity	Classification	Country	Activities	Carrying Value and % of interest held 2020	%	2019	%	Price per share (QAR)
National Bank of Oman SAOG ('NBO')	Associate	Oman	Banking	2,123,044	34.9%	2,163,815	34.9%	1.51
United Arab Bank PJSC ('UAB')	Associate	UAE	Banking	985,561	40.0%	1,849,500	40.0%	0.84
Massoun Insurance Services L.L.C	Joint venture	Qatar	Insurance brokerage	7,952	50.0%	7,924	50.0%	Not listed
				3,116,557		4,021,239		

	2020	2019
Total assets	**49,052,758**	53,395,161
Total liabilities	**42,599,295**	46,000,933
Operating income	**1,504,786**	1,752,987
Net profit	**(489,645)**	38,419
Total comprehensive income	**(557,932)**	129,713
Share of results	**(212,534)**	(9,370)

As at and for the year ended 31 December 2020 QAR '000s

13 PROPERTY AND EQUIPMENT

	Land and buildings	Right of use assets	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost							
Balance at 1 January 2019	2,176,282	-	118,960	1,231,564	4,159	426,304	3,957,269
Adjustment on transition to IFRS 16	-	142,020	-	-	-	-	142,020
Additions / transfers	6,543	28,981	7,724	58,274	3,891	66,747	172,160
Disposals	(6)	(4,282)	(5,729)	(5,898)	(38)	-	(15,953)
Exchange differences	(18,334)	(1,178)	(3,095)	(6,192)	(231)	-	(29,030)
Balance at 31 December 2019	2,164,485	165,541	117,860	1,277,748	7,781	493,051	4,226,466
Balance at 1 January 2020	2,164,485	165,541	117,860	1,277,748	7,781	493,051	4,226,466
Additions / transfers	271,689	385,403	5,142	86,309	8,843	(263,650)	493,736
Disposals	(53)	(14,025)	(1,211)	(1,323)	(2)	-	(16,614)
Exchange differences	(27,910)	(8,293)	(5,219)	(10,735)	(1,195)	-	(53,352)
Balance at 31 December 2020	**2,408,211**	**528,626**	**116,572**	**1,351,999**	**15,427**	**229,401**	**4,650,236**
Accumulated depreciation							
Balance at 1 January 2019	87,769	-	103,385	1,044,337	2,865	-	1,238,356
Depreciation for the year	32,057	34,220	3,921	79,023	773	-	149,994
Disposals	(1)	(692)	(3,444)	(5,296)	(31)	-	(9,464)
Exchange differences	(311)	(603)	(1,660)	(3,512)	(46)	-	(6,132)
Balance at 31 December 2019	119,514	32,925	102,202	1,114,552	3,561	-	1,372,754
Balance at 1 January 2020	119,514	32,925	102,202	1,114,552	3,561	-	1,372,754
Depreciation for the year	32,630	32,827	4,381	69,293	1,214	-	140,345
Disposals	(53)	(6,811)	(1,207)	(1,179)	-	-	(9,250)
Exchange differences	(3,422)	(349)	(2,031)	(5,789)	(286)	-	(11,877)
Balance at 31 December 2020	**148,669**	**58,592**	**103,345**	**1,176,877**	**4,489**	**-**	**1,491,972**
Net carrying amounts							
Balance at 31 December 2019	2,044,971	132,616	15,658	163,196	4,220	493,051	2,853,712
Balance at 31 December 2020	**2,259,542**	**470,034**	**13,227**	**175,122**	**10,938**	**229,401**	**3,158,264**

Right of use asset pertains to the following:	**2020**	2019
Land and buildings	469,561	131,592
Vehicles	473	1,024

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14. INTANGIBLE ASSETS

	Goodwill	Brand	Customer relationship	Core deposit	Internally developed software	Total
Cost						
Balance at 1 January 2019	180,249	69,401	270,761	67,713	29,995	618,119
Acquisitions	-	3,464	-	-	10,716	14,180
Exchange differences	(20,593)	(6,976)	15,488	2,758	(2,431)	(11,754)
Balance at 31 December 2019	159,656	65,889	286,249	70,471	38,280	620,545
Balance at 1 January 2020	159,656	65,889	286,249	70,471	38,280	620,545
Acquisitions	-	319	-	-	16,659	16,978
Exchange differences	(30,819)	(10,735)	16,334	2,211	(7,304)	(30,313)
Balance at 31 December 2020	**128,837**	**55,473**	**302,583**	**72,682**	**47,635**	**607,210**
Amortisation and Impairment						
Balance at 1 January 2019	49,800	38,029	184,470	41,615	21,156	335,070
Amortisation during the year	-	3,414	36,892	8,323	6,394	55,023
Exchange differences	-	(2,955)	-	-	(2,970)	(5,925)
Balance at 31 December 2019	49,800	38,488	221,362	49,938	24,580	384,168
Balance at 1 January 2020	49,800	38,488	221,362	49,938	24,580	384,168
Amortisation during the year	-	3,034	38,894	8,322	8,145	58,395
Exchange differences	-	(6,322)	-	-	(3,861)	(10,183)
Balance at 31 December 2020	**49,800**	**35,200**	**260,256**	**58,260**	**28,864**	**432,380**
Net carrying amounts						
Balance at 31 December 2019	109,856	27,401	64,887	20,533	13,700	236,377
Balance at 31 December 2020	**79,037**	**20,273**	**42,327**	**14,422**	**18,771**	**174,830**

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU-Alternatifbank. A cost of equity of 24.7% (2019: 24.7%) and a terminal growth rate of 2.5 % (2019: 2.5%) were used to estimate the recoverable amount of Alternatifbank.

The recoverable amount for the CGU has been calculated based on the 'Value in Use Method', determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. The discount rate was a pre-tax measure based on the Government Bonds 10 year yield TL, adjusted for an equity market risk premium and equity beta.

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14. INTANGIBLE ASSETS (continued)

Five years of cash flows are included in the discounted cash model. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which CGU operate and the long term compound annual profit before taxes, depreciation and amortization growth rate estimated by the management. The key assumptions described above may change as economic and market conditions change.

No impairment loss is recognized in 2020 Nil (2019: nil) as the recoverable amount of this CGU was determined to be higher than its carrying amount.

15. OTHER ASSETS

	2020	2019
Accrued income	31,345	69,973
Prepaid expenses	79,564	56,441
Accounts receivable	610,225	615,812
Repossessed collateral*	2,995,151	4,531,182
Positive fair value of derivatives (note 36)	1,621,501	764,320
Clearing cheques	223,651	240,094
Others	438,767	822,183
	6,000,204	7,100,005

*This represents the value of the properties acquired in settlement of debts and subsequent additions, which have been stated at their carrying value net of any allowance for impairment and credit enhancement. The estimated market values of these properties at the end of the reporting period are not materially different from the carrying values.

16. DUE TO BANKS

	2020	2019
Balances due to central banks	1,257,471	1,193,687
Current accounts	547,091	844,499
Placement with banks	9,073,036	11,107,326
Repurchase agreements with banks	9,015,570	9,223,815
Accrued interest	113,817	161,455
Total	**20,006,985**	22,530,782

As at and for the year ended 31 December 2020 QAR '000s

17. CUSTOMER DEPOSITS

	2020	2019
Current and call deposits	23,492,174	18,712,151
Saving deposits	5,792,621	4,746,766
Time deposits	46,229,937	52,381,708
Accrued interest	274,811	455,967
Total	**75,789,543**	76,296,592

	2020	2019
Government	4,316,909	6,788,520
Government and semi government agencies	10,953,947	12,286,077
Individuals	24,561,045	24,049,009
Corporate	28,904,155	28,516,188
Non-banking financial institutions	6,778,676	4,200,831
	75,514,732	75,840,625
Accrued interest	274,811	455,967
	75,789,543	76,296,592

18. DEBT SECURITIES

	2020	2019
EMTN unsecured Programme – Senior unsecured notes *	10,506,478	7,038,935
Senior Notes*	199,921	466,805
Subordinated Notes *	1,089,822	1,261,225
Others#	1,269,506	727,556
Accrued interest	41,407	30,069
Total	**13,107,134**	9,524,590

The following table provides the breakdown of the Debt Securities as at close of 31 December 2020.

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18. DEBT SECURITIES (continued)

Instrument	Issuer	Issued amount	Issued on	Maturity	Coupon
EMTN - Senior notes	CBQ Finance Ltd	USD 750 million *	Jun-16	Jun-21	Fixed Rate 3.25%
	CBQ Finance Ltd	USD 500 million *	May-18	May-23	Fixed Rate 5.00%
	CBQ Finance Ltd	CHF 335 million *	Mar-18	Mar-21	Fixed Rate 0.707%
	CBQ Finance Ltd	CHF 150 million *	Oct-19	Oct-23	Fixed Rate 0.38%
	CBQ Finance Ltd	CHF 100 million *	Oct-18	Oct-22	Fixed Rate 1.125%
	CBQ Finance Ltd	USD 36 million *	Feb-19	Feb-24	LIBOR + 1.95%
	CBQ Finance Ltd	USD 25 million *	Sep-19	Sep-22	LIBOR + 1.15%
	CBQ Finance Ltd	USD 24.9 million *	Nov-19	Nov-21	LIBOR + 1%
	CBQ Finance Ltd	USD 10 million	Feb-20	Feb-25	LIBOR + 1.24%
	CBQ Finance Ltd	USD 10 million*	Jun-20	Jun-22	Fixed Rate 2.14%
	CBQ Finance Ltd	CNH 171 million*	Aug-20	Aug-23	Fixed Rate 4%
	CBQ Finance Ltd	HKD 660 million*	Aug-20	Aug-25	Fixed Rate 2.06%
	CBQ Finance Ltd	USD 500 million*	Sep-20	Sep-25	Fixed Rate 2.06%
	CBQ Finance Ltd	JPY 1 billion*	Sep-20	Sep-23	Fixed Rate 0.60%
	CBQ Finance Ltd	JPY 1 billion*	Nov-20	Nov-23	Fixed Rate 0.60%
	CBQ Finance Ltd	JPY 1.5 billion*	Nov-20	Nov-23	Fixed Rate 0.65%
	CBQ Finance Ltd	USD 10 million*	Nov-20	Nov-23	Fixed Rate 1.48%
	CBQ Finance Ltd	CHF 185 million*	Nov-20	Nov-24	Fixed Rate 0.745%
	CBQ Finance Ltd	USD 10 million*	Dec-20	Dec-23	Fixed Rate 1.5%
Subordinated Notes	Alternatifbank	USD 297 million	Apr-16	Apr-26	Fixed Rate 8.75%
Senior Notes	Alternatifbank	TL 50 million	Aug-19	Aug-21	Fixed Rate 16.67%
	Alternatifbank	TL 13 million	Jul-20	Jul-21	Fixed Rate 9.65%
	Alternatifbank	TL 24 million	Jul-19	Jul-21	Fixed Rate 9.85%
	Alternatifbank	TL 2.6 million	Jul-20	Jan-21	Fixed Rate 9.70%
	Alternatifbank	TL 13.7 million	Jul-20	Feb-21	Fixed Rate 9.85%
	Alternatifbank	TL 73.6 million	Nov-20	Feb-21	Fixed Rate 15.75%
	Alternatifbank	TL 44.7 million	Nov-20	Mar-21	Fixed Rate 16.25%
	Alternatifbank	TL 93.9 million	Dec-20	Mar-21	Fixed Rate 16.75%
	Alternatifbank	TL 89.2 million	Dec-20	Apr-21	Fixed Rate 23.97%

* Issued for and Guaranteed by the Bank

Others include certificate of deposits issued by the bank.

As at and for the year ended 31 December 2020 QAR '000s

18. DEBT SECURITIES (continued)

Movement in debt securities are analysed as follows:

	2020	2019
Balance at 1 January	9,524,590	16,071,746
Additions	5,452,640	3,486,978
Repayments	(2,157,982)	(9,932,780)
Amortization of discount and transaction cost	13,623	23,826
Accrued interest	(1,731)	(43,138)
Exchange difference	275,994	(82,042)
Balance at 31 December	**13,107,134**	9,524,590

The table below shows the maturity profile of debt securities:

	2020	2019
Up to 1 year	5,710,764	1,193,838
Between 1 and 3 years	3,259,122	4,568,449
Over 3 years	4,137,248	3,762,303
Total	**13,107,134**	9,524,590

19. OTHER BORROWINGS

	2020	2019
Bilateral loans	1,427,572	180,559
Syndicated loans	5,178,191	4,616,940
Others	7,439,514	7,144,995
Accrued interest	80,399	100,673
Total	**14,125,676**	12,043,167

As at and for the year ended 31 December 2020 QAR '000s

19. OTHER BORROWINGS (continued)

Movements in other borrowings are as follows:

	2020	2019
Balance at 1 January	12,043,167	8,379,734
Additions	8,922,233	7,793,321
Repayments	(6,073,532)	(3,735,723)
Amortization of discount and transaction cost	15,886	12,077
Accrued interest	(20,274)	22,767
Exchange difference	(761,804)	(429,009)
Balance at 31 December	**14,125,676**	12,043,167

The table below shows the maturity profile of other borrowings:

	2020	2019
Up to 1 year	10,370,990	7,102,050
Between 1 and 3 years	3,108,991	4,134,116
Over 3 years	645,695	807,001
Total	**14,125,676**	12,043,167

As at and for the year ended 31 December 2020 QAR '000s

20. OTHER LIABILITIES

	2020	2019
Accrued expense payable	307,874	148,459
Other provisions (Note i)	198,147	194,270
Negative fair value of derivatives (Note 36)	1,059,829	526,643
Unearned income	248,365	231,416
Cash margins	631,355	663,044
Accounts payable	588,751	650,715
Directors' remuneration and meeting attendance fee	18,500	18,500
Provision for sports and social activities support fund ("Daam") (Note 23)	32,530	50,526
Dividend payable	23,211	23,373
Managers' cheque and payment order	52,619	46,841
Unclaimed balances	14,065	12,609
Due for trade acceptances	3,046,192	1,480,885
Deferred tax liabilities	438	649
Lease liabilities (Note ii)	491,035	133,333
Employees' benefit liability (Note 31 and Note iii)	90,474	117,462
Income tax payable	17,440	25,596
Others	1,424,190	965,052
Net impairment losses on loan commitments and financial guarantees	160,881	95,753
Total	**8,405,896**	5,385,126

(i) Other provisions

	Provident fund (a)	Pension fund (b)	Total 2020	Total 2019
Balance at 1 January	193,866	401	194,267	215,706
Provision made during the year (note 31)	13,772	9,880	23,652	22,483
Earnings of the fund	5,376	-	5,376	5,530
Provident fund – staff contribution	5,380	5,148	10,528	10,428
Transferred to state retirement fund authority	-	(15,205)	(15,205)	(16,247)
Payment during the year	(19,729)	-	(19,729)	(43,127)
Exchange difference	(742)	-	(742)	(503)
Balance at 31 December	**197,923**	**224**	**198,147**	194,270

(a) The provident fund includes the Group's obligations for end of service benefits to expatriate staff per Qatar labour law and the employment contracts.

(b) Pension fund contributions in respect of the national staff are paid to the State administered retirement fund at the end of each month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

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20. OTHER LIABILITIES (continued)

(ii) Lease liabilities

The table below shows the maturity profile of lease liabilities:

	2020	2019
Up to 1 year	110,719	26,534
Above 1 year	380,316	106,799
Total	**491,035**	133,333

(iii) Employees' benefit liability

The Bank has granted performance rights to employees including senior management. Performance rights represent a contingent right to receive a cash payment by referencing to the value of Bank shares during a specified period of time. These performance rights do not provide any entitlement to receive Bank shares, voting rights or dividends associated with them. The fair value at the grant date was estimated using the Black Scholes model, considering the terms and conditions upon which the performance rights were granted. Performance rights will be settled in cash. The following tables list the inputs to the model used for plan for the year ended 31 December 2020 and 31 December 2019:

	2020		2019	
	Max	**Min**	Max	Min
Expected volatility (%)	30.05%	21.45%	30.88%	26.78%
Dividend yield (%)	14.45%	4.75%	9.92%	3.28%
Risk - free int. rate (%)	2.07%	1.36%	3.05%	2.43%
Number of performance rights	157.5 million		180.7 million	
Vesting period	3 years		3 years	
Share price (QAR)	4.4		4.7	
Average strike price (QAR)	3.58		3.56	

21. EQUITY

(a) Share capital

The issued, subscribed and paid up share capital of the Bank is QAR 4,047,253,750 (2019: QAR 4,047,253,750) divided into 4,047,253,750 (2019: 4,047,253,750) ordinary shares of QAR 1 each (2019: QAR 1 each).

	2020	2019
Authorized number of ordinary shares	4,047,253,750	4,047,253,750
Nominal value of ordinary shares (QAR)	1	1
Issued and paid up capital (in thousands of Qatar Riyals)	**4,047,254**	4,047,254

At 31 December 2020, the authorized share capital comprised 4,047,254 thousand ordinary share (2019: 4,047,254 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' Annual/Extra-ordinary General meeting of the Bank.

(b) Legal reserve

The legal reserve of Commercial Bank and Alternatifbank are QAR 9,764 million (2019: QAR 9,740 million) and QAR 101 million (2019: QAR 96 million) respectively.

In accordance with Qatar Central Bank Law No 13 of 2012, 10% of the net profit of the Group for the year is required to be transferred to legal reserve. Share premium collected from the issuance of new shares and sale of treasury shares is also transferred to legal reserve. Transfer to legal reserve from net profit is mandatory until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No 11 of 2015 and is subject to pre-approval from QCB.

In accordance with the Turkish Commercial code, an entity is required to transfer 5% of net profit until the legal reserve is equal to 20% of issued and fully paid up share capital. Rate for transfer to legal reserve goes up to 10% of net profit allocated for distribution excluding the first 5% of the allocated profit. Share premium and proceeds from cancelled shares, if any net of related expenses are also transferred to legal reserve.

(c) General reserve

As per the Bank's Articles of Association, the general reserve may only be used in accordance with a resolution from the General Assembly upon the Board of Directors recommendation and after obtaining Qatar Central Bank approval.

(d) Risk reserve

In accordance with QCB regulations, a risk reserve should be maintained created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.50% of the total loans and advances of the Group inside and outside Qatar after the exclusion of the credit impairment losses and interest in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees is excluded from the gross direct finance. On 1st January 2018, after QCB approval QAR 1,529 millions was appropriated from risk reserve for transition adjustment on adoption of IFRS 9. During the year QAR 616 million (2019: QAR 535 million) was transferred to the risk reserve account as per QCB approval.

As at and for the year ended 31 December 2020 QAR '000s

21. EQUITY (continued)

(e) Fair value reserve

The fair value reserve arises from the revaluation of the investment securities through FVOCI, cash flow hedges and change of post acquisition fair value reserve of its associates and a joint arrangement.

Fair value reserve	**2020**	2019
Balance as at 1 January	600,094	(96,333)
Impact of revaluation (IFRS 9):		
- on equity securities (including Foreign currency translation difference)	(88,168)	(34,072)
- on debt securities	443,081	663,769
Net amount Transferred to Income statement	(3,519)	(9,091)
Net movement in effective portion of Cash Flow hedges	59,634	9,053
Net change in fair value of investment in associates	(10,821)	22,051
FVOCI instrument loss transferred to Retained earnings	-	44,717
Net movement during the year	400,207	696,427
Balance as at 31 December	**1,000,301**	600,094

(f) Treasury shares

Treasury shares represents ordinary shares of The Commercial Bank (P.S.Q.C) with nominal value of QAR 1 each. All treasury shares were sold during the year 2020. Treasury shares are presented as a deduction from equity.

(g) Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(h) Other reserves

This includes the Group's share of profit from investment in associates and a joint arrangement and non-distributable profit of subsidiaries, net of cash dividend received, as required by QCB regulations as follows:

	2020	2019
Balance as at 1 January	859,893	959,764
Share of result of associates and a joint arrangement (note 12)	(210,006)	(6,799)
Dividend from associates and a joint arrangement (note 12)	(92,614)	(93,072)
Net movement	(302,620)	(99,871)
Balance as at 31 December	**557,273**	859,893

21. EQUITY (continued)

(i) Proposed dividend

The Board of Directors has proposed a cash dividend of 10% for the year 2020 (2019: 20% cash dividend). This proposal is subject to approval at the Annual General Assembly.

(j) Dividends

A cash dividend of 20% for the year 2019 (2018: 15% cash dividend), was approved at the Annual General Assembly held on 23 March 2020 and distributed to shareholders.

(k) Revaluation reserve

This represents the surplus on revaluation of land and buildings that are used in Group's operations and is not available for distribution until the related assets have been disposed off or used.

(l) Instruments eligible for additional capital

In December 2013; the Bank raised regulatory tier 1 capital of QAR 2 billion by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes. The coupon payments are discretionary and non-cumulative. On the first call date of 30 December 2019, the interest rates on the notes have been agreed at 5.15% (previous rate 6%) and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year which will be at 30 December 2025.

In February 2016, the Bank raised additional regulatory tier 1 capital of QAR 2 billion by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes. The coupon payments are discretionary and non-cumulative and priced at a fixed rate of 6% per annum, payable annually until the first call date and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year. As per amendments required by Qatar Central Bank the first call date was amended from 27 February 2022 to 31 December 2021.

The Notes are ranked junior to the Bank's existing unsubordinated obligations including existing subordinated debt and depositors, pari passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank.

The Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstance as mentioned in the term sheet i.e. regulatory / tax redemption and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the proposed Capital issue, if a "loss absorption" event is triggered and the Bank has non-discretionary obligation to deliver cash or financial assets. These notes have been classified under equity.

As at and for the year ended 31 December 2020 QAR '000s

22. OTHER COMPREHENSIVE INCOME

	2020	2019
Changes in fair value of investments in debt securities designated at FVOCI (IFRS 9):		
Positive change in fair value	445,568	666,739
Negative change in fair value	(2,487)	(2,970)
Net change in fair value	**443,081**	663,769
Net amount transferred to profit or loss*	(3,519)	(9,091)
Foreign currency translation differences for foreign operation	(288,430)	(129,811)
Share of other comprehensive income of associates and a joint arrangement	1,214	28,059
Net changes in FV of Cash Flow hedges	59,634	9,053
	211,980	561,979
Net changes in fair value of equity investments designated at FVOCI (IFRS 9):		
Net changes in FV of equity investments – FVOCI	43,104	(34,072)
Foreign currency translation differences	(131,272)	-
Share of other comprehensive income of associates and a joint arrangement	(12,035)	(6,008)
Total other comprehensive income	**111,777**	521,899

*Net amount transferred to profit or loss includes a positive change in fair value of QAR 10.4 million (2019: QAR 9.7 million) and a negative change in fair value of QAR 6.9 million (2019: QAR 0.6 million).

23. CONTRIBUTION TO PROVISION FOR SPORTS AND SOCIAL ACTIVITIES SUPPORT FUND ("DAAM")

Pursuant to Law No. 13 of 2008, the Bank made an appropriation of QAR 32.5 million (2019: QAR 50.5 million) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit of the Group for the year ended 31 December 2020.

24. INTEREST INCOME

	2020	2019
Loans and advances to customers	4,303,977	5,220,424
Debt securities	1,116,704	1,148,964
Amounts deposited with banks	235,349	375,151
Amounts deposited with central banks	15,347	50,871
	5,671,377	6,795,410

The amounts reported above include interest income, calculated using the effective interest method, that relate to, at amortized cost QAR 5,280 million (2019: QAR 6,459 million) and at fair value QAR 391 million (2019: QAR 336 million).

As at and for the year ended 31 December 2020 QAR '000s

25. INTEREST EXPENSE

	2020	2019
Customer deposits	1,568,113	2,348,258
Debt securities	333,942	644,014
Other borrowings	412,444	393,231
Interest expense on lease liabilities	8,475	11,149
Amount deposited by central banks and other banks	248,268	435,575
	2,571,242	3,832,227

The amounts reported above include interest expense, calculated using the effective interest method, on financial liabilities at amortized cost.

26. FEE AND COMMISSION INCOME

	2020	2019
Loans and advances	343,103	366,114
Credit and debit card fees	397,322	458,963
Indirect credit facilities	138,052	168,011
Banking and other operations	166,550	251,633
Investment activities for customers	65,068	44,499
	1,110,095	1,289,220

27. FEE AND COMMISSION EXPENSE

	2020	2019
Credit and debit card fees	209,186	288,162
Brokerage services	14,619	11,391
Others	75,441	74,821
	299,246	374,374

28. NET FOREIGN EXCHANGE GAIN

	2020	2019
Dealing in foreign currencies & revaluation of spot assets	**296,351**	281,045

As at and for the year ended 31 December 2020 QAR '000s

29. NET (LOSS) / INCOME FROM INVESTMENT SECURITIES

	2020	2019
Net gain on disposal of investment securities measured at fair value	26,560	25,237
Net Change in Fair-value of Investment securities	(53,671)	39,405
Dividend income	3,664	4,351
	(23,447)	68,993

30. OTHER INCOME

	2020	2019
Rental and other income	**53,245**	118,578

31. STAFF COSTS

	2020	2019
Salary and benefits (Note)	589,897	754,687
Health care and medical insurance expenses	17,498	17,028
Staff end of services and pension fund contribution (Note 20 (i))	23,652	22,483
Training and education	1,552	2,154
	632,599	796,352

Note: Salary and benefits include a credit of QR 6.8 million (2019: a surplus of QAR 117.5 million) with respect to performance rights due to decline in the market value.

32. OTHER EXPENSES

	2020	2019
Marketing and advertisement	34,750	26,842
Professional fees	19,638	16,325
Communication, utilities and insurance	50,044	46,914
Board of Directors' remuneration	18,500	18,500
Occupancy, IT consumables and maintenance	49,490	41,486
Travel and related costs	446	1,684
Printing and stationery	4,847	4,376
Outsourcing service costs	31,199	38,158
Others	56,124	32,359
	265,038	226,644

33. EARNINGS PER SHARE

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year:

	2020	2019
Basic and diluted		
Profit for the year attributable to the equity holders of the Bank	1,301,213	2,021,040
Less: Dividend on Instrument eligible for additional capital	(223,000)	(240,000)
Profit for EPS calculation	**1,078,213**	1,781,040
Weighted average number of outstanding shares in thousands (Note 21 (a))	4,047,254	4,047,254
Basic and diluted earnings per share (QAR)	**0.27**	0.44

34. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2020	2019
a) Contingent liabilities		
Unutilized credit facilities	4,465,134	4,287,871
Guarantees	17,788,756	21,353,539
Letters of credit	2,291,488	1,706,950
Total	**24,545,378**	27,348,360
b) Capital commitments		
Total	**127,548**	421,352

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The total contractual amounts do not necessarily represent future cash requirements, since commitments may expire without being drawn upon.

Guarantees and letters of credit

Guarantees and letters of credit make the group liable to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

35. CASH AND CASH EQUIVALENTS

	2020	2019
Cash and balances with central banks *	4,376,695	2,453,619
Due from banks up to 90 days	6,145,270	7,602,352
	10,521,965	10,055,971

*Cash and balances with central banks exclude the mandatory cash reserve.

As at and for the year ended 31 December 2020 QAR '000s

36. DERIVATIVES

	Positive fair value	Negative fair value	Notional amount	within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2020:							
Derivatives held for trading:							
Interest rate swaps	952,605	873,971	12,946,978	322,990	463,585	4,484,822	7,675,581
Forward foreign exchange contracts & others	487,706	164,685	50,522,392	18,928,096	5,719,082	17,966,645	7,908,569
Derivatives held for fair value hedges:							
Interest rate swaps	177,350	19,031	8,763,546	2,686,102	949,070	3,235,574	1,892,800
Derivatives held for cash flow hedges:							
Forward foreign exchange contracts & others	-	-	2,960,421	-	-	2,960,421	-
Interest rate swaps	3,840	2,142	2,857,455	-	449,297	2,408,158	-
Total	**1,621,501**	**1,059,829**	**78,050,792**	**21,937,188**	**7,581,034**	**31,055,620**	**17,476,950**
At 31 December 2019:							
Derivatives held for trading:							
Interest rate swaps	439,654	333,780	12,540,390	30,599	1,936,671	4,004,935	6,568,185
Forward foreign exchange contracts & others	237,389	113,847	47,722,621	14,873,925	3,979,028	19,924,049	8,945,619
Derivatives held for fair value hedges:							
Interest rate swaps	86,578	8,086	3,713,772	-	-	1,092,122	2,621,650
Derivatives held for cash flow hedges:							
Forward foreign exchange contracts & others	-	62,289	4,426,448	-	-	4,426,448	-
Interest rate swaps	699	8,641	526,184	-	367,105	159,079	-
Total	764,320	526,643	68,929,415	14,904,524	6,282,804	29,606,633	18,135,454

The bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counter-parties.

As at and for the year ended 31 December 2020 QAR '000s

36. DERIVATIVES (continued)

At 31 December 2020, the Group held the following derivatives as hedging instruments:

			Hedging instrument		
Cash Flow Hedges:	**Hedged item**	**Description**	**Currency**	**Notional in currency**	**Average Rate**
Interest Rate Swaps	Customer Deposits	Fixed for floating	TRY	5,787,446	19.7%
	Bond Issuance	Fixed for floating	USD	95,900,000	2.6%
Cross Currency Swaps	Bond Issuance	CHF to USD	USD	813,302,542	3.8%
			CHF	770,000,000	1.2%
		CNH to USD	USD	24,402,774	2.1%
			CNH	171,000,000	4.0%
		HKD to USD	USD	85,157,619	2.0%
			HKD	660,000,000	2.1%
		JPY to USD	USD	33,957,809	1.5%
			JPY	3,500,000,000	0.6%
	Loans	JPY to USD	USD	259,398,522	1.6%
			JPY	27,700,000,000	-0.2%

			Hedging instrument		
Fair value Hedges:	**Hedged item**	**Description**	**Currency**	**Notional in currency**	**Average Rate**
Interest Rate Swaps	Govt Bonds	Fixed for floating	USD	260,000,000	2.79%

37. FUND MANAGEMENT

As at the end of the reporting date, the Group holds QAR 913 million (2019: QAR 392 million) worth of international investment securities on behalf of its customers. Out of this amount, investment securities with a value of QAR 552 million (2019: QAR 338 million) are held with an international custody and settlement house. The remaining investment securities are held with the financial institutions through whom the securities were purchased. These financial institutions are industry leaders in their respective fields. The Group has established maximum limits for such holding with each financial institution according to its risk management policy.

As at and for the year ended 31 December 2020 QAR '000s

38. RELATED PARTIES

	2020	2019
Board members of the bank		
- Loans, advances and financing activities (a)	1,435,891	1,176,839
- Deposits	1,150,952	798,857
- Contingent liabilities and other commitments	73,214	3,722
- Interest and fee income	52,200	25,835
- Interest paid on deposits accounts of board members	19,959	8,532
- Remuneration	18,500	18,500
Associates and joint arrangement companies		
Due from banks	145,814	309,400
Due to banks	155,476	10,610
Deposits	8,274	9,951
Contingent liabilities	1,472,211	745,942
Interest paid to associates	1,402	4,725
Senior management of the bank		
- Remuneration and other benefits*	47,864	110,941
- Loans and advances	5,634	5,156

* Remuneration and other benefits include cost for performance rights amounting to QAR 1.62 million (2019: QAR 71.7 million). The performance rights represent the movement of the share price related to the underlying share options.

(a) A significant portion of the loans, advances and financing activities' balance at 31 December 2020 and 31 December 2019 with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities are performing satisfactorily honouring all obligations.

39. IMPACT OF COVID-19

Estimates and judgements

The spread of coronavirus ("COVID-19") pandemic has severely impacted various economies globally, causing disruption to business and economic activities. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Group is actively monitoring the COVID 19 situation and in response to this outbreak CBQ, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

39. IMPACT OF COVID-19 (continued)

In addition, the Group's operations are mainly based in economies that are relatively dependent on the price of crude oil and natural gas. During the current year oil prices have witnessed unprecedented volatility and has decreased significantly.

In preparing the consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were impacted by the potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The Group has considered the potential impacts of the current economic volatility in determination of the reported amounts of the 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.

Credit risk

IASB's guidance note issued on 27 March 2020, advises that both the assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are required to be based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken. When it is not possible to reflect such information in the models, the Board expects post-model overlays or adjustments to be considered.

For the year end 31 December 2020, the Group has updated inputs and assumptions used for the determination of expected credit losses ("ECLs") in response to uncertainties caused by COVID 19 and unprecedented volatility in oil prices. ECLs were estimated based on a range of forecast economic conditions as at that date. Considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination and will continue to do so for the upcoming quarters.

This is broadly consistent with guidelines issued by QCB which mandates that loan instalment deferment may not in its own trigger SICR as this might indicate short term liquidity problems.

The ECL models have been updated through adjustments in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probabilities of default for the credit portfolio of the Bank. These are disclosed in Note 4(b) Credit Risk.

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. To this extent the Bank has elevated the near term PDs resulting in higher recognition of relevant ECLs and impairment allowances as disclosed in to the consolidated financial statements.

39. IMPACT OF COVID-19 (continued)

The Group has deferred repayments of certain customers for a temporary period. In accordance with IASB guidance, this forbearance does not automatically trigger a significant increase in credit risk and a stage migration for the purpose of calculating expected credit losses, as these are measures are being made available to assist borrowers affected by COVID-19 outbreak to resume regular payments. Similarly, any covenant breach having particular relevance to COVID-19 e.g. delay in submission of audited financial accounts etc. may not necessarily trigger SICR.

The exercise of the deferment option by a customer, in its own, is not considered by the Bank as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Bank's credit evaluation process especially given the current economic situation, the Bank obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

In addition to the assumptions outlined above, the Group continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors and borrower's performance against the likelihood of repayments.

Financial Statement of the Parent

As at 31 December 2020 QAR '000s

(a) Statement of Financial Position – Parent

	2020	2019
ASSETS		
Cash and balances with central banks	6,503,599	4,431,379
Due from banks	10,406,613	11,767,481
Loans and advances to customers	84,938,536	76,475,207
Investment securities	23,174,627	24,407,811
Investment in associates and a joint arrangement and subsidiaries	4,343,780	5,445,227
Property and equipment	2,616,006	2,639,085
Other assets	5,199,800	6,403,778
TOTAL ASSETS	**137,182,961**	131,569,968
LIABILITIES		
Due to banks	20,402,012	23,348,968
Customer deposits	67,037,368	66,854,395
Debt securities	11,814,989	7,791,254
Other borrowings	9,177,529	7,256,184
Other liabilities	6,984,993	4,779,148
TOTAL LIABILITIES	**115,416,891**	110,029,949
EQUITY		
Share capital	4,047,254	4,047,254
Legal reserve	9,763,429	9,739,507
General reserve	26,500	26,500
Risk reserve	2,102,994	1,486,994
Fair value reserve	1,131,212	619,393
Treasury shares	-	(38,860)
Foreign currency translation reserve	(2,493,892)	(1,982,124)
Other reserves	507,273	809,892
Revaluation reserve	1,264,794	1,264,794
Retained earnings	1,416,506	1,566,669
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**17,766,070**	17,540,019
Instruments eligible for additional capital	4,000,000	4,000,000
TOTAL EQUITY	**21,766,070**	21,540,019
TOTAL LIABILITIES AND EQUITY	**137,182,961**	131,569,968

Financial Statement of the Parent continued

For the year ended 31 December 2020 QAR '000s

(b) Income Statement – Parent

	2020	2019
Interest income	4,553,007	5,047,785
Interest expense	(1,750,374)	(2,473,614)
Net interest income	**2,802,633**	2,574,171
Fee and commission income	923,606	1,118,382
Fee and commission expense	(245,783)	(333,812)
Net fee and commission income	**677,823**	784,570
Net foreign exchange gain	301,034	189,832
Net (loss)/income from investment securities	(32,453)	69,955
Other operating income	54,546	128,052
Net operating income	**3,803,583**	3,746,580
Staff costs	(419,900)	(592,298)
Depreciation	(109,509)	(118,921)
Amortization and impairment of intangible assets	(48,268)	(46,268)
Net impairment (losses)/reversal on investment securities	(31,899)	6,856
Net impairment losses on loans and advances to customers	(718,590)	(377,030)
Net impairment losses on other financial assets	(107,461)	(68,704)
Impairment on Investment in an Associate	(591,242)	(413,881)
Other provisions	(40,177)	-
Other expenses	(298,331)	(221,817)
Profit for the year	**1,438,206**	1,914,517

Accounting Policies for Financial Information of the Parent

Bank Statement of financial position and income statement of the parent bank are prepared using the same accounting policies followed for the consolidated financial statements except for investment in subsidiaries and associates, which are not consolidated and carried at cost.