

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 June 2020

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Review report on the interim condensed consolidated financial information to the Board of Directors of Qatar International Islamic Bank Q.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Qatar International Islamic Bank Q.P.S.C. (the “Parent”) and its subsidiaries (together “the Group”) as at 30 June 2020 and the related interim condensed consolidated statement of income for the three month and six month period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and notes comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as modified by Qatar Central Bank (“QCB”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

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

Mohamed Elmoataz
Auditor’s registration number 281
Doha, State of Qatar

22 July 2020



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000	30 June 2019 (Unaudited) QR'000
	Notes			
ASSETS				
Cash and balances with Qatar Central Bank		3,426,810	2,269,710	3,449,200
Due from banks	5	12,699,179	9,617,116	11,811,044
Financing assets	6	35,039,229	37,010,528	31,425,132
Investment securities	7	6,365,580	6,189,339	5,725,722
Investment in associates		359,140	336,622	362,751
Investment properties		839,814	853,867	867,953
Fixed assets		251,367	260,982	271,729
Intangible assets		38,310	33,330	20,980
Other assets		287,223	259,945	235,843
TOTAL ASSETS		59,306,652	56,831,439	54,170,354
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	8	12,999,101	14,009,817	11,542,465
Customer current accounts		7,473,117	6,423,997	6,960,717
Sukuk financing	9	2,564,511	2,563,137	1,835,765
Other liabilities		996,549	869,781	839,028
TOTAL LIABILITIES		24,033,278	23,866,732	21,177,975
EQUITY OF INVESTMENT ACCOUNT HOLDERS	10	27,325,798	24,804,548	26,312,968
EQUITY				
Share capital	11	1,513,687	1,513,687	1,513,687
Legal reserve	12	2,452,360	2,452,360	2,452,360
Risk reserve	13	669,983	669,983	623,455
Fair value reserve		599	866	(774)
Other reserves	14	78,777	79,553	79,515
Retained earnings		1,139,720	1,351,260	1,011,168
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		5,855,126	6,067,709	5,679,411
Sukuk eligible as additional capital	16	2,092,450	2,092,450	1,000,000
TOTAL EQUITY		7,947,576	8,160,159	6,679,411
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		59,306,652	56,831,439	54,170,354

The interim condensed consolidated financial information were approved by the Board of Directors on **22 July 2020** and were signed on its behalf by:



Dr. Khalid bin Thani bin Abdullah Al Thani
Chairman and Managing Director



Dr. Abdulbasit Ahmad Abdulrahman Al Shaibei
Chief Executive Officer

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three-month and six-month period ended 30 June 2020

	Notes	<i>For the Three-Month Period Ended 30 June</i>		<i>For the Six-Month Period Ended 30 June</i>	
		2020	2019	2020	2019
		(Unaudited) QR'000	(Unaudited) QR'000	(Unaudited) QR'000	(Unaudited) QR'000
Income from financing activities		415,937	414,940	902,216	828,408
Net income from investing activities		96,985	133,779	227,190	256,463
Total income from financing and investing activities		512,922	548,719	1,129,406	1,084,871
Fee and commission income		59,768	59,873	123,814	112,430
Fee and commission expense		(18,192)	(15,661)	(41,429)	(31,149)
Net fee and commission income		41,576	44,212	82,385	81,281
Foreign exchange gain		7,945	131	20,603	4,206
Share of results of associates		(7,058)	(5,454)	(20,802)	(24,635)
TOTAL INCOME		555,385	587,608	1,211,592	1,145,723
Staff costs		(42,757)	(45,032)	(85,379)	(81,101)
Depreciation and amortisation		(8,913)	(7,879)	(17,908)	(14,293)
Other expenses		(30,880)	(34,460)	(66,764)	(67,750)
Finance expense		(46,944)	(85,320)	(128,535)	(158,502)
TOTAL EXPENSES		(129,494)	(172,691)	(298,586)	(321,646)
Net impairment reversals on due from banks	22	2,228	1,509	4,958	1,940
Net impairment losses on investment securities	22	(3,094)	(1,237)	(10,741)	(3,495)
Net impairment (losses) / reversals on financing assets	22	(27,566)	(14,442)	(94,546)	(6,186)
Net impairment losses on off balance sheet exposures subject to credit risk	22	(4,555)	3,809	(12,837)	(1,778)
NET PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		392,904	404,556	799,840	814,558
Investment account holders' share of profit		(138,629)	(160,019)	(287,210)	(303,971)
NET PROFIT FOR THE PERIOD		254,275	244,537	512,630	510,587
BASIC AND DILUTED EARNINGS PER SHARE (QR PER SHARE)	17	0.16	0.16	0.34	0.34

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2020

		<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Fair value reserves QR'000</i>	<i>Other reserves QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total equity attributable to shareholders of the Bank QR'000</i>	<i>Sukuk eligible as additional capital QR'000</i>	<i>Total equity QR'000</i>
	<i>Note</i>									
Balance at 1 January 2020										
<i>(Audited)</i>		1,513,687	2,452,360	669,983	866	79,553	1,351,260	6,067,709	2,092,450	8,160,159
Fair value reserve movement		-	-	-	(267)	-	-	(267)	-	(267)
Net profit for the period		-	-	-	-	-	512,630	512,630	-	512,630
		-	-	-	(267)	-	512,630	512,363	-	512,363
Total recognized income and expenses for the year										
Cash dividends paid to the shareholders	15	-	-	-	-	-	(643,317)	(643,317)	-	(643,317)
Dividend appropriated to Sukuk eligible as additional capital	17	-	-	-	-	-	(81,629)	(81,629)	-	(81,629)
Net movement in other reserves	14	-	-	-	-	(776)	776	-	-	-
Balance at 30 June 2020										
<i>(Unaudited)</i>		1,513,687	2,452,360	669,983	599	78,777	1,139,720	5,855,126	2,092,450	7,947,576
Balance at 1 January 2019										
<i>(Audited)</i>		1,513,687	2,452,360	623,455	14	79,947	1,160,624	5,830,087	1,000,000	6,830,087
Fair value reserve movement		-	-	-	(788)	-	-	(788)	-	(788)
Net profit for the period		-	-	-	-	-	510,587	510,587	-	510,587
		-	-	-	(788)	-	510,587	509,799	-	509,799
Total recognized income and expenses for the year										
Cash dividends paid to the shareholders	15	-	-	-	-	-	(605,475)	(605,475)	-	(605,475)
Dividend appropriated to Sukuk eligible as additional capital	17	-	-	-	-	-	(55,000)	(55,000)	-	(55,000)
Net movement in other reserves	14	-	-	-	-	(432)	432	-	-	-
Balance at 30 June 2019										
<i>(Unaudited)</i>		1,513,687	2,452,360	623,455	(774)	79,515	1,011,168	5,679,411	1,000,000	6,679,411

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

	Notes	For the Six-Month Period Ended 30 June	
		2020	2019
		(Unaudited) QR'000	(Unaudited) QR'000
Cash flows from operating activities			
Profit for the period		512,630	510,587
<i>Adjustments for:</i>			
Net impairment losses/ (reversal) on financing assets		94,546	6,186
Net impairment losses on investment securities		10,741	3,495
Net impairment losses on off balance sheet exposures subject to credit risk		12,837	1,778
Net impairment reversals on due from banks		(4,958)	(1,940)
Net foreign exchange loss on translation of investment in associate		1,199	87
Depreciation and amortisation		31,961	28,478
Net gain on sale of investments securities		(28,872)	(214)
Dividends income		(694)	(475)
Share of results of associates		20,802	24,635
Sukuk amortisation		(2,200)	3,173
Employees' end of service benefits		1,622	1,745
Profit before changes in operating assets and liabilities		649,614	577,535
Working capital changes:			
Cash reserve with Qatar Central Bank		(89,110)	249
Due from banks		1,261,973	(4,562,454)
Financing assets		1,876,754	(3,440,201)
Other assets		(27,278)	(44,604)
Due to banks and financial institutions		(1,010,716)	(35,173)
Customers' current accounts		1,049,120	49,145
Other liabilities		(2,590)	118,624
		3,707,767	(7,336,879)
Employees' end of service benefits paid		(1,889)	(1,377)
Net cash flows from (used in) operating activities		3,705,878	(7,338,256)
Cash flows from investing activities			
Acquisition of investment securities		(676,432)	(2,380,993)
Proceeds from Sale/Redemption of investment securities		515,158	1,583,272
Additions of investment in associates		(45,684)	-
Acquisition of fixed assets		(1,994)	(2,164)
Acquisition of intangible assets		(11,279)	(334)
Dividends received from associate company		980	-
Dividends income		694	475
Net cash flows used in investing activities		(218,557)	(799,744)
Cash flows from financing activities			
Proceeds from Sukuk financing	9	-	1,835,765
Dividend appropriation to Sukuk eligible as additional capital		-	(55,000)
Change in equity of investment account holders		2,521,628	2,095,342
Cash dividends paid to shareholders		(601,880)	(585,727)
Net cash flows generated from financing activities		1,919,748	3,290,380
Net increase (decrease) in cash and cash equivalents		5,407,069	(4,847,620)
Cash and cash equivalents at 1 January		4,653,605	8,949,317
Cash and cash equivalents at 30 June	18	10,060,674	4,101,697

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six-month period ended 30 June 2020

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar International Islamic Bank (Q.P.S.C) (“QIIB” or “the Bank”) was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located on Grand Hamad Street in Doha and 19 local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

The commercial registration number of the Bank is 13023. The address of the Bank’s registered office is Doha, State of Qatar, P.O. Box 664.

The interim condensed consolidated financial information includes the financial information of the Bank and its following special purpose entities (“SPE”) (together the “Group”) after elimination of intercompany balances and transactions:

	<i>Country of incorporation</i>	<i>Capital</i>	<i>Principal business activity</i>	<i>Effective percentage of ownership</i>	
				<i>30 June 2020</i>	<i>31 December 2019</i>
QIIB Senior Sukuk Ltd	Cayman Islands	-	Sukuk issuance	-	-
QIIB tier 1 Sukuk Ltd	Cayman Islands	-	Sukuk issuance	-	-

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

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

The unaudited interim condensed consolidated financial information of the Group for the period ended 30 June 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 22 July, 2020.

2 BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated financial information has been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) as modified by Qatar Central Bank (“QCB”). The modifications made by QCB pertain to non-adoption of certain AAOIFI standards and interpretations in Qatar in connection with accounting for impairment of equity investments measured at fair value through equity, repo instruments, and wakala contract. These modifications kept the accounting policies followed by the Group consistent with those applied in preparation of the annual consolidated financial information for the year ended 31 December 2019. In line with the requirements of AAOIFI as modified by Qatar Central Bank (“QCB”). For matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, the interim condensed consolidated financial information has been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The interim condensed consolidated financial information do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019. The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of new and amended standards as set out in note (2.d) and note (22). In addition, results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty and Group’s financial risk management objectives and policies were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019 except as set out in note (22).

2 BASIS OF PREPARATION (continued)

(b) Basis of measurement

The interim condensed consolidated financial information has been prepared on the historical cost basis except for the investment securities classified as Investments at fair value through equity and Investments at fair value through income statement.

(c) Functional and presentation currency

The interim condensed consolidated financial information are presented in Qatari Riyals (“QR”), which is the Bank’s functional and presentational currency. Except as otherwise indicated, financial information presented in the interim condensed consolidated financial information has been rounded to the nearest thousands.

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

FAS 33 Investment in Sukuk, shares and similar instruments

AAOIFI has issued FAS 33 Investment in Sukuk, shares and similar instruments in 2019. FAS 33 superseded the earlier FAS 25 “Investment in Sukuks, shares and similar instruments”. The standard set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in Sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari’ah principles. It defined the key types of instruments of Shari’ah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

The Bank adopted the standard from its mandatory adoption date and the impact on adoption of the standard on the interim condensed consolidated financial information is not material. The Banks' existing accounting policies around Investment in Sukuk, shares and similar instruments are not materially different as compared to FAS 33.

FAS 34 Financial reporting for Sukuk-holders

AAOIFI issued FAS 34 Financial reporting for Sukuk-holders in 2019. The standard established the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukuk-holders. The Bank's accounting for Sukuk is in line with the requirements of FAS 34 without any material impact. Also, as per the requirement of para 4 of FAS 34, the Bank will prepare as Originator of the Sukuk, financial reports in line with FAS 34 on an annual basis along with the financial information of the Bank or separately to the stakeholders.

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

FAS 32 Ijara

AAOIFI has issued FAS 32 Ijara in 2020. The objective of this standard is to establish the set-out principles for the classification, recognition, measurement, presentation and disclosures of Ijarah transactions including their different forms entered into by the Islamic financial institutions in the capacity of both the lessor and lessee. This standard brings a fundamental shift in the accounting approach for Ijarah transactions, particularly, in the hand of the lessee in contrast to the earlier approach of the off-balance sheet accounting for Ijarah. The standard will be effective from the financial periods beginning on or after 1 January 2021 with earlier adoption being permitted.

The Group is currently evaluating the impact of this standard. The Group will adopt this new standard on the effective date.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six-month period ended 30 June 2020

2 BASIS OF PREPARATION (continued)

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

FAS 35 Risk Reserves

AAOIFI has issued FAS 35 “Risk Reserves” in 2019. This standard along with FAS 30 ‘Impairment, Credit losses and onerous commitments’ supersede the earlier FAS 11 “Provisions and reserves”.

The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). The standard defines the accounting principles for risk reserves in line with the best practices of financial reporting and risk management. The standard encourages maintaining adequate risk reserves to safeguarding the interest of profit and loss stakeholders particularly against various risks including credit, market, equity investment risks, as well as, the rate of return risk including displaces commercial risk. This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted only if the Group early adopts FAS 30 “Impairment, Credit losses and onerous commitments”.

The Group is currently evaluating the impact of this standard. The Group will adopt this new standard on the effective date.

3 SEGMENT INFORMATION

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

Corporate banking	Includes financings, deposits and other transactions and balances with corporate customer: government and semi government institutions and SME customers.
Personal banking	Includes financings, deposits and other transactions and balances with personal customers.
Treasury & Investments	Undertakes the Group’s funding and centralised risk management activities through borrowings, issues of Sukuk, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term deposits and corporate and government Sukuk.
Investments activities include the Group’s trading and corporate finance activities.	

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

	Corporate banking QR’000	Personal banking QR’000	Treasury & Investments QR’000	Total QR’000
Six-month ended 30 June 2020 (Unaudited)				
External revenue:				
Total income from financing and investing activities	542,076	360,140	227,190	1,129,406
Net fee and commission income	56,225	26,160	-	82,385
Net foreign exchange gains	-	-	20,603	20,603
Share of results of investments in associates	-	-	(20,802)	(20,802)
Total segment income	598,301	386,300	226,991	1,211,592
Net impairment reversal on due from banks	-	-	4,958	4,958
Net impairment losses on investments securities	-	-	(10,741)	(10,741)
Net impairment reversal/(losses) on financing assets	(107,456)	12,910	-	(94,546)
Net impairment losses on off balance sheet exposures subject to credit risk	(12,837)	-	-	(12,837)
Finance expense / Investment account holders' share of profit	(116,742)	(170,468)	(128,535)	(415,745)
Reportable segment net profit before non-segmented expenses	361,266	228,742	92,673	682,681

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six-month period ended 30 June 2020

3 SEGMENT INFORMATION (CONTINUED)

	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
Six-month ended 30 June 2019 (Unaudited)				
External revenue:				
Total income from financing and investing activities	456,898	371,510	256,463	1,084,871
Net fee and commission income	41,788	39,493	-	81,281
Net foreign exchange gains	-	-	4,206	4,206
Share of results of investments in associates	-	-	(24,635)	(24,635)
Total segment income	498,686	411,003	236,034	1,145,723
Net impairment reversal on due from banks	-	-	1,940	1,940
Net impairment losses on investments securities	-	-	(3,495)	(3,495)
Net impairment reversal/(losses) on financing assets	(15,756)	9,570	-	(6,186)
Net impairment losses on off balance sheet exposures subject to credit risk	(1,778)	-	-	(1,778)
Finance / Investment account holders' share of profit	(126,547)	(177,424)	(158,502)	(462,473)
Reportable segment net profit before non-segmented expenses	354,605	243,149	75,977	673,731

	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
30 June 2020 (Unaudited)				
Reportable segment assets	23,316,268	11,722,962	21,437,295	56,476,525
Reportable segment liabilities and equity of investment account holders	12,376,517	22,422,397	15,563,613	50,362,527

	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
31 December 2019 (Audited)				
Reportable segment assets	24,976,046	12,034,482	17,131,971	54,142,499
Reportable segment liabilities and equity of investment account holders	10,914,453	20,314,092	16,572,954	47,801,499

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

	<i>For the Six-Months Period Ended 30 June</i>	
	<i>2020 (Unaudited) QR'000</i>	<i>2019 (Unaudited) QR'000</i>
Reportable segment net profit before non-segmented expenses	682,681	673,731
Unallocated expenses	(170,051)	(163,144)
Consolidated net profit for the period	512,630	510,587

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six-month period ended 30 June 2020

3 SEGMENT INFORMATION (CONTINUED)

	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>
Assets		
Total assets for reportable segments	56,476,525	54,142,499
Other unallocated amounts	2,830,127	2,688,940
Consolidated total assets	59,306,652	56,831,439
Liabilities and equity of investment account holders		
Total liabilities and equity of investment account holders for reportable segments	50,362,527	47,801,499
Other unallocated amounts	996,549	869,781
Consolidated total liabilities and equity of investment account holders	51,359,076	48,671,280

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
30 June 2020 (Unaudited)					
Cash and balances with Qatar					
Central Bank	-	-	3,426,810	3,426,810	3,426,810
Due from banks	-	-	12,699,179	12,699,179	12,699,179
Financing assets	-	-	35,047,937	35,047,937	35,039,229
Investment securities:					
- Measured at fair value	700	60,996	-	61,696	61,696
- Measured at amortised cost	-	-	6,303,884	6,303,884	6,310,143
Other assets (excluding non-financial assets)	-	-	235,369	235,369	235,369
	700	60,996	57,713,179	57,774,875	57,772,426
Due to banks and financial institutions	-	-	12,999,101	12,999,101	12,999,101
Customers' current accounts	-	-	7,473,117	7,473,117	7,473,117
Sukuk financing	-	-	2,564,511	2,564,511	2,564,511
Other liabilities	-	-	996,549	996,549	996,549
	-	-	24,033,278	24,033,278	24,033,278

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4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
<i>31 December 2019 (Audited)</i>					
Cash and balances with Qatar					
Central Bank	-	-	2,269,710	2,269,710	2,269,710
Due from banks	-	-	9,617,116	9,617,116	9,617,116
Financing assets	-	-	37,010,528	37,010,528	37,010,528
Investment securities:					
- Measured at fair value	378	62,297	-	62,675	62,675
- Measured at amortised cost	-	-	6,126,664	6,126,664	6,131,698
Other assets (excluding non-financial assets)	-	-	206,950	206,950	206,950
	<u>378</u>	<u>62,297</u>	<u>55,230,968</u>	<u>55,293,643</u>	<u>55,298,677</u>
Due to banks and financial institutions	-	-	14,009,817	14,009,817	14,009,817
Customers' current accounts	-	-	6,423,997	6,423,997	6,423,997
Sukuk financing	-	-	2,563,137	2,563,137	2,563,137
Other liabilities	-	-	869,781	869,781	869,781
	<u>-</u>	<u>-</u>	<u>23,866,732</u>	<u>23,866,732</u>	<u>23,866,732</u>
	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
<i>30 June 2019 (unaudited)</i>					
Cash and balances with Qatar					
Central Bank	-	-	3,449,200	3,449,200	3,449,200
Due from banks	-	-	11,811,044	11,811,044	11,811,044
Financing assets	-	-	31,425,132	31,425,132	31,425,132
Investment securities:					
- Measured at fair value	436	65,150	-	65,586	65,586
- Measured at amortised cost	-	-	5,660,136	5,660,136	5,623,012
Other assets (excluding non-financial assets)	-	-	161,754	161,754	161,754
	<u>436</u>	<u>65,150</u>	<u>52,507,266</u>	<u>52,572,852</u>	<u>52,535,728</u>
Due to banks and financial institutions	-	-	11,542,465	11,542,465	11,542,465
Customers' current accounts	-	-	6,960,717	6,960,717	6,960,717
Sukuk financing	-	-	1,835,765	1,835,765	1,835,765
Other liabilities	-	-	839,028	839,028	839,028
	<u>-</u>	<u>-</u>	<u>21,177,975</u>	<u>21,177,975</u>	<u>21,177,975</u>

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of financial investments

The Group measures fair value using the following fair value hierarchy that reflects the significant inputs used in making the measurement valuation technique:

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

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

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

Financial investments classification

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

	<i>Fair value measurement using</i>			<i>Total</i>
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
30 June 2020 (Unaudited)				
- Quoted equity-type investments classified as at fair value through income statement	700	-	-	700
- Quoted equity-type investments classified as at fair value through equity	20,519	-	-	20,519
- Unquoted equity-type investments classified as at fair value through equity	-	-	40,345	40,345

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value measurement using</i>			<i>Total QR'000</i>
	<i>Quoted prices in active markets (Level 1) QR'000</i>	<i>Significant observable inputs (Level 2) QR'000</i>	<i>Significant unobservable inputs (Level 3) QR'000</i>	
31 December 2019 (Audited)				
- Quoted equity-type investments classified as fair value through income statement	378	-	-	378
- Quoted equity-type investments classified as at fair value through equity	21,107	-	-	21,107
- Unquoted equity-type investments classified as at fair value through equity	-	-	41,073	41,073
30 June 2019 (Unaudited)				
- Quoted equity-type investments classified as at fair value through income statement	436	-	-	436
- Quoted equity-type investments classified as at fair value through equity	20,855	-	-	20,855
- Unquoted equity-type investments classified as at fair value through equity	-	-	43,504	43,504

There have been no transfers between level 1 and level 2 during the periods ended 30 June 2020 and 2019 and the year ended 31 December 2019.

The valuation technique in measuring the fair value financial instruments categorized as level 3 were in line with 31 December 2019, however, significant unobservable inputs of 31 December 2019 were adjusted appropriately for the effects of COVID 19 as disclosed in note 22 to these condensed consolidated interim financial statements.

5 DUE FROM BANKS

- By type**

	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>	<i>30 June 2019 (Unaudited) QR'000</i>
Mudaraba placements	6,275,947	5,417,337	6,138,421
Commodity Murabaha receivable	5,842,613	3,998,069	5,375,325
Current accounts	546,220	141,713	256,356
Accrued profit	35,377	65,933	42,869
	12,700,157	9,623,052	11,812,971
Less: allowance for expected credit losses (stage 1 and 2)	(978)	(5,936)	(1,927)
Total	12,699,179	9,617,116	11,811,044

6 FINANCING ASSETS

• **By type**

	30 June 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000	30 June 2019 (Unaudited) QR'000
Murabaha and Musawama	28,685,906	31,162,634	24,417,639
Ijarah Muntahia Bittamleek	6,516,826	6,050,056	6,714,189
Istisn'a	263,586	417,006	759,534
Mudaraba	1,161,167	1,074,940	1,004,249
Musharaka	609	625	643
Others	322,303	244,121	231,547
Accrued Profit	308,764	551,986	630,717
Total financing assets	37,259,161	39,501,368	33,758,518
Less: Deferred profit	(1,442,475)	(1,781,260)	(1,745,572)
Allowance for expected credit losses (stages 1 and 2)	(308,592)	(264,968)	(221,593)
Allowance for credit impairment (stage 3)	(424,768)	(405,894)	(333,999)
Suspended profit	(44,097)	(38,718)	(32,222)
Net financing assets	35,039,229	37,010,528	31,425,132

Total carrying amount of Istisn'a contracts under processing is QR 174 million as at 30 June 2020 (31 December 2019: QR 217 million).

During the period, the Bank had written off fully provided bad debts after meeting conditions stipulated in the instructions of QCB amounting to QR 35.6 million as at 30 June 2020 (31 December 2019: QR 527 thousand).

The total non-performing financing assets amounted to QR 742 million, representing 1.99% of the gross financing assets as at 30 June 2020 (31 December 2019: amounted to QR 801 million, representing 2.03% of the gross financing asset).

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7 INVESTMENT SECURITIES

	30 June 2020 (Unaudited)			31 December 2019 (Audited)			30 June 2019 (Unaudited)		
	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000
<i>Investments classified at fair value through income statement</i>									
- Equity-type investments	700	-	700	378	-	378	436	-	436
	<u>700</u>	<u>-</u>	<u>700</u>	<u>378</u>	<u>-</u>	<u>378</u>	<u>436</u>	<u>-</u>	<u>436</u>
<i>Debt-type investments classified at amortised cost</i>									
- State of Qatar Sukuk	683,593	3,795,000	4,478,593	668,212	3,795,000	4,463,212	671,069	3,415,000	4,086,069
- Fixed rate	1,778,040	-	1,778,040	1,614,419	-	1,614,419	1,528,050	-	1,528,050
- Accrued profit	22,689	31,488	54,177	22,873	31,473	54,346	22,376	26,118	48,494
-Less: allowance for expected credit losses (stage 1 and 2)	(6,926)	-	(6,926)	(5,313)	-	(5,313)	(2,477)	-	(2,477)
	<u>2,477,396</u>	<u>3,826,488</u>	<u>6,303,884</u>	<u>2,300,191</u>	<u>3,826,473</u>	<u>6,126,664</u>	<u>2,219,018</u>	<u>3,441,118</u>	<u>5,660,136</u>
<i>Equity-type investments classified at fair value through equity</i>									
	<u>20,519</u>	<u>40,344</u>	<u>60,863</u>	<u>21,107</u>	<u>41,073</u>	<u>62,180</u>	<u>20,855</u>	<u>43,504</u>	<u>64,359</u>
Accrued profit	-	133	133	-	117	117	-	791	791
Total	<u>2,498,614</u>	<u>3,866,965</u>	<u>6,365,580</u>	<u>2,321,676</u>	<u>3,867,663</u>	<u>6,189,339</u>	<u>2,240,309</u>	<u>3,485,413</u>	<u>5,725,722</u>

Equity-type investments classified at fair value through equity

During the period, the Group has provided QR 3.5 million as impairment on investment securities (30 June 2019: QR 3.49 million), which were recognised under “Net impairment losses on investment securities”) in the condensed consolidated income statement.

The carrying value of investment securities pledged under repurchase agreement (REPO) is QR 1.9 billion (31 December 2019: QR 1 billion).

8 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>	<i>30 June 2019 (Unaudited) QR'000</i>
Wakala payable	12,739,531	13,743,058	11,260,607
Current accounts	238,151	266,759	235,802
Profit payable	21,419	-	46,056
Total	12,999,101	14,009,817	11,542,465

Wakala payable includes various facilities with maturities ranging from 1 day to 3.05 years (31 December 2019: 2 days to 3 years) and carries profit rates of 0.04% pa – 3.5% pa (31 December 2019: 0.04% pa - 4.38% pa per year)

9 SUKUK FINANCING

<i>Instrument</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Issued amount QR'000</i>	<i>Accrued profit QR'000</i>	<i>Profit rate</i>	<i>Rating</i>
QIIB Sukuk 2024	March 2019	March 2024	1,820,750	25,016	4.2%	A2
QIIB Sukuk 2022	October 2019	October 2022	728,300	63	3.1%	A2

10 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>	<i>30 June 2019 (Unaudited) QR'000</i>
Term accounts	20,291,709	18,691,810	20,299,161
Savings accounts	7,032,996	6,111,267	6,014,522
	27,324,705	24,803,077	26,313,683
Share in fair value reserve	1,093	1,471	(715)
Total	27,325,798	24,804,548	26,312,968

All investment account holders are unrestricted balances as of 30 June 2020 and 31 December 2019, and 30 June 2019.

11 SHARE CAPITAL

	<i>Number of shares (thousand)</i>		
	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>	<i>30 June 2019 (Unaudited) QR'000</i>
Issued and fully paid*	1,513,687	1,513,687	1,513,687

*Issued and fully paid capital of QR 1,513,687 comprises 1,514 million shares with a nominal value of 1 Qatari Riyal each (2019: QR 1,513,687 thousand comprises 151.4 million shares with a nominal value of QR 10 each).

12 LEGAL RESERVE

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid-up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 11 of 2015 and after QCB approval. No appropriation was made as the legal reserve equal more than 100% of the paid-up share capital.

13 RISK RESERVE

In accordance with QCB regulations, the minimum requirement for risk is 2.5% of the total private and public sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. Risk reserve will be provided as per the new instructions from QCB which is related to the implementation of ECL regulations.

14 OTHER RESERVES

Other reserves represent the undistributed share of associates profits after deducting the cash dividends received.

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

	30 June 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000	30 June 2019 (Unaudited) QR'000
Balance at 1 January	79,553	79,947	79,947
Add: Undistributed profit of associates of the period/year	-	-	(432)
Less: Dividend received from associates	(980)	-	-
Less: Recognized profit of associate	204	(394)	-
Total	78,777	79,553	79,515

15 CASH DIVIDENDS PAID TO THE SHAREHOLDERS

The equity holders of the Bank approved 42.5% cash dividends amounting to QAR 643 million for the year ended 31 December 2019 (40% cash dividends amounting to QAR 605 million for the year ended 31 December 2018) in the general assembly meeting held on 9 March 2020.

16 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

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

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

17 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the Six-Months Period Ended 30 June	
	2020 (Unaudited) QR'000	2019 (Unaudited) QR'000
Profit for the period attributable to the shareholders of the Bank	512,630	510,587
Weighted average number of shares outstanding during the period (Note 11)	1,513,687	1,513,687
Basic earnings per share (QR)	0.34	0.34

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

18 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>	<i>30 June 2019 (Unaudited) QR'000</i>
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	1,789,909	721,919	1,925,278
Due from banks	8,270,765	3,931,686	2,176,419
	<u>10,060,674</u>	<u>4,653,605</u>	<u>4,101,697</u>

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

19 CONTINGENT LIABILITIES AND COMMITMENTS

• **By type**

	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>	<i>30 June 2019 (Unaudited) QR'000</i>
Contingent liabilities			
Unused financing facilities	10,022,986	7,596,798	7,070,670
Guarantees	6,886,491	6,010,876	4,711,224
Letters of credit	691,821	576,095	482,613
Others	9,055	8,707	10,799
	<u>17,610,353</u>	<u>14,192,476</u>	<u>12,275,306</u>

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20 RELATED PARTIES TRANSACTIONS

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

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

	<i>30 June 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>			<i>30 June 2019 (Unaudited)</i>		
	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>
Assets:									
Financing assets	<u>7,199</u>	<u>1,292,177</u>	<u>2,620,848</u>	<u>8,588</u>	<u>698,085</u>	<u>2,429,103</u>	<u>9,895</u>	<u>779,288</u>	<u>2,458,471</u>
Equity of investment account holders	<u>19,766</u>	<u>153,414</u>	<u>115,349</u>	<u>24,381</u>	<u>195,375</u>	<u>160,406</u>	<u>12,794</u>	<u>151,218</u>	<u>304,841</u>
Off balance sheet items:									
Contingent liabilities and other commitments	<u>564</u>	<u>6,790</u>	<u>370,068</u>	<u>1,816</u>	<u>5,161</u>	<u>306,222</u>	<u>1,455</u>	<u>6,027</u>	<u>308,077</u>

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20 RELATED PARTIES TRANSACTIONS (CONTINUED)

	<i>For the Six-months period ended 30 June 2020 (Unaudited)</i>			<i>For the Six-months period ended 30 June 2019 (Unaudited)</i>		
	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>
Consolidated income statement items:						
Income from financing activities	212	21,244	58,422	296	19,232	59,986
Share of equity of investment account holders in profit	232	1,117	798	92	686	1,912

Key management personnel compensation for the period comprised:

	<i>For the Six-Months Period Ended 30 June</i>	
	<i>2020 (Unaudited) QR'000</i>	<i>2019 (Unaudited) QR'000</i>
Short term benefits	12,300	6,872
Long term benefits	2,143	442
	14,443	7,314

21 REGULATORY DISCLOSURES

Capital Adequacy Ratio

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

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

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

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

	<i>30 June 2020 (Unaudited) QR'000</i>	<i>31 December 2019 (Audited) QR'000</i>	<i>30 June 2019 (Unaudited) QR'000</i>
Tier 1 capital	7,396,906	7,229,755	6,148,067
Tier 2 capital	370,164	311,021	267,844
Total eligible capital	7,767,070	7,540,776	6,415,911

21 REGULATORY DISCLOSURES (CONTINUED)

Risk weighted assets

	30 June 2020 (Unaudited) QR'000	31 December 2019 (Audited) QR'000	30 June 2019 (Unaudited) QR'000
Risk weighted assets for credit risk	41,338,230	37,561,886	39,629,825
Risk weighted assets for market risk	688,229	539,238	536,544
Risk weighted assets for operational risk	2,898,186	2,661,703	2,661,703
Total risk weighted assets	44,924,645	40,762,826	42,828,072
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio*	11.81%	12.6%	14.36%
Total Capital Adequacy Ratio*	17.29%	18.50%	14.98%

The capital adequacy ratio has been calculated as per Basel III guidelines with effect from 1st January 2014 in accordance with QCB regulations. The minimum capital adequacy requirements are as follows:

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including conservation buffer and domestic systematic important bank buffer	Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge
2020						
Actual	11.81%	11.81%	16.47%	17.29%	17.29%	17.29%
Minimum limit as per QCB	6%	8.50%	10.50%	12.50%	12.50%	13.5%
2019						
Actual	12.60%	12.60%	17.74%	18.50%	18.50%	18.50%
Minimum limit as per QCB	6%	8.5%	10.5%	12.5%	12.5%	13.5%

22 FINANCIAL RISK MANAGEMENT

22.1 EXPOSURE SUBJECT TO CREDIT RISK

	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000
Opening Balance - as at 1 January 2020				
Due from banks	9,549,471	1,712	-	9,551,183
Debt type investments carried at amortised cost	1,590,517	18,589	-	1,609,106
Financing assets	23,368,637	3,118,905	288,197	26,775,739
Off balance sheet exposures subject to credit risk	11,058,362	1,025,175	28,962	12,112,499
	45,566,987	4,164,381	317,159	50,048,527

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22.1 EXPOSURE SUBJECT TO CREDIT RISK (CONTINUED)

Net transfer between stages

	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000
Due from banks	(407)	407	-	-
Debt type investments carried at amortised cost	-	(18,935)	18,935	-
Financing assets				
Transfer from Stage 1 to Stage 2	(382,621)	382,621	-	-
Transfer from Stage 1 to Stage 3	(16,940)	-	16,940	-
Transfer from Stage 2 to Stage 3	-	(100,168)	100,168	-
Transfer from Stage 3 to Stage 1	12,253	-	(12,253)	-
Transfer from Stage 3 to Stage 2	-	107	(107)	-
	<u>(387,715)</u>	<u>264,032</u>	<u>123,683</u>	<u>-</u>
Off balance sheet exposures subject to credit risk				
Transfer from Stage 1 to Stage 2	(57,901)	57,901	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(11,138)	11,138	-
Transfer from Stage 3 to Stage 1	61	-	(61)	-
Transfer from Stage 3 to Stage 2	-	8	(8)	-
	<u>(57,840)</u>	<u>46,771</u>	<u>11,069</u>	<u>-</u>
Net Movements during the period				
Due from banks	3,107,671	10	-	3,107,681
Debt type investments carried at amortised cost	169,210	692	-	169,902
Financing assets	2,424,872	(290,409)	(7,227)	2,127,236
Off balance sheet exposures subject to credit risk	<u>590,681</u>	<u>(572,602)</u>	<u>(32,892)</u>	<u>(14,813)</u>
	<u>6,292,434</u>	<u>(862,309)</u>	<u>(40,119)</u>	<u>5,390,006</u>
Expected credit losses charged for the period (net)				
Due from banks	(4,950)	(8)	-	(4,958)
Debt type investments carried at amortised cost	1,958	(346)	5,590	7,202
Financing assets	(92,624)	136,248	50,922	94,546
Off balance sheet exposures subject to credit risk	<u>10,303</u>	<u>2,534</u>	<u>-</u>	<u>12,837</u>
	<u>(85,313)</u>	<u>138,428</u>	<u>56,512</u>	<u>109,627</u>
Closing Balance – as at 30 June 2020				
Due from banks	12,661,686	2,136	-	12,663,822
Debt type investments carried at amortised cost	1,757,769	-	13,345	1,771,114
Financing assets	25,313,576	2,974,808	334,797	28,623,181
Off balance sheet exposures subject to credit risk	<u>11,580,900</u>	<u>496,810</u>	<u>7,139</u>	<u>12,084,849</u>
	<u>51,313,931</u>	<u>3,473,754</u>	<u>355,281</u>	<u>55,142,966</u>

* Excluding Exposure with Ministry of Finance & QCB

* Without accrued profit

22.2 EXPECTED CREDIT LOSSES

	Stage 1 12-month ECL QR'000	Stage 2 Lifetime ECL QR'000	Stage 3 Impairment Losses QR'000	Total QR'000
Due from banks				
Loss allowance as at 1 January 2020	5,926	10	-	5,936
Movements with P&L impact				
Net financial assets originated or purchased	-	-	-	-
Total net P&L charge during the period	(4,950)	(8)	-	(4,958)
Other movements with no P&L impact				
Loss allowance as at 30 June 2020	976	2	-	978
Debt type investments carried at amortised cost				
Loss allowance as at 1 January 2020	4,967	346	-	5,313
Movements with P&L impact				
Transfer from Stage 2 to Stage 3	-	-	5,590	5,590
Net financial assets originated or purchased	-	-	-	-
Total net P&L charge during the period	1,958	(346)	5,590	7,202
Other movements with no P&L impact				
Loss allowance as at 30 June 2020	6,925	-	5,590	12,515
Financing assets				
Loss allowance as at 1 January 2020	223,622	41,346	405,894	670,862
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	-	54,405	-	54,405
Transfer from Stage 1 to Stage 3	-	-	3,738	3,738
Transfer from Stage 2 to Stage 3	-	-	54,302	54,302
Transfer from Stage 3 to Stage 1	122	-	-	122
Transfer from Stage 3 to Stage 2	-	41	-	41
Net financial assets originated or purchased	(92,746)	81,802	(7,118)	(18,062)
Total net P&L charge during the period	(92,624)	136,248	50,922	94,546
Other movements with no P&L impact				
Financial assets derecognised during the period	-	-	-	-
Write-offs	-	-	(32,048)	(32,048)
Loss allowance as at 30 June 2020	130,998	177,594	424,768	733,360
Off balance sheet exposures subject to credit risk				
Loss allowance as at 1 January 2020	42,248	8,582	-	50,830
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	-	1,655	-	1,655
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	10,303	879	-	11,182
Total net P&L charge during the period	10,303	2,534	-	12,837
Other movements with no P&L impact				
Financial assets derecognised during the period	-	-	-	-
Write-offs	-	-	-	-
Loss allowance as at 30 June 2020	52,551	11,116	-	63,667

23 IMPACT OF COVID-19

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

Business continuity planning

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

The Group regularly conducts stress tests to assess the resilience of the statement of position and our capital adequacy. The stress tests are used to consider the Group’s risk appetite and to provide insights into financial stability. The Group’s operations are partially concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

Impact on Expected Credit Losses

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

The Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for ECL measurement in light of available information. Moreover, futuristic PDs were deployed based on current and projected economic environment by modelling pessimistic scenarios based on V shaped recovery (V-scenario) and U-shaped recovery (U-scenario) for riskier portfolios. In addition, the Group has analysed the risk of the credit portfolio by focusing on economic sector-wise segmentation analysis using both on top-down approach and the Group’s own experience. The Group has also revised its forward-looking macro- economic factors which for Qatar includes i) yearly average oil price of \$ 35/ barrel in 2020, \$ 56.12/ barrel in 2021. ii) GDP of QAR 639 billion in 2020 (growth of -4.3%), QAR 626 billion in 2021 (growth of -1.95%) iii) An inflation of -1.2% in 2020, 1.49% in 2021 iv) Government spending (excluding capital expenditure) of QAR107.7 billion: 2020, QAR 103.4 billion in 2021 (Oil price in 2020, \$ 64.5/barrel and \$ 61.5/barrel in 2021, Inflation in 2020, 2.23% and 2.13% in 2021). The ECL has been calculated considering a probability weighted averages for three scenarios i.e. Baseline, pessimistic and further pessimistic with 50%, 25% and 25% weightings respectively (31 December 2019: 60% to the Baseline, 25% to Downside and 15% Improved Case). Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment, the Group has assessed the impact of an increase in probability for the pessimistic scenario in ECL measurement.

In addition to the assumptions outlined above, The Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

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

Liquidity management

Global stress in the markets brought on by the COVID-19 crisis is being felt by banks through lack of liquidity in foreign funding markets. The decline in oil prices (from ~US\$ 70 in January to ~US\$40.3 per barrel by end of June -2020) has also led to uncertainty in liquidity position in the market. In this environment, the Group has already taken measures to manage its liquidity carefully. The Group has a robust Liquidity Contingency Plan. The Group’s ALCO primary focus has been to ensure liquidity throughout the situation.

23 IMPACT OF COVID-19 (CONTINUED)

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

Further, QCB has encouraged banks to postpone loan instalments and obligations of the private sector with a grace period of six months. Further, Government launched a program directed to allocate guarantees to local banks at an amount of QR 3 Billion, which aims at shoring up small and medium businesses and hard-hit sectors, through six-month exemptions on utilities payments and rental fees. The Combination of the above measures by QCB and the actions taken by the State of Qatar Government, along with prudent management of the liquidity by the Group will help ensure the Group is able to meet its clients' banking services requirements effectively and without disruption.

Accounting for modified financing assets

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