

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 March 2023

Qatar International Islamic Bank (Q.P.S.C.)
Interim condensed consolidated financial statements

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Independent auditor's report on review of interim condensed consolidated financial statements

To the Board of Directors of Qatar International Islamic Bank (Q.P.S.C.)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar International Islamic Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together the "Group") for the three-month period ended 31 March 2023, which comprise:

- the interim consolidated statement of financial position as at 31 March 2023;
- the interim consolidated statement of income for the three-month period ended 31 March 2023;
- the interim consolidated statement of changes in equity for the three-month period ended 31 March 2023;
- the interim consolidated statement of cash flows for the three-month period ended 31 March 2023; and
- notes to the interim condensed consolidated financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by Qatar Central Bank. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements for the three-month period ended 31 March 2023 are not prepared, in all material respects, in accordance with FAS issued by AAOIFI as modified by Qatar Central Bank.

Other matter

The interim condensed consolidated financial statements as at and for the three-month period ended 31 March 2022 were reviewed, and the consolidated financial statements as at and for the year ended 31 December 2022 were audited, by another auditor, whose review and audit reports dated 24 April 2022 and 13 February 2023 respectively, expressed an unmodified review conclusion and an unmodified audit opinion thereon.

17 April 2023
Doha
State of Qatar



Yacoub Hobeika
KPMG
Qatar Auditor's Registry Number 289
Licensed by QFMA: External
Auditor's License No. 120153

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


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		31 March 2023 (Unaudited) QR'000	31 December 2022 (Audited) QR'000	31 March 2022 (Unaudited) QR'000
ASSETS				
Cash and balances with Qatar Central Bank		2,400,993	2,490,767	3,117,841
Due from banks	5	9,659,429	9,760,241	15,160,104
Financing assets	6	34,957,084	35,021,716	37,836,640
Investment securities	7	6,629,865	7,752,399	7,228,007
Investment in associates		188,303	192,362	249,553
Investment properties		662,102	669,105	690,231
Fixed assets		227,054	231,322	227,938
Intangible assets		33,864	37,733	39,913
Other assets		196,518	237,724	246,935
TOTAL ASSETS		54,955,212	56,393,369	64,797,162
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	8	6,667,668	6,917,580	12,086,585
Customers' current accounts		7,261,436	7,802,988	8,013,691
Sukuk financing	9	2,759,308	2,793,866	3,508,797
Other liabilities		905,666	900,353	1,102,220
TOTAL LIABILITIES		17,594,078	18,414,787	24,711,293
EQUITY OF INVESTMENT ACCOUNT HOLDERS				
	10	28,575,477	28,903,371	31,763,393
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	852,234	852,234	803,726
Fair value reserve		2,698	2,693	3,461
Other reserves	14	79,803	80,787	79,098
Retained earnings		1,792,425	2,081,000	1,377,694
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		6,693,207	6,982,761	6,230,026
Sukuk eligible as additional capital	16	2,092,450	2,092,450	2,092,450
TOTAL EQUITY		8,785,657	9,075,211	8,322,476
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		54,955,212	56,393,369	64,797,162

The interim condensed consolidated financial statements were approved by the Board of Directors on 17 April 2023 and was signed on its behalf by:


Abdulla Bin Thani Bin Abdulla AL-Thani
Chairman


Dr. Abdulbasit Ahmad Abdulrahman Al Shaibei
Chief Executive Officer

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements. Independent auditor's review report is set out on page 1.



Qatar International Islamic Bank (Q.P.S.C.)
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the three-month period ended 31 March 2023

	<i>For the three-month period ended</i>	
	31 March	
<i>Note</i>	2023 <i>(Unaudited)</i> QR'000	2022 <i>(Unaudited)</i> QR'000
Income from financing activities	528,908	426,891
Net income from investing activities	170,251	89,963
Total income from financing and investing activities, net	699,159	516,854
Fee and commission income	85,038	85,838
Fee and commission expense	(24,859)	(17,687)
Net fee and commission income	60,179	68,151
Net foreign exchange gain	21,485	19,650
Net share of results of investment in associates	431	(11,255)
TOTAL INCOME	781,254	593,400
Staff costs	(40,832)	(39,041)
Depreciation of fixed assets and amortisation of intangible assets	(8,051)	(7,974)
Other expenses	(36,637)	(32,754)
Finance expense	(97,343)	(36,912)
TOTAL EXPENSES	(182,863)	(116,681)
Net impairment reversals / (losses) on due from banks	10	(78)
Net impairment reversals / (losses) on investment securities	10,025	(472)
Net impairment losses on financing assets	(53,730)	(28,784)
Impairment loss on investment in associate	(32,656)	-
Net impairment reversals / (losses) on off balance sheet exposures subject to credit risk	3,676	(8,394)
NET PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	525,716	438,991
Investment account holders' share of profit	(209,800)	(144,129)
NET PROFIT FOR THE PERIOD	315,916	294,862
BASIC AND DILUTED EARNINGS PER SHARE (QR PER SHARE)	0.21	0.19



The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.
Independent auditor's review report is set out on page 1

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2023

	Notes	Share capital QR'000	Legal reserve QR'000	Risk reserve QR'000	Fair value reserve QR'000	Other reserves QR'000	Retained earnings QR'000	Total equity attributable to shareholders of the Bank QR'000	Sukuk eligible as additional capital QR'000	Total equity QR'000
Balance at 1 January 2023 (Audited)		1,513,687	2,452,360	852,234	2,693	80,787	2,081,000	6,982,761	2,092,450	9,075,211
Fair value reserve movement		-	-	-	5	-	-	5	-	5
Net profit for the period		-	-	-	-	-	315,916	315,916	-	315,916
Total recognized income and expenses for the period		-	-	-	5	-	315,916	315,921	-	315,921
Cash dividends paid to the shareholders	15	-	-	-	-	-	(605,475)	(605,475)	-	(605,475)
Net movement in other reserves	14	-	-	-	-	(984)	984	-	-	-
Balance at 31 March 2023 (Unaudited)		1,513,687	2,452,360	852,234	2,698	79,803	1,792,425	6,693,207	2,092,450	8,785,657
Balance at 1 January 2022 (Audited)		1,513,687	2,452,360	803,726	2,767	79,588	1,758,232	6,610,360	2,092,450	8,702,810
Fair value reserve movement		-	-	-	694	-	-	694	-	694
Net profit for the period		-	-	-	-	-	294,862	294,862	-	294,862
Total recognized income and expenses for the period		-	-	-	694	-	294,862	295,556	-	295,556
Cash dividends paid to the shareholders	15	-	-	-	-	-	(567,633)	(567,633)	-	(567,633)
Dividend appropriation to Sukuk eligible as additional capital	16	-	-	-	-	-	(108,257)	(108,257)	-	(108,257)
Net movement in other reserves	14	-	-	-	-	(490)	490	-	-	-
Balance at 31 March 2022 (Unaudited)		1,513,687	2,452,360	803,726	3,461	79,098	1,377,694	6,230,026	2,092,450	8,322,476

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements. Independent auditor's review report is set out on page 1



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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2023

	<i>For the three-month period ended 31</i>	
	<i>March</i>	
	<i>2023</i>	<i>2022</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Cash flows from operating activities		
Net profit for the period	315,916	294,862
<i>Adjustments for:</i>		
Net impairment losses on financing assets	53,730	28,784
Net impairment (reversals) / losses on investment securities	(10,025)	472
Impairment loss on investment in associate	32,656	-
Net impairment (reversals) / losses) on off balance sheet exposures subject to credit risk	(3,676)	8,394
Net impairment (reversals) / losses on due from banks	(10)	78
Foreign exchange (gain) / loss on translation of investment in associate	(1,112)	2,409
Depreciation of investment properties	7,091	7,285
Depreciation of fixed assets and amortisation of intangible assets	8,051	7,974
Dividend income	-	(10)
Net share of results of investment in associates	(431)	15,371
Fair value loss / (gain) on investment security carried at fair value through income statement	132	(383)
Sukuk amortisation	824	1,947
Employees' end of service benefits	1,181	1,423
Profit before changes in operating assets and liabilities	404,327	368,606
Working capital changes:		
Cash reserve with Qatar Central Bank	65,176	(12,049)
Due from banks	561,223	(764,890)
Financing assets	10,902	(834,543)
Other assets	41,206	(37,352)
Due to banks and financial institutions	(249,912)	2,165,036
Customers' current accounts	(541,552)	585,503
Other liabilities	(79,711)	(65,145)
	211,659	1,405,166
Employees' end of service benefits paid	(722)	(90)
Net cash flows generated from operating activities	210,937	1,405,076
Cash flows from investing activities		
Acquisition of investment securities	(244,135)	(191)
Proceeds from sale/redemption of investment securities	1,369,126	182
Acquisition of fixed assets	-	(489)
Addition on investment in associate	(28,640)	-
Dividends received from investment in associates	1,470	490
Dividend income	-	10
Net cash flows generated from investing activities	1,097,821	2
Cash flows from financing activities		
Change in equity of investment account holders	(327,589)	544,861
Cash dividends paid to shareholders	(545,366)	(545,151)
Net cash flows used in financing activities	(872,955)	(290)
Net increase in cash and cash equivalents	435,803	1,404,788
Cash and cash equivalents at 1 January	2,070,949	6,184,968
Cash and cash equivalents at 31 March	2,506,752	7,589,756

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The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.
Independent auditor's review report is set out on page 1



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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

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 16 local branches. The Bank is listed and its shares are traded on the Qatar Stock Exchange.

The commercial registration number of the Bank is 13023. The address of the Bank’s registered office is Grand Hamad Street 2, Doha, State of Qatar, P.O. Box 664.

The interim condensed consolidated financial statements include the financial information of the Bank and its subsidiaries which are, QIIB Senior Sukuk Ltd and QIIB Tier 1 Sukuk Ltd, (special purpose entity (“SPE”)) (together the “Group”) after elimination of intercompany balances and transactions.

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 reviewed interim condensed consolidated financial statements of the Group for the period ended 31 March 2023 were authorized for issuance in accordance with a resolution of the Board of Directors on 17 April 2023.

2 BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) as modified by Qatar Central Bank (“QCB”).

The Group has adopted QCB circular no. 13/2020 dated 29 April 2020 (execution date) which modifies the requirements of FAS 33 “Investment in Sukuk, shares and similar instruments” and FAS 30 “Impairment, Credit Losses and Onerous Commitments”, and requires banks to follow International Financial Reporting Standards (IFRS) for repurchase agreements and for impairment of equity investments measured at fair value through equity. Accordingly, the Group has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the group. Further, AAOIFI issued FAS 32 which was effective from 1 January 2021. QCB has not yet instructed Islamic Banks in Qatar to implement FAS 32. The Group is awaiting instructions from QCB in this regard, refer to note (2.d). For matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022 except for the adoption of new and amended standards as set out in note (2.d). In addition, results for the three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The significant judgments made by management in applying the Group's accounting policies, 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 2022.

(b) Basis of measurement

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

(c) Functional and presentation currency

The interim condensed consolidated financial statements 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 statements have been rounded to the nearest thousands.

(d) New standards, amendments and interpretations effective from 1 January 2023

FAS 39 Financial Reporting for Zakah

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period. (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

FAS 41 Interim financial reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard also provides an option for the institution to prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard will be effective for financial statements for the period beginning on or after 1 January 2023.

There was no significant impact from adoption of both standards.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

2 BASIS OF PREPARATION (CONTINUED)

(e) New standards, amendments and interpretations issued but not effective from 1 January 2023

FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quassi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current.

The Group is assessing the impact of adoption of this standard.

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 customers, 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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

3 SEGMENT INFORMATION (CONTINUED)

<i>Three-month ended 31 March 2023 (Unaudited)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	332,675	196,233	170,251	699,159
Net fee and commission income	32,648	27,531	-	60,179
Net foreign exchange gain	-	-	21,485	21,485
Net share of results of investment in associates	-	-	431	431
Total segment income	365,323	223,764	192,167	781,254
Net impairment reversal on due from banks	-	-	10	10
Net impairment reversal on investments securities	-	-	10,025	10,025
Net impairment losses on financing assets	(73,120)	19,390	-	(53,730)
Impairment losses on investment in associate	-	-	(32,656)	(32,656)
Net impairment reversal on off balance sheet exposures subject to credit risk	3,676	-	-	3,676
Finance expense / Investment account holders' share of profit	(93,549)	(116,251)	(97,343)	(307,143)
Reportable segment net profit before non-segmented expenses	202,330	126,903	72,203	401,436
	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
<i>Three-month ended 31 March 2022 (Unaudited)</i>				
External revenue:				
Total income from financing and investing activities	238,527	188,364	89,963	516,854
Net fee and commission income	31,848	36,303	-	68,151
Net foreign exchange gain	-	-	19,650	19,650
Share of results of investments in associates	-	-	(11,255)	(11,255)
Total segment income	270,375	224,667	98,358	593,400
Net impairment losses on due from banks	-	-	(78)	(78)
Net impairment losses on investments securities	-	-	(472)	(472)
Net impairment losses on financing assets	(22,996)	(5,788)	-	(28,784)
Net impairment losses on off balance sheet exposures subject to credit risk	(8,394)	-	-	(8,394)
Finance expense / Investment account holders' share of profit	(57,812)	(86,317)	(36,912)	(181,041)
Reportable segment net profit before non-segmented expenses	181,173	132,562	60,896	374,631
	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
<i>31 March 2023 (Unaudited)</i>				
Reportable segment assets	20,925,652	14,031,432	17,279,468	52,236,552
Reportable segment liabilities and equity of investment account holders	13,386,385	22,450,528	9,426,976	45,263,889

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

3 SEGMENT INFORMATION (CONTINUED)

	<i>Corporate banking</i>	<i>Personal banking</i>	<i>Treasury & Investments</i>	<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<i>31 December 2022 (Audited)</i>				
Reportable segment assets	<u>20,811,776</u>	<u>14,209,940</u>	<u>18,505,943</u>	<u>53,527,659</u>
Reportable segment liabilities and equity of investment account holders	<u>14,132,432</u>	<u>22,573,927</u>	<u>9,711,446</u>	<u>46,417,805</u>

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

	<i>For the three-month period ended 31 March</i>	
	<i>2023 (Unaudited) QR'000</i>	<i>2022 (Unaudited) QR'000</i>
Reportable segment net profit before non-segmented expenses	<u>401,436</u>	374,631
Unallocated expenses	<u>(85,520)</u>	(79,769)
Consolidated net profit for the period	<u>315,916</u>	<u>294,862</u>
	<i>31 March 2023 (Unaudited) QR'000</i>	<i>31 December 2022 (Audited) QR'000</i>
Assets		
Total assets for reportable segments	<u>52,236,552</u>	53,527,659
Other unallocated amounts	<u>2,718,660</u>	2,865,710
Consolidated total assets	<u>54,955,212</u>	<u>56,393,369</u>
Liabilities and equity of investment account holders		
Total liabilities and equity of investment account holders for reportable segments	<u>45,263,889</u>	46,417,805
Other unallocated amounts	<u>905,666</u>	900,353
Consolidated total liabilities and equity of investment account holders	<u>46,169,555</u>	<u>47,318,158</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

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</i> <i>QR'000</i>	<i>Fair value through equity</i> <i>QR'000</i>	<i>Amortised cost</i> <i>QR'000</i>	<i>Total carrying amount</i> <i>QR'000</i>	<i>Fair value</i> <i>QR'000</i>
31 March 2023 (Unaudited)					
Cash and balances with Qatar					
Central Bank	-	-	2,400,993	2,400,993	2,400,993
Due from banks	-	-	9,659,429	9,659,429	9,659,429
Financing assets	-	-	34,957,084	34,957,084	34,957,084
Investment securities:					
- Measured at fair value	690	24,801	-	25,491	25,491
- Measured at amortised cost	-	-	6,604,374	6,604,374	6,400,894
Other assets (excluding non-financial assets)	-	-	151,434	151,434	151,434
	<u>690</u>	<u>24,801</u>	<u>53,773,314</u>	<u>53,798,805</u>	<u>53,595,325</u>
Due to banks and financial institutions	-	-	6,667,668	6,667,668	6,667,668
Customers' current accounts	-	-	7,261,436	7,261,436	7,261,436
Sukuk financing	-	-	2,759,308	2,759,308	2,759,308
Other liabilities	-	-	905,666	905,666	905,666
Equity of investment account holders	-	-	28,575,477	28,575,477	28,575,477
	<u>-</u>	<u>-</u>	<u>46,169,555</u>	<u>46,169,555</u>	<u>46,169,555</u>

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4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
<i>31 December 2022 (Audited)</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Cash and balances with Qatar					
Central Bank	-	-	2,490,767	2,490,767	2,490,767
Due from banks	-	-	9,760,241	9,760,241	9,760,241
Financing assets	-	-	35,021,716	35,021,716	35,021,716
Investment securities:					
- Measured at fair value	822	25,735	-	26,557	26,557
- Measured at amortised cost	-	-	7,725,842	7,725,842	7,584,484
Other assets (excluding non-financial assets)	-	-	215,568	215,568	215,568
	<u>822</u>	<u>25,735</u>	<u>55,214,134</u>	<u>55,240,691</u>	<u>55,099,333</u>
Due to banks and financial institutions	-	-	6,917,580	6,917,580	6,917,580
Customers' current accounts	-	-	7,802,988	7,802,988	7,802,988
Sukuk financing	-	-	2,793,866	2,793,866	2,793,866
Other liabilities	-	-	900,353	900,353	900,353
Equity of investment account holders	-	-	28,903,371	28,903,371	28,903,371
	<u>-</u>	<u>-</u>	<u>47,318,158</u>	<u>47,318,158</u>	<u>47,318,158</u>
	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
<i>31 March 2022 (Unaudited)</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Cash and balances with Qatar					
Central Bank	-	-	3,117,841	3,117,841	3,117,841
Due from banks	-	-	15,160,104	15,160,104	15,160,104
Financing assets	-	-	37,836,640	37,836,640	37,836,640
Investment securities:					
- Measured at fair value	1,172	26,932	-	28,104	28,104
- Measured at amortised cost	-	-	7,199,903	7,199,903	7,123,114
Other assets (excluding non-financial assets)	-	-	218,912	218,912	218,912
	<u>1,172</u>	<u>26,932</u>	<u>63,533,400</u>	<u>63,561,504</u>	<u>63,484,715</u>
Due to banks and financial institutions	-	-	12,086,585	12,086,585	12,086,585
Customers' current accounts	-	-	8,013,691	8,013,691	8,013,691
Sukuk financing	-	-	3,508,797	3,508,797	3,508,797
Other liabilities	-	-	1,102,220	1,102,220	1,102,220
Equity of investment account holders	-	-	31,763,393	31,763,393	31,763,393
	<u>-</u>	<u>-</u>	<u>56,474,686</u>	<u>56,474,686</u>	<u>56,474,686</u>

The fair value of financial assets and liabilities carried at amortised cost are equal to the carrying value except for investment securities carried at amortised cost with a carrying value of QAR 6,604 million (31 December 2022: QAR 7,726 million, 31 March 2022: QR 7,200 million) for which the fair value amounts to QAR 6,401 million (31 December 2022: QAR 7,584 million, 31 March 2022: QR 7,123 million), which is derived using level 1 fair value hierarchy.

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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>31 March 2023 (Unaudited)</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
- Quoted equity-type investments classified as at fair value through income statement	690	-	-	690
- Quoted equity-type investments classified as at fair value through equity	18,821	-	-	18,821
- Unquoted equity-type investments classified as at fair value through equity	-	-	5,980	5,980

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4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value measurement using</i>			<i>Total</i> <i>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>	
<i>31 December 2022 (Audited)</i>				
- Quoted equity-type investments classified as fair value through income statement	822	-	-	822
- Quoted equity-type investments classified as at fair value through equity	19,204	-	-	19,204
- Unquoted equity-type investments classified as at fair value through equity	-	-	6,531	6,531
<i>31 March 2022 (Unaudited)</i>				
- Quoted equity-type investments classified as at fair value through income statement	1,172	-	-	1,172
- Quoted equity-type investments classified as at fair value through equity	21,616	-	-	21,616
- Unquoted equity-type investments classified as at fair value through equity	-	-	5,316	5,316

There have been no transfers between level 1 and level 2 during the periods ended 31 March 2023 and 2022 and the year ended 31 December 2022.

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

5 DUE FROM BANKS

• By type

	<i>31 March 2023 (Unaudited) QR'000</i>	<i>31 December 2022 (Audited) QR'000</i>	<i>31 March 2022 (Unaudited) QR'000</i>
Mudaraba placements	312,040	840,590	4,608,604
Commodity Murabaha receivable	8,952,652	8,560,858	10,236,953
Current accounts	184,289	220,657	254,086
Accrued profit	210,963	138,661	61,599
	9,659,944	9,760,766	15,161,242
Allowance for expected credit losses of due from banks (stages 1 and 2)	(515)	(525)	(1,138)
Total	9,659,429	9,760,241	15,160,104

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6 FINANCING ASSETS

- By type

	31 March 2023 <i>(Unaudited)</i> QR'000	31 December 2022 <i>(Audited)</i> QR'000	31 March 2022 <i>(Unaudited)</i> QR'000
Murabaha and Musawama	30,627,542	30,440,511	31,383,789
Ijarah Muntahia Bittamleek	5,982,873	5,980,493	7,085,122
Istisn'a	102,257	95,868	145,562
Mudaraba	821,193	901,008	1,143,440
Musharaka	561	572	582
Others	306,534	424,955	461,523
Accrued Profit	305,013	292,753	295,253
Total financing assets	38,145,973	38,136,160	40,515,271
Less: Deferred profit	(1,542,845)	(1,532,695)	(1,385,506)
Allowance for expected credit losses (stages 1 and 2)	(557,756)	(554,992)	(466,072)
Allowance for credit impairment (stage 3)	(1,005,519)	(954,290)	(770,882)
Suspended profit	(82,769)	(72,467)	(56,171)
Net financing assets	34,957,084	35,021,716	37,836,640

Total carrying amount of Istisn'a contracts under processing is QR 7 million as at 31 March 2023 (31 March 2022: 44.5 million; 31 December 2022: QR 108 million).

During the period, the Group had written off fully provided bad debts after meeting conditions stipulated in the instructions of QCB amounting to QR 208 thousand as at 31 March 2023 (31 March 2022: QR 328 thousand; 31 December 2022: QR 2.46 million).

The total non-performing financing assets net of deferred profit at 31 March 2023 amounted to QR 1,104 million, representing 3.02% of the gross financing assets (31 March 2022: QR 1,031 million, representing 2.64%; 31 December 2022: QR 1,022 million, representing 2.79%).

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8 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	31 March 2023 (Unaudited) QR'000	31 December 2022 (Audited) QR'000	31 March 2022 (Unaudited) QR'000
Wakala payable	6,412,876	6,667,297	11,853,408
Current accounts	214,422	217,378	225,265
Profit payable	40,370	32,905	7,912
Total	6,667,668	6,917,580	12,086,585

Wakala payable includes various facilities with maturities ranging from 7 days to 1 year (31 March 2022: 4 days to 1 year; 31 December 2022: 4 days to 1 year) and carries profit rates of 0.08% to 5.95% (31 March 2022: 0.02% up to 1.734%; 31 December 2022: 1.735% up to 5.6% per year).

9 SUKUK FINANCING

Instrument	Issue date	Coupon rate	Issued amount QR'000	31 March 2023 (Unaudited) QR'000	31 December 2022 (Audited) QR'000
QIIB Sukuk 2024	March 2019	4.2%	1,820,750	1,824,829	1,844,257
QIIB Sukuk 2024	October 2021	4.2%	910,375	934,479	949,609
Total balance			2,731,125	2,759,308	2,793,866

10 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	31 March 2023 (Unaudited) QR'000	31 December 2022 (Audited) QR'000	31 March 2022 (Unaudited) QR'000
Term accounts	20,678,376	21,200,753	23,721,450
Savings accounts	7,892,864	7,698,076	8,036,070
	28,571,240	28,898,829	31,757,520
Share in fair value reserve	4,237	4,542	5,873
Total	28,575,477	28,903,371	31,763,393

All investment account holders are unrestricted balances as of 31 March 2023, 31 December 2022, and 31 March 2022.

11 SHARE CAPITAL

	Number of shares (thousand)		
	31 March 2023 (Unaudited) QR'000	31 December 2022 (Audited) QR'000	31 March 2022 (Unaudited) QR'000
Issued and fully paid*	1,513,687	1,513,687	1,513,687

*Issued and fully paid capital of QR 1,514 million comprises 1,514 million shares with a nominal value of QR 1 each (December 2022 and March 2022: QR 1,514 million comprises 1,514 million shares with a nominal value of QR 1 each).

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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 as amended by law number 8 of 2021 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.

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:

	<i>31 March 2023 (Unaudited) QR'000</i>	<i>31 December 2022 (Audited) QR'000</i>	<i>31 March 2022 (Unaudited) QR'000</i>
Balance at 1 January	80,787	79,588	79,588
Undistributed profit of associates of the period/year	486	1,689	-
Dividend received from associates	(1,470)	(490)	(490)
Total	79,803	80,787	79,098

15 CASH DIVIDENDS PAID TO THE SHAREHOLDERS

On 14 March 2023 the General Assembly approved cash dividends of 40% of the paid up share capital amounting to QR 605 million (2021: 37.5% of the paid up share capital amounting to QR 568 million).

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 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 sole discretion of QIIB. The Group has the right not to pay profit on these sukuk, and the sukuk holders will have no claim with respect to non-payment. The applicable profit rate have a reset date as per the terms of the agreement of the issued sukuku. The sukuk does not have a fixed maturity date. The Group classified the sukuk as equity.

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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.

	<i>For the three-month period ended 31 March</i>	
	2023 <i>(Unaudited)</i> QR'000	2022 <i>(Unaudited)</i> QR'000
Profit for the period attributable to the shareholders of the Bank	315,916	294,862
Weighted average number of shares outstanding during the period (Note 11)	1,513,687	1,513,687
Basic earnings per share (QR)	0.21	0.19

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:

	31 March 2023 <i>(Unaudited)</i> QR'000	31 December 2022 <i>(Audited)</i> QR'000	31 March 2022 <i>(Unaudited)</i> QR'000
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	701,308	725,906	1,259,936
Due from banks	1,805,444	1,345,043	6,329,820
	2,506,752	2,070,949	7,589,756

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

	31 March 2023 <i>(Unaudited)</i> QR'000	31 December 2022 <i>(Audited)</i> QR'000	31 March 2022 <i>(Unaudited)</i> QR'000
Contingent liabilities			
Unused financing facilities	8,565,297	9,142,901	7,484,490
Guarantees	5,622,149	5,651,534	6,282,910
Letters of credit	388,236	519,711	728,465
Others	10,611	166,971	16,094
	14,586,293	15,481,117	14,511,959

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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:

	31 March 2023 (Unaudited)			31 December 2022 (Audited)			31 March 2022 (Unaudited)		
	Associate companies QR'000	Board of Directors QR'000	Others QR'000	Associate companies QR'000	Board of Directors QR'000	Others QR'000	Associate companies QR'000	Board of Directors QR'000	Others QR'000
Assets:									
Financing assets	45	659,603	2,361	53	1,248,400	2,393	47	593,187	3,047,539
Equity of investment account holders	19,004	325,525	13,883	21,329	282,882	6,677	19,326	313,628	359,324
Off balance sheet items:									
Contingent liabilities and other commitments	322	6,875	2,514	314	8,452	133,730	105	12,940	234,663

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	For the three-month period ended 31 March 2023 (Unaudited)			For the three-month period ended 31 March 2022 (Unaudited)		
	Associate companies QR'000	Board of Directors QR'000	Others QR'000	Associate companies QR'000	Board of Directors QR'000	Others QR'000
Consolidated statement of income items:						
Income from financing activities	-	11,535	56	-	6,047	30,646
Share of equity of investment account holders in profit	197	1,869	22	100	1,338	3,380

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20 RELATED PARTIES TRANSACTIONS (CONTINUED)

Key management personnel compensation for the period comprised:

	<i>For the three-month period ended 31 March</i>	
	<i>2023 (Unaudited) QR'000</i>	<i>2022 (Unaudited) QR'000</i>
Short term benefits	3,796	3,712
Long term benefits	411	343
	<u>4,207</u>	<u>4,055</u>

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>31 March 2023 (Unaudited) QR'000</i>	<i>31 December 2022 (Audited) QR'000</i>	<i>31 March 2022 (Unaudited) QR'000</i>
Tier 1 capital	8,435,936	7,989,182	7,987,648
Tier 2 capital	561,987	692,909	564,646
Total eligible capital	<u>8,997,923</u>	<u>8,682,091</u>	<u>8,552,294</u>

Risk weighted assets

	<i>31 March 2023 (Unaudited) QR'000</i>	<i>31 December 2022 (Audited) QR'000</i>	<i>31 March 2022 (Unaudited) QR'000</i>
Risk weighted assets for credit risk	44,958,918	45,238,181	45,338,008
Risk weighted assets for market risk	417,459	399,396	638,895
Risk weighted assets for operational risk	3,664,507	3,471,813	3,471,813
Total risk weighted assets	<u>49,040,884</u>	<u>49,109,390</u>	<u>49,448,716</u>
Regulatory Capital	<u>8,997,923</u>	<u>8,682,091</u>	<u>8,552,294</u>
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio*	<u>12.94%</u>	<u>12.01%</u>	<u>16.15%</u>
Total Capital Adequacy Ratio*	<u>18.35%</u>	<u>17.68%</u>	<u>17.30%</u>

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21 REGULATORY DISCLOSURES (CONTINUED)

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

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and domestic systematic important bank buffer	Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge
2023						
Actual	12.94%	12.94%	17.20%	18.35%	18.35%	18.35%
Minimum limit as per QCB	6.00%	8.50%	10.50%	12.50%	12.50%	14.15%
2022						
Actual	12.01%	12.01%	16.27%	17.68%	17.68%	17.68%
Minimum limit as per QCB	6.00%	8.50%	10.50%	12.50%	12.50%	14.15%

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.1 Exposures subject to credit risk (continued)

	31 March 2023			31 March 2022
	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000
Write off / transfers for the period				
Due from banks	-	-	-	-
Debt-type investments classified at amortised cost	-	-	-	-
Financing assets	-	-	(142)	(142)
Off balance sheet exposures subject to credit risk	-	-	-	-
				(323)
Charge / (reversal) for the period (net)				
Due from banks	(11)	1	-	(10)
Debt-type investments classified at amortised cost	1,025	(11,050)	-	(10,025)
Financing assets	13,360	718	39,652	53,730
Recovery /Reclassification from off-balance sheet to on balance sheet	-	-	405	405
Off balance sheet exposures subject to credit risk	622	(4,298)	-	(3,676)
	14,996	(14,629)	40,057	40,424
				8,394
				38,220
Closing balance of expected credit losses / impairment losses - as at 31 March				
Due from banks	511	4	-	515
Debt-type investments classified at amortised cost	8,946	9,231	-	18,177
Financing assets	316,772	240,984	1,005,519	1,563,275
Off balance sheet exposures subject to credit risk	100,088	5,426	-	105,514
	426,317	255,645	1,005,519	1,687,481
				95,767
				1,339,968