



The Commercial Bank (P.S.Q.C.)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2020

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of The Commercial Bank (P.S.Q.C.) (the "Bank") and its subsidiaries (the "Group") as at 30 June 2020, comprising of the interim consolidated statement of financial position as at 30 June 2020 and the related interim consolidated statements of income and comprehensive income for the three months and six months period ended 30 June 2020, the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months period then ended, and the related explanatory notes.


The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34") and the applicable provisions of Qatar Central Bank regulations. 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 IAS 34 and the applicable provisions of Qatar Central Bank regulations.


Ahmed Sayed
of Ernst & Young
Auditor's Registration No. 326



The stamp is circular with "ERNST & YOUNG" at the top. Inside, it says "Doha" and "محاسبون قانونيون الدوحة" (Chartered Accountants Doha) with "22 - 2" below it. At the bottom, it says "ارنست ويونغ" (Ernst & Young) in Arabic.

Date: 23 July 2020
Doha

The Commercial Bank (P.S.Q.C.)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION


AS AT 30 JUNE 2020

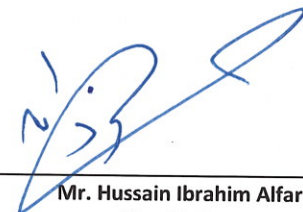


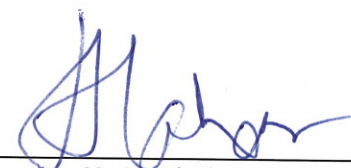
QAR '000s

	Notes	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed (Restated)	31-Dec-2019 Audited
ASSETS				
Cash and balances with central banks		5,188,392	7,068,906	6,075,044
Due from banks		11,672,786	12,274,585	12,396,433
Loans and advances to customers	7	86,999,846	85,744,632	88,009,448
Investment securities	8	26,770,490	23,463,491	26,844,226
Investment in associates and a joint venture	9	3,534,767	4,526,884	4,021,239
Property and equipment		2,831,141	2,851,667	2,853,712
Intangible assets		194,017	248,218	236,377
Other assets		6,483,535	5,001,620	7,100,005
TOTAL ASSETS		143,674,974	141,180,003	147,536,484
LIABILITIES				
Due to banks	10	16,802,789	16,810,587	22,530,782
Customer deposits	11	77,708,911	77,363,917	76,296,592
Debt securities	12	8,515,549	12,133,873	9,524,590
Other borrowings	13	12,806,390	9,145,612	12,043,167
Other liabilities		6,157,413	5,249,419	5,385,126
TOTAL LIABILITIES		121,991,052	120,703,408	125,780,257
EQUITY				
Share capital	14	4,047,254	4,047,254	4,047,254
Legal reserve		9,871,254	9,754,162	9,841,333
General reserve		26,500	26,500	26,500
Risk reserve		1,421,236	896,236	1,421,236
Fair value reserve		571,232	309,823	600,094
Treasury shares		-	(179,507)	(38,860)
Foreign currency translation reserve		(2,144,443)	(1,922,902)	(1,946,677)
Other reserves		446,598	965,530	859,893
Revaluation reserve		1,283,920	1,283,920	1,283,920
Retained earnings		2,160,361	1,295,569	1,661,524
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		17,683,912	16,476,585	17,756,217
Non-controlling interests		10	10	10
Instruments eligible for additional capital		4,000,000	4,000,000	4,000,000
TOTAL EQUITY		21,683,922	20,476,595	21,756,227
TOTAL LIABILITIES AND EQUITY		143,674,974	141,180,003	147,536,484

The interim condensed consolidated financial statements were approved by the Board of Directors on 23 July 2020 and were signed on its behalf by:


Sheikh Abdulla Bin Ali Bin Jabor Al Thani
Chairman


Mr. Hussain Ibrahim Alfardan
Vice Chairman


Mr. Joseph Abraham
Group Chief Executive Officer

The attached notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.



The Commercial Bank (P.S.Q.C.)
INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020

QAR '000s

		Three months ended		Six months ended	
		30-Jun-2020	30-Jun-2019	30-Jun-2020	30-Jun-2019
	Notes	Reviewed	Reviewed (Restated)	Reviewed	Reviewed (Restated)
Interest income		1,411,859	1,621,048	3,003,809	3,208,549
Interest expense		(649,781)	(983,829)	(1,433,024)	(1,990,683)
Net interest income		762,078	637,219	1,570,785	1,217,866
Fee and commission income		259,192	298,831	483,453	607,003
Fee and commission expense		(44,898)	(91,827)	(141,154)	(178,174)
Net fee and commission income		214,294	207,004	342,299	428,829
Net foreign exchange gain		67,285	65,077	133,484	143,111
Net income / (losses) from investment securities		50,863	23,554	(63,058)	29,833
Other operating income		(4,338)	14,017	13,626	26,982
Net operating income		1,090,182	946,871	1,997,136	1,846,621
Staff costs	16	(180,798)	(165,097)	(247,268)	(336,136)
Depreciation		(36,290)	(38,972)	(69,349)	(79,270)
Amortization of intangible assets		(13,929)	(13,512)	(28,075)	(27,090)
Net impairment (losses)/reversal on investment securities		(12,605)	(1,904)	(17,711)	2,758
Net impairment losses on loans and advances to customers	5	(37,030)	(226,380)	(225,242)	(433,701)
Net impairment (losses)/reversal on other financial assets		(57,585)	20,622	(53,086)	2,747
Other expenses		(62,409)	(55,990)	(125,249)	(109,205)
Profit before share of results of associates and a joint venture		689,536	465,638	1,231,156	866,724
Share of results of associates and a joint venture		(187,029)	48,782	(320,682)	98,838
Profit before tax		502,507	514,420	910,474	965,562
Income tax expense		(3,464)	(5,809)	(9,296)	(17,327)
Profit for the period		499,043	508,611	901,178	948,235
Attributable to:					
Equity holders of the bank		499,043	508,611	901,177	948,235
Non-controlling interests		-	-	1	-
Profit for the period		499,043	508,611	901,178	948,235
Earnings per share					
Basic/diluted earnings per share (QAR)	17	0.22	0.13	0.22	0.23

The attached notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.



	Three months ended		Six months ended	
	30-Jun-2020	30-Jun-2019	30-Jun-2020	30-Jun-2019
	Reviewed	Reviewed (Restated)	Reviewed	Reviewed (Restated)
Profit for the period	499,043	508,611	901,178	948,235
Other comprehensive (loss) / income for the period:				
Items that are, or may be subsequently reclassified to profit or loss:				
Foreign currency translation differences from foreign operation	(54,939)	(58,154)	(197,766)	(106,036)
Share of other comprehensive (loss) / income of investment in associates and a joint venture	91,482	12,976	(54,809)	17,078
Net movement in cash flow hedges-effective portion of changes in fair value	(34,075)	(25,035)	(81,742)	(43,326)
Net change in fair value of investments in debt securities designated at FVOCI :				
Net change in fair value	425,039	302,315	226,432	457,275
Net amount transferred to interim consolidated statement of income	(6,967)	(3,741)	(3,483)	(4,274)
Items that may not be subsequently reclassified to profit or loss:				
Net change in fair value of equity investments designated at FVOCI	134,820	(3,473)	(96,892)	(42,911)
Share of other comprehensive (loss) / income of investment in associates and a joint venture	5,929	(3,256)	(18,368)	(8,901)
Other comprehensive (loss)/income for the period	561,289	221,632	(226,628)	268,905
Total comprehensive income for the period	1,060,332	730,243	674,550	1,217,140
Attributable to:				
Equity holders of the bank	1,060,332	730,243	674,549	1,217,140
Non-controlling interests	-	-	1	-
Total comprehensive income for the period	1,060,332	730,243	674,550	1,217,140

The Commercial Bank (P.S.Q.C.)
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020**


QAR '000s

Notes	Share Capital	Legal Reserve	General Reserve	Risk Reserve	Fair Value Reserve	Treasury Shares	Foreign Currency Translation Reserve	Other Reserves	Revaluation Reserve	Retained Earnings	Total Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Instruments Eligible for Additional Capital	Total Equity
Balance as at 1 January 2020	4,047,254	9,841,333	26,500	1,421,236	600,094	(38,860)	(1,946,677)	859,893	1,283,920	1,661,524	17,756,217	10	4,000,000	21,756,227
Profit for the period	-	-	-	-	(28,862)	-	(197,766)	-	-	901,177	901,177	1	-	901,178
Other comprehensive loss	-	-	-	-	(28,862)	-	(197,766)	-	-	-	(226,628)	-	-	(226,628)
Total comprehensive income for the period	-	-	-	-	(28,862)	-	(197,766)	-	-	901,177	674,549	1	-	674,550
Transfer to legal reserve	-	5,999	-	-	-	-	-	-	-	(5,999)	-	-	-	-
Net movement in other reserves	-	-	-	-	-	-	-	(413,295)	-	413,295	-	-	-	-
Movement in treasury shares	-	23,922	-	-	-	38,860	-	-	-	-	62,782	-	-	62,782
Tax adjustment	-	-	-	-	-	-	-	-	-	(185)	(185)	-	-	(185)
Contributions by and distributions to equity holders of the bank:														
Dividends for the year 2019	15	-	-	-	-	-	-	-	-	(809,451)	(809,451)	-	-	(809,451)
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-	-	-	-	(809,451)	(809,451)	-	-	(809,451)
Net movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
Balance as at 30 June 2020		4,047,254	9,871,254	26,500	1,421,236	571,232	(2,144,443)	446,598	1,283,920	2,160,361	17,683,912	10	4,000,000	21,683,922

Notes	Share Capital	Legal Reserve	General Reserve	Risk Reserve	Fair Value Reserve	Treasury Shares	Foreign Currency Translation Reserve	Other Reserves	Revaluation Reserve	Retained Earnings	Total Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Instruments Eligible for Additional Capital	Total Equity
Balance as at 1 January 2019 (Restated)	4,047,254	9,745,152	26,500	886,151	(96,333)	(179,507)	(1,816,866)	959,764	1,283,920	1,000,413	15,856,448	11	4,000,000	19,856,459
Profit for the period	-	-	-	-	374,941	-	(106,036)	-	-	948,235	948,235	-	-	948,235
Other comprehensive income	-	-	-	-	374,941	-	(106,036)	-	-	-	268,905	-	-	268,905
Total comprehensive income for the period	-	-	-	-	374,941	-	(106,036)	-	-	948,235	1,217,140	-	-	1,217,140
Transfer to legal reserve	-	9,010	-	-	-	-	-	-	-	(9,010)	-	-	-	-
Net movement in other reserves	-	-	-	10,085	-	-	-	-	-	-	10,085	-	-	10,085
FVOCI instrument loss transferred to Retained earnings	-	-	-	-	31,215	-	-	-	-	(31,215)	-	-	-	-
Net movement in other reserves and fair value reserve	-	-	-	-	-	-	-	5,766	-	(5,766)	-	-	-	-
Contributions by and distributions to equity holders of the bank:														
Dividends for the year 2018	15	-	-	-	-	-	-	-	-	(607,088)	(607,088)	-	-	(607,088)
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-	-	-	-	(607,088)	(607,088)	-	-	(607,088)
Net movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
Balance as at 30 June 2019 (Restated)		4,047,254	9,754,162	26,500	896,236	309,823	(1,922,902)	965,530	1,283,920	1,295,569	16,476,585	10	4,000,000	20,476,595

The attached notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

The Commercial Bank (P.S.Q.C.)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

QAR '000s

	Six months ended		Year ended
	30-Jun-2020	30-Jun-2019	31-Dec-2019
	Reviewed	Reviewed	Audited
		(Restated)	
Cash flows from operating activities			
Profit before tax	910,474	965,562	2,044,214
<i>Adjustments for:</i>			
Net impairment losses on loans and advances to customers	225,242	433,701	594,427
Net impairment losses / (reversal) on investment securities	17,711	(2,758)	(6,797)
Net impairment losses / (reversal) on other financial assets	53,086	(2,747)	66,108
Depreciation	69,349	79,270	149,994
Amortization of intangible assets and transaction costs	41,718	47,290	90,926
Gain on sale of treasury shares	(23,922)		(87,378)
Net loss / (income) on investment securities	65,932	(27,960)	(64,642)
Gain on disposal of property and equipment	-	-	3,902
Impairment on Investment in an Associate	-	-	413,881
Share of results of associates and a joint arrangement	320,682	(98,838)	6,799
Operating profit before working capital changes	1,680,272	1,393,520	3,211,434
<i>Working capital changes</i>			
Change in due from banks	422,801	(2,047,578)	(3,845,259)
Change in loans and advances to customers	(642,463)	(2,626,890)	(5,821,742)
Change in other assets	516,363	(724,122)	(2,341,566)
Change in due to banks	(5,638,276)	2,783,154	10,167,792
Change in customer deposits	2,760,635	6,430,814	5,702,956
Change in other liabilities	1,096,782	510,692	490,037
Contribution to social and sports fund	-	(41,580)	(41,580)
Net cash flows from / (used in) operating activities	196,114	5,678,010	7,522,072
Cash flows from investing activities			
Acquisition of investment securities	(2,939,446)	(3,697,756)	(8,620,481)
Proceeds from sale of treasury shares	62,782	-	228,025
Dividend received from associates and a joint arrangement	92,613	93,072	93,072
Proceeds from sale/maturity of investment securities	2,611,262	2,655,003	4,255,059
Acquisition of property and equipment and intangible assets	(53,021)	(82,002)	(157,359)
Proceeds from the sale of property and equipment and other assets	(5,027)	2,603	6,801
Net cash flows used in investing activities	(230,837)	(1,029,080)	(4,194,883)
Cash flows from financing activities			
Proceeds from issue of debt securities	346,907	3,763,230	3,486,978
Repayment of debt securities	(1,375,244)	(7,650,454)	(9,932,780)
Repayment of other borrowings	(2,736,040)	(2,590,806)	(3,735,723)
Proceeds from other borrowings	3,867,170	3,604,018	7,793,321
Payment of Lease Liability	(19,878)	-	(39,499)
Payment on Coupon of instrument eligible for Tier 1 Capital	(240,000)	(240,000)	(240,000)
Dividends paid (note 15)	(809,451)	(607,088)	(607,088)
Net cash flows (used in) / from financing activities	(966,536)	(3,721,100)	(3,274,791)
Net (decrease) / increase in cash and cash equivalents	(1,001,259)	927,830	52,398
Effect of exchange rate fluctuation	(14,878)	63,067	19,027
Cash and cash equivalents as at 1 January	10,055,972	9,984,546	9,984,546
Cash and cash equivalents at the end of the period / year	9,039,835	10,975,443	10,055,971
Net cash flows from interest and dividend:			
Interest paid	1,571,159	2,159,971	3,829,417
Interest received	2,741,035	3,173,175	6,916,197
Dividend received	2,874	1,873	4,350

The attached notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

1- REPORTING ENTITY

The Commercial Bank (P.S.Q.C.) (the "Bank") is an entity domiciled in the State of Qatar and was incorporated in 1974 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration number of the Bank is 150. The address of the Bank's registered office is PO Box 3232, 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 engaged in conventional banking, brokerage services and the credit card business and operates through its head office, branches and subsidiaries.

The principal subsidiaries of the Group are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Capital of the subsidiary</u>	<u>Activity of the subsidiary</u>	<u>Percentage of ownership</u>	
				<u>30 Jun 2020</u>	<u>30 Jun 2019</u>
Alternatifbank A.S.	Turkey	TRY 2,038,390,000	Banking services	100%	100%
Commercial Bank Financial Services L.L.C.	Qatar	QAR 100,000,000	Brokerage services	100%	100%
CBQ Finance Limited	Bermuda	US\$ 1,000	Debt issuance for the Bank	100%	100%

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

The accompanying interim condensed consolidated financial information is prepared in accordance with IAS 34 - "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank ("QCB") Regulations. This interim condensed consolidated financial information should be read in conjunction with the 2019 annual consolidated financial statements of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards and the applicable provisions of QCB regulations. The results for the six months ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3- SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the last annual consolidated financial statements as at 31 December 2019.

(a) New standards, amendments and interpretations :

The Group has adopted the following new and amended International Accounting Standards/International Financial Reporting Standards as of 1 January 2020: The adoption of the below did not result in changes to previously reported net profit or equity of the Group.

Description

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7
 Amendments to IFRS 16 - Covid-19 - Related Rent Concessions (Effective from 1 June 2020)
 Amendments to References to Conceptual Framework in IFRS Standards

Standard Issued but not yet Effective

IFRS 17 Insurance Contracts is effective from 1 January 2023. The Group is currently evaluating the impact of this new standard. The Group will adopt this new standard on the effective date.

IBOR Transition

Effective from 1 January 2020, the Group has implemented amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms. The amendments (referred as Phase I of IBOR transition project) addresses the hedge accounting requirements arising before IBOR and proposed a hedging relief for such hedges.

Management is evaluating the Group's transition activities and 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.

4- ESTIMATES AND JUDGMENTS

The spread of coronavirus ("COVID-19") pandemic has severely impacted various economies globally, causing disruption to business and economic activities. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Group is actively monitoring the COVID 19 situation and in response to this outbreak CBQ, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

In addition, the Group's operations are mainly based in economies that are relatively dependent on the price of crude oil and natural gas. During Q1 2020 oil prices have witnessed unprecedented volatility and has decreased significantly by the end of the current reporting period.

In preparing the interim condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were impacted by the 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.

The Bank has performed an assessment of oil prices volatility and COVID-19 in line with the available guidance of Qatar Central Bank ('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 2020:

a) Expected credit losses

For the reporting period end 30 June 2020, the Group has updated inputs and assumptions used for the determination of expected credit losses ("ECLs") in response to uncertainties caused by COVID 19 and unprecedented volatility in oil prices. ECLs were estimated based on a range of forecast economic conditions as at that date. 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 and will continue to do so for the upcoming quarters.

The ECL models have been updated through adjustments in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probabilities of default for the credit portfolio of the Bank.

Despite reaffirmation of Qatar's strong fundamentals and stable outlook by international bond markets, and the extraordinary measures taken by the Qatar Government to alleviate the financial and economic impact of COVID-19 on affected sectors, the Bank has decided to take a conservative view for the purpose of estimating expected credit loss. These assumptions include: oil prices will range bound at around \$43/bbl (31 December 2019 \$58/bbl to \$61/bbl); and, conservative real GDP growth estimates around -2.8% (31 December 2019: 2.8% to 3.1%) for 2020. The aforementioned values of macro-economic factors have been further overlaid by applying conservative scenario weightings of 55%, 45% and 0% for Base, Downside and Upside case scenarios, respectively, (31 December 2019: 70% to the Base Case, 15% to Downside and Upside Case) reflecting a possibility of flattening of the oil prices at current levels (and consequently government revenue) over the medium term. As the COVID-19 situation continues to evolve, these estimates may be reassessed and adjusted in future as impacts become more certain.

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. To this extent the Bank has elevated the near term PDs resulting in higher recognition of relevant ECLs and impairment allowances as disclosed in to the interim condensed consolidated financial statements.

The Group has deferred repayments of certain customers for a temporary period. In accordance with IASB guidance, this forbearance does not automatically trigger a significant increase in credit risk and a stage migration for the purpose of calculating expected credit losses, as these are measures are being made available to assist borrowers affected by COVID-19 outbreak to resume regular payments. For this period, the Group will continue to monitor borrower's performance against the likelihood of repayments.

In addition to the assumptions outlined above, the Group continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors.

b) Accounting for modified financing assets

The Group has allowed delayed repayments of certain SME customers for a period of six months in line with the QCB circular issued on 22 March 2020, in which local banks in Qatar have been encouraged to delay loan repayments for affected sectors. The modification loss on these loans was not considered to be material for the period.

c) Zero rated repo facility by QCB

QCB has issued zero rated repo facilities to the local banks in Qatar in order to support the banks liquidity who are extending loans to affected sectors at reduced rates and guarantees from the government of the State of Qatar. The benefit arising out of the zero rate repos was not considered to be material for the period.

5- FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019, except as mentioned in Note 4.

Exposures and Movement in ECL

	30-Jun-2020				31-Dec-2019
	Stage1	Stage2	Stage3	Total	Total
Exposure (Carrying Value) Subject to ECL		(Reviewed)			(Audited)
Due from banks and balances with central banks	13,822,167	2,202,031	-	16,024,198	17,677,960
Loans and advances to customers	69,925,721	15,559,936	4,511,313	89,996,970	90,915,916
Investment Securities (Debt)	24,879,314	381,886	-	25,261,200	24,911,328
Loan Commitments and Financial Guarantees	21,599,942	3,518,297	306,623	25,424,862	27,348,360

Movement in ECL

	30-Jun-2020 (Reviewed)				31-Dec-2019
	Stage1	Stage2	Stage3	Total	(Audited)
Opening Balance as at 1 January 2020					
Due from banks and balances with central banks	7,516	33,037	-	40,553	13,698
Loans and advances to customers	61,966	872,665	2,751,041	3,685,672	3,846,625
Investment Securities (Debt)	4,275	12,979	-	17,254	24,053
Loan Commitments and Financial Guarantees	26,345	41,763	27,644	95,752	103,972
	100,102	960,444	2,778,685	3,839,231	3,988,348

ECL Charge for the Period (net)

Due from banks and balances with central banks	17,563	9,394	-	26,957	26,977
Loans and advances to customers*	111,759	121,586	242,321	475,666	927,171
Investment Securities (Debt)	21,560	(3,849)	-	17,711	(6,797)
Loan Commitments and Financial Guarantees	27,155	743	(1,767)	26,131	39,131
	178,037	127,874	240,554	546,465	986,482

Write offs / Transfer

Due from banks and balances with central banks	-	-	-	-	-
Loans and advances to customers	-	-	(40,512)	(40,512)	(1,034,840)
Investment Securities (Debt)	-	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	-	-	(41,198)
	-	-	(40,512)	(40,512)	(1,076,038)

Exchange differences

Due from banks and balances with central banks	(47)	(1)	-	(48)	(123)
Loans and advances to customers	1,373	(6,930)	(55,792)	(61,349)	(53,284)
Investment Securities (Debt)	(16)	-	-	(16)	-
Loan Commitments and Financial Guarantees	(1,325)	(11,789)	11,345	(1,769)	(6,152)
	(15)	(18,720)	(44,447)	(63,182)	(59,559)

Closing Balance as at 30 June 2020

Due from banks and balances with central banks	25,032	42,430	-	67,462	40,552
Loans and Advances to Customers	175,098	987,321	2,897,058	4,059,477	3,685,672
Investment Securities (Debt)	25,819	9,130	-	34,949	17,256
Loan Commitments and Financial Guarantees	52,175	30,717	37,222	120,114	95,753
	278,124	1,069,598	2,934,280	4,282,002	3,839,233

* Includes interest suspended and recoveries on previously written off loans QAR 112.5 million and QAR 137.9 million respectively (30 June 2019: QAR 84.1 million and QAR 30.4 million respectively).

The Commercial Bank (P.S.Q.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30-June-2020

QAR '000s

5- FINANCIAL RISK MANAGEMENT (continued)

Exposures and Movement in ECL

	30-Jun-2019 (Reviewed)			
	Stage1	Stage2	Stage3	Total
Exposure (Carrying Value) Subject to ECL				
Due from banks and balances with central banks	15,642,065	2,853,178	-	18,495,243
Loans and advances to customers	66,782,795	17,897,135	4,403,814	89,083,744
Investment Securities (Debt)	21,820,601	614,171	-	22,434,772
Loan Commitments and Financial Guarantees	23,770,575	4,017,512	389,838	28,177,925
Movement in ECL				
Opening Balance as at 1 January 2019				
Due from banks and balances with central banks	619	13,079	-	13,698
Loans and advances to customers	50,382	952,227	2,844,016	3,846,625
Investment Securities (Debt)	236	23,817	-	24,053
Loan Commitments and Financial Guarantees	25,711	76,308	1,953	103,972
	76,948	1,065,431	2,845,969	3,988,348
ECL Charge for the Period (net)				
Due from banks and balances with central banks	1,144	(1,391)	-	(247)
Loans and advances to customers	9,253	93,158	445,753	548,164
Investment Securities (Debt)	807	(3,565)	-	(2,758)
Loan Commitments and Financial Guarantees	833	(21,142)	17,809	(2,500)
	12,037	67,060	463,562	542,659
Write offs / Transfer				
Due from banks and balances with central banks	-	-	-	-
Loans and advances to customers	-	(10,085)	(98,768)	(108,853)
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	6,694	6,694
	-	(10,085)	(92,074)	(102,159)
Exchange differences				
Due from banks and balances with central banks	(119)	-	-	(119)
Loans and advances to customers	8,167	(24,785)	(30,900)	(47,518)
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	(5,316)	(413)	(144)	(5,873)
	2,732	(25,198)	(31,044)	(53,510)
Closing Balance as at 30 June 2019				
Due from banks and balances with central banks	1,644	11,688	-	13,332
Loans and Advances to Customers	67,802	1,010,515	3,160,101	4,238,418
Investment Securities (Debt)	1,043	20,252	-	21,295
Loan Commitments and Financial Guarantees	21,228	54,753	26,312	102,293
	91,717	1,097,208	3,186,413	4,375,338

6- SEGMENT INFORMATION

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

30 June 2020 (Reviewed)	Commercial Bank			Subsidiaries		Unallocated	Total
	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatif bank	Others		
Net interest income	961,045	437,751	1,398,796	169,252	2,737	-	1,570,785
Net fee, commission and other income	63,445	255,534	318,979	90,324	12,048	5,000	426,351
Segmental revenue	1,024,490	693,285	1,717,775	259,576	14,785	5,000	1,997,136
Net impairment (losses)/reversal on investment securities	(17,638)	-	(17,638)	(73)	-	-	(17,711)
Net impairment loss on loans and advances to customers and other financial assets	(40,692)	(138,572)	(179,264)	(99,064)	-	-	(278,328)
Segmental profit	-	-	1,192,656	38,508	8,828	(18,132)	1,221,860
Share of results of associates and a joint venture							(320,682)
Net profit for the period							901,178
Other information							
Loans and advances to customers	58,313,084	17,088,932	75,402,016	11,597,830	-	-	86,999,846
Investments in associates and a joint venture	-	-	-	-	-	-	3,534,767
Assets (other than above)	39,813,346	1,296,769	41,110,115	3,797,485	387,160	7,845,601	53,140,361
							143,674,974
Customer deposits	43,414,382	24,700,365	68,114,747	9,529,145	65,019	-	77,708,911
Liabilities (other than above)	36,187,559	633,554	36,821,113	6,748,759	71,010	641,259	44,282,141
							121,991,052
Contingent liabilities	19,531,485	511,245	20,042,730	4,822,133	560,000	-	25,424,863

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,848 million, Liabilities: QAR 1,657 million).

30 June 2019 (Reviewed and restated)	Commercial Bank			Subsidiaries		Unallocated	Total
	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatif bank	Others		
Net interest income	678,116	368,472	1,046,588	202,362	2,466	(33,550)	1,217,866
Net fee, commission and other income	200,485	284,922	485,407	114,419	12,561	16,368	628,755
Segmental revenue	878,601	653,394	1,531,995	316,781	15,027	(17,182)	1,846,621
Net impairment losses on investment securities	2,844	-	2,844	(86)	-	-	2,758
Net impairment loss on loans and advances to customers and other financial assets	(152,175)	(163,386)	(315,561)	(115,420)	27	-	(430,954)
Segmental profit			803,910	64,172	8,603	(27,288)	849,397
Share of results of associates and a joint venture							98,838
Net profit for the period							948,235
Other information							
Loans and advances to customers	55,494,238	18,634,744	74,128,982	11,615,650	-	-	85,744,632
Investments in associates and a joint venture	-	-	-	-	-	-	4,526,884
Asset held for sale	-	-	-	-	-	-	-
Assets (other than above)	37,083,218	1,740,739	38,823,957	5,780,936	303,305	6,000,289	50,908,487
							141,180,003
Customer deposits	44,549,104	23,101,723	67,650,827	9,713,090	-	-	77,363,917
Liabilities (other than above)	33,506,630	1,155,043	34,661,673	7,625,541	29,855	1,022,422	43,339,491
							120,703,408
Contingent liabilities	23,587,039	203,169	23,790,208	3,827,717	560,000	-	28,177,925

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,023 million, Liabilities: QAR 406 million).



7- LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprises:	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Loans	83,463,277	81,167,217	79,403,992
Overdrafts	3,436,319	6,284,720	9,734,710
Bills discounted	233,154	280,484	303,614
Bankers acceptances	2,870,917	1,360,868	1,480,885
	90,003,667	89,093,289	90,923,201
Deferred profit	(6,697)	(9,545)	(7,285)
	89,996,970	89,083,744	90,915,916
Accrued interest	1,062,352	899,306	779,204
Allowance for impairment of loans and advances to customers*	(2,897,058)	(3,160,101)	(2,751,042)
ECL on loans and advances to customers	(1,162,418)	(1,078,317)	(934,630)
Net loans and advances to customers	86,999,846	85,744,632	88,009,448

The aggregate amount of non-performing loans and advances to customers as at 30 June 2020 amounted to QAR 4,511 million which represents 5.0% of total loans and advances to customers (30 June 2019: QAR 4,404 million, 4.9% of total loans and advances to customers; 31 December 2019: QAR 4,487 million, 4.94% of total loans and advances to customers).

*Allowance for impairment includes QAR 823 million of interest in suspense (30 June 2019: QAR 637 million; 31 December 2019: QAR 711 million).

8- INVESTMENT SECURITIES

Investment securities comprise the following	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Fair value through other comprehensive income (FVOCI)	5,831,983	4,688,644	4,899,768
Fair value through profit & loss (FVTPL)	854,947	907,716	1,786,054
Amortised cost (AC)	19,958,268	17,750,688	20,012,686
Accrued interest	125,292	116,443	145,718
Total	26,770,490	23,463,491	26,844,226

The carrying value of investment securities pledged under Repurchase agreements (REPO) is QAR 12,201 million (30 June 2019: QAR 9,342 million; 31 December 2019: QAR 10,610 million).

Expected Credit losses of debt securities measured at FVOCI and AC amounted to QAR 34.95 million at 30 June 2020 (30 June 2019: QAR 21.30 million and 31 December 2019: QAR 17.26 million).

**9- INVESTMENT IN ASSOCIATES AND A JOINT VENTURE**

For reporting period ended 30 June 2020, percentage of ownership for the investment in associates and a joint venture was same as reported as at and for the year ended 31 December 2019. At 30 June 2020, the Bank has recorded investment in associates and a joint venture based on management accounts.

10- DUE TO BANKS

	30-Jun-2020	30-Jun-2019	31-Dec-2019
	Reviewed	Reviewed	Audited
Balances due to central banks	2,838,602	1,250,638	1,193,687
Current accounts	725,470	292,929	844,499
Placement with banks	3,856,556	7,147,403	11,107,326
Repurchase agreements with banks	9,215,070	8,017,410	9,223,815
Accrued interest	167,091	102,207	161,455
Total	16,802,789	16,810,587	22,530,782

11- CUSTOMER DEPOSITS

	30-Jun-2020	30-Jun-2019	31-Dec-2019
	Reviewed	Reviewed	Audited
Current and call deposits	21,027,555	19,069,314	18,712,151
Saving deposits	5,666,127	4,796,304	4,746,766
Time deposits	50,669,626	53,038,407	52,381,708
Accrued interest	345,603	459,892	455,967
Total	77,708,911	77,363,917	76,296,592



12- DEBT SECURITIES

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
EMTN Unsecured Programme – Senior Unsecured Notes	7,153,135	6,272,875	7,038,935
Senior Notes	258,308	1,650,146	466,805
Subordinated Notes	1,078,927	3,437,084	1,261,225
Others	-	727,023	727,556
Accrued interest	25,179	46,745	30,069
Total	8,515,549	12,133,873	9,524,590

The table below shows the maturity profile of debt securities:

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Up to 1 year	4,258,100	3,878,855	1,193,838
Between 1 and 3 years	2,435,424	4,691,971	4,568,449
Over 3 years	1,822,025	3,563,047	3,762,303
Total	8,515,549	12,133,873	9,524,590

13- OTHER BORROWINGS

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Bilateral loans	5,255,890	3,178,345	180,559
Syndicated loans	4,440,855	4,875,133	4,616,940
Others	3,037,491	1,024,492	7,144,995
Accrued interest	72,154	67,642	100,673
Total	12,806,390	9,145,612	12,043,167

The table below shows the maturity profile of other borrowings:

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Up to 1 year	6,955,086	4,572,152	7,102,050
Between 1 and 3 years	4,946,472	3,907,000	4,134,116
Over 3 years	904,832	666,460	807,001
Total	12,806,390	9,145,612	12,043,167

14- SHARE CAPITAL

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Authorised number of ordinary shares	4,047,253,750	404,725,375	4,047,253,750
Nominal value of ordinary shares (QAR)	1	10	1
Issued and paid up capital (in thousands of Qatar Riyals)	4,047,254	4,047,254	4,047,254

On 20 March 2019, the Extraordinary General Meeting of the Bank, shareholders approved the par value of the ordinary share to be QAR 1 instead of QAR 10, as per the instructions of Qatar Financial Markets Authority, and amendment of the related Articles of Association. The share split was implemented on 09 June 2019 and the total number of shares were increased from 404,725,375 to 4,047,253,750 ordinary shares. Consequently, Earnings per share for comparative periods has been restated to reflect this.

**15- DIVIDEND**

A cash dividend of 20% for the year 2019 (2018: 15% cash dividend), was approved at the Annual General Assembly held on 23 March 2020 (2018: 20 March 2019) and distributed to shareholders.

16- STAFF COSTS

Staff costs include a credit of QR 80.94 million with respect to performance rights due to decline in the market value.

17- EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing profit for the period attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period:

	Three months ended		Six months ended	
	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed (Restated)	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed (Restated)
Basic and diluted				
Profit attributable to the equity holders of the bank	499,043	508,611	901,177	948,235
Weighted average number of outstanding ordinary shares in thousands (note 14)	4,047,254	4,047,254	4,047,254	4,047,254
Basic/diluted earnings per share (QAR)	<u>0.12</u>	<u>0.13</u>	<u>0.22</u>	<u>0.23</u>

18- CONTINGENT LIABILITIES AND OTHER COMMITMENTS**a- Contingent liabilities**

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Unutilized credit facilities	5,288,897	5,075,245	4,287,871
Guarantees	18,306,220	21,017,324	21,353,539
Letters of credit	1,829,746	2,085,356	1,706,950
Total	<u>25,424,863</u>	<u>28,177,925</u>	<u>27,348,360</u>

b- Other commitments

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Derivative financial instruments	67,965,046	52,789,729	68,929,415
Capital commitments	430,424	146,447	421,352
Total	<u>68,395,470</u>	<u>52,936,176</u>	<u>69,350,767</u>

19- CASH AND CASH EQUIVALENTS

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Cash and balances with central banks *	1,922,223	3,313,933	2,453,619
Due from banks up to 90 days	7,117,612	7,661,510	7,602,352
	<u>9,039,835</u>	<u>10,975,443</u>	<u>10,055,971</u>

* Cash and balances with central banks exclude the mandatory cash reserve.

20- VALUATION OF FINANCIAL INSTRUMENTS

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

30-Jun-2020 (Reviewed)	Level 1	Level 2	Level 3	Carrying amount
Derivative assets	-	702,287	-	702,287
Investment securities	2,076,430	4,559,488	51,012	6,686,930
	<u>2,076,430</u>	<u>5,261,775</u>	<u>51,012</u>	<u>7,389,217</u>
Derivative liabilities	-	438,518	-	438,518
	<u>-</u>	<u>438,518</u>	<u>-</u>	<u>438,518</u>
31-Dec-2019 (Audited)	Level 1	Level 2	Level 3	Carrying amount
Derivative assets	-	764,320	-	764,320
Investment securities	1,004,890	5,651,830	29,102	6,685,822
	<u>1,004,890</u>	<u>6,416,150</u>	<u>29,102</u>	<u>7,450,142</u>
Derivative liabilities	-	526,643	-	526,643
	<u>-</u>	<u>526,643</u>	<u>-</u>	<u>526,643</u>

There were no changes in the Group's valuation process, valuation techniques, and type of inputs used in the fair value measurement during the period.

21- RELATED PARTY DISCLOSURE

The Group carries out various transactions with subsidiaries, associates and joint venture companies, members of the Board of Directors, the executive management or companies in which they have significant interest or any other parties of important influence in the Group's financial or operating decisions. The balances at the reporting date with these accounts were as follows:

	30-Jun-2020 Reviewed	30-Jun-2019 Reviewed	31-Dec-2019 Audited
Board members of the Bank			
Loans, advances and financing activities (a)	1,228,621	1,589,901	1,176,839
Deposits	996,607	907,159	798,857
Contingent liabilities and other commitments	73,967	5,805	3,722
Interest and fee income received	24,038	12,139	25,835
Interest paid on deposits accounts of board	13,455	7,323	8,532
Remuneration	-	-	18,500
Associates and joint venture companies			
Due to banks	9,397	180,531	309,400
Due from banks	145,600	163,800	10,610
Deposits	8,298	8,896	9,951
Contingent liabilities	1,473,866	771,710	745,942
Interest paid to Associates	1,278	2,198	4,725
Senior management of the bank			
Remuneration and other benefits (Note)	22,551	20,149	39,243
Loans and advances	6,050	6,377	5,156

Note: In addition to the above remuneration and other benefits, employees of the bank including senior management has been granted performance rights. At 30 June 2020, cost for performance rights for senior management was a credit of QAR 35.3 million (31 December 2019: Cost QAR 71.7 million).

(a) A significant portion of the loans, advances and financing activities' balance at 30 June 2020 with the members of the Board and the companies in which they have significant influence, are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities' are performing satisfactorily honoring all obligations.

22- COMPARATIVES FIGURES

The comparative figures presented have been reclassified where necessary to preserve consistency with current period figures.

The below reclassifications did not have any impact on the consolidated net profit or the total consolidated equity for the comparative period. Accrued interest receivable amounting to QAR 1,038 million and accrued interest payable amounting to QAR 676 million as at 30 June 2019 have been reclassified to each of the respective account balances.

Particulars	30-Jun-2019 (Previously reported)	Reclassification	30-Jun-2019 (Reclassified)
Assets			
Cash and balances with central banks	7,058,725	10,181	7,068,906
Due from banks	12,262,984	11,601	12,274,585
Loans and advances to customers	84,845,326	899,306	85,744,632
Investment securities	23,347,048	116,443	23,463,491
Other assets	6,039,151	(1,037,531)	5,001,620
Total			
Liabilities			
Due to banks	16,708,380	102,207	16,810,587
Customer deposits	76,904,025	459,892	77,363,917
Debt securities	12,087,128	46,745	12,133,873
Other borrowings	9,077,970	67,642	9,145,612
Other liabilities	5,925,905	(676,486)	5,249,419
Total			

In addition to the above, due to the reclassification of assets held for sale to investment in associates and a joint arrangement, comparative figures have been represented for the carrying value of investment and adjustment of share of results in associate in line with IFRS 5. The net impact is as follows:

	2019 (Previously reported)	Reclassification and adjustment	2019 (Restated)
Assets			
Investment in associates and a joint arrangement	2,079,588	2,447,296	4,526,884
Asset held for sale	2,559,591	(2,559,591)	-
Total			
		(112,295)	
Equity			
Fair value reserve	316,176	(6,353)	309,823
Other reserve*	1,071,472	(105,942)	965,530
Total			
		(112,295)	
INCOME STATEMENT			
Share of results of associates and a joint arrangement	84,686	14,152	98,838
Profit for the period	934,083	14,152	948,235

* includes QAR 130 million related to IFRS 9 opening adjustment at 1 January 2018.