

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

30 September 2020

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2020

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR ISLAMIC BANK (Q.P.S.C)

Introduction

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial statements of Qatar Islamic Bank (Q.P.S.C) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated income statement for the three and nine month period ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2020;
- the condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2020; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank. Our responsibility is to express a conclusion on these condensed consolidated interim 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 30 September 2020 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with FAS issued by AAOIFI as modified by the Qatar Central Bank.

14 October 2020
Doha
State of Qatar

Yacoub Hobeika
Qatar Auditors Registry Number 289
KPMG

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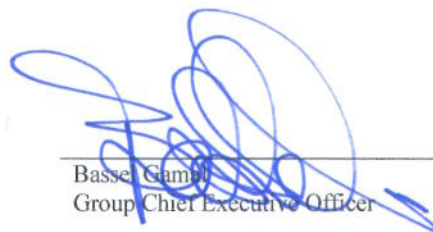
Qatar Islamic Bank (Q.P.S.C)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 SEPTEMBER 2020

		30 September 2020 (Reviewed) QAR'000	31 December 2019 (Audited) QAR'000	30 September 2019 (Reviewed) QAR'000
Assets				
Cash and balances with central banks		9,192,211	7,402,932	5,904,133
Due from banks		8,986,090	3,552,284	3,685,771
Financing assets	6	113,179,645	113,753,593	107,046,372
Investment securities	7	33,097,490	33,271,763	32,706,894
Investment in associates	8	1,132,727	544,735	565,801
Investment properties		2,163,355	2,175,459	1,981,823
Fixed assets		427,119	451,748	452,187
Intangible assets		376,961	400,260	400,860
Other assets		1,483,329	1,966,437	2,139,210
Total assets		170,038,927	163,519,211	154,883,051
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks		16,945,834	14,355,068	11,782,871
Customers' current accounts		16,074,833	14,979,086	15,135,258
Sukuk financing		14,223,351	10,933,892	10,947,817
Other liabilities		4,293,477	4,450,379	3,843,728
Total liabilities		51,537,495	44,718,425	41,709,674
Equity of unrestricted investment account holders	9	95,935,783	96,641,474	91,510,822
Equity				
Share capital		2,362,932	2,362,932	2,362,932
Legal reserve	10	6,370,016	6,370,016	6,370,016
Risk reserve	11	2,380,093	2,380,093	2,318,875
General reserve	12	81,935	81,935	81,935
Fair value reserve		(159,334)	242,377	75,311
Foreign currency translation reserve	14	(351,908)	(316,204)	(332,517)
Other reserves		216,820	216,820	216,820
Retained earnings		6,769,613	5,795,037	5,297,575
Total equity attributable to equity holders of the bank		17,670,167	17,133,006	16,390,947
Non-controlling interests		895,482	1,026,306	1,271,608
Sukuk eligible as additional capital	15	4,000,000	4,000,000	4,000,000
Total equity		22,565,649	22,159,312	21,662,555
Total liabilities, equity of unrestricted investment account holders and equity		170,038,927	163,519,211	154,883,051

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 October 2020 and were signed on its behalf by:



Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman



Basseh Gamal
Group Chief Executive Officer

The attached notes 1 to 24 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT
 For the three and nine month periods ended 30 September 2020

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020 <i>(Reviewed)</i> QAR'000	2019 <i>(Reviewed)</i> QAR'000	2020 <i>(Reviewed)</i> QAR'000	2019 <i>(Reviewed)</i> QAR'000
Net income from financing activities	1,519,236	1,462,231	4,503,735	4,350,134
Net income from investing activities	287,751	269,471	861,154	763,584
Total income from financing and investing activities, net	1,806,987	1,731,702	5,364,889	5,113,718
Fee and commission income	205,655	240,033	623,105	618,726
Fee and commission expense	(39,363)	(47,685)	(117,681)	(129,871)
Net fee and commission income	166,292	192,348	505,424	488,855
Net foreign exchange gain	17,536	13,308	55,003	47,640
Net share of results of associates	(19,159)	4,606	(13,069)	7,991
Other income	17,958	33,828	49,385	52,356
Total income	1,989,614	1,975,792	5,961,632	5,710,560
Staff costs	(166,443)	(161,469)	(493,161)	(473,127)
Depreciation and amortisation	(22,417)	(20,997)	(66,574)	(61,856)
Sukuk holders' share of profit	(122,350)	(98,760)	(354,202)	(278,938)
Other expenses	(82,375)	(100,593)	(262,119)	(292,834)
Total expenses	(393,585)	(381,819)	(1,176,056)	(1,106,755)
Net impairment reversals / (losses) on investment securities	10,604	(1,507)	(18,494)	(87,608)
Net impairment losses on financing assets	(358,258)	(149,122)	(960,628)	(446,853)
Goodwill impairment	23	-	(22,100)	-
Other impairment reversals / (losses)	3,186	(11,385)	(8,284)	(21,875)
Net profit for the period before tax and return to unrestricted investment account holders	1,251,561	1,431,959	3,776,070	4,047,469
Less: return to unrestricted investment account holders	(464,711)	(647,742)	(1,598,348)	(1,888,305)
Net profit for the period before tax	786,850	784,217	2,177,722	2,159,164
Tax expense	(1,590)	(4,608)	(2,156)	(3,719)
Net profit for the period	785,260	779,609	2,175,566	2,155,445
Net profit / (loss) for the period attributable to:				
Equity holders of the Bank	790,018	790,048	2,216,541	2,215,357
Non-controlling interests	(4,758)	(10,439)	(40,975)	(59,912)
Net profit for the period	785,260	779,609	2,175,566	2,155,445
Earnings per share				
Basic / diluted earnings per share (QAR per share)	13	0.33	0.33	0.94

The attached notes 1 to 24 form part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2020

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Risk reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total equity attributable to equity holders of the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
	----- QAR'000 -----											
Balance at 31 December 2019 (Audited)	2,362,932	6,370,016	2,380,093	81,935	242,377	(316,204)	216,820	5,795,037	17,133,006	1,026,306	4,000,000	22,159,312
Foreign currency translation reserve movement	-	-	-	-	-	(35,704)	-	-	(35,704)	-	-	(35,704)
Fair value reserve movement	-	-	-	-	(401,711)	-	-	-	(401,711)	-	-	(401,711)
Net profit for the period	-	-	-	-	-	-	-	2,216,541	2,216,541	(40,975)	-	2,175,566
Total recognised income and expense for the period	-	-	-	-	(401,711)	(35,704)	-	2,216,541	1,779,126	(40,975)	-	1,738,151
Cash dividends paid to equity holders (Note 16)	-	-	-	-	-	-	-	(1,240,539)	(1,240,539)	-	-	(1,240,539)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(89,849)	-	(89,849)
Loss on settlement of equity type investments	-	-	-	-	-	-	-	(1,426)	(1,426)	-	-	(1,426)
Balance at 30 September 2020 (Reviewed)	2,362,932	6,370,016	2,380,093	81,935	(159,334)	(351,908)	216,820	6,769,613	17,670,167	895,482	4,000,000	22,565,649
Balance at 31 December 2018 (Audited)	2,362,932	6,370,016	2,318,875	81,935	154,458	(348,424)	216,820	4,263,684	15,420,296	1,319,081	4,000,000	20,739,377
Foreign currency translation reserve movement	-	-	-	-	-	15,907	-	-	15,907	-	-	15,907
Fair value reserve movement	-	-	-	-	(79,147)	-	-	-	(79,147)	-	-	(79,147)
Net profit for the period	-	-	-	-	-	-	-	2,215,357	2,215,357	(59,912)	-	2,155,445
Total recognised income and expense for the period	-	-	-	-	(79,147)	15,907	-	2,215,357	2,152,117	(59,912)	-	2,092,205
Cash dividends paid to equity holders	-	-	-	-	-	-	-	(1,181,466)	(1,181,466)	-	-	(1,181,466)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	12,439	-	12,439
Balance at 30 September 2019 (Reviewed)	2,362,932	6,370,016	2,318,875	81,935	75,311	(332,517)	216,820	5,297,575	16,390,947	1,271,608	4,000,000	21,662,555

The attached notes 1 to 24 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2020

	<i>For the nine month period ended 30 September</i>	
	<i>2020 (Reviewed) QAR'000</i>	<i>2019 (Reviewed) QAR'000</i>
Cash flows from operating activities		
Net profit for the period before tax	2,177,722	2,159,164
Net changes in operating assets and liabilities	<u>3,374,060</u>	<u>(13,126,739)</u>
Net cash flows from / (used in) operating activities	<u>5,551,782</u>	<u>(10,967,575)</u>
Cash flows from investing activities		
Net changes in investment securities	437,796	(829,176)
Net changes in fixed and intangible assets	(32,922)	(74,563)
Net changes in investment properties	(2,908)	-
Dividends received from associate companies	<u>7,000</u>	<u>7,000</u>
Net cash flows from / (used in) investing activities	<u>408,966</u>	<u>(896,739)</u>
Cash flows from financing activities		
Change in equity of unrestricted investment account holders	(705,692)	6,333,646
Profit paid on sukuk eligible as additional capital	(205,000)	(205,000)
Net proceeds from sukuk issue	3,276,000	1,817,898
Net movement in non-controlling interests	(89,849)	12,439
Cash dividends paid to equity holders of the Bank	<u>(1,240,539)</u>	<u>(1,181,466)</u>
Net cash flows from financing activities	<u>1,034,920</u>	<u>6,777,517</u>
Net decrease in cash and cash equivalents	<u>6,995,666</u>	<u>(5,086,797)</u>
Cash and cash equivalents - beginning of the period	<u>6,210,268</u>	<u>9,087,614</u>
Cash and cash equivalents - end of the period (Note 17)	<u>13,205,936</u>	<u>4,000,817</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the nine month period ended 30 September 2020

Movements during the period

<i>Investment</i>	<i>At 1 January</i>	<i>Investments /</i>	<i>Revaluation</i>	<i>Gross</i>	<i>Dividends</i>	<i>Bank's fee as</i>	<i>At 30 September</i>
	<i>2020</i>						<i>(Disposals)</i>
	<i>(Audited)</i>					<i>an agent</i>	<i>(Reviewed)</i>
	----- <i>QAR'000</i> -----						
Real Estate Portfolio	66,430	(40,950)	-	-	-	-	25,480
Equity Securities Portfolio	703,637	719,093	12,576	25,182	(10,003)	(5,296)	1,445,189
	770,067	678,143	12,576	25,182	(10,003)	(5,296)	1,470,669

Movements during the period

<i>Investment</i>	<i>At 1 January</i>	<i>Investments</i>	<i>Revaluation</i>	<i>Gross</i>	<i>Dividends</i>	<i>Bank's fee as an</i>	<i>At 30 September</i>
	<i>2019</i>						<i>Income</i>
	<i>(Audited)</i>					<i>agent</i>	<i>(Reviewed)</i>
	----- <i>QAR'000</i> -----						
Real Estate Portfolio	66,430	-	-	-	-	-	66,430
Equity Securities Portfolio	555,461	47,910	22,040	43,047	(4,317)	(2,555)	661,586
	621,891	47,910	22,040	43,047	(4,317)	(2,555)	728,016

The attached notes 1 to 24 form part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 30 September 2020

1. REPORTING ENTITY

Qatar Islamic Bank Q.P.S.C (“QIB” or the “Bank”) is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as a Qatari Public Shareholding Company under Emiri Decree no. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank’s registered office is at P.O. Box 559, Doha, State of Qatar. The condensed consolidated interim financial statements of the Bank for the three and nine month periods ended 30 September 2020 comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in corporate, retail and investment banking in accordance with Islamic sharia rules as determined by sharia supervisory board of the Bank and has 22 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (Q.P.S.C). The Bank’s shares are listed for trading on the Qatar Exchange.

The condensed consolidated interim financial statements include the financial statements of the Bank and the following principal subsidiaries:

	Country of Incorporation	Principal Business Activity	Effective percentage of ownership	
			30 September 2020	31 December 2019
Arab Finance House	Lebanon	Banking	99.99%	99.99%
Aqar Real Estate Development and Investment Company W.L.L.(“Aqar”) (i)	Qatar	Investment in real estate	49%	49%
Durat Al Doha Real Estate Investment and Development W.L.L. (ii)	Qatar	Investment in real estate	82.61%	39.87%
QIB Sukuk Ltd (iii)	Cayman Island	Sukuk issuance	100%	100%
QIB (UK)	United Kingdom	Investment banking	99.71%	99.71%
QInvest LLC	Qatar	Investment banking	58.17%	58.17%

Notes:

- i) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing the highest number of members in the Board.
- ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through a management agreement with other shareholders of the Company. During the period the Bank acquired additional 42.74% from the other shareholders of the Company of which 16.2% was purchased from a related party.
- iii) QIB Sukuk Ltd was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIB.

2. BASIS OF PREPARATION
(a) Statement of compliance

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

QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 “Investments in Sukuk, shares and similar instruments” and FAS 30 “Impairment, credit losses and onerous commitments” and requires Islamic Banks to follow principles of IFRS 9 “Financial Instruments” in respect of equity-type investments carried at Fair Value Through Equity. The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 September 2020

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The condensed consolidated interim financial statements as of and for the three and nine months period ended 30 September 2019 were prepared in accordance with FAS issued by AAOIFI and the applicable provisions of the QCB regulations.

In line with the requirements of AAOIFI, 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 condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The condensed consolidated interim 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 2019. In addition, results for the three and nine month periods ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

(b) Estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with FAS issued by AAOIFI as modified by QCB, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2019, except for the effects of adoption of FAS 33 as described in Note 2(e) and as disclosed in note 21 to these condensed consolidated interim financial statements.

(c) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

(d) Significant accounting policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except as noted below:

During the period, the Group applied the following standards and amendments to standards in preparation of these condensed consolidated interim financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Group, however, may result in additional disclosures at year end.

- ***FAS 33 Investment in sukuku, shares and similar instruments***

The objective of this standard is to set out the principles for the classification, recognition, measurement and presentation and disclosure of investment in Sukuk, shares and other similar instruments made by Islamic financial institutions. This standard shall apply to an institution's investments whether in the form of debt or equity securities. This standard replaces FAS 25 Investment in Sukuk, shares and similar instruments.

The standard classifies investments into equity type, debt type and other investment instruments. Investments in equity instruments must be at fair value and will be subject to impairment provisions as per FAS 30 "Impairment, Credit Losses and Onerous Commitments". In limited circumstances, where the institution is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 September 2020

2. BASIS OF PREPARATION (CONTINUED)

(d) Significant accounting policies (continued)

Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement. Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively

- **FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)**

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al- Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

- **FAS 34 Financial reporting for Sukuk-holders**

AAOIFI has issued FAS 34 Financial reporting for Sukuk-holders in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukuk-holders.

- **FAS 30 Impairment, Credit Losses and Onerous Commitments**

AAOIFI has issued FAS 30 Impairment, Credit losses and Onerous Commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 will replace FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach, 2) Net Realizable Value approach (“NRV”) and 3) Impairment approach.

In 2018, the Group early adopted FAS 30 effective 01 January 2018 based on circular 26 of 2018 issued by QCB superseding its earlier circular 9 of 2017 pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 01 January 2018 were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

During the period, the QCB has modified the requirement of FAS 30, as noted in the note 2(f) to these condensed consolidated interim financial statements.

New standards, amendments and interpretations issued but not yet effective

- **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). 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(d) Significant accounting policies (continued)
• FAS 32 Ijarah

AAOIFI has issued FAS 32 “Ijarah” in 2020. This standard supersedes the existing FAS 8 “Ijarah and Ijarah Muntahia Bittamleek”.

The objective of this standard is set out principles for the classification, recognition, measurement, presentation and disclosure for Ijarah (asset Ijarah, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic Financial Institutions as a lessor and lessee. This new standard aims to address the issues faced by the Islamic finance industry in relation to accounting and financial reporting as well as to improve the existing treatments in line with the global practices. This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted. The Group is currently evaluating the impact of this standard.

(e) Adoption of FAS 33 investment in sukuks, shares and similar instruments

The Group has adopted FAS 33 Investment in sukuks, shares and similar instruments as issued by AAOIFI effective 1 January 2020. The standard shall be applicable on a retrospective basis. However, the cumulative effect, if any, attributable to profit and loss taking stakeholders, including investment holders relating to previous periods, shall be adjusted with investments fair value pertaining to such class of stakeholders.

The adoption of FAS 33 has resulted in changes in accounting policies for recognition, classification and measurement of investment in sukuks, shares and other similar instruments, however, the adoption of FAS 33 had no significant impact on any amounts previously reported in the condensed consolidated interim financial statements for the period ended 30 September 2019 and the consolidated financial statement of the Group for the year ended 31 December 2019.

Set out below are the details of the specific FAS 33 accounting policies applied in the current period.

Categorization and classification

FAS 33 contains classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as investment in:

- (a) equity-type instruments;
- (b) debt-type instruments, including (monetary and non-monetary);
- (c) other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:

- (a) the Bank’s business model for managing the investments; and
- (b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

During the period, the Group reassessed the business model for certain equity-type investments retrospectively with effect from 1 January 2020 and have reclassified certain investments accordingly.

The above reassessments did not have a material impact on the prior period results of the Group as at and for the period ended 30 September 2019. Further, the above reassessments did not have a material impact on the results of the Group for the three month period ended 31 March 2020, which were published on 15 April 2020.

Key changes to the significant estimates and judgements
Investment classification

Assessment of the business model within which the investments are managed, and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS As at and for the period ended 30 September 2020

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Adoption of QCB circular 13/2020

Measurement of equity-type instruments classified as fair value through equity

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

3. OPERATING SEGMENTS

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

Corporate banking – Corporate Banking includes services offered to institutional investors, corporate, other banks, and investment vehicles such as mutual funds or pensions.

Personal banking – Personal banking includes services that are offered to individual customers through local branches of the Bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.

Group function – treasury, investment, finance and other central functions.

Local & international subsidiaries – Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the Group financial statements.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 September 2020

3. OPERATING SEGMENTS (CONTINUED)
Information about operating segments

	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local & international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
30 September 2020 (Reviewed)					
External revenue:					
Total income from financing and investing activities	3,438,284	1,250,973	555,718	119,914	5,364,889
Net fee and commission income	229,293	158,157	84,189	33,785	505,424
Net foreign exchange gain	-	-	40,356	14,647	55,003
Share of results of associates	-	-	(11,075)	(1,994)	(13,069)
Other income	-	-	36,616	12,769	49,385
Total income	3,667,577	1,409,130	705,804	179,121	5,961,632
Sukuk holders' share of profit	-	-	(354,202)	-	(354,202)
Return to unrestricted investment account holders	(781,947)	(407,936)	(368,494)	(39,971)	(1,598,348)
Inter segment (cost) / revenue	(1,255,262)	440,359	814,903	-	-
Reportable segment net profit / (loss) after tax	1,311,309	1,012,843	(112,771)	(35,815)	2,175,566
30 September 2019 (Reviewed)					
External revenue:					
Total income from financing and investing activities	3,522,360	1,017,350	390,268	183,740	5,113,718
Net fee and commission income	238,992	169,423	43,271	37,169	488,855
Net foreign exchange gain	-	-	51,755	(4,115)	47,640
Share of results of associates	-	-	9,316	(1,325)	7,991
Other income	-	-	15,000	37,356	52,356
Total income	3,761,352	1,186,773	509,610	252,825	5,710,560
Sukuk holders' share of profit	-	-	(278,938)	-	(278,938)
Return to unrestricted investment account holders	(1,119,501)	(397,379)	(328,434)	(42,991)	(1,888,305)
Inter segment (cost) / revenue	(1,260,218)	432,315	827,903	-	-
Reportable segment net profit / (loss) after tax	1,052,525	786,181	372,617	(55,878)	2,155,445

3. OPERATING SEGMENTS (CONTINUED)

<i>30 September 2020 (Reviewed)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local & international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
Reportable segment assets	101,195,539	20,817,601	43,249,875	4,775,912	170,038,927
Reportable segment liabilities and equity of unrestricted investments account holders	51,515,035	43,476,229	48,240,314	4,241,700	147,473,278
<i>31 December 2019 (Audited)</i>					
Reportable segment assets	101,292,679	19,538,847	38,115,941	4,571,744	163,519,211
Reportable segment liabilities and equity of unrestricted investments account holders	55,876,231	38,897,124	42,415,545	4,170,999	141,359,899

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 30 September 2020

4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	<i>Fair value through equity</i>	<i>Fair value through income statement</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	----- <i>QAR'000</i> -----				
30 September 2020 (Reviewed)					
Cash and balances with central banks	-	-	9,192,211	9,192,211	9,192,211
Due from banks	-	-	8,986,090	8,986,090	8,986,090
Financing assets		500,822	112,678,823	113,179,645	113,179,645
Investment securities					
- Equity type instruments	1,569,846	1,091,536	-	2,661,382	2,661,382
- Debt type instruments	-	56,184	30,379,924	30,436,108	30,493,017
Other assets	-	-	298,974	298,974	298,974
	1,569,846	1,648,542	161,616,022	164,834,410	164,811,319
Due to banks	-	-	16,945,834	16,945,834	16,945,834
Customers' current accounts	-	-	16,074,833	16,074,833	16,074,833
Sukuk financing	-	-	14,223,351	14,223,351	14,223,351
Other liabilities	-	-	4,293,477	4,293,477	4,293,477
Equity of unrestricted investment account holders	-	-	95,935,783	95,935,783	95,935,783
	-	-	147,473,278	147,473,278	147,473,278

	<i>Fair value through equity</i>	<i>Fair value through income statement</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	----- <i>QAR'000</i> -----				
31 December 2019 (Audited)					
Cash and balances with central banks	-	-	7,402,932	7,402,932	7,402,932
Due from banks	-	-	3,552,284	3,552,284	3,552,284
Financing assets	-	513,445	113,240,148	113,753,593	113,753,593
Investment securities:					
- Equity type instruments	995,952	1,369,094	-	2,365,046	2,365,046
- Debt type instruments	-	104,993	30,801,724	30,906,717	30,881,622
Other assets	-	-	623,887	623,887	623,887
	995,952	1,987,532	155,620,975	158,604,459	158,579,364
Due to banks	-	-	14,355,068	14,355,068	14,355,068
Customers' current accounts	-	-	14,979,086	14,979,086	14,979,086
Sukuk financing	-	-	10,933,892	10,933,892	10,933,892
Other liabilities	-	-	4,450,379	4,450,379	4,450,379
Equity of unrestricted investment account holders	-	-	96,641,474	96,641,474	96,641,474
	-	-	141,359,899	141,359,899	141,359,899

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the period ended 30 September 2020**4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)**

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 3,004 million (31 December 2019: QAR 2,928 million) for which the fair value amounts to QAR 3,117 million (31 December 2019: QAR 3,007 million), which is derived using level 1 fair value hierarchy.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

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, other valuation techniques where all significant inputs are directly or indirectly observable from market data.; and

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.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 30 September 2020

4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)
Fair value hierarchy (continued)

The following table shows the reconciliation of the opening and closing amounts of level 3 investments which are recorded at fair value:

	<i>At 1 January 2020</i>	<i>Total (loss) / gain recorded in consolidated income statement / equity</i>	<i>Purchases</i>	<i>Sales / transfers</i>	<i>At 30 September 2020</i>
	<i>(Audited)</i>				<i>(Reviewed)</i>
	----- QAR '000 -----				
Equity investments:					
at fair value through equity	394,277	(21,579)	19,453	(97,260)	294,891
at fair value through income statement	883,689	10,645	16,100	(275,789)	634,645
Financing assets classified as FVTIS	513,444	(45,234)	32,612	-	500,822
	1,791,410	(56,168)	68,165	(373,049)	1,430,358

	<i>At 1 January 2019</i>	<i>Total (loss) / gain recorded in consolidated income statement / equity</i>	<i>Purchases</i>	<i>Sales/ transfers</i>	<i>At 31 December 2019</i>
	<i>(Audited)</i>				<i>(Audited)</i>
	----- QAR '000 -----				
Equity investments:					
at fair value through equity	-	441,951	4,339	(52,013)	394,277
at fair value through income statement	1,441,957	(5,192)	45,785	(598,861)	883,689
Financing assets classified as FVTIS	494,929	13,085	57,254	(51,824)	513,444
	1,936,886	449,844	107,378	(702,698)	1,791,410

5. IMPAIRMENT
Equity-type investments classified as fair value through equity

With effect from the issuance of QCB circular 13/2020, equity type instruments classified as fair value through equity are not tested for impairment. However prior to that, equity-type investments classified as fair value through equity and measured at fair value, a significant or prolonged decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the condensed consolidated statement of changes in equity is removed from equity and recognised in the condensed consolidated income statement. Impairment losses recognised in the condensed consolidated income statement on equity-type investments are subsequently reversed through equity. Until the date of the circular the Group has provided QAR 21.4 million (30 September 2019: QAR 101.2 million) as impairment on equity-type investment securities which were recognised under “Net impairment losses on investment securities” in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 30 September 2020

5. IMPAIRMENT (continued)
Investment properties

Investment properties held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the condensed consolidated statement of changes in equity under fair value reserve. Any unrealized losses resulting from re-measurement at fair value is recognized in the condensed consolidated statement of financial position under fair value reserve to the extent of available balance. In case such losses exceed the available balance, the unrealized loss is recognized in the condensed consolidated income statement. In case there are unrealized losses that have been recognized in the condensed consolidated income statement in a previous financial year/period, the unrealized gains related to the current financial period is recognized to the extent of crediting back such previous losses in the condensed consolidated income statement. Any excess of such gains over such prior-year losses is added to the fair value reserve.

Financial assets carried at amortised cost (including investment in sukuk instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment is recognised based on FAS 30. Losses are recognised in condensed consolidated income statement and reflected in an allowance account. The Group has provided QAR 960.6 million (30 September 2019: QAR 446.9 million) as impairment on financing assets which was recognised under “Net impairment loss on financing assets” in the condensed consolidated income statement. Further, the Group has recognised impairment reversals of QAR 2.2 million (30 September 2019: reversals of QAR 13.6 million) on investment securities which was recognised under “Net impairment losses on investment securities” in the condensed consolidated income statement as disclosed in note 21 to these condensed consolidated interim financial statements.

6. FINANCING ASSETS

	30 September 2020 (Reviewed) QAR'000	31 December 2019 (Audited) QAR'000	30 September 2019 (Reviewed) QAR'000
Total financing assets	124,532,731	124,378,154	117,620,564
Less: Deferred profit	(7,678,050)	(7,859,426)	(7,908,118)
Expected credit losses on financing assets - performing (Stage 1 and 2) *	(2,181,157)	(1,250,074)	(1,292,858)
Allowance for impairment on financing assets – credit impaired (Stage 3) *	(1,421,984)	(1,448,613)	(1,305,622)
Suspended profit	(71,895)	(66,448)	(67,594)
Net financing assets	<u>113,179,645</u>	<u>113,753,593</u>	<u>107,046,372</u>

Note:

Net financing assets includes hybrid instruments amounting to QAR 501 million designated as fair value through income statement ('FVTIS') (31 December 2019: QAR 513 million) which are not subject to impairment assessment.

The impaired financing assets net of deferred profit amounted to QAR 1,494 million as at 30 September 2020 representing 1.3% of the total financing assets net of deferred profit (31 December 2019: QAR 1,515 million, representing 1.3% of the total financing assets net of deferred profit).

*For stage wise exposure and allowance for impairment refer note 21.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 September 2020

7. INVESTMENT SECURITIES

	30 September 2020 (Reviewed)			31 December 2019 (Audited)			30 September 2019 (Reviewed)		
	Quoted QAR'000	Unquoted QAR'000	Total QAR'000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
Investments classified as fair value through income statement									
• equity-type investments	27,416	1,064,120	1,091,536	78,727	1,290,367	1,369,094	69,146	1,304,468	1,373,614
• debt-type investments									
- Fixed rate	17,680	38,504	56,184	19,883	1,673	21,556	20,010	1,673	21,683
- Floating rate	-	-	-	-	83,437	83,437	-	82,735	82,735
	45,096	1,102,624	1,147,720	98,610	1,375,477	1,474,087	89,156	1,388,876	1,478,032
Debt-type investments classified at amortised cost									
- State of Qatar Sukuk and QCB Murabaha	2,057,836	27,347,602	29,405,437	1,996,326	27,830,166	29,826,492	1,982,209	27,824,048	29,806,257
- Fixed rate	730,530	270,114	1,000,644	804,609	270,849	1,075,458	773,041	232,660	1,005,701
- Floating rate	-	71,836	71,836	-	-	-	-	-	-
Less: allowance for impairment*	(2,964)	(95,030)	(97,994)	(5,081)	(95,145)	(100,226)	(4,498)	(94,863)	(99,361)
	2,785,402	27,594,522	30,379,924	2,795,854	28,005,870	30,801,724	2,750,752	27,961,845	30,712,597
Equity-type investments classified as fair value through equity									
	364,366	1,205,480	1,569,846	440,693	555,259	995,952	351,061	165,204	516,265
	3,194,864	29,902,626	33,097,490	3,335,157	29,936,606	33,271,763	3,190,969	29,515,925	32,706,894

*For stage wise exposure and allowance for impairment refer note 21.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 30 September 2020

8. INVESTMENT IN ASSOCIATES

During the period, the Bank acquired additional shares in Bawabat-Al-Shamal Real Estate Company W.L.L. (the "Company") from Aqar Real Estate Development and Investment Company W.L.L. at a consideration of QR 309 million, resulting in a significant influence for the Bank with 25% ownership in the Company.

9. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	<i>30 September 2020 (Reviewed) QAR'000</i>	<i>31 December 2019 (Audited) QAR'000</i>	<i>30 September 2019 (Reviewed) QAR'000</i>
Term accounts	74,105,977	80,163,550	74,810,502
Saving accounts	18,067,917	14,398,556	14,527,092
Call accounts	3,692,248	1,951,785	2,117,012
	95,866,142	96,513,891	91,454,606
Share in fair value reserve	69,641	127,583	56,216
Total	95,935,783	96,641,474	91,510,822

10. LEGAL RESERVE

In accordance with QCB Law No. 13 of 2012, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital at a minimum. 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 in the current period as the legal reserve exceeds 100% of the paid up share capital.

11. RISK RESERVE

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. No transfer to risk reserve has been made during the period as the required amount will be transferred at year end (31 December 2019: QAR 61.2 million was transferred to risk reserve).

12. GENERAL RESERVE

In accordance with the Articles of Association of the Bank, the General Assembly may transfer a portion of the net profits to the general reserve which could be based on the General Assembly Resolution as per recommendation from Board of Directors and after the approval from Qatar Central Bank.

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank for the period by the weighted average number of ordinary shares as outstanding during the period.

	<i>For the three month period ended 30 September 2020</i>		<i>For the nine month period ended 30 September 2019</i>	
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period attributable to equity holders of the Bank (QAR'000)	790,018	790,048	2,216,541	2,215,357
Weighted average number of shares outstanding during the period ('000)	2,362,932	2,362,932	2,362,932	2,362,932
Basic and diluted earnings per share (QAR)	0.33	0.33	0.94	0.94

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 30 September 2020

14. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations and gains and losses on revaluation of foreign currency non-monetary assets carried at fair value for which gain or loss is recognized in other comprehensive income.

15. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

The Group issued a perpetual sukuk eligible as additional tier 1 capital for an amount of QAR 2 billion in the year 2015. The sukuk is unsecured and the profit distributions are discretionary, non-cumulative and payable annually at an agreed expected profit rate of 5% to be reset every sixth year. 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 have been classified as equity. During September 2016, the Group raised additional tier 1 capital by issuing a perpetual sukuk for an amount of QAR 2 billion at an agreed expected profit rate of 5.25% to be reset every sixth year.

16. DIVIDENDS

The equity holders of the Bank approved 52.5% cash dividends of (QAR 0.525 per share) amounting to QAR 1,240.5 million for the year ended 31 December 2019 in the general assembly meeting held on 24 February 2020.

17. CASH AND CASH EQUIVALENTS

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

	30 September 2020 (Reviewed) QAR'000	31 December 2019 (Audited) QAR'000	30 September 2019 (Reviewed) QAR'000
Cash and balances with central banks (excluding restricted QCB and other central banks reserve account)	4,292,946	2,700,896	1,283,730
Due from banks	8,912,990	3,509,372	2,717,087
Total	13,205,936	6,210,268	4,000,817

18. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2020 (Reviewed) QAR'000	31 December 2019 (Audited) QAR'000	30 September 2019 (Reviewed) QAR'000
a) Contingent liabilities			
Unused financing facilities	4,604,902	5,148,244	5,075,176
Guarantees	10,628,322	10,978,355	10,473,140
Letters of credit	5,150,297	4,167,860	4,149,140
	20,383,521	20,294,459	19,697,456
b) Commitments			
Investment commitment	100,133	37,337	41,120
Total	20,483,654	20,331,796	19,738,576

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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18. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)
Lease commitments

Operating lease rentals are payable as follows:

	<i>30 September 2020 (Reviewed) QAR'000</i>	<i>31 December 2019 (Audited) QAR'000</i>	<i>30 September 2019 (Reviewed) QAR'000</i>
Less than one year	16,317	10,539	12,405
After one year but not more than five years	29,013	40,843	48,513
	45,330	51,382	60,918

19. RELATED PARTY 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 significant equity holders and entities over which the Group and the equity holders' exercise significant influence, directors and executive management of the Group.

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

	<i>30 September 2020 (Reviewed)</i>		<i>31 December 2019 (Audited)</i>	
	<i>Associated companies QAR'000</i>	<i>Board of Directors QAR'000</i>	<i>Associated companies QAR'000</i>	<i>Board of Directors QAR'000</i>
Assets:				
Financing assets	3,462,815	4,973,571	92,031	4,003,971
Equity of unrestricted investment account holders	326,443	1,622,160	64,494	1,092,360
Off balance sheet items:				
Contingent liabilities, guarantees and other commitments	102,051	490,670	66,761	502,070

	<i>30 September 2020 (Reviewed)</i>		<i>30 September 2019 (Reviewed)</i>		
	<i>Associated companies QAR'000</i>	<i>Board of Directors QAR'000</i>	<i>Associated companies QAR'000</i>	<i>Board of Directors QAR'000</i>	<i>Others QAR'000</i>
Consolidated statement of income items:					
Income from financing activities	137,322	168,124	5,565	159,640	61,566
Profit paid on deposits	1,038	18,972	1,484	14,375	-
Fee and commission	12,374	11,000	443	13,116	-

Key management personnel compensation for the period comprised:

	<i>30 September</i>	
	<i>2020 (Reviewed) QAR'000</i>	<i>2019 (Reviewed) QAR'000</i>
Key management remuneration	59,524	56,726

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 30 September 2020

20. CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the capital adequacy ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer, ICAAP pillar II capital charge and the applicable Domestically Systemically Important Bank ("DSIB") Buffer is 14.5% for 2020.

The table below summarises the composition of prevailing regulatory capital and the ratios of the Group. The Group complied with the externally imposed capital requirements to which they are subject to:

	<i>30 September 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>	<i>30 September 2019 QAR'000 (Reviewed)</i>
Common Equity Tier 1 (CET 1) Capital	16,295,824	16,179,018	14,643,096
Additional Tier 1 Capital	4,000,000	4,000,000	4,000,000
Other Tier 1 capital	52,551	41,024	47,933
Tier 2 capital	1,420,083	1,302,214	1,301,818
Total eligible capital	21,768,458	21,522,256	19,992,847
Risk weighted assets	118,734,990	110,404,028	108,639,251
Common equity tier 1 (CET 1) capital adequacy ratio	13.7%	14.7%	13.5%
QCB minimum	8.5%	8.5%	8.5%
Total capital adequacy ratio	18.3%	19.5%	18.4%
QCB minimum including ICAAP pillar II capital charge	14.5%	14.5%	14.5%

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21. FINANCIAL RISK MANAGEMENT
Exposure and movement of expected credit loss / impairment allowances

	30 September 2020				31
	Stage 1	Stage 2	Stage 3	Total	December 2019
	----- QAR'000 -----				
Exposures subject to expected credit losses					
Due from banks and central banks	9,029,272	382,967	20,647	9,432,886	10,233,468
Debt type investments carried at amortised cost	30,303,671	72,190	102,057	30,477,918	30,901,950
Financing assets*	95,858,612	18,842,861	1,421,984	116,123,457	116,452,280
Off balance sheet exposures subject to credit risk	13,254,069	598,298	16,190	13,868,557	20,294,459
	<u>148,445,624</u>	<u>19,896,316</u>	<u>1,560,878</u>	<u>169,902,818</u>	<u>177,882,157</u>
	Stage 1	Stage 2	Stage 3	Total	30
	----- QAR'000 -----				September 2019
Opening balance of expected credit losses / impairment losses as at 1 January					
Due from banks and central banks	38	7	20,647	20,692	20,833
Debt type investments carried at amortised cost	1,039	4,337	94,850	100,226	112,913
Financing assets	600,037	650,037	1,448,613	2,698,687	2,129,804
Off balance sheet exposures subject to credit risk	64,486	6,485	14,920	85,891	90,789
	<u>665,600</u>	<u>660,866</u>	<u>1,579,030</u>	<u>2,905,496</u>	<u>2,354,339</u>
Fair value adjustments**					43,437
Opening balance of expected credit losses / impairment losses as at 1 January (excluding fair value adjustments)	665,600	660,866	1,579,030	2,905,496	2,397,776
Net transfer between stages					
Due from banks and central banks	-	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-	-
Financing assets	(1,596)	(8,252)	9,848	-	-
Off balance sheet exposures subject to credit risk	-	-	-	-	-
	<u>(1,596)</u>	<u>(8,252)</u>	<u>9,848</u>		
Write off / transfers for the period					
Due from banks and central banks	-	80,000	-	80,000	-
Debt type investments carried at amortised cost	-	-	-	-	-
Financing assets	1,347	154	(57,675)	(56,174)	(21,614)
Off balance sheet exposures subject to credit risk	-	-	-	-	-
	<u>1,347</u>	<u>80,154</u>	<u>(57,675)</u>	<u>23,826</u>	<u>(21,614)</u>
Charge / (reversal) for the period (net) including foreign currency translation					
Due from banks and central banks	1,605	52,993	-	54,598	23
Debt type investments carried at amortised cost	(282)	(1,950)	-	(2,232)	(13,551)
Financing assets	967,935	(28,505)	21,198	960,628	446,853
Off balance sheet exposures subject to credit risk	(42,644)	(2,640)	(1,030)	(46,314)	21,852
	<u>926,614</u>	<u>19,898</u>	<u>20,168</u>	<u>966,680</u>	<u>455,177</u>
Closing balance of expected credit losses / impairment losses - as at 30 September (Reviewed)					
Due from banks and central banks	1,643	133,000	20,647	155,290	20,856
Debt type investments carried at amortised cost	757	2,387	94,850	97,994	99,362
Financing assets	1,567,723	613,434	1,421,984	3,603,141	2,598,480
Off balance sheet exposures subject to credit risk	21,842	3,845	13,890	39,577	112,641
	<u>1,591,965</u>	<u>752,666</u>	<u>1,551,371</u>	<u>3,896,002</u>	<u>2,831,339</u>

*net of suspended profit

** pertaining to financing assets carried at fair value through income statement.

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21. FINANCIAL RISK MANAGEMENT (CONTINUED)
Credit quality assessments

The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on third party rating agency's rating scale (or their equivalent) as at 30 September 2020.

Rating grade	Due from banks and central banks	Debt type investments carried at amortised cost	Financing assets	Off balance sheet exposures subject to credit risk	Total
----- QAR'000 -----					
AAA to AA-	3,098,505	29,648,931	16,774,749	3,673,209	53,195,394
A+ to A-	2,420,425	289,352	2,597,302	231,684	5,538,763
BBB to BBB-	16,560	32,819	77,271,319	6,744,123	84,064,821
BB+ to B-	147,059	141,781	13,769,782	3,105,831	17,164,453
Unrated	3,750,337	365,035	5,710,305	113,710	9,939,387
Total	9,432,886	30,477,918	116,123,457	13,868,557	169,902,818

22. IMPACT OF COVID 19

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

QIB Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance. In addition, QIB Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. During the financial reporting period, oil prices have witnessed unprecedented volatility.

The Bank has performed an assessment of COVID-19 in light of the available guidance of the FAS, QCB and IFRS which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 September 2020:

i. Expected credit losses

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

The Group has re-assessed the association of the macro-economic variables with its own default experience as a part of its endeavor towards ongoing improvement of the ECL models and analysis of the impact of Covid 19. The macro-economic variables for incorporation of forward looking factor in ECL were identified based on their level and direction of association with Bank's own default experience over period of last 6 years and asset quality ratio of Qatar' Banking sector over a period of last 19 years. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical macro-economic factors. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Bank. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes i) yearly average oil price of \$ 45/ barrel, \$ 53.8 / barrel ii) Private sector credit concentration of 62.2%, 63.7% iii) % change in volume of exports -3 %, 0% for the financial year 2020 and 2021 respectively (31 December 2019: Oil price 2020: \$ 60.49/barrel, 2021: \$ 57.96/ barrel and GDP 2020: 2.75%, 2021: 3%). The ECL has been calculated as probability weighted figure for three scenarios i.e. Baseline, Further Downside and Improved with 65%, 35% and 0% weightings respectively (31 December 2019: 70% to the Baseline, 15% to Downside and 15% Improved Case). The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue.

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22. IMPACT OF COVID 19 (CONTINUED)

i. Expected credit losses (CONTINUED)

In addition to the assumptions outlined above, QIB 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. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances as disclosed in note 21 to the condensed consolidated interim financial statements.

ii. Valuation estimates and judgements

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

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors, via a circular issued on 22 March 2020, pursuant to which QIB has delayed repayments of certain SME and Corporate customers for a period of three months. 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.

iv. Accounting for zero rate repo facility

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 for the period.

23. IMPAIRMENT OF GOODWILL

Goodwill, which arose on the acquisition of Arab Finance House (Subsidiary of the Bank based in Lebanon), is tested for impairment on an annual basis. Subsequent to the year end, due to ongoing political and economic uncertainties in Lebanon, operations of the subsidiary were significantly affected. The Group has performed an impairment testing as at 31 March 2020, and based on the testing performed, the recoverable amounts of cash-generating units were lower than the carrying amounts by QAR 22.1 million and accordingly an impairment is recognized in these condensed consolidated interim financial statements.

24. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassifications did not have any effect on the condensed consolidated income statement or the total consolidated equity for the comparative period/year.