



The Commercial Bank (P.S.Q.C.)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

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 2021, comprising of the interim consolidated statement of financial position as at 30 June 2021 and the related interim consolidated statements of income and comprehensive income for the three months and six months period ended 30 June 2021, 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 is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). 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.


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

Date: 27 July 2021
Doha



	Notes	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
ASSETS				
Cash and balances with central banks		13,520,156	5,188,392	8,278,537
Due from banks		10,293,223	11,672,786	10,401,014
Loans and advances to customers	7	100,588,112	86,999,846	96,698,098
Investment securities	8	25,278,742	26,770,490	25,778,211
Investment in associates and a joint arrangement	9	3,194,965	3,534,767	3,116,557
Property and equipment		3,098,189	2,831,141	3,158,264
Intangible assets		133,740	194,017	174,830
Other assets		5,995,060	6,483,535	6,000,204
TOTAL ASSETS		162,102,187	143,674,974	153,605,715
LIABILITIES				
Due to banks	10	20,072,854	16,802,789	20,006,985
Customer deposits	11	82,339,982	77,708,911	75,789,543
Debt securities	12	12,099,814	8,515,549	13,107,134
Other borrowings	13	15,197,777	12,806,390	14,125,676
Other liabilities		8,229,575	6,157,413	8,405,896
TOTAL LIABILITIES		137,940,002	121,991,052	131,435,234
EQUITY				
Share capital	14	4,047,254	4,047,254	4,047,254
Legal reserve		9,874,610	9,871,254	9,871,972
General reserve		26,500	26,500	26,500
Risk reserve		2,124,736	1,421,236	2,037,236
Fair value reserve		466,936	571,232	1,000,301
Foreign currency translation reserve		(2,444,672)	(2,144,443)	(2,235,107)
Other reserves		617,998	446,598	557,273
Revaluation reserve		1,287,569	1,283,920	1,287,569
Retained earnings		2,341,245	2,160,361	1,577,474
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		18,342,176	17,683,912	18,170,472
Non-controlling interests		9	10	9
Instruments eligible for additional capital	14	5,820,000	4,000,000	4,000,000
TOTAL EQUITY		24,162,185	21,683,922	22,170,481
TOTAL LIABILITIES AND EQUITY		162,102,187	143,674,974	153,605,715

The interim condensed consolidated financial statements were approved by the Board of Directors on 27 July 2021 and were signed on its behalf by:


Sheikh Abdulla Bin Ali Bin Jabor Al Thani
Chairman


Sheikh Faisal bin Fahad bin Jassim Al Thani
Board member


Mr. Joseph Abraham
Group Chief Executive Officer

The attached notes 1 to 21 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 2021



QAR '000s

		Three months ended		Six months ended	
		30-Jun-2021	30-Jun-2020	30-Jun-2021	30-Jun-2020
	Notes	Reviewed	Reviewed	Reviewed	Reviewed
Interest income		1,503,706	1,411,859	2,961,651	3,003,809
Interest expense		(580,787)	(649,781)	(1,182,687)	(1,433,024)
Net interest income		922,919	762,078	1,778,964	1,570,785
Fee and commission income		338,829	259,192	695,128	483,453
Fee and commission expense		(92,783)	(44,898)	(183,327)	(141,154)
Net fee and commission income		246,046	214,294	511,801	342,299
Net foreign exchange gain		46,207	67,285	66,665	133,484
Net income / (losses) from investment securities		30,010	50,863	39,242	(63,058)
Other operating income		39,593	(4,338)	48,949	13,626
Net operating income		1,284,775	1,090,182	2,445,621	1,997,136
Staff costs	16	(241,506)	(180,798)	(475,735)	(247,268)
Depreciation		(54,620)	(36,290)	(107,981)	(69,349)
Amortization of intangible assets		(14,609)	(13,929)	(29,409)	(28,075)
Net impairment losses on investment securities		(599)	(12,605)	(1,356)	(17,711)
Net impairment losses on loans and advances to customers	5	(202,767)	(37,030)	(415,247)	(225,242)
Net impairment losses on other financial assets		(9,451)	(57,585)	(6,733)	(53,086)
Other provision		(7,539)	-	(21,254)	-
Other expenses		(64,029)	(62,409)	(127,532)	(125,249)
Profit before share of results of associates and a joint arrangement		689,655	689,536	1,260,374	1,231,156
Share of results of associates and a joint arrangement		35,844	(187,029)	63,225	(320,682)
Profit before tax		725,499	502,507	1,323,599	910,474
Income tax (expense) / credit		(986)	(3,464)	3,656	(9,296)
Profit for the period		724,513	499,043	1,327,255	901,178
Attributable to:					
Equity holders of the bank		724,512	499,043	1,327,254	901,177
Non-controlling interests		1	-	1	1
Profit for the period		724,513	499,043	1,327,255	901,178
Earnings per share					
Basic/diluted earnings per share (QAR)	17	0.18	0.12	0.33	0.22

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



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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2021



QAR '000s

	Three months ended		Six months ended	
	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed
Profit for the period	724,513	499,043	1,327,255	901,178
Other comprehensive income / (loss) for the period:				
Items that are, or may be subsequently reclassified to profit or loss:				
Foreign currency translation differences from foreign operation	(53,441)	(54,939)	(209,565)	(197,766)
Share of other comprehensive loss of investment in associates and a joint arrangement	17,935	91,482	4,873	(54,809)
Net movement in cash flow hedges-effective portion of changes in fair value	(85,639)	(34,075)	4,503	(81,742)
Net change in fair value of investments in debt securities designated at FVOCI :				
Net change in fair value	164,492	425,039	(300,162)	226,432
Net amount transferred to interim consolidated statement of income	-	(6,967)	(46)	(3,483)
Items that may not be subsequently reclassified to profit or loss:				
Net change in fair value of equity investments designated at FVOCI	(22,835)	134,820	(255,345)	(96,892)
Share of other comprehensive income / (loss) of investment in associates and a joint arrangement	8,923	5,929	12,812	(18,368)
Other comprehensive income / (loss) for the period	29,435	561,289	(742,930)	(226,628)
Total comprehensive income for the period	753,948	1,060,332	584,325	674,550
Attributable to:				
Equity holders of the bank	753,948	1,060,332	584,324	674,549
Non-controlling interests	-	-	1	1
Total comprehensive income for the period	753,948	1,060,332	584,325	674,550

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Doha - Qatar

27 JUL 2021

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

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

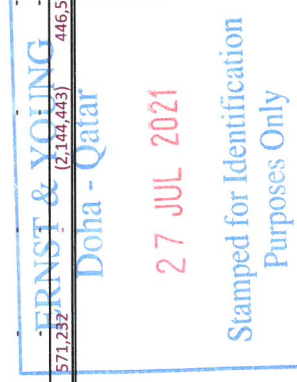


QAR '000s

	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 2021		4,047,254	9,871,972	26,500	2,037,236	1,000,301	-	(2,235,107)	557,273	1,287,569	1,577,474	18,170,472	9	4,000,000	22,170,481
Profit for the period		-	-	-	-	-	-	-	-	-	1,327,254	1,327,254	1	-	1,327,255
Other comprehensive loss		-	-	-	-	(533,365)	-	(209,565)	-	-	-	(742,930)	-	-	(742,930)
Total comprehensive loss for the period		-	-	-	-	(533,365)	-	(209,565)	-	-	-	584,324	1	-	584,325
Transfer to legal reserve		-	2,638	-	-	-	-	-	-	-	(2,638)	-	-	-	-
Net movement in risk reserves		-	-	-	87,500	-	-	-	-	-	(87,500)	-	-	-	-
Expenses on issue of Instrument for additional Tier 1 capital		-	-	-	-	-	-	-	-	-	(7,895)	(7,895)	-	-	(7,895)
Issue of Instrument additional Tier 1 Capital	14	-	-	-	-	-	-	-	-	-	-	-	-	1,820,000	1,820,000
Net movement in other reserves		-	-	-	-	-	-	-	60,725	-	(60,725)	-	-	-	-
Contributions by and distributions to equity holders of the bank:															
Dividends for the year 2020	15	-	-	-	-	-	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
Net movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
Balance as at 30 June 2021		4,047,254	9,874,610	26,500	2,124,736	466,936	-	(2,444,672)	617,998	1,287,569	2,341,245	18,342,176	9	5,820,000	24,162,185

	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	-	-	-	-	-	-	-	-	-	901,177	901,177	1	-	901,178
Other comprehensive loss	-	-	-	-	(28,862)	-	(197,766)	-	-	-	(226,628)	-	-	(226,628)
Total comprehensive loss for the period	-	-	-	-	(28,862)	-	(197,766)	-	-	-	674,549	1	-	674,550
Transfer to legal reserve	-	5,999	-	-	-	-	-	-	-	(5,999)	-	-	-	-
Net movement in other reserves	-	-	-	-	-	38,860	-	(413,295)	-	413,295	-	-	-	-
Movement in treasury shares	-	23,922	-	-	-	-	-	-	-	-	62,782	-	-	62,782
Tax adjustment	-	-	-	-	-	-	-	-	-	(185)	(185)	-	-	(185)
Contributions by and distributions to equity holders of the bank:														
Dividends for the year 2019	-	-	-	-	-	-	-	-	-	(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	(38,860)	(2,144,443)	446,598	1,283,920	2,160,361	17,683,912	10	4,000,000	21,683,922

The attached notes 1 to 21 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 2021



QAR '000s

	Six months ended 30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	Year ended 31-Dec-2020 Audited
Cash flows from operating activities			
Profit before tax	1,323,599	910,474	1,315,780
<i>Adjustments for:</i>			
Net impairment losses on loans and advances to customers	415,247	225,242	836,386
Net impairment losses on investment securities	1,356	17,711	32,041
Net impairment losses on other financial assets	6,733	53,086	115,124
Depreciation	107,981	69,349	140,345
Amortization of intangible assets and transaction costs	54,428	41,718	87,904
Gain on sale of treasury shares	-	(23,922)	(23,922)
Net (income) / loss on investment securities	(29,528)	65,932	27,111
Other provisions	21,254	-	40,177
Impairment on Investment in an associate	-	-	591,242
Share of results of associates and a joint arrangement	(63,225)	320,682	210,006
Operating profit before working capital changes	1,837,845	1,680,272	3,372,194
<i>Working capital changes</i>			
Change in due from banks	(2,456,637)	422,801	213,462
Change in loans and advances to customers	(6,062,387)	(642,463)	(11,710,184)
Change in other assets	(117,551)	516,363	1,016,089
Change in due to banks	239,419	(5,638,276)	(2,635,334)
Change in customer deposits	8,001,234	2,760,635	1,430,497
Change in other liabilities	(35,791)	1,147,308	2,745,022
Contribution to social and sports fund	(32,530)	(50,526)	(50,526)
Net cash flows from / (used in) operating activities	1,373,602	196,114	(5,618,780)
Cash flows from investing activities			
Acquisition of investment securities	(4,150,280)	(2,939,446)	(4,725,866)
Proceeds from sale of treasury shares	-	62,782	62,782
Dividend received from associates and a joint arrangement	2,500	92,613	92,614
Proceeds from sale/maturity of investment securities	3,164,108	2,611,262	5,567,499
Acquisition of property and equipment and intangible assets	(87,115)	(53,021)	(125,311)
Proceeds from the sale of property and equipment	1,421	5,027	150
Net cash flows (used in) / from investing activities	(1,069,366)	(220,783)	871,868
Cash flows from financing activities			
Proceeds from issue of debt securities	5,825,315	346,907	5,452,640
Repayment of debt securities	(6,534,268)	(1,375,244)	(2,157,982)
Repayment of other borrowings	(3,474,592)	(2,736,040)	(6,073,532)
Proceeds from other borrowings	5,013,937	3,867,170	8,922,233
Payment of lease liabilities	(38,310)	(19,878)	(34,074)
Payment of coupon of instrument eligible for Tier 1 Capital	-	(240,000)	(223,000)
Issue of Instrument additional Tier 1 Capital	1,820,000	-	-
Dividends paid (note 15)	(404,725)	(809,451)	(809,451)
Net cash flows from / (used in) financing activities	2,207,357	(966,536)	5,076,834
Net increase /(decrease) in cash and cash equivalents	2,511,593	(991,205)	329,922
Effect of exchange rate fluctuation	393,963	(24,932)	136,073
Cash and cash equivalents as at 1 January	10,521,966	10,055,972	10,055,971
Cash and cash equivalents at the end of the period / year (Note 19)	13,427,522	9,039,835	10,521,966
Net cash flows from interest and dividend:			
Interest paid	1,274,154	1,571,159	2,808,966
Interest received	2,831,509	2,741,035	5,355,351
Dividend received	9,714	2,874	3,664

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

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27 JUL 2021

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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 2021</u>	<u>30 Jun 2020</u>
Alternatifbank A.S.	Turkey	TRY 2,213,740,000	Banking services	100%	100%
Commercial Bank Financial Services L.L.C.	Qatar	QAR 300,000,000	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". This interim condensed consolidated financial information should be read in conjunction with the 2020 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. The results for the six months ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020.

(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 2021: 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 - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

COVID-19-Related Rent Concessions (Amendment to IFRS 16)

Standard Issued but not yet Effective

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023

Inter Bank Offered Rate (IBOR) Transition

Interest Rate Benchmark Reform - Phase 2 amendments has become effective from 1 January 2021 which address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.

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

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) New standards, amendments and interpretations (continued)**

The Bank has established a cross-functional IBOR steering committee sponsored by the Executive Management which is evaluating the IBORs related exposure. The Steering committee is managing the transition activities to the alternative reference rates by engaging with various stakeholders to support an orderly transition and mitigating risks resulting from the transition. It provides periodic reports to ALCO and Central Treasury to support management of interest rate risk, and works closely with the Group Operational Risk Committee to identify operational risks arising from IBOR reform. The project is under the governance of the Chief Risk Officer.

The IBOR steering committee is in the process of establishing policies for amending the interbank offered rates that will be replaced as part of IBOR reforms. The Bank has started bilateral negotiations with the counterparties in relation to exposure to cash flow and fair value hedges and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021. The Bank expects to begin amending the contractual terms of its existing floating-rate assets in the 2021; however, the exact timing will vary depending on the extent to which standardized language can be applied across certain asset types and the extent of bilateral negotiations between the Bank and counterparties. Further, the IBOR Committee and the Bank's treasury team are in discussions with the counterparties of our financial liabilities to amend the contractual terms in preparation for IBOR reform.

The Group holds derivatives for risk management purposes, some of which are designated in hedging relationships. The interest rate and foreign exchange derivative instruments have floating legs that are indexed to various IBORs. Currently, the desired substitute rates are the Sterling Overnight Index Average (SONIA) for GBP LIBOR and Secured Overnight Financing Rate (SOFR) for USD LIBOR.

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 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 2021:

a) Expected credit losses

For the reporting period end 30 June 2021, 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. Due to continued uncertainties, 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.

4- ESTIMATES AND JUDGMENTS (continued)
a) Expected credit losses (continued)

For the purpose of estimation of ECL, following assumptions were used:

	30 June 2021 Reviewed	30 June 2020 Reviewed	31 December 2020 Audited
Average oil prices	\$65/bbl	\$43/bbl	\$43/bbl
GDP growth	3.6%	-2.8%	-3.5%

The Bank also continues to review its Loss Given Default assumptions and has made adjustments to the same. The aforementioned values of macro-economic factors have been further overlaid by applying conservative scenario weightings as follows:

	30 June 2021 Reviewed	30 June 2020 Reviewed	31 December 2020 Audited
Upside Case	0%	0%	0%
Base Case	55%	55%	55%
Downside Case	45%	45%	45%

As the COVID-19 situation continues to evolve, these estimates may be reassessed and adjusted in future.

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 customers in line with the QCB instructions issued to local banks in Qatar. 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 2020.

Exposures and Movement in ECL

Exposure (Carrying Value) Subject to ECL	30-Jun-2021 (Reviewed)				31-Dec-2020 (Audited)
	Stage1	Stage2	Stage3	Total	Total
Due from banks and balances with central banks	15,464,964	2,936,398	-	18,401,362	16,324,387
Loans and advances to customers	84,188,517	15,757,809	4,296,374	104,242,700	100,003,698
Investment Securities (Debt)	22,126,054	379,267	-	22,505,321	23,992,347
Loan Commitments and Financial Guarantees	19,648,635	3,381,794	260,446	23,290,875	24,545,378

Movement in ECL

Opening Balance as at 1 January 2021	30-Jun-2021 (Reviewed)				31-Dec-2020 (Audited)
	Stage1	Stage2	Stage3	Total	
Due from banks and balances with central banks	23,961	63,524	-	87,485	40,552
Loans and advances to customers	281,049	1,239,905	2,875,668	4,396,622	3,685,672
Investment Securities (Debt)	35,166	14,112	-	49,278	17,256
Loan Commitments and Financial Guarantees	89,665	47,673	23,545	160,883	95,753
	429,841	1,365,214	2,899,213	4,694,268	3,839,233

ECL Charge for the Period (net)

Due from banks and balances with central banks	(2,378)	5,083	-	2,705	47,737
Loans and advances to customers*	50,090	78,371	385,545	514,006	1,221,841
Investment Securities (Debt)	1,926	(570)	-	1,356	32,039
Loan Commitments and Financial Guarantees	(4,291)	6,277	2,042	4,028	67,387
	45,347	89,161	387,587	522,095	1,369,004

Write offs / Transfer

Due from banks and balances with central banks	-	-	-	-	-
Loans and advances to customers	-	-	(35,700)	(35,700)	(450,479)
Investment Securities (Debt)	-	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	-	-	-
	-	-	(35,700)	(35,700)	(450,479)

Exchange differences

Due from banks and balances with central banks	(70)	-	-	(70)	(804)
Loans and advances to customers	(956)	(21,814)	(36,179)	(58,949)	(60,412)
Investment Securities (Debt)	(27)	-	-	(27)	(17)
Loan Commitments and Financial Guarantees	(1,887)	(38)	(469)	(2,394)	(2,257)
	(2,940)	(21,852)	(36,648)	(61,440)	(63,490)

Closing Balance as at 30 June 2021

Due from banks and balances with central banks	21,513	68,607	-	90,120	87,485
Loans and Advances to Customers	330,183	1,296,462	3,189,334	4,815,979	4,396,622
Investment Securities (Debt)	37,065	13,542	-	50,607	49,278
Loan Commitments and Financial Guarantees	83,487	53,912	25,118	162,517	160,883
	472,248	1,432,523	3,214,452	5,119,223	4,694,268

* Includes interest suspended and recoveries on previously written off loans amounting to QAR 94.1 million and QAR 4.6 million respectively (30 June 2020: QAR 112.5 million and QAR 137.9 million respectively).

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5- FINANCIAL RISK MANAGEMENT (continued)

Exposures and Movement in ECL

	30-Jun-2020 (Reviewed)			
	Stage1	Stage2	Stage3	Total
Exposure (Carrying Value) Subject to ECL				
Due from banks and balances with central banks	13,822,167	2,202,031	-	16,024,198
Loans and advances to customers	69,925,721	15,559,936	4,511,313	89,996,970
Investment Securities (Debt)	24,879,314	381,886	-	25,261,200
Loan Commitments and Financial Guarantees	21,599,942	3,518,298	306,623	25,424,863
Movement in ECL				
Opening Balance as at 1 January 2020				
Due from banks and balances with central banks	7,516	33,037	-	40,553
Loans and advances to customers	61,966	872,665	2,751,041	3,685,672
Investment Securities (Debt)	4,275	12,979	-	17,254
Loan Commitments and Financial Guarantees	26,345	41,763	27,644	95,752
	100,102	960,444	2,778,685	3,839,231
ECL Charge for the Period (net)				
Due from banks and balances with central banks	17,563	9,394	-	26,957
Loans and advances to customers	111,759	121,586	242,321	475,666
Investment Securities (Debt)	21,560	(3,849)	-	17,711
Loan Commitments and Financial Guarantees	27,155	743	(1,767)	26,131
	178,037	127,874	240,554	546,465
Write offs / Transfer				
Due from banks and balances with central banks	-	-	-	-
Loans and advances to customers	-	-	(40,512)	(40,512)
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	-	-
	-	-	(40,512)	(40,512)
Exchange differences				
Due from banks and balances with central banks	(47)	(1)	-	(48)
Loans and advances to customers	1,373	(6,931)	(55,792)	(61,350)
Investment Securities (Debt)	(16)	-	-	(16)
Loan Commitments and Financial Guarantees	(1,325)	(11,789)	11,345	(1,769)
	(15)	(18,721)	(44,447)	(63,183)
Closing Balance as at 30 June 2020				
Due from banks and balances with central banks	25,032	42,430	-	67,462
Loans and Advances to Customers	175,098	987,320	2,897,058	4,059,476
Investment Securities (Debt)	25,819	9,130	-	34,949
Loan Commitments and Financial Guarantees	52,175	30,717	37,222	120,114
	278,124	1,069,597	2,934,280	4,282,001

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 2021 (Reviewed)	Qatar Operations				Unallocated and Intra - group transactions	Total
	Wholesale Banking	Retail Banking	Others	International		
Net interest income	1,282,796	384,528	210	114,604	(3,174)	1,778,964
Net fee, commission and other income	323,849	277,715	20,923	10,113	34,057	666,657
Segmental revenue	1,606,645	662,243	21,133	124,717	30,883	2,445,621
Net impairment (losses)/reversal on investment securities	(1,450)	-	-	94	-	(1,356)
Net impairment loss on loans and advances to customers and other financial assets	(371,622)	(17,845)	-	(32,513)	-	(421,980)
Segmental profit	893,072	401,407	(12,486)	(13,844)	(4,119)	1,264,030
Share of results of associates and a joint arrangement	-	-	898	62,327	-	63,225
Net profit for the period	893,072	401,407	(11,588)	48,483	(4,119)	1,327,255
Other information						
Loans and advances to customers	79,334,344	11,104,181	-	10,149,587	-	100,588,112
Investments in associates and a joint arrangement	-	-	6,350	3,188,615	-	3,194,965
Assets (other than above)	41,327,129	1,532,589	503,629	5,501,016	9,454,747	58,319,110
						162,102,187
Customer deposits	49,394,197	25,372,745	-	8,011,805	(438,765)	82,339,982
Liabilities (other than above)	46,750,636	1,982,773	332,549	6,575,656	(41,594)	55,600,020
						137,940,002
Contingent liabilities	17,725,551	511,245	560,000	4,494,079	-	23,290,875

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,978 million, Liabilities: QAR 1,714 million).

30 June 2020 (Reviewed)	Qatar Operations				Unallocated and Intra - group transactions	Total
	Wholesale Banking	Retail Banking	Others	International		
Net interest income	961,045	440,369	349	169,253	(231)	1,570,785
Net fee, commission and other income	64,445	267,708	-	90,324	3,874	426,351
Segmental revenue	1,025,490	708,077	349	259,577	3,643	1,997,136
Net impairment losses on investment securities	(17,638)	-	-	(73)	-	(17,711)
Net impairment loss on loans and advances to customers and other financial assets	(40,692)	(138,572)	-	(99,064)	-	(278,328)
Segmental profit	876,711	331,738	(5,608)	38,509	(19,490)	1,221,860
Share of results of associates and a joint arrangement	-	-	947	(321,629)	-	(320,682)
Net profit for the period	876,711	331,738	(4,661)	(283,120)	(19,490)	901,178
Other information						
Loans and advances to customers	58,313,084	17,088,932	-	11,597,830	-	86,999,846
Investments in associates and a joint arrangement	-	-	6,371	3,528,396	-	3,534,767
Assets (other than above)	39,813,346	1,593,416	90,514	6,221,067	5,422,018	53,140,361
						143,674,974
Customer deposits	43,414,382	24,765,388	-	9,529,141	-	77,708,911
Liabilities (other than above)	36,187,560	638,443	66,120	7,294,759	95,259	44,282,141
						121,991,052
Contingent liabilities	19,531,485	1,071,245	-	4,822,133	-	25,424,863

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,982 million, Liabilities: QAR 1,665 million).


7- LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprises:	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Loans	87,311,721	83,463,277	86,134,540
Overdrafts	13,116,118	3,436,319	10,674,888
Bills discounted	146,416	233,154	152,870
Bankers acceptances	3,672,799	2,870,917	3,046,190
	<u>104,247,054</u>	<u>90,003,667</u>	<u>100,008,488</u>
Deferred profit	(4,354)	(6,697)	(4,790)
	<u>104,242,700</u>	<u>89,996,970</u>	<u>100,003,698</u>
Accrued interest	1,161,391	1,062,352	1,091,022
Allowance for impairment of loans and advances to customers*	(3,189,334)	(2,897,058)	(2,875,668)
ECL on loans and advances to customers	<u>(1,626,645)</u>	<u>(1,162,418)</u>	<u>(1,520,954)</u>
Net loans and advances to customers	<u>100,588,112</u>	<u>86,999,846</u>	<u>96,698,098</u>

The aggregate amount of non-performing loans and advances to customers as at 30 June 2021 amounted to QAR 4,296 million which represents 4.1% of total loans and advances to customers (30 June 2020: QAR 4,511 million, 5.0% of total loans and advances to customers; 31 December 2020: QAR 4,327 million, 4.3% of total loans and advances to customers).

*Allowance for impairment includes QAR 960 million of interest in suspense (30 June 2020: QAR 823 million; 31 December 2020: QAR 892 million).

8- INVESTMENT SECURITIES

Investment securities comprise the following	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Fair value through other comprehensive income (FVOCI)	6,052,204	5,831,983	6,166,547
Fair value through profit & loss (FVTPL)	2,246,383	854,947	1,028,991
Amortised cost (AC)	16,805,581	19,958,268	18,441,154
Accrued interest	174,574	125,292	141,519
Total	<u>25,278,742</u>	<u>26,770,490</u>	<u>25,778,211</u>

The carrying value of investment securities pledged under Repurchase agreements (REPO) is QAR 10,904 million (30 June 2020: QAR 12,201 million; 31 December 2020: QAR 9,947 million).

Expected Credit losses of debt securities measured at FVOCI and AC amounted to QAR 50.61 million at 30 June 2021 (30 June 2020: QAR 34.95 million and 31 December 2020: QAR 49.3 million).

9- INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT

For the reporting period ended 30 June 2021, percentage of ownership for the investment in associates and a joint arrangement was same as reported as at and for the year ended 31 December 2020. At 30 June 2021, the Bank has recorded investment in associates and a joint arrangement based on management accounts.

10- DUE TO BANKS

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Balances due to central banks	3,339,919	2,838,602	1,257,471
Current accounts	335,093	725,470	547,091
Placement with banks	9,077,022	3,856,556	9,073,036
Repurchase agreements with banks	7,250,349	9,215,070	9,015,570
Accrued interest	70,471	167,091	113,817
Total	20,072,854	16,802,789	20,006,985

11- CUSTOMER DEPOSITS

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Current and call deposits	26,186,145	21,027,555	23,492,174
Saving deposits	5,932,653	5,666,127	5,792,621
Time deposits	49,991,712	50,669,626	46,229,937
Accrued interest	229,472	345,603	274,811
Total	82,339,982	77,708,911	75,789,543

12- DEBT SECURITIES

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
EMTN Unsecured Programme – Senior Unsecured Notes	9,766,800	7,153,135	10,506,478
Senior Notes	290,011	258,308	199,921
Subordinated Notes	721,276	1,078,927	1,089,822
Others	1,267,783	-	1,269,506
Accrued interest	53,944	25,179	41,407
Total	12,099,814	8,515,549	13,107,134

The table below shows the maturity profile of debt securities:

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Up to 1 year			
Between 1 and 3 years	1,738,755	4,258,100	5,710,764
Over 3 years	2,571,955	2,435,424	3,259,122
Total	7,789,104	1,822,025	4,137,248
	12,099,814	8,515,549	13,107,134

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13- OTHER BORROWINGS

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Bilateral loans	5,532,956	5,255,890	1,427,572
Syndicated loans	6,443,871	4,440,855	5,178,191
Others	3,155,871	3,037,491	7,439,514
Accrued interest	65,079	72,154	80,399
Total	15,197,777	12,806,390	14,125,676

The table below shows the maturity profile of other borrowings:

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Up to 1 year	10,860,221	6,955,086	10,370,990
Between 1 and 3 years	1,264,204	4,946,472	3,108,991
Over 3 years	3,073,352	904,832	645,695
Total	15,197,777	12,806,390	14,125,676

14- EQUITY

(a) Share capital

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Authorised number of ordinary shares	4,047,253,750	4,047,253,750	4,047,253,750
Nominal value of ordinary shares (QAR)	1	1	1
Issued and paid up capital (in thousands of Qatar Riyals)	4,047,254	4,047,254	4,047,254

(b) Instruments eligible for additional capital

In March 2021, the Bank raised additional regulatory tier 1 capital of USD 500 million (equivalent to QAR 1.82 billion) by issuing unsecured perpetual non-cumulative listed Tier 1 notes. The coupon payments are discretionary and non-cumulative and priced at a fixed rate of 4.5% per annum, payable half yearly until the first reset date and thereafter to be reset every five years at the relevant reset reference rate plus the margin converted from an annual to a semi-annual rate in accordance with market conditions. The first reset date will be 3 March 2026. For the period ended 30 June 2021, instruments eligible for additional capital is QAR 5,820,000 (2020: QAR 4,000,000).

The Notes are ranked junior to the Bank's existing unsubordinated obligations including existing subordinated debt and depositors, pari passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank.

The Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstance as mentioned in the term sheet i.e. regulatory / tax redemption and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the proposed Capital issue, if a "loss absorption" event is triggered and the Bank has non-discretionary obligation to deliver cash or financial assets. These notes have been classified under equity.

15- DIVIDEND

A cash dividend of 10% for the year 2020 (2019: 20% cash dividend), was approved at the Annual General Assembly held on 10 March 2021 (2019: 23 March 2020) and distributed to shareholders.

16- STAFF COSTS

Staff costs include a cost of QAR 161.7 million (30 June 2020 : credit of QAR 80.94 million) with respect to performance rights.

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-2021	30-Jun-2020	30-Jun-2021	30-Jun-2020
	Reviewed	Reviewed	Reviewed	Reviewed
Basic and diluted				
Profit attributable to the equity holders of the bank	724,512	499,043	1,327,254	901,177
Weighted average number of outstanding ordinary shares in thousands	4,047,254	4,047,254	4,047,254	4,047,254
Basic/diluted earnings per share (QAR)	0.18	0.12	0.33	0.22

18- CONTINGENT LIABILITIES AND OTHER COMMITMENTS
a- Contingent liabilities

	30-Jun-2021	30-Jun-2020	31-Dec-2020
	Reviewed	Reviewed	Audited
Unutilized credit facilities	3,047,623	5,288,897	4,465,134
Guarantees	17,614,695	18,306,220	17,788,756
Letters of credit	2,628,557	1,829,746	2,291,488
Total	23,290,875	25,424,863	24,545,378

b- Other commitments

	30-Jun-2021	30-Jun-2020	31-Dec-2020
	Reviewed	Reviewed	Audited
Derivative financial instruments	77,819,499	67,965,046	78,050,792
Capital commitments	341,553	430,424	127,548
Total	78,161,052	68,395,470	78,178,340

19- CASH AND CASH EQUIVALENTS

	30-Jun-2021	30-Jun-2020	31-Dec-2020
	Reviewed	Reviewed	Audited
Cash and balances with central banks *	9,470,827	1,922,223	4,376,696
Due from banks up to 90 days	3,956,695	7,117,612	6,145,270
	13,427,522	9,039,835	10,521,966

* 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-2021 (Reviewed)	Level 1	Level 2	Level 3	Carrying amount
Derivative assets	-	891,879	-	891,879
Investment securities	2,265,810	5,950,874	81,903	8,298,587
	2,265,810	6,842,753	81,903	9,190,466
Derivative liabilities	-	536,429	-	536,429
	-	536,429	-	536,429
31-Dec-2020 (Audited)	Level 1	Level 2	Level 3	Carrying amount
Derivative assets	-	1,621,501	-	1,621,501
Investment securities	2,284,663	4,874,555	36,320	7,195,538
	2,284,663	6,496,056	36,320	8,817,039
Derivative liabilities	-	1,059,829	-	1,059,829
	-	1,059,829	-	1,059,829

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 arrangement 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

	30-Jun-2021 Reviewed	30-Jun-2020 Reviewed	31-Dec-2020 Audited
Board members of the Bank			
Loans, advances and financing activities (a)	1,448,641	1,228,621	1,435,891
Deposits	1,220,520	996,607	1,150,952
Contingent liabilities and other commitments	72,024	73,967	73,214
Interest and fee income received	26,281	24,038	52,200
Interest paid on deposits	4,965	13,455	19,959
Remuneration	-	-	18,500
Associates and joint arrangement companies			
Due to banks	30,481	9,397	145,814
Due from banks	145,600	145,600	155,476
Deposits	6,821	8,298	8,274
Contingent liabilities	15,855	1,473,866	1,472,211
Interest paid to Associates	79	1,278	1,402
Senior management of the bank			
Remuneration and other benefits (b)	21,093	22,551	47,864
Loans and advances	5,741	6,050	5,634

(a) A significant portion of the loans, advances and financing activities' balance at 30 June 2021 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.

(b) In addition to the above remuneration and other benefits, employees of the bank including senior management has been granted performance rights. At 30 June 2021, cost for performance rights for senior management was a cost of QAR 71.1 million (30 June 2020: Credit of QAR 35.3 million and 31 December 2020: Cost of QAR 1.6 million).