

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 June 2021

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT INFORMATION

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


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 (Unaudited) QR'000	31 December 2020 (Audited) QR'000	30 June 2020 (Unaudited) QR'000
	Notes			
ASSETS				
Cash and balances with Qatar Central Bank		3,119,138	2,776,420	3,426,810
Due from banks	5	11,590,774	10,508,081	12,699,179
Financing assets	6	40,636,622	40,513,906	35,039,229
Investment securities	7	5,603,569	5,852,163	6,365,580
Investment in associates		282,959	344,990	359,140
Investment properties		710,263	724,267	839,814
Fixed assets		234,977	242,419	251,367
Intangible assets		33,057	35,931	38,310
Other assets		264,832	315,491	287,223
TOTAL ASSETS		62,476,191	61,313,668	59,306,652
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	8	11,648,809	13,128,492	12,999,101
Customer current accounts		7,785,692	7,985,205	7,473,117
Sukuk financing	9	2,561,048	2,565,602	2,564,511
Other liabilities		1,156,968	943,609	996,549
TOTAL LIABILITIES		23,152,517	24,622,908	24,033,278
EQUITY OF INVESTMENT ACCOUNT HOLDERS				
	10	31,056,216	28,367,124	27,325,798
EQUITY				
Share capital	11	1,513,687	1,513,687	1,513,687
Legal reserve	12	2,452,360	2,452,360	2,452,360
Risk reserve	13	750,831	750,831	669,983
Fair value reserve		1,775	1,651	599
Other reserves	14	78,574	79,554	78,777
Retained earnings		1,377,781	1,433,103	1,139,720
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		6,175,008	6,231,186	5,855,126
Sukuk eligible as additional capital	16	2,092,450	2,092,450	2,092,450
TOTAL EQUITY		8,267,458	8,323,636	7,947,576
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		62,476,191	61,313,668	59,306,652

The interim condensed consolidated financial information were approved by the Board of Directors on 26 July 2021 and were signed on its behalf by:


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

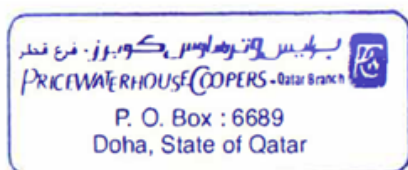

Dr. Abdulbasit Ahmad Abdulrahman Al Shaibei
Chief Executive Officer

Independent auditors' review report is set out on page 1
The attached notes 1 to 23 form part of these interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three and Six-Month Period Ended 30 June 2021

Notes	For the Three-Month Period Ended 30 June		For the Six-Month Period Ended 30 June	
	2021	2020	2021	2020
	(Unaudited) QR'000	(Unaudited) QR'000	(Unaudited) QR'000	(Unaudited) QR'000
Income from financing activities	478,779	415,937	949,873	902,216
Net income from investing activities	104,207	96,985	188,500	227,190
Total income from financing and investing activities	582,986	512,922	1,138,373	1,129,406
Fee and commission income	76,150	59,768	140,626	123,814
Fee and commission expense	(14,371)	(18,192)	(26,871)	(41,429)
Net fee and commission income	61,779	41,576	113,755	82,385
Foreign exchange gain	11,325	7,945	18,452	20,603
Share of results of associates	(2,631)	(7,058)	(6,592)	(20,802)
TOTAL INCOME	653,459	555,385	1,263,988	1,211,592
Staff costs	(41,367)	(42,757)	(81,734)	(85,379)
Depreciation and amortisation	(7,616)	(8,913)	(17,477)	(17,908)
Other expenses	(33,985)	(30,880)	(66,198)	(66,764)
Finance expense	(42,767)	(46,944)	(86,123)	(128,535)
TOTAL EXPENSES	(125,735)	(129,494)	(251,532)	(298,586)
Net impairment (losses)/ reversals on due from banks	5 (115)	2,228	(204)	4,958
Net impairment losses on investment securities	7 (1,228)	(3,094)	(193)	(10,741)
Net impairment losses on financing assets	6 (122,302)	(36,274)	(140,404)	(94,546)
Net impairment loss on investment in associates	(794)	-	(54,344)	-
Net impairment reversals/ (losses) on off balance sheet exposures subject to credit risk	19 3,101	(4,555)	477	(12,837)
NET PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	406,386	384,196	817,788	799,840
Investment account holders' share of profit	(143,200)	(138,629)	(273,884)	(287,210)
NET PROFIT FOR THE PERIOD	263,186	245,567	543,904	512,630
BASIC AND DILUTED EARNINGS PER SHARE (QR PER SHARE)	0.17	0.16	0.36	0.34



Independent auditors' review report is set out on page 1

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

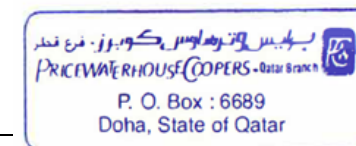
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six-Month Period Ended 30 June 2021

							<i>Total equity attributable to shareholders of the Bank</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
	<i>Note</i>	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Fair value reserves QR'000</i>	<i>Other reserves QR'000</i>	<i>Retained earnings QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Balance at 1 January 2021									
<i>(Audited)</i>		1,513,687	2,452,360	750,831	1,651	79,554	1,433,103	6,231,186	8,323,636
Fair value reserve movement		-	-	-	124	-	-	124	124
Net profit for the period		-	-	-	-	-	543,904	543,904	543,904
Total recognized income and expenses for the period		-	-	-	124	-	543,904	544,028	544,028
Cash dividends paid to the shareholders	15	-	-	-	-	-	(491,950)	(491,950)	(491,950)
Dividend appropriated to Sukuk eligible as additional capital	17	-	-	-	-	-	(108,256)	(108,256)	(108,256)
Net movement in other reserves	14	-	-	-	-	(980)	980	-	-
Balance at 30 June 2021		<u>1,513,687</u>	<u>2,452,360</u>	<u>750,831</u>	<u>1,775</u>	<u>78,574</u>	<u>1,377,781</u>	<u>6,175,008</u>	<u>8,267,458</u>
<i>(Unaudited)</i>									
Balance at 1 January 2020									
<i>(Audited)</i>		1,513,687	2,452,360	669,983	866	79,553	1,351,260	6,067,709	8,160,159
Fair value reserve movement		-	-	-	(267)	-	-	(267)	(267)
Net profit for the period		-	-	-	-	-	512,630	512,630	512,630
Total recognized income and expenses for the period		-	-	-	(267)	-	512,630	512,363	512,363
Cash dividends paid to the shareholders	15	-	-	-	-	-	(643,317)	(643,317)	(643,317)
Dividend appropriated to Sukuk eligible as additional	17	-	-	-	-	-	(81,629)	(81,629)	(81,629)
Net movement in other reserves	14	-	-	-	-	(776)	776	-	-
Balance at 30 June 2020		<u>1,513,687</u>	<u>2,452,360</u>	<u>669,983</u>	<u>599</u>	<u>78,777</u>	<u>1,139,720</u>	<u>5,855,126</u>	<u>7,947,576</u>
<i>(Unaudited)</i>									

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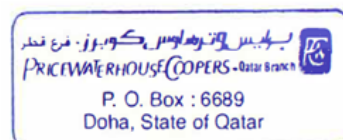
Qatar International Islamic Bank (Q.P.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six-Month Period Ended 30 June 2021

	<i>For the Six-Month Period Ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>(Unaudited) QR'000</i>	<i>(Unaudited) QR'000</i>
<i>Notes</i>		
Cash flows from operating activities		
Profit for the period	543,904	512,630
<i>Adjustments for:</i>		
Net impairment losses on financing assets	140,404	94,546
Net impairment losses on investment securities	193	10,741
Net impairment loss on investment in associate	54,344	-
Net impairment (reversal)/ losses on off balance sheet exposures subject to credit risk	(477)	12,837
Net impairment losses/ (reversal) on due from banks	204	(4,958)
Net foreign exchange loss on translation of investment in associate	102	1,199
Depreciation and amortisation	31,882	31,961
Net gain on sale of investments securities	(28,080)	(28,872)
Dividends income	(939)	(694)
Share of results of associates	2,643	20,802
Sukuk amortisation	(1,549)	(2,200)
Employees' end of service benefits	1,401	1,622
Profit before changes in operating assets and liabilities	744,032	649,614
Working capital changes:		
Cash reserve with Qatar Central Bank	(57,605)	(89,110)
Due from banks	1,485,435	1,261,973
Financing assets	(263,124)	1,876,754
Other assets	50,659	(27,278)
Due to banks and financial institutions	(1,479,683)	(1,010,716)
Customers' current accounts	(199,513)	1,049,120
Other liabilities	98,321	(2,590)
	378,522	3,707,767
Employees' end of service benefits paid	9,426	(1,889)
Net cash flows generated from operating activities	387,948	3,705,878
Cash flows from investing activities		
Acquisition of investment securities	(194,366)	(676,432)
Proceeds from Sale/Redemption of investment securities	468,720	515,158
Additions of investment in associates	-	(45,684)
Acquisition of fixed assets	(3,513)	(1,994)
Acquisition of intangible assets	(3,653)	(11,279)
Dividends received from associate company	980	980
Acquisition of investment in properties	(396)	-
Dividends income	939	694
Net cash flows generated from/ (used in) investing activities	268,711	(218,557)
Cash flows from financing activities		
Change in equity of investment account holders	2,688,776	2,521,628
Cash dividends paid to shareholders	(491,990)	(601,880)
Net cash flows generated from financing activities	2,196,786	1,919,748
Net increase in cash and cash equivalents	2,853,445	5,407,069
Cash and cash equivalents at 1 January	5,414,972	4,653,605
Cash and cash equivalents at 30 June	8,268,417	10,060,674

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Independent auditors' review report is set out on page 1

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar International Islamic Bank (Q.P.S.C) (“QIIB” or “the Bank”) was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located on Grand Hamad Street in Doha and 15 local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

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

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

	<i>Country of incorporation</i>	<i>Capital</i>	<i>Principal business activity</i>	<i>Effective percentage of ownership</i>	
				<i>30 June 2021</i>	<i>31 December 2020</i>
<i>QIIB Senior Sukuk Ltd</i>	<i>Cayman Islands</i>	-	<i>Sukuk issuance</i>	-	-
<i>QIIB tier 1 Sukuk Ltd</i>	<i>Cayman Islands</i>	-	<i>Sukuk issuance</i>	-	-

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

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

The unaudited interim condensed consolidated financial information of the Group for the period ended 30 June 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 26 July 2021.

2 BASIS OF PREPARATION**(a) Statement of compliance**

The interim condensed consolidated financial information has been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) as modified by Qatar Central Bank (“QCB”). The Group has adopted QCB circular no. 13/2020 dated 29 April 2020 (execution date) which modifies the requirements of FAS 33 “Investment in Sukuk, shares and similar instruments” and FAS 30 “Impairment, Credit Losses and Onerous Commitments”, and requires banks to follow International Financial Reporting Standards (IFRS) for repurchase agreements and impairment of equity instruments for impairment of equity investments measured at fair value through equity. Accordingly, the Group has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Group. For matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, the interim condensed consolidated financial information has been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The interim condensed consolidated financial information does 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. The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of new and amended standards as set out in note (2.d). In addition, results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty and Group's financial risk management objectives and policies were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) New standards, amendments and interpretations effective from 1 January 2021

FAS 32 Ijara

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. Qatar Central Bank ("QCB") had issued a circular No. 0001291/2021 dated 11 April 2021, requesting Islamic banks in Qatar to perform an impact assessment for FAS 32 adoption on the Bank's financial statements for the year ending 31 December 2021 and any relevant indicators and regulatory ratios. The Islamic banks in Qatar are in the process of complying with the requirements of QCB. The Implementation of the standard will be made in line with the instructions of QCB.

The Bank has performed an impact assessment during the period and submitted to QCB. According to the impact assessment made the Bank would have recognised Right of Use of Assets and Ijarah liabilities amounting to QR 61.8 million and QR 61.8 million respectively. The impact on income statement for the period is immaterial to the operations of the Bank.

FAS 35 Risk Reserves

AAOIFI has issued FAS 35 "Risk Reserves" in 2018. This standard along with FAS 30 'Impairment, Credit losses and onerous commitments' supersede the earlier FAS 11 "Provisions and reserves". The Standard has not had any material impact on its adoption.

The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). The standard defines the accounting principles for risk reserves in line with the best practices of financial reporting and risk management. The standard encourages maintaining adequate risk reserves to safeguard the interest of profit and loss stakeholders particularly against various risks including credit, market, equity investment risks, as well as, the rate of return risk including displaces commercial risk.

2 BASIS OF PREPARATION (CONTINUED)

(e) New standards, amendments and interpretations issued but not effective from 1 January 2021 (continued)

FAS 38 “Wa’ad, Khiyar and Tahawwut”

AAOIFI has issued FAS 38 “Wa’ad, Khiyar and Tahawwut” 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. In addition, this standard intends to provide accounting principles for the Tahawwut transactions which are normally based on Wa’ad or Khiyar, or a series or combination thereof.

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 this standard. The Group will adopt this new standard on the effective date.

Certain new accounting interpretations have been published that are not mandatory for the reporting period and have not been early adopted by the Bank. These interpretations are currently in process of being assessed by the management of the Bank to consider any implication in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

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

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

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

<i>Six-month ended 30 June 2021 (Unaudited)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	555,474	394,400	188,499	1,138,373
Net fee and commission income	68,197	45,558	-	113,755
Net foreign exchange gains	-	-	18,452	18,452
Share of results of investments in associates	-	-	(6,592)	(6,592)
Total segment income	623,671	439,958	200,359	1,263,988
Net impairment losses on due from banks	-	-	(204)	(204)
Net impairment reversal on investments securities	-	-	(193)	(193)
Net impairment losses on financing assets	(86,218)	(54,186)	-	(140,404)
Net impairment losses on investment in Associates	-	-	(54,344)	(54,344)
Net impairment losses on off balance sheet exposures subject to credit risk	477	-	-	477
Finance expense / Investment account holders' share of profit	(106,025)	(166,735)	(87,247)	(360,007)
Reportable segment net profit before non-segmented expenses	431,905	219,037	58,371	709,313

3 SEGMENT INFORMATION (CONTINUED)

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

	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
<i>30 June 2021 (Unaudited)</i>				
Reportable segment assets	27,393,896	13,242,726	18,933,355	59,569,977
Reportable segment liabilities and equity of investment account holders	15,772,498	23,069,410	14,209,857	53,051,765
<i>31 December 2020 (Audited)</i>				
Reportable segment assets	27,978,845	12,535,061	17,595,166	58,109,072
Reportable segment liabilities and equity of investment account holders	13,928,641	22,423,688	15,694,094	52,046,423

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

	<i>For the Six-Months Period Ended 30 June</i>	
	<i>2021 (Unaudited) QR'000</i>	<i>2020 (Unaudited) QR'000</i>
Reportable segment net profit before non-segmented expenses	709,313	682,681
Unallocated expenses	(165,409)	(170,051)
Consolidated net profit for the period	543,904	512,630

3 SEGMENT INFORMATION (CONTINUED)

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>
Assets		
Total assets for reportable segments	59,569,977	58,109,072
Other unallocated amounts	2,906,214	3,204,596
Consolidated total assets	<u>62,476,191</u>	<u>61,313,668</u>
Liabilities and equity of investment account holders		
Total liabilities and equity of investment account holders for reportable segments	53,051,765	52,046,423
Other unallocated amounts	1,156,968	943,609
Consolidated total liabilities and equity of investment account holders	<u>54,208,733</u>	<u>52,990,032</u>

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
30 June 2021 (Unaudited)					
Cash and balances with Qatar					
Central Bank	-	-	3,119,138	3,119,138	3,119,138
Due from banks	-	-	11,590,774	11,590,774	11,590,774
Financing assets	-	-	40,636,622	40,636,622	40,636,622
Investment securities:					
- Measured at fair value	1,037	57,467	-	58,504	58,504
- Measured at amortised cost	-	-	5,545,065	5,545,065	5,570,530
Other assets (excluding non-financial assets)	-	-	235,174	235,174	235,174
	<u>1,037</u>	<u>57,467</u>	<u>61,126,773</u>	<u>61,185,277</u>	<u>61,210,742</u>
Due to banks and financial institutions	-	-	11,648,809	11,648,809	11,648,809
Customers' current accounts	-	-	7,785,692	7,785,692	7,785,692
Sukuk financing	-	-	2,561,048	2,561,048	2,561,048
Other liabilities	-	-	1,156,968	1,156,968	1,156,968
	<u>-</u>	<u>-</u>	<u>23,152,517</u>	<u>23,152,517</u>	<u>23,152,517</u>

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
<i>31 December 2020 (Audited)</i>					
Cash and balances with Qatar					
Central Bank	-	-	2,776,420	2,776,420	2,776,420
Due from banks	-	-	10,508,081	10,508,081	10,508,081
Financing assets	-	-	40,513,906	40,513,906	40,513,906
Investment securities:					
- Measured at fair value	1,023	59,945	-	60,968	60,968
- Measured at amortised cost	-	-	5,791,195	5,791,195	5,836,443
Other assets (excluding non-financial assets)	-	-	290,916	290,916	290,916
	<u>1,023</u>	<u>59,945</u>	<u>59,880,518</u>	<u>59,941,486</u>	<u>59,986,734</u>
Due to banks and financial institutions	-	-	13,128,492	13,128,492	13,128,492
Customers' current accounts	-	-	7,985,205	7,985,205	7,985,205
Sukuk financing	-	-	2,565,602	2,565,602	2,565,602
Other liabilities	-	-	943,609	943,609	943,609
	<u>-</u>	<u>-</u>	<u>24,622,908</u>	<u>24,622,908</u>	<u>24,622,908</u>
	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
<i>30 June 2020 (unaudited)</i>					
Cash and balances with Qatar					
Central Bank	-	-	3,426,810	3,426,810	3,426,810
Due from banks	-	-	12,699,179	12,699,179	12,699,179
Financing assets	-	-	35,039,229	35,039,229	35,039,229
Investment securities:					
- Measured at fair value	700	60,996	-	61,696	61,696
- Measured at amortised cost	-	-	6,303,884	6,303,884	6,310,143
Other assets (excluding non-financial assets)	-	-	235,369	235,369	235,369
	<u>700</u>	<u>60,996</u>	<u>57,704,471</u>	<u>57,766,167</u>	<u>57,772,426</u>
Due to banks and financial institutions	-	-	12,999,101	12,999,101	12,999,101
Customers' current accounts	-	-	7,473,117	7,473,117	7,473,117
Sukuk financing	-	-	2,564,511	2,564,511	2,564,511
Other liabilities	-	-	996,549	996,549	996,549
	<u>-</u>	<u>-</u>	<u>24,033,278</u>	<u>24,033,278</u>	<u>24,033,278</u>

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)**Valuation of financial investments**

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

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

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

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

Financial investments classification

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

	<i>Fair value measurement using</i>			<i>Total</i>
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>30 June 2021 (Unaudited)</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
- Quoted equity-type investments classified as at fair value through income statement	1,037	-	-	1,037
- Quoted equity-type investments classified as at fair value through equity	16,690	-	-	16,690
- Unquoted equity-type investments classified as at fair value through equity	-	-	40,645	40,645

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value measurement using</i>			<i>Total QR'000</i>
	<i>Quoted prices in active markets (Level 1) QR'000</i>	<i>Significant observable inputs (Level 2) QR'000</i>	<i>Significant unobservable inputs (Level 3) QR'000</i>	
31 December 2020 (Audited)				
- Quoted equity-type investments classified as fair value through income statement	1,023	-	-	1,023
- Quoted equity-type investments classified as at fair value through equity	19,405	-	-	19,405
- Unquoted equity-type investments classified as at fair value through equity	-	-	40,408	40,408
-				
30 June 2020 (Unaudited)				
- Quoted equity-type investments classified as at fair value through income statement	700	-	-	700
- Quoted equity-type investments classified as at fair value through equity	20,519	-	-	20,519
- Unquoted equity-type investments classified as at fair value through equity	-	-	40,344	40,344

There have been no transfers between level 1 and level 2 during the periods ended 30 June 2021 and 2020 and the year ended 31 December 2020.

The valuation technique in measuring the fair value of the financial instruments categorized as level 3 were in line with 31 December 2020.

5 DUE FROM BANKS

- By type**

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Mudaraba placements	1,575,313	1,854,008	6,275,947
Commodity Murabaha receivable	9,698,179	8,442,603	5,842,613
Current accounts	300,839	165,315	546,220
Accrued profit	17,420	46,928	35,377
	11,591,751	10,508,854	12,700,157
Less: allowance for expected credit losses (stage 1 and 2)	(977)	(773)	(978)
Total	11,590,774	10,508,081	12,699,179

6 FINANCING ASSETS• **By type**

	30 June 2021 (Unaudited) QR'000	31 December 2020 (Audited) QR'000	30 June 2020 (Unaudited) QR'000
Murabaha and Musawama	33,158,693	33,567,830	28,685,906
Ijarah Muntahia Bittamleek	6,844,814	6,672,589	6,516,826
Istisn'a	349,804	333,135	263,586
Mudaraba	1,711,257	1,513,425	1,161,167
Musharaka	595	603	609
Others	548,896	343,136	322,303
Accrued Profit	363,221	315,024	308,764
Total financing assets	42,977,280	42,745,742	37,259,161
Less: Deferred profit	(1,328,602)	(1,363,908)	(1,442,475)
Allowance for expected credit losses (stages 1 and 2)	(466,264)	(374,781)	(308,592)
Allowance for credit impairment (stage 3)	(507,636)	(457,608)	(424,768)
Suspended profit	(38,156)	(35,539)	(44,097)
Net financing assets	40,636,622	40,513,906	35,039,229

Total carrying amount of Istisn'a contracts under processing is QR 152 million (June 2020: 174 million, December 2020: QR 150 million).

During the period, the Bank had written off fully provided bad debts after meeting conditions stipulated in the instructions of QCB amounting to QR 1.9 million (June 2020: 35.6 million, December 2020: QR 73 million).

The total non-performing financing assets net of deferred profit at 30 June 2021 amounted to QR 658 million, representing 1.58% of the gross financing assets (December 2020: QR 646 million, representing 1.56%)

7 INVESTMENT SECURITIES

	30 June 2021			31 December 2020			30 June 2020		
	<i>Quoted</i>	<i>Unquoted</i>	<i>Total</i>	<i>Quoted</i>	<i>Unquoted</i>	<i>Total</i>	<i>Quoted</i>	<i>Unquoted</i>	<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<i>Investments classified at fair value through income statement</i>									
- Equity-type investments	<u>1,037</u>	<u>-</u>	<u>1,037</u>	<u>1,023</u>	<u>-</u>	<u>1,023</u>	<u>700</u>	<u>-</u>	<u>700</u>
	<u>1,037</u>	<u>-</u>	<u>1,037</u>	<u>1,023</u>	<u>-</u>	<u>1,023</u>	<u>700</u>	<u>-</u>	<u>700</u>
<i>Debt-type investments classified at amortised cost</i>									
- State of Qatar Sukuk	677,926	3,445,000	4,122,926	680,737	3,545,000	4,225,737	683,593	3,795,000	4,478,593
- Fixed rate	1,382,525	-	1,382,525	1,522,332	-	1,522,332	1,778,040	-	1,778,040
- Accrued profit	18,497	28,605	47,102	20,937	29,484	50,421	22,689	31,488	54,177
- Less: allowance for expected credit losses (stage 1 and 2)	<u>(7,488)</u>	<u>-</u>	<u>(7,488)</u>	<u>(7,295)</u>	<u>-</u>	<u>(7,295)</u>	<u>(6,926)</u>	<u>-</u>	<u>(6,926)</u>
	<u>2,071,460</u>	<u>3,473,605</u>	<u>5,545,065</u>	<u>2,216,711</u>	<u>3,574,484</u>	<u>5,791,195</u>	<u>2,477,396</u>	<u>3,826,488</u>	<u>6,303,884</u>
<i>Equity-type investments classified at fair value through equity</i>	<u>16,690</u>	<u>40,645</u>	<u>57,335</u>	<u>19,405</u>	<u>40,408</u>	<u>59,813</u>	<u>20,519</u>	<u>40,344</u>	<u>60,863</u>
<i>Accrued profit</i>	<u>-</u>	<u>132</u>	<u>132</u>	<u>-</u>	<u>132</u>	<u>132</u>	<u>-</u>	<u>133</u>	<u>133</u>
Total	<u>2,089,187</u>	<u>3,514,382</u>	<u>5,603,569</u>	<u>2,237,139</u>	<u>3,615,024</u>	<u>5,852,163</u>	<u>2,498,615</u>	<u>3,866,965</u>	<u>6,365,580</u>

The carrying value of investment securities pledged under repurchase agreement (REPO) is QR 1.9 billion (31 December 2020: 1.9 billion).

8 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Wakala payable	11,407,311	12,858,409	12,739,531
Current accounts	230,192	270,083	238,151
Profit payable	11,306	-	21,419
Total	11,648,809	13,128,492	12,999,101

Wakala payable includes various facilities with maturities ranging from 2 days to 3 years (31 December 2020: 4 days to 3 years) and carries profit rates of 0.02% – 3% per annum (31 December 2020: 0.02% -up to 3.12% per annum)

9 SUKUK FINANCING

Instrument	Issue date	Issued amount QR'000	Accrued profit QR'000	Profit rate	Rating
QIIB Sukuk 2024	March 2019	1,820,750	24,395	4.2%	A2
QIIB Sukuk 2022	October 2019	728,300	63	3.1%	A2

10 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Term accounts	23,882,785	21,282,046	20,291,709
Savings accounts	7,170,120	7,082,083	7,032,996
	31,052,905	28,364,129	27,324,705
Share in fair value reserve	3,311	2,995	1,093
Total	31,056,216	28,367,124	27,325,798

All investment account holders are unrestricted balances as of 30 June 2021 and 31 December 2020, and 30 June 2020.

11 SHARE CAPITAL

	<i>Number of shares (thousand)</i>		
	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Issued and fully paid*	1,513,687	1,513,687	1,513,687

*Issued and fully paid capital of QR 1,514 million comprises 1,514 million shares with a nominal value of 1 Qatari Riyal each (2020: QR 1,514 million comprises 1,514 million shares with a nominal value of QR 1 each).

12 LEGAL RESERVE

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

13 RISK RESERVE

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

14 OTHER RESERVES

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

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

	30 June 2021 (Unaudited) QR'000	31 December 2020 (Audited) QR'000	30 June 2020 (Unaudited) QR'000
Balance at 1 January	79,554	79,553	79,553
Add: Undistributed profit of associates of the period/year	-	(980)	-
Less: Dividend received from associates	(980)	-	(980)
Less: Recognized profit of associate	-	981	204
Total	78,574	79,554	78,777

15 CASH DIVIDENDS PAID TO THE SHAREHOLDERS

On 17 March 2021 the General Assembly Approved cash dividends of 32.5% of paid up share capital amounting to QR 492 million (2020: 42.5 % of paid up share capital amounting to QR 643 million).

16 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

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

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

17 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>For the Six-Months Period Ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Profit for the period attributable to the shareholders of the Bank	543,904	512,630
Weighted average number of shares outstanding during the period (Note 11)	1,513,687	1,513,687
Basic earnings per share (QR)	0.36	0.34

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

18 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	1,336,148	1,051,035	1,789,909
Due from banks	6,932,269	4,363,937	8,270,765
	8,268,417	5,414,972	10,060,674

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

19 CONTINGENT LIABILITIES AND COMMITMENTS

- By type**

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Contingent liabilities			
Unused financing facilities	9,451,486	5,238,530	10,022,986
Guarantees	6,411,839	7,127,262	6,886,491
Letters of credit	1,100,651	892,259	691,821
Others	10,973	8,013	9,055
	16,974,949	13,266,064	17,610,353

20 RELATED PARTIES TRANSACTIONS

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

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

	<i>30 June 2021 (Unaudited)</i>			<i>31 December 2020 (Audited)</i>			<i>30 June 2020 (Unaudited)</i>		
	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>
Assets:									
Financing assets	<u>5,445</u>	<u>605,760</u>	<u>3,098,478</u>	<u>5,800</u>	<u>542,045</u>	<u>3,147,207</u>	<u>7,199</u>	<u>1,292,177</u>	<u>2,620,848</u>
Equity of investment account holders	<u>20,525</u>	<u>172,967</u>	<u>685,985</u>	<u>21,754</u>	<u>212,449</u>	<u>662,418</u>	<u>19,766</u>	<u>153,414</u>	<u>115,349</u>
Off balance sheet items:									
Contingent liabilities and other commitments	<u>656</u>	<u>7,137</u>	<u>260,862</u>	<u>912</u>	<u>7,326</u>	<u>397,630</u>	<u>564</u>	<u>6,790</u>	<u>370,068</u>

	<i>For the Six-months period ended 30 June 2021 (Unaudited)</i>			<i>For the Six-months period ended 30 June 2020 (Unaudited)</i>		
	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>
Consolidated income statement items:						
Income from financing activities	<u>154</u>	<u>11,833</u>	<u>60,597</u>	<u>212</u>	<u>21,244</u>	<u>58,422</u>
Share of equity of investment account holders in profit	<u>238</u>	<u>1,876</u>	<u>5,782</u>	<u>232</u>	<u>1,117</u>	<u>798</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-Month period ended 30 June 2021

20 RELATED PARTIES TRANSACTIONS (CONTINUED)

Key management personnel compensation for the period comprised:

	<i>For the Six-Months Period Ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Short term benefits	7,024	12,300
Long term benefits	659	2,143
	7,683	14,443

21 REGULATORY DISCLOSURES

Capital Adequacy Ratio

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

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

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

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

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Tier 1 capital	7,690,507	7,373,414	7,396,906
Tier 2 capital	493,095	425,828	370,164
Total eligible capital	8,183,602	7,799,242	7,767,070

Risk weighted assets

	<i>30 June 2021 (Unaudited) QR'000</i>	<i>31 December 2020 (Audited) QR'000</i>	<i>30 June 2020 (Unaudited) QR'000</i>
Risk weighted assets for credit risk	43,362,442	43,541,822	41,338,230
Risk weighted assets for market risk	668,868	691,822	688,229
Risk weighted assets for operational risk	3,217,141	2,898,186	2,898,186
Total risk weighted assets	47,248,451	47,131,830	44,924,645
Regulatory Capital	8,183,602	7,799,242	7,767,070
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio*	11.85%	11.20%	11.81%
Total Capital Adequacy Ratio*	17.32%	16.55%	17.29%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-Month period ended 30 June 2021

21 REGULATORY DISCLOSURES (CONTINUED)

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

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and domestic systematic important bank buffer	Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge
2021						
Actual	11.85%	11.85%	16.28%	17.32%	17.32%	17.32%
Minimum limit as per QCB	6.00%	8.50%	10.50%	12.50%	12.50%	13.50%
2020						
Actual	11.20%	11.20%	15.64%	16.55%	16.55%	16.55%
Minimum limit as per QCB	6.00%	8.50%	10.50%	12.50%	12.50%	13.50%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-Month period ended 30 June 2021

22 FINANCIAL RISK MANAGEMENT

22.1 Exposure subject to credit risk

Exposure and movement of expected credit loss / impairment allowances:

	30 June 2021				31-Dec-20
	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000	QR'000
Exposure subject to ECL					
Due from banks	11,586,067	5,684	-	11,591,751	10,508,854
Debt type investments carried at amortised cost and fair value through equity	5,353,789	185,248	13,516	5,552,553	5,798,490
Financing assets*	37,340,013	3,650,886	657,779	41,648,678	41,381,834
Off balance sheet exposures subject to credit risk	16,473,451	501,498	-	16,974,949	13,266,064
	<u>70,753,320</u>	<u>4,343,316</u>	<u>671,295</u>	<u>75,767,931</u>	<u>70,955,242</u>
*Net of deferred profits					
Opening balance of expected credit losses / impairment losses as at 1 January					30-June-2020
Due from banks	769	4	-	773	5,936
Debt type investments carried at amortised cost and fair value through equity	1,227	6,068	-	7,295	5,313
Financing assets	164,171	210,610	457,608	832,389	670,862
Off balance sheet exposures subject to credit risk	99,917	7,328	-	107,245	50,830
Net transfer between stages					
Due from banks	-	-	-	-	-
Debt type investments carried at amortised cost and fair value through equity	-	-	-	-	-
Financing assets	(35,559)	27,118	8,441	-	-
Off balance sheet exposures subject to credit risk	(87)	87	-	-	-
	<u>(35,646)</u>	<u>27,205</u>	<u>8,441</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-Month period ended 30 June 2021

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.1 Exposure subject to credit risk (continued)

	30 June 2021				31-Dec-20
	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000	QR'000
Write off / transfers for the period					
Due from banks	-	-	-	-	-
Debt type investments carried at amortised cost and fair value through equity	-	-	-	-	-
Financing assets	-	-	(1,869)	(1,869)	73
Off balance sheet exposures subject to credit risk	-	-	-	-	-
Charge / (reversal) for the period (net)					
Due from banks	204	-	-	204	(2,730)
Debt type investments carried at amortised cost and fair value through equity	2,336	(2,143)	-	193	4,206
Financing assets	49,879	50,045	40,480	140,404	58,272
Recovery /Reclassification from off-balance sheet to on balance sheet	-	-	2,976	2,976	-
Off balance sheet exposures subject to credit risk	729	(1,206)	-	(477)	(2,480)
	<u>53,148</u>	<u>46,696</u>	<u>43,456</u>	<u>143,300</u>	<u>57,268</u>
Closing balance of expected credit losses / impairment losses - as at 30 June 2021					30-June-2020
Due from banks	973	4	-	977	978
Debt type investments carried at amortised cost and fair value through equity	3,563	3,925	-	7,488	12,515
Financing assets	178,491	287,773	507,636	973,900	733,360
Off balance sheet exposures subject to credit risk	100,559	6,209	-	106,768	63,667
	<u>283,586</u>	<u>297,911</u>	<u>507,636</u>	<u>1,089,133</u>	<u>810,517</u>

23 IMPACT OF COVID-19

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

Business continuity planning

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

The Group regularly conducts stress tests to assess the resilience of the statement of position and our capital adequacy. The stress tests are used to consider the Group’s risk appetite and to provide insights into financial stability. The Group is closely monitoring the situation and has activated its risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

Impact on Expected Credit Losses

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

The Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for ECL measurement in light of available information. Moreover, futuristic PDs based on current and projected economic environment by modelling pessimistic scenarios based on V shaped recovery (V-scenario) and U-shaped recovery (U-scenario). For riskier portfolios. In addition, the Group has analysed the risk of the credit portfolio by focusing on economic sector wise segmentation analysis using both on top-down approach and the Group own experience. The Bank’s forward-looking macro- economic factors includes i) yearly average oil price of \$ 52.5/ barrel :2021, 52.59:2022 (31 December 2020: Oil price \$ 45/barrel : \$ 52.2/barrel) ii) GDP of QAR 522 bln: 2021 (growth of -1.95%), QAR 516 bln:2022 (growth of -1.17%) (31 December 2020: GDP of QAR 639 bln: 2020 (growth of -4.3%), QAR 626 bln:2021 (growth of -1.955%)) iii)inflation of 1.49%:2021, 1.34%: 2022 (31 December 2020: -1.2%:2020,1.495%: 2021) iv) Government spending (excluding capital expenditure) of QAR 103.4 bln: 2021, QAR 106.6 bln: 2022 (31 December 2020: QAR107.7 bln: 2020, QAR 103.4 bln: 2021). The ECL has been calculated as probability weighted figure for three scenarios i.e. Baseline, pessimistic and further pessimistic with 50%, 25% and 25% weightings respectively (31 December 2020: 50% to the Baseline, 25% to pessimistic and 25% further pessimistic). Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment, the Group has assessed the impact of an increase in probability for the pessimistic scenario in ECL measurement.

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

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

23 IMPACT OF COVID-19 (CONTINUED)

Liquidity management

Global stress in the markets brought on by the COVID-19 crisis is being felt by banks through lack of liquidity in foreign funding markets. In this environment, the Group has already taken measures to manage its liquidity carefully. The Group has a robust Liquidity Contingency Plan. The Group's ALCO primary focus has been to ensure liquidity throughout the situation.

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

Further, QCB has encouraged banks to postpone loan instalments and obligations of the private sector up to September 2021.

Further, Government launched a program directed to allocate guarantees which aims at shoring up small and medium businesses and hard-hit sectors, through salaries and rental fees. The combination of the above measures by QCB and the actions taken by the State of Qatar Government, along with prudent management of the liquidity by the Group will help ensure the Group is able to meet its clients' banking services requirements effectively and without disruption.

Impairment in associate

The Bank has during the period assessed one of the Associate's financial condition, realisability of assets and ongoing legal disputes during the period on account of periodic review of associates undertaken by the bank. As a result of this review, Management of the Bank expects reduction in realisable value of certain assets of the Associate for which the Bank has recognised an additional provision of QR 54 million, being its share in the expected reduction in realisable value of assets of the associate, over and above accounting for its share in loss for the period in its income statement.

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 and subsequent circulars, pursuant to which the Bank has delayed repayments of certain SME and Corporate customers. In line with the requirements of the FAS, the Bank will amortize the remaining amount of the deferred profit over the remaining period of the financing facilities.