

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2021

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2021

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Islamic Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (the "Group") as at 30 June 2021, comprising of the interim consolidated statement of financial position as at 30 June 2021 and the interim consolidated statement of income for the three month and six month periods ended 30 June 2021, interim consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and interim consolidated statement of changes in restricted investment accounts for the six month period then ended, and the related explanatory notes.

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

Scope of review

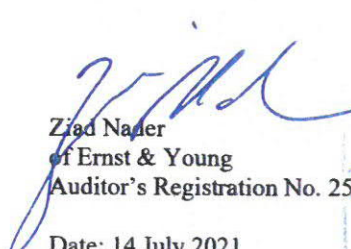
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as modified by Qatar Central Bank ("QCB").

Other matter

The interim condensed consolidated financial statements of the Group as at 30 June 2020 were reviewed and the consolidated financial statements as at 31 December 2020 were audited by another auditor, whose reports dated 15 July 2020 and 2 February 2021, respectively, expressed an unmodified review conclusion and audit opinion.


Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

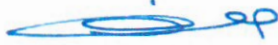
Date: 14 July 2021
Doha




INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 As at 30 JUNE 2021

		30 June 2021 (Reviewed) QAR'000	31 December 2020 (Audited) QAR'000	30 June 2020 (Reviewed) QAR'000
Assets				
Cash and balances with central banks		8,848,818	8,357,282	10,703,732
Due from banks		8,145,260	6,913,258	4,231,923
Financing assets	6	127,044,505	119,072,432	112,256,052
Investment securities	7	33,486,078	33,248,109	33,041,966
Investment in associates		1,138,616	1,133,692	1,151,007
Investment properties		2,860,234	2,862,523	2,124,242
Fixed assets		444,913	462,247	431,827
Intangible assets		361,293	369,984	376,490
Other assets		1,494,225	1,936,648	1,485,249
Total assets		183,823,942	174,356,175	165,802,488
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks		17,162,729	13,827,746	18,969,874
Customers' current accounts		17,880,291	17,415,693	16,252,411
Sukuk financing		14,061,498	14,058,643	14,215,498
Other liabilities		3,472,118	5,119,702	4,314,631
Total liabilities		52,576,636	50,421,784	53,752,414
Equity of unrestricted investment account holders	8	107,524,911	100,728,288	90,356,324
Equity				
Share capital		2,362,932	2,362,932	2,362,932
Legal reserve	9	6,370,016	6,370,016	6,370,016
Risk reserve	10	2,436,510	2,436,510	2,380,093
General reserve	11	81,935	81,935	81,935
Fair value reserve		(40)	(109,786)	(215,013)
Foreign currency translation reserve	13	(467,252)	(336,313)	(368,282)
Other reserves		216,820	216,820	216,820
Retained earnings		7,999,790	7,281,413	5,977,448
Total equity attributable to equity holders of the bank		19,000,711	18,303,527	16,805,949
Non-controlling interests		721,684	902,576	887,801
Sukuk eligible as additional capital	14	4,000,000	4,000,000	4,000,000
Total equity		23,722,395	23,206,103	21,693,750
Total liabilities, equity of unrestricted investment account holders and equity		183,823,942	174,356,175	165,802,488

These interim condensed consolidated financial statements were approved by the Board of Directors on 14 July 2021 and were signed on its behalf by:



 Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
 Chairman



 Bassel Gama
 Group Chief Executive Officer

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

For the three and six months periods ended 30 June 2021

	For the three months period ended 30 June		For the six months period ended 30 June	
	2021 (Reviewed) QAR'000	2020 (Reviewed) QAR'000	2021 (Reviewed) QAR'000	2020 (Reviewed) QAR'000
Net income from financing activities	1,507,515	1,475,866	2,996,913	2,984,499
Net income from investing activities	277,528	354,571	546,485	573,403
Total income from financing and investing activities, net	1,785,043	1,830,437	3,543,398	3,557,902
Fee and commission income	219,535	206,511	484,460	417,450
Fee and commission expense	(50,769)	(30,396)	(100,487)	(78,318)
Net fee and commission income	168,766	176,115	383,973	339,132
Net foreign exchange gain	40,050	10,220	142,180	37,467
Net share of results of associates	15,979	4,328	17,491	6,090
Other income	2,308	6,728	24,947	31,427
Total income	2,012,146	2,027,828	4,111,989	3,972,018
Staff costs	(162,215)	(166,040)	(325,883)	(326,718)
Depreciation and amortisation	(22,720)	(22,143)	(45,149)	(44,157)
Sukuk holders' share of profit	(113,088)	(121,506)	(228,295)	(231,852)
Other expenses	(81,596)	(91,279)	(164,117)	(179,744)
Total expenses	(379,619)	(400,968)	(763,444)	(782,471)
Net impairment losses on investment securities	(6,328)	(8,961)	(5,845)	(29,098)
Net impairment losses on financing assets	(357,239)	(383,426)	(914,761)	(602,370)
Goodwill impairment	-	-	-	(22,100)
Other impairment reversals / (losses)	(846)	3,699	6,438	(11,470)
Net profit for the period before tax and return to unrestricted investment account holders	1,268,114	1,238,172	2,434,377	2,524,509
Less: return to unrestricted investment account holders	(419,612)	(492,601)	(824,380)	(1,133,637)
Net profit for the period before tax	848,502	745,571	1,609,997	1,390,872
Tax expense	(2,790)	1,631	(8,650)	(566)
Net profit for the period	845,712	747,202	1,601,347	1,390,306
Net profit / (loss) for the period attributable to:				
Equity holders of the Bank	845,290	739,018	1,595,320	1,426,523
Non-controlling interests	422	8,184	6,027	(36,217)
Net profit for the period	845,712	747,202	1,601,347	1,390,306
Earnings per share				
Basic / diluted earnings per share (QAR per share)	12 0.36	0.31	0.68	0.60

ERNST & YOUNG
 Doha - Qatar
 14 JUL 2021
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The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2021

Doha - Qatar

14 JUL 2021

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Balance at 1 January 2021

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Sukuk eligible as additional capital	Total equity
	QAR'000											
Balance at 1 January 2021	2,362,932	6,370,016	2,436,510	81,935	(109,786)	(336,313)	216,820	7,281,413	18,303,527	902,576	4,000,000	23,206,103
Foreign currency translation reserve movement	-	-	-	-	-	(130,939)	-	-	(130,939)	-	-	(130,939)
Fair value reserve movement	-	-	-	-	109,746	-	-	-	109,746	-	-	109,746
Net profit for the period	-	-	-	-	-	-	-	1,595,320	1,595,320	6,027	-	1,601,347
Total recognised income and expense for the period	-	-	-	-	109,746	(130,939)	-	1,595,320	1,574,127	6,027	-	1,580,154
Cash dividends paid to equity holders (Note 15)	-	-	-	-	-	-	-	(945,172)	(945,172)	-	-	(945,172)
Buyback of shares by subsidiary	-	-	-	-	-	-	-	60,362	60,362	33,219	-	93,581
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(220,138)	-	(220,138)
Gain on settlement of equity type investments	-	-	-	-	-	-	-	7,867	7,867	-	-	7,867
Balance at 30 June 2021 (Reviewed)	2,362,932	6,370,016	2,436,510	81,935	(40)	(467,252)	216,820	7,999,790	19,000,711	721,684	4,000,000	23,722,395
Balance at 1 January 2020	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	-	-	-	-	-	(52,078)	-	-	(52,078)	-	-	(52,078)
Fair value reserve movement	-	-	-	-	(457,390)	-	-	-	(457,390)	-	-	(457,390)
Net profit for the period	-	-	-	-	-	-	-	1,426,523	1,426,523	(36,217)	-	1,390,306
Total recognised income and expense for the period	-	-	-	-	(457,390)	(52,078)	-	1,426,523	917,055	(36,217)	-	880,838
Cash dividends paid to equity holders	-	-	-	-	-	-	-	(1,240,539)	(1,240,539)	-	-	(1,240,539)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(102,288)	-	(102,288)
Loss on settlement of equity type investments	-	-	-	-	-	-	-	(3,573)	(3,573)	-	-	(3,573)
Balance at 30 June 2020 (Reviewed)	2,362,932	6,370,016	2,380,093	81,935	(215,013)	(368,282)	216,820	5,977,448	16,805,949	887,801	4,000,000	21,693,750

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2021

	<i>For the six months period ended 30 June</i>	
	2021	2020
	<i>(Reviewed)</i> QAR'000	<i>(Reviewed)</i> QAR'000
Cash flows from operating activities		
Net profit for the period before tax	1,609,997	1,390,872
Net changes in operating assets and liabilities	<u>(5,899,887)</u>	<u>6,789,341</u>
Net cash flows (used in) / from operating activities	<u>(4,289,890)</u>	<u>8,180,213</u>
Cash flows from investing activities		
Net changes in investment securities	(216,905)	276,690
Net changes in fixed and intangible assets	(38,463)	(24,411)
Net changes in investment properties	(531)	(1,637)
Dividends received from associate companies	<u>12,757</u>	<u>7,000</u>
Net cash flows (used in) / from investing activities	<u>(243,142)</u>	<u>257,642</u>
Cash flows from financing activities		
Change in equity of unrestricted investment account holders	6,796,623	(6,285,151)
Profit paid on sukuk eligible as additional capital	(205,000)	(205,000)
Net proceeds from sukuk issue	-	3,276,000
Net movement in non-controlling interests	(186,919)	(102,288)
Cash dividends paid to equity holders of the Bank	<u>(945,172)</u>	<u>(1,240,539)</u>
Net cash flows from / (used in) financing activities	<u>5,459,532</u>	<u>(4,556,978)</u>
Net increase in cash and cash equivalents	926,500	3,880,877
Cash and cash equivalents - beginning of the period	<u>10,078,149</u>	<u>6,210,268</u>
Cash and cash equivalents - end of the period (Note 16)	<u>11,004,649</u>	<u>10,091,145</u>

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the six months period ended 30 June 2021

<i>Investment</i>	<i>Movements during the period</i>						<i>At 30 June 2021 (Reviewed)</i>
	<i>At 1 January 2021 (Audited)</i>	<i>Investments / (Disposals)</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Dividends paid</i>	<i>Bank's fee as an agent</i>	
	----- QAR'000 -----						
Real Estate Portfolio	24,570	(1,820)	-	-	-	-	22,750
Equity Securities Portfolio	1,585,224	60,722	(13,908)	28,505	(9,082)	(3,378)	1,648,083
	1,609,794	58,902	(13,908)	28,505	(9,082)	(3,378)	1,670,833

<i>Investment</i>	<i>Movements during the period</i>						<i>At 30 June 2020 (Reviewed)</i>
	<i>At 1 January 2020 (Audited)</i>	<i>Investments</i>	<i>Revaluation</i>	<i>Gross Income</i>	<i>Dividends paid</i>	<i>Bank's fee as an agent</i>	
	----- QAR'000 -----						
Real Estate Portfolio	66,430	(40,950)	-	-	-	-	25,480
Equity Securities Portfolio	703,637	557,342	(19,001)	19,569	(7,619)	(4,525)	1,249,403
	770,067	516,392	(19,001)	19,569	(7,619)	(4,525)	1,274,883

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The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the period ended 30 June 2021

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 interim condensed consolidated financial statements of the Bank 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 interim condensed consolidated 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 June 2021	31 December 2020
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.	Qatar	Investment in real estate	82.61%	82.61%
QIB Sukuk Ltd (ii)	Cayman Island	Sukuk issuance	100%	100%
QIB (UK)	United Kingdom	Investment banking	99.71%	99.71%
QInvest LLC (iii)	Qatar	Investment banking	64.68%	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) 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.
- iii) In January 2021, Qinvest LLC bought back 61,212,590 shares at a price of US\$0.58 per share based on the tender offers received from the shareholders. The Treasury Shares were cancelled and the Issued Share Capital of Qinvest LLC was reduced by US\$ 61,212,590 representing 61,212,590 shares of US\$1 per share. Consequently, the effective shareholding of the Bank in Qinvest LLC have increased to 64.68%. Related gain, net of transaction cost, was recognised in the interim consolidated statement of changes in equity.

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 Organisation for Islamic Financial Institutions (“AAOIFI”) as modified by the Qatar Central Bank (“QCB”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the period ended 30 June 2021

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

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 2020. In addition, results for the six months periods ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

(b) Estimates and judgements

The preparation of the interim condensed consolidated 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 interim condensed consolidated 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 2020.

(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 2020.

(d) Significant accounting policies

The significant 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 2020, except as noted below:

During the period, the Group applied the following standards and amendments to standards in preparation of these interim condensed consolidated 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 32 - Ijarah**

AAOIFI has issued FAS 32 in 2019. FAS 32 improves upon and supersedes FAS 8 - Ijarah and Ijarah Muntahia Bittamleek originally issued in 1997. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee.

This standard is effective beginning 1 January 2021. QCB had issued a circular dated 11 April 2021, requesting Islamic banks in Qatar to perform impact assessment for FAS 32 adoption on assets, liabilities, income account, interim profit, capital adequacy, liquidity, any relevant indicators and regulatory ratios. The Islamic banks in Qatar are in the process of complying with the requirements of QCB in this respect and implementation of the standard will be made in line with QCB instructions.

- **FAS 35 - Risk Reserves**

AAOIFI has issued FAS 35 in 2018. 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.

2 BASIS OF PREPARATION (CONTINUED)
(d) Significant accounting policies (continued)
• IBOR Reform – Phase 2

IBOR - Phase 2 amendments, effective from 1 January 2021, address issues that might affect financial reporting as a result of the reform of the rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and hedge accounting.

The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by rate benchmark reform by updating the effective profit rate of the financial asset or financial liability. In addition, it provides certain exceptions to hedge accounting requirements.

The Group is in the process of establishing policies for amending the interbank offered rates that will be replaced as part of IBOR reforms. The Bank has discussion with counterparties in relation to exposure to derivative and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021.

The Bank is in discussions with various stakeholders to amend the contractual terms in preparation for IBOR reform and assess preparedness for adopting alternate reference rates and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

(e) New standards, amendments and interpretations issued but not yet effective
FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

(f) 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.

(g) Adoption of QCB circular 13/2020

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 incorporated as follows:

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 interim 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 interim consolidated income statement, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in interim consolidated statement of changes in equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 30 June 2021**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:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the period ended 30 June 2021

3. OPERATING SEGMENTS (CONTINUED)
Information about operating segments

<i>30 June 2021 (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>
External revenue:					
Total income from financing and investing activities	2,080,452	901,736	440,671	120,539	3,543,398
Net fee and commission income	118,699	110,727	91,454	63,093	383,973
Net foreign exchange gain	-	-	50,809	91,371	142,180
Share of results of associates	-	-	12,359	5,132	17,491
Other income	-	-	20,000	4,947	24,947
Total income	2,199,151	1,012,463	615,293	285,082	4,111,989
Sukuk holders' share of profit	-	-	(228,295)	-	(228,295)
Return to unrestricted investment account holders	(370,898)	(233,309)	(199,614)	(20,559)	(824,380)
Inter segment (cost) / revenue	(716,913)	244,037	472,876	-	-
Reportable segment net profit after tax	296,621	538,985	624,417	141,324	1,601,347
<i>30 June 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>
External revenue:					
Total income from financing and investing activities	2,332,858	786,437	392,479	46,128	3,557,902
Net fee and commission income	163,880	97,215	52,948	25,089	339,132
Net foreign exchange gain	-	-	18,399	19,068	37,467
Share of results of associates	-	-	5,092	998	6,090
Other income	-	-	18,679	12,748	31,427
Total income	2,496,738	883,652	487,597	104,031	3,972,018
Sukuk holders' share of profit	-	-	(231,852)	-	(231,852)
Return to unrestricted investment account holders	(577,515)	(276,498)	(252,650)	(26,974)	(1,133,637)
Inter segment (cost) / revenue	(851,508)	290,259	561,249	-	-
Reportable segment net profit / (loss) after tax	434,774	554,333	442,673	(41,474)	1,390,306

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the period ended 30 June 2021

3. OPERATING SEGMENTS (CONTINUED)

<i>30 June 2021 (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	113,610,087	22,323,994	42,084,550	5,805,311	183,823,942
Reportable segment liabilities and equity of unrestricted investments account holders	60,323,801	44,856,492	49,543,289	5,377,965	160,101,547
<i>31 December 2020 (Audited)</i>					
Reportable segment assets	105,439,086	21,320,480	42,450,007	5,146,602	174,356,175
Reportable segment liabilities and equity of unrestricted investments account holders	54,114,669	43,673,591	48,490,839	4,870,973	151,150,072

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 30 June 2021

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 QAR'000</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	-----	-----	-----	-----	-----
30 June 2021 (Reviewed)					
Cash and balances with central banks	-	-	8,848,818	8,848,818	8,848,818
Due from banks	-	-	8,145,260	8,145,260	8,145,260
Financing assets	-	490,813	126,553,692	127,044,505	127,044,505
Investment securities					
- Equity type instruments	2,180,265	1,227,666	-	3,407,931	3,407,932
- Debt type instruments	-	333,382	29,744,765	30,078,147	29,746,862
Other assets	-	-	85,005	85,005	85,005
	2,180,265	2,051,861	173,377,540	177,609,666	177,278,382
Due to banks	-	-	17,162,729	17,162,729	17,162,729
Customers' current accounts	-	-	17,880,291	17,880,291	17,880,291
Sukuk financing	-	-	14,061,498	14,061,498	14,061,498
Other liabilities	-	-	3,472,118	3,472,118	3,472,118
Equity of unrestricted investment account holders	-	-	107,524,911	107,524,911	107,524,911
	-	-	160,101,547	160,101,547	160,101,547
	-----	-----	-----	-----	-----
	<i>Fair value through equity</i>	<i>Fair value through income statement</i>	<i>Amortised cost QAR'000</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	-----	-----	-----	-----	-----
31 December 2020 (Audited)					
Cash and balances with central banks	-	-	8,357,282	8,357,282	8,357,282
Due from banks	-	-	6,913,258	6,913,258	6,913,258
Financing assets	-	512,275	118,560,157	119,072,432	119,072,432
Investment securities:					
- Equity type instruments	1,902,829	1,070,119	-	2,972,948	2,972,948
- Debt type instruments	-	221,784	30,053,377	30,275,161	30,095,137
Other assets	-	-	431,448	431,448	431,448
	1,902,829	1,804,178	164,315,522	168,022,529	167,842,505
Due to banks	-	-	13,827,746	13,827,746	13,827,746
Customers' current accounts	-	-	17,415,693	17,415,693	17,415,693
Sukuk financing	-	-	14,058,643	14,058,643	14,058,643
Other liabilities	-	-	5,119,702	5,119,702	5,119,702
Equity of unrestricted investment account holders	-	-	100,728,288	100,728,288	100,728,288
	-	-	151,150,072	151,150,072	151,150,072

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 30 June 2021**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 2,873 million (31 December 2020: QAR 3,004 million) for which the fair value amounts to QAR 2,984 million (31 December 2020: QAR 3,117 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 30 June 2021

4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)
Fair value hierarchy (continued)
Transfers within the 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</i> <i>1 January</i> <i>2021</i> <i>(Audited)</i>	<i>Total (loss) / gain</i> <i>recorded</i> <i>in consolidated</i> <i>income statement /</i> <i>equity</i>	<i>Purchases</i>	<i>Sales /</i> <i>transfers</i>	<i>At 30 June</i> <i>2021</i> <i>(Reviewed)</i>
	----- QAR'000 -----				
Equity investments:					
At fair value through equity	297,747	14	41,132	(4,490)	334,403
At fair value through income statement	744,187	6,330	46,994	(50,601)	746,910
Financing assets classified as FVTIS	512,275	(22,271)	810	-	490,814
	1,554,209	(15,927)	88,936	(55,091)	1,572,127

	<i>At</i> <i>1 January</i> <i>2020</i> <i>(Audited)</i>	<i>Total (loss) / gain</i> <i>recorded</i> <i>in consolidated</i> <i>income statement /</i> <i>equity</i>	<i>Purchases</i>	<i>Sales/</i> <i>transfers</i>	<i>At 31</i> <i>December</i> <i>2020</i> <i>(Audited)</i>
	----- QAR'000 -----				
Equity investments:					
At fair value through equity	394,277	(21,673)	22,404	(97,261)	297,747
At fair value through income statement	883,689	(9,818)	183,037	(312,721)	744,187
Financing assets classified as FVTIS	513,444	(1,169)	-	-	512,275
	1,791,410	(32,660)	205,441	(409,982)	1,554,209

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 interim consolidated statement of changes in equity is removed from equity and recognised in the interim consolidated income statement. Impairment losses recognised in the interim consolidated income statement on equity-type investments are subsequently reversed through equity. Until the date of the circular the Group has provided QAR Nil million (30 June 2020: QAR 21.4 million) as impairment on equity-type investment securities which were recognised under "Net impairment losses on investment securities" in the interim consolidated income statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 30 June 2021

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 interim 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 interim consolidated income statement. In case there are unrealized losses that have been recognized in the interim 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 interim 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 at amortised cost)

For financial assets carried at amortised cost, impairment is recognised based on FAS 30. Losses are recognised in interim consolidated income statement and reflected in an allowance account. The Group has provided QAR 914.8 million (30 June 2020: QAR 602.4 million) as impairment on financing assets which was recognised under “Net impairment loss on financing assets” in the interim consolidated income statement. Further, the Group has recognised impairment losses of QAR 5.8 million (30 June 2020: QAR 7.5 million) on investment securities which was recognised under “Net impairment losses on investment securities” in the interim consolidated income statement as disclosed in note 20 to these interim condensed consolidated financial statements.

6. FINANCING ASSETS

	30 June 2021 (Reviewed) QAR'000	31 December 2020 (Audited) QAR'000	30 June 2020 (Reviewed) QAR'000
Total financing assets	139,772,690	130,819,269	123,019,429
Less: Deferred profit	(8,278,872)	(7,773,643)	(7,415,210)
Expected credit losses on financing assets - performing (Stage 1 and 2) *	(2,654,113)	(2,355,383)	(1,729,849)
Allowance for impairment on financing assets – credit impaired (Stage 3) *	(1,733,554)	(1,545,715)	(1,546,804)
Suspended profit	(61,646)	(72,096)	(71,514)
Net financing assets	<u>127,044,505</u>	<u>119,072,432</u>	<u>112,256,052</u>

Note:

Net financing assets includes hybrid instruments amounting to QAR 491 million designated as fair value through income statement ('FVTIS') (31 December 2020: QAR 512 million) which are not subject to impairment assessment.

The impaired financing assets net of deferred profit amounted to QAR 1,885 million as at 30 June 2021 represent 1.4% of the total financing assets net of deferred profit (31 December 2020: QAR 1,752 million, representing 1.4% of the total financing assets net of deferred profit).

*For stage wise exposure and allowance for impairment refer note 20.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the period ended 30 June 2021

7. INVESTMENT SECURITIES

	30 June 2021 (Reviewed)			31 December 2020 (Audited)			30 June 2020 (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
<i>Investments classified as fair value through income statement</i>									
• equity-type investments	263,902	963,764	1,227,666	96,779	973,340	1,070,119	18,780	1,035,452	1,054,232
• debt-type investments									
- Fixed rate	11,733	321,649	333,382	17,770	204,014	221,784	14,888	1,673	16,561
	275,635	1,285,413	1,561,048	114,549	1,177,354	1,291,903	33,668	1,037,125	1,070,793
<i>Debt-type investments classified at amortised cost</i>									
- State of Qatar Sukuk and QCB Murabaha	2,072,406	26,836,493	28,908,899	2,074,208	27,122,734	29,196,942	2,065,028	27,725,608	29,790,636
- Fixed rate	834,123	107,633	941,756	742,797	141,138	883,935	720,657	328,451	1,049,108
- Floating rate	-	-	-	-	72,545	72,545	-	71,138	71,138
Less: allowance for impairment*	(2,631)	(103,259)	(105,890)	(1,919)	(98,126)	(100,045)	(3,529)	(104,208)	(107,737)
	2,903,898	26,840,867	29,744,765	2,815,086	27,238,291	30,053,377	2,782,156	28,020,989	30,803,145
<i>Equity-type investments classified as fair value through equity</i>									
	1,162,460	1,017,805	2,180,265	761,835	1,140,994	1,902,829	390,414	777,614	1,168,028
	4,341,993	29,144,085	33,486,078	3,691,470	29,556,639	33,248,109	3,206,238	29,835,728	33,041,966

*For stage wise exposure and allowance for impairment refer note 20.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 30 June 2021

8. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	<i>30 June 2021 (Reviewed) QAR'000</i>	<i>31 December 2020 (Audited) QAR'000</i>	<i>30 June 2020 (Reviewed) QAR'000</i>
Term accounts	84,562,548	78,813,358	68,862,300
Saving accounts	19,581,036	18,392,513	17,757,973
Call accounts	3,286,369	3,440,044	3,679,751
	107,429,953	100,645,915	90,300,024
Share in fair value reserve	94,958	82,373	56,300
Total	107,524,911	100,728,288	90,356,324

9. 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.

10. 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 2020: QAR 56.4 million was transferred to risk reserve).

11. 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.

12. 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 outstanding during the period.

	<i>For the three months period ended 30 June</i>		<i>For the six months period ended 30 June</i>	
	<i>2021 (Reviewed)</i>	<i>2020 (Reviewed)</i>	<i>2021 (Reviewed)</i>	<i>2020 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank (QAR'000)	845,290	739,018	1,595,320	1,426,523
Weighted average number of shares outstanding during the period (QAR'000)	2,362,932	2,362,932	2,362,932	2,362,932
Basic and diluted earnings per share (QAR)	0.36	0.31	0.68	0.60

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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13. 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.

14. 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.

15. DIVIDENDS

The equity holders of the Bank approved 40% cash dividends of (QAR 0.4 per share) amounting to QAR 945 million for the year ended 31 December 2020 in the general assembly meeting held on 22 February 2021.

16. 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 June 2021 (Reviewed) QAR'000	31 December 2020 (Audited) QAR'000	30 June 2020 (Reviewed) QAR'000
Cash and balances with central banks (<i>excluding restricted QCB and other central banks reserve account</i>)	3,275,586	3,164,891	5,921,373
Due from banks	7,729,063	6,913,258	4,169,772
Total	11,004,649	10,078,149	10,091,145

17. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2021 (Reviewed) QAR'000	31 December 2020 (Audited) QAR'000	30 June 2020 (Reviewed) QAR'000
a) Contingent liabilities			
Unused financing facilities	6,720,117	7,027,307	4,817,309
Guarantees	9,758,757	10,744,022	10,737,845
Letters of credit	5,413,873	5,901,094	4,446,649
	21,892,747	23,672,423	20,001,803
b) Commitments			
Investment commitment	187,662	80,380	24,292
Total	22,080,409	23,752,803	20,026,095

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 30 June 2021

17. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)
Lease commitments

Operating lease rentals are payable as follows:

	<i>30 June 2021 (Reviewed) QAR'000</i>	<i>31 December 2020 (Audited) QAR'000</i>	<i>30 June 2020 (Reviewed) QAR'000</i>
Less than one year	13,185	8,379	15,571
After one year but not more than five years	34,607	38,374	39,525
More than five years	786	815	-
	<u>48,578</u>	<u>47,568</u>	<u>55,096</u>

18. 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 interim condensed consolidated financial statements are as follows:

	<i>30 June 2021 (Reviewed)</i>		<i>31 December 2020 (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	3,374,014	4,267,150	3,427,027	5,001,546
Equity of unrestricted investment account holders	414,380	1,515,731	376,860	2,074,315
Off balance sheet items:				
Contingent liabilities, guarantees and other commitments	134,618	440,371	125,463	493,470
	<i>30 June 2021 (Reviewed)</i>		<i>30 June 2020 (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>
Interim consolidated statement of income items:				
Income from financing activities	81,367	108,678	94,473	110,583
Profit paid on deposits	1,344	17,016	692	11,505
Fee and commission	568	4,549	490	8,214

Key management personnel compensation for the period comprised:

	<i>30 June 2021 (Reviewed) QAR'000</i>	<i>30 June 2020 (Reviewed) QAR'000</i>
Key management remuneration	<u>39,481</u>	<u>40,194</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 30 June 2021

19. 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 2021.

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 June 2020 QAR'000 (Reviewed)</i>	<i>31 December 2020 QAR'000 (Audited)</i>	<i>30 June 2020 QAR'000 (Reviewed)</i>
Common Equity Tier 1 (CET 1) Capital	17,829,899	18,090,588	15,993,257
Additional Tier 1 Capital	4,000,000	4,000,000	4,000,000
Other Tier 1 capital	52,552	49,929	38,604
Tier 2 capital	1,506,298	1,442,060	1,361,517
Total eligible capital	23,388,749	23,582,577	21,393,378
Risk weighted assets	126,920,371	121,581,711	115,162,759
Common equity tier 1 (CET 1) capital adequacy ratio	14.0%	14.9%	13.9%
QCB minimum	9.5%	9.5%	8.5%
Total capital adequacy ratio	18.4%	19.5%	18.6%
QCB minimum including ICAAP pillar II capital charge	14.5%	14.5%	14.5%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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20. FINANCIAL RISK MANAGEMENT
Exposure and movement of expected credit loss / impairment allowances

	30 June 2021				31
	Stage 1	Stage 2	Stage 3	Total	December 2020
	----- QAR'000 -----				
Exposures subject to expected credit losses					
Due from central banks	7,535,783	-	392,230	7,928,013	6,589,395
Due from banks	8,142,199	2,175	20,251	8,164,625	6,934,466
Debt type investments carried at amortised cost	29,641,369	99,949	109,337	29,850,655	30,153,422
Financing assets*	111,482,130	18,034,145	1,823,427	131,339,702	122,973,530
Off balance sheet exposures subject to credit risk	15,369,845	483,562	142,651	15,996,058	23,672,423
	<u>172,171,326</u>	<u>18,619,831</u>	<u>2,487,896</u>	<u>193,279,053</u>	<u>190,323,236</u>
	Stage 1	Stage 2	Stage 3	Total	30 June 2020
	----- QAR'000 -----				
Opening balance of expected credit losses / impairment losses as at 1 January					
Due from central banks	-	-	218,000	218,000	-
Due from banks	561	-	20,647	21,208	20,692
Debt type investments carried at amortised cost	253	1,666	98,126	100,045	100,226
Financing assets	1,666,290	689,093	1,545,715	3,901,098	2,698,687
Off balance sheet exposures subject to credit risk	14,346	2,829	33,349	50,524	85,891
	<u>1,681,450</u>	<u>693,588</u>	<u>1,915,837</u>	<u>4,290,875</u>	<u>2,905,496</u>
Net transfer between stages					
Due from central banks	-	-	-	-	-
Due from banks	-	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-	-
Financing assets	(2,308)	(82,374)	84,682	-	-
Off balance sheet exposures subject to credit risk	-	-	-	-	-
	<u>(2,308)</u>	<u>(82,374)</u>	<u>84,682</u>	<u>-</u>	<u>-</u>
Write off / transfers for the period					
Due from central banks	-	-	-	-	-
Due from banks	-	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-	-
Financing assets	(1,959)	(1,626)	(424,607)	(428,192)	(24,404)
Off balance sheet exposures subject to credit risk	-	-	-	-	-
	<u>(1,959)</u>	<u>(1,626)</u>	<u>(424,607)</u>	<u>(428,192)</u>	<u>(24,404)</u>
Charge / (reversal) for the period (net) including foreign currency translation					
Due from central banks	-	-	-	-	-
Due from banks	(239)	-	(396)	(635)	53,393
Debt type investments carried at amortised cost	440	309	5,096	5,845	7,511
Financing assets	399,344	(12,347)	527,764	914,761	602,370
Off balance sheet exposures subject to credit risk	(1,805)	(1,620)	(2,378)	(5,803)	(41,923)
	<u>397,740</u>	<u>(13,658)</u>	<u>530,086</u>	<u>914,168</u>	<u>621,351</u>
Closing balance of expected credit losses / impairment losses – as at 30 June (Reviewed)					
Due from central banks	-	-	218,000	218,000	-
Due from banks	322	-	20,251	20,573	74,085
Debt type investments carried at amortised cost	693	1,975	103,222	105,890	107,737
Financing assets	2,061,367	592,746	1,733,554	4,387,667	3,276,653
Off balance sheet exposures subject to credit risk	12,541	1,209	30,971	44,721	43,968
	<u>2,074,923</u>	<u>595,930</u>	<u>2,105,998</u>	<u>4,776,851</u>	<u>3,502,443</u>

*net of suspended profit

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 30 June 2021

20. 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 June 2021.

Rating grade	Due from central banks	Due from banks	Debt type investments carried at amortised cost	Financing assets	Off balance sheet exposures subject to credit risk	Total
----- QAR'000 -----						
AAA to AA-	7,481,646	1,859,530	29,166,010	29,807,572	3,040,635	71,355,393
A+ to A-	-	5,918,685	235,621	3,355,400	259,039	9,768,745
BBB to BBB-	-	3,353	51,382	76,343,617	10,242,167	86,640,519
BB+ to B-	-	303,462	162,568	14,659,075	2,237,040	17,362,145
Unrated	446,367	79,595	235,074	7,174,038	217,177	8,152,251
Total	7,928,013	8,164,625	29,850,655	131,339,702	15,996,058	193,279,053

21. 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 June 2021:

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 June 2021. 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 2021 and 2022 respectively (31 December 2020: Oil price 2020: \$ 62.0/barrel, 2021: \$ 63.75/ barrel and GDP 2020: -1.58%, 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 2020: 65% to the Baseline, 35% to Downside and 0% Improved Case). The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 30 June 2021**21. 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 20 to the interim condensed consolidated 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.