

Ahli Bank Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2020**

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ahli Bank Q.P.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 September 2020, comprising of the interim consolidated statement of financial position as at 30 September 2020, and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the nine month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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

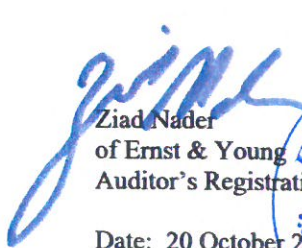
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Other matter

The interim condensed consolidated financial statements of the Group as at 30 September 2019 were reviewed and the consolidated financial statements as at 31 December 2019 were audited by another auditor, whose reports dated 16 October 2019 and 06 February 2020, expressed unmodified review and audit opinion respectively.


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

Date: 20 October 2020
Doha - Qatar



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 QR'000 (Reviewed)	30 September 2019 QR'000 (Reviewed)	31 December 2019 QR'000 (Audited)
Notes				
ASSETS				
	Cash and balances with central bank	2,776,421	1,398,598	1,400,654
	Due from banks	2,924,634	2,887,855	2,913,310
6	Loans and advances to customers	34,816,279	29,731,571	31,591,106
7	Investment securities	7,250,536	7,491,134	7,520,606
	Property and equipment	250,517	266,016	263,570
	Other assets	284,923	250,150	225,634
	TOTAL ASSETS	48,303,310	42,025,324	43,914,880
LIABILITIES				
	Due to banks and central bank	5,190,489	2,561,133	4,443,230
	Certificate of deposits and commercial paper	-	763,915	20,000
	Customer deposits	27,482,769	24,982,294	25,499,852
	Other borrowings	1,639,663	1,641,744	1,641,601
	Debt securities	7,296,990	5,476,600	5,492,008
	Other liabilities	593,948	756,475	859,477
	TOTAL LIABILITIES	42,203,859	36,182,161	37,956,168
EQUITY				
4	Share capital	2,429,663	2,313,965	2,313,965
	Legal reserve	1,723,847	1,656,324	1,723,847
	Risk reserve	679,837	631,078	679,837
5	Fair value reserve	(12,956)	(1,750)	(12)
	Retained earnings	1,279,060	1,243,546	1,241,075
	TOTAL EQUITY	6,099,451	5,843,163	5,958,712
	TOTAL LIABILITIES AND EQUITY	48,303,310	42,025,324	43,914,880

These interim condensed consolidated financial statements were approved by the Board of Directors on 20 October 2020 and were signed on its behalf by:



Sh. Faisal Bin Abdul-Aziz Bin Jassem Al Thani
Chairman and Managing Director



Hassan Ahmed Alefrangi
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2020

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	<i>2020 QR'000 (Reviewed)</i>	<i>2019 QR'000 (Reviewed)</i>	<i>2020 QR'000 (Reviewed)</i>	<i>2019 QR'000 (Reviewed)</i>
Interest income	428,080	465,882	1,317,846	1,359,415
Interest expense	(172,646)	(258,449)	(611,848)	(751,857)
NET INTEREST INCOME	255,434	207,433	705,998	607,558
Fee and commission income	44,081	54,571	138,178	151,972
Fee and commission expense	(2,132)	(1,651)	(5,925)	(4,868)
NET FEE AND COMMISSION INCOME	41,949	52,920	132,253	147,104
Foreign exchange gain	12,118	7,604	30,430	25,367
Income on investment securities	8,370	25,169	5,703	36,992
Other operating income	1,285	1,191	3,452	3,941
	21,773	33,964	39,585	66,300
TOTAL OPERATING INCOME	319,156	294,317	877,836	820,962
Staff costs	(44,708)	(40,482)	(130,519)	(122,638)
Depreciation	(7,264)	(7,263)	(23,031)	(21,143)
Net (impairment) / reversal on investment securities	(449)	(1,286)	(4,905)	(1,247)
Net impairment loss on loans and advances to customers	(33,377)	(42,422)	(132,882)	(59,003)
Net reversal / (impairment) on other financial assets	571	10,238	(4,772)	8,045
Other expenses	(27,609)	(27,833)	(80,949)	(80,435)
	(112,836)	(109,048)	(377,058)	(276,421)
PROFIT FOR THE PERIOD	206,320	185,269	500,778	544,541
Earnings per share (QR) (Note 8)	0.085	0.076	0.206	0.224

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine month period ended 30 September 2020

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period	206,320	185,269	500,778	544,541
Other comprehensive income / (loss) for the period				
Items that are or may be reclassified subsequently to income statement				
Net change in fair value of debt instruments classified as FVOCI	1,521	4,974	(12,750)	14,105
Realised during the period	(145)	6	(194)	6
Items that will not be reclassified subsequently to income statement				
Net change in fair value of equity measured at FVOCI	-	(4,372)	-	(4,372)
Other comprehensive income / (loss) for the period	1,376	608	(12,944)	9,739
Total comprehensive income for the period	207,696	185,877	487,834	554,280

Ahli Bank Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2020

	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Fair value Reserve QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
Balance at 31 December 2018 (<i>Audited</i>)	2,103,604	1,656,324	631,078	(11,489)	1,121,114	5,500,631
Adoption of IFRS 16	-	-	-	-	(1,387)	(1,387)
Restated balance as at 1 January 2019	2,103,604	1,656,324	631,078	(11,489)	1,119,727	5,499,244
Total comprehensive income for the period						
Profit for the period	-	-	-	-	544,541	544,541
Other comprehensive income	-	-	-	9,739	-	9,739
Total comprehensive income for the period	-	-	-	9,739	544,541	554,280
<u>Contributions by and distributions to equity holders:</u>						
Bonus shares issued (Note 4a)	210,361	-	-	-	(210,361)	-
Dividends paid (Note 4b)	-	-	-	-	(210,361)	(210,361)
Total contributions and distributions to equity holders	210,361	-	-	-	(420,722)	(210,361)
Balance at 30 September 2019 (<i>Reviewed</i>)	2,313,965	1,656,324	631,078	(1,750)	1,243,546	5,843,163
Balance at 31 December 2019 (<i>Audited</i>)	2,313,965	1,723,847	679,837	(12)	1,241,075	5,958,712
Total comprehensive income for the period:						
Profit for the period	-	-	-	-	500,778	500,778
Other comprehensive loss	-	-	-	(12,944)	-	(12,944)
Total comprehensive income for the period	-	-	-	(12,944)	500,778	487,834
<u>Contributions by and distributions to equity holders:</u>						
Bonus shares issued (Note 4a)	115,698	-	-	-	(115,698)	-
Dividends paid (Note 4b)	-	-	-	-	(347,095)	(347,095)
Total contributions and distributions to equity holders	115,698	-	-	-	(462,793)	(347,095)
Balance at 30 September 2020 (<i>Reviewed</i>)	2,429,663	1,723,847	679,837	(12,956)	1,279,060	6,099,451

The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2020

	<i>Nine month ended 30 September</i>	
	<i>2020 QR'000 (Reviewed)</i>	<i>2019 QR'000 (Reviewed)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	500,778	544,541
<i>Adjustments for:</i>		
Net impairment loss on loans and advances to customers	132,882	59,003
Net impairment on investment securities	4,905	1,247
Net impairment / (reversals) on other financial assets	4,772	(8,045)
Depreciation	23,031	21,143
Net loss / (gain) on Investment securities	2,540	(28,902)
<i>Profit before changes in operating assets and liabilities</i>	668,908	588,987
Change in due from central bank	(49,936)	(193,410)
Change in loans and advances to customers	(3,358,055)	(2,313,109)
Change in other assets	(59,289)	(35,455)
Change in due to banks and central bank	747,259	(3,173,660)
Change in certificate of deposits and commercial paper	(20,000)	268,243
Change in customer deposits	1,982,917	3,216,862
Change in other liabilities	(265,529)	31,801
Net cash used in operating activities	(353,725)	(1,609,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(347,175)	(2,664,694)
Proceeds from sale or maturity of investment securities	592,084	1,142,239
Net acquisition of property and equipment	(9,978)	(15,367)
Net cash from / (used in) investing activities	234,931	(1,537,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from other borrowings and debt securities	1,803,044	943,255
Dividends paid	(347,095)	(210,361)
Net cash from financing activities	1,455,949	732,894
NET INCREASE / (DECREASE) IN CASH AND CASH	1,337,155	(2,414,669)
Cash and cash equivalents at 1 January	3,164,536	5,529,691
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4,501,691	3,115,022
<i>Cash and cash equivalents comprise:</i>		
Cash and balances with Qatar Central Bank (i)	1,577,057	227,167
Due from banks	2,924,634	2,887,855
Total	4,501,691	3,115,022

(i) Excludes the mandatory cash reserve requirement by Qatar Central Bank.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Ahli Bank Q.P.S.C. (“the Bank”) was incorporated in the State of Qatar in 1983 as a public shareholding company under the Emiri Decree No. 40 of 1983. The Bank is engaged in commercial and retail banking services and operates through its registered Head Office located at Suhaim Bin Hamad Street, Al Sadd Area in Doha (P.O. Box 2309, Doha, State of Qatar) and fourteen branches established in the State of Qatar.

The principal subsidiaries of the Bank are as follows:

Company's Name	Country of incorporation	Company's capital	Company's activities	Percentage of ownership 30 September 2020	Percentage of ownership 31 December 2019
Ahli Brokerage Company L.L.C.	Qatar	QAR 50 million	Brokerage	100	100
ABQ Finance Limited	Cayman Islands	US \$ 1	Debt Issuance	100	100

The Bank and its subsidiaries are together referred to as “the Group”, throughout these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements of Ahli Bank Q.P.S.C. for the nine month period ended 30 September 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 20 October 2020.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* and in conformity with the applicable provisions of Qatar Central Bank regulations and have been presented in Qatari Riyals thousands (QR'000) unless otherwise mentioned, which is the Group's functional and presentation currency.

The preparation of this interim condensed consolidated financial statements requires management to make judgments, 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.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019. All material intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated on consolidation.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019. In addition, results for the nine month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Significant accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for certain new and revised standards and interpretations, that became effective in the current period, which have introduced certain changes. Some of these changes are changes in terminology only, and some are substantive but have had no material effect on the reported results or financial position of the Group.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Significant accounting policies (continued)**

<i>Description</i>	<i>Effective from</i>
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020

Standard Issued but not yet

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.

3 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.

	<i>Stage 1</i>	<i>30 September 2020</i>	<i>Stage 3</i>	<i>Total</i>	<i>30 September</i>
	<i>QR' 000</i>	<i>Stage 2</i>	<i>QR' 000</i>	<i>QR' 000</i>	<i>2019</i>
		<i>QR' 000</i>			<i>QR' 000</i>
Exposure subject to ECL					
- Loans and advances to customers	31,390,743	3,649,045	767,227	35,807,015	30,459,483
- Investment securities (Debt)	7,063,054	18,289	-	7,081,343	7,265,621
- Loan commitments and financial guarantees	3,339,450	262,975	-	3,602,425	4,429,451
- Due from banks	2,874,325	50,910	-	2,925,235	2,882,131
Opening balance - at 1 January					
- Loans and advances to customers	118,302	149,848	547,510	815,660	628,225
- Net impairment losses on investment securities (Debt)	6,944	961	-	7,905	6,850
- Loan commitments and financial guarantees	6,695	1,601	-	8,296	17,094
- Net impairment losses on due from banks	369	132	-	501	390
	132,310	152,542	547,510	832,362	652,559
Charge for the period (net)					
- Loans and advances to customers	66,617	45,206	60,519	172,342	96,919
- Net impairment losses on investment securities (Debt)	4,727	178	-	4,905	1,247
- Loan commitments and financial guarantees	4,658	14	-	4,672	(8,276)
- Net impairment (reversals)/losses on due from banks	(47)	147	-	100	231
	75,955	45,545	60,519	182,019	90,121
Closing balance - at 30 September					
- Loans and advances to customers	184,919	195,054	608,029	988,002	725,144
- Net impairment losses on investment securities (Debt)	11,671	1,139	-	12,810	8,097
- Loan commitments and financial guarantees	11,353	1,615	-	12,968	8,818
- Net impairment losses on due from banks	322	279	-	601	621
	208,265	198,087	608,029	1,014,381	742,680

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2020

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit quality assessments**

<i>Rating grade</i>	<i>30 September 2020</i>			
	<i>Loans and advances to customers QR' 000</i>	<i>Investment securities (Debt) QR' 000</i>	<i>Loan commitments and financial guarantees QR' 000</i>	<i>Due from banks QR' 000</i>
AAA to AA-	3,659,187	6,319,057	380,720	1,068,238
A+ to A-	2,723,211	292,523	149,385	1,612,220
BBB to BBB-	23,465,008	326,140	2,679,349	234,638
BB+ to B-	5,107,392	143,623	392,971	10,139
CCC to C	84,990	-	-	-
Total	35,039,788	7,081,343	3,602,425	2,925,235
<i>Rating grade</i>	<i>30 September 2019</i>			
	<i>Loans and advances to customers QR' 000</i>	<i>Investment securities (Debt) QR' 000</i>	<i>Loan commitments and financial guarantees QR' 000</i>	<i>Due from banks QR' 000</i>
AAA to AA-	1,510,023	6,101,266	494,413	1,694
A+ to A-	2,886,340	679,122	185,479	2,875,419
BBB to BBB-	19,303,011	342,223	3,393,082	583
BB+ to B-	5,953,373	143,010	356,477	4,435
CCC to C	83,932	-	-	-
Total	29,736,679	7,265,621	4,429,451	2,882,131

4 SHARE CAPITAL AND DIVIDENDS PAID**4 a) Share capital**

	<i>30 September 2020 QR'000 (Reviewed)</i>	<i>30 September 2019 QR'000 (Reviewed)</i>	<i>31 December 2019 QR'000 (Audited)</i>
<i>Authorised</i>			
Ordinary shares of QR 1 each	2,429,663	2,313,965	2,313,965
<i>Issued and fully paid as of 30 September 2020</i>		<i>Number of shares in thousands</i>	<i>QR'000</i>
At 31 December 2019 (Audited)		2,313,965	2,313,965
Issue of bonus shares on 26 February 2020		115,698	115,698
At 30 September 2020 (Reviewed)		2,429,663	2,429,663

4 SHARE CAPITAL AND DIVIDENDS PAID (CONTINUED)

	<i>Number of shares in thousands</i>	<i>QR'000</i>
<i>Issued and fully paid as of 30 September 2019</i>		
At 31 December 2018 (<i>Audited</i>)	2,103,604	2,103,604
Issue of bonus shares on 25 February 2019	<u>210,361</u>	<u>210,361</u>
At 30 September 2019 (<i>Reviewed</i>)	<u>2,313,965</u>	<u>2,313,965</u>

Qatar Investment Authority holds 47.71% of the ordinary shares of the Bank with the remaining shares held by members of the public and institutions (52.29%).

Bonus issue

On 26 February 2020, the Bank issued bonus shares (ordinary shares) at the rate of one share for every twenty shares held by the ordinary shareholders upon obtaining approval from the shareholders in the Annual General Meeting held on 26 February 2020. (2019: the Bank issued bonus shares at the rate of one ordinary share for every ten shares held by the ordinary shareholders).

4 b) Dividends Paid

During the period, the Bank paid a cash dividend of QR 0.15 per share totaling to QR 347,095 thousand (2019 – QR 1 per share totaling to QR 210,361 thousand before share split).

5 FAIR VALUE RESERVE

	<i>30 September 2020 QR'000 (Reviewed)</i>	<i>30 September 2019 QR'000 (Reviewed)</i>	<i>31 December 2019 QR'000 (Audited)</i>
At the beginning of the period / year	(12)	(11,489)	(11,489)
Realised during the period / year	(194)	6	81
Fair value (loss) / gain during the period / year	<u>(12,750)</u>	<u>9,733</u>	<u>11,396</u>
At the end of the period/year	<u>(12,956)</u>	<u>(1,750)</u>	<u>(12)</u>

6 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprise:

	<i>30 September 2020 QR'000 (Reviewed)</i>	<i>30 September 2019 QR'000 (Reviewed)</i>	<i>31 December 2019 QR'000 (Audited)</i>
Loans and advances to customers	35,516,671	30,237,999	32,137,622
Less: Deferred profit	<u>(2,734)</u>	<u>(2,768)</u>	<u>(2,734)</u>
Gross loans and advances to customers	35,513,937	30,235,231	32,134,888
Net impairment of loans and advances to customers	<u>(988,002)</u>	<u>(725,144)</u>	<u>(815,660)</u>
Interest receivable	<u>34,525,935</u>	<u>29,510,087</u>	<u>31,319,228</u>
	<u>290,344</u>	<u>221,484</u>	<u>271,878</u>
Net loans and advances to customers	<u>34,816,279</u>	<u>29,731,571</u>	<u>31,591,106</u>

6 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The total non-performing loans and advances to customers at 30 September 2020 amounted to QR 767.22 million, representing 2.16% of the total loans and advances (31 December 2019: QR 693.48 million representing 2.16% of the total loans and advances to customers).

Interest in suspense of QR 122 million as of 30 September 2020 (31 December 2019: QR 87.26 million) is, for the purpose of the Qatar Central Bank regulatory requirements included in the above impairment allowance amount.

7 INVESTMENT SECURITIES

	30 September 2020 QR'000 (Reviewed)	30 September 2019 QR'000 (Reviewed)	31 December 2019 QR'000 (Audited)
Investment securities measured at FVOCI	828,735	1,085,327	1,043,207
Investment securities measured at FVTPL	170,600	155,311	173,969
Investment securities measured at amortised cost	6,196,456	6,191,697	6,240,649
Gross financial investments	7,195,791	7,432,335	7,457,825
Less: net impairment losses on investment securities	(12,810)	(8,097)	(7,905)
	7,182,981	7,424,238	7,449,920
Interest receivable on investment securities (debt instruments)	67,555	66,896	70,686
	7,250,536	7,491,134	7,520,606

8 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares in issue during the period.

	Three month ended 30 September		Nine month ended 30 September	
	2020 (Reviewed)	2019 (Reviewed)	2020 (Reviewed)	2019 (Reviewed)
Profit for the period – QR'000	206,320	185,269	500,778	544,541
Weighted average number of shares	2,429,663,013	2,429,663,013	2,429,663,013	2,429,663,013
Earnings per share (QR) (2019 adjusted)	0.085	0.076	0.206	0.224

The weighted average number of shares is as follows:

	Three month ended 30 September		Nine month ended 30 September	
	2020 (Reviewed)	2019 (Reviewed)	2020 (Reviewed)	2019 (Reviewed)
Qualifying shares at the beginning of the period	2,313,964,774	2,313,964,774	2,313,964,774	2,313,964,774
Bonus shares issued during the period	115,698,239	115,698,239	115,698,239	115,698,239
Qualifying weighted average shares at the end of the period	2,429,663,013	2,429,663,013	2,429,663,013	2,429,663,013

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

9 FINANCIAL INSTRUMENTS - CARRYING AMOUNT, FAIR VALUES AND FAIR VALUE HIERARCHY

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

9 a) Financial instruments measured at fair value – Fair value hierarchy

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:

	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
<i>30 September 2020 (Reviewed)</i>				
Derivative assets held for risk management	-	71,083	-	71,083
Investment securities	918,110	81,225	-	999,335
	<u>918,110</u>	<u>152,308</u>	<u>-</u>	<u>1,070,418</u>
Derivative liabilities held for risk management	-	6,321	-	6,321
	<u>-</u>	<u>6,321</u>	<u>-</u>	<u>6,321</u>
<i>30 September 2019 (Reviewed)</i>				
Derivative assets held for risk management	-	9,075	-	9,075
Investment securities	1,160,368	80,270	-	1,240,638
	<u>1,160,368</u>	<u>89,345</u>	<u>-</u>	<u>1,249,713</u>
Derivative liabilities held for risk management	-	39,996	-	39,996
	<u>-</u>	<u>39,996</u>	<u>-</u>	<u>39,996</u>
	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
<i>31 December 2019 (Audited)</i>				
Derivative assets held for risk management	-	16,054	-	16,054
Investment securities	1,136,535	80,641	-	1,217,176
	<u>1,136,535</u>	<u>96,695</u>	<u>-</u>	<u>1,233,230</u>
Derivative liabilities held for risk management	-	17,134	-	17,134
	<u>-</u>	<u>17,134</u>	<u>-</u>	<u>17,134</u>

During the periods ended 30 September 2020 and 30 September 2019 and year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial instruments not measured at fair value

Fair value of investment securities measured at amortised cost amounting to QAR 6,373,597 thousand as at 30 September 2020 (31 December 2019: QAR 6,333,266 thousand), which is derived using level 1 fair value hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2020

10 CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS

	<i>30 September 2020 QR'000 (Reviewed)</i>	<i>30 September 2019 QR'000 (Reviewed)</i>	<i>31 December 2019 QR'000 (Audited)</i>
<i>Contingent liabilities:</i>			
Unused credit facilities (cancellable and non-cancellable)	8,676,401	11,713,439	11,021,603
Guarantees	9,724,516	8,852,931	8,932,239
Letters of credit	921,338	1,011,303	996,881
	<u>19,322,255</u>	<u>21,577,723</u>	<u>20,950,723</u>
<i>Other Commitments:</i>			
Interest rate swaps	-	747,320	728,000
Forward foreign exchange contracts	2,343,714	2,410,563	2,311,476
Total	<u>2,343,714</u>	<u>3,157,883</u>	<u>3,039,476</u>

Unused credit facilities

Commitments to extend credit represent contractual commitments to fund loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Guarantees and letters of credit

Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of contracts with third parties. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credits, advance payment guarantees and endorsements liabilities from bills rediscounted.

11 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into two major operating segments:

Retail banking, private banking and wealth management	Principally handling individual customers' deposit and current accounts, providing consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. Private banking and wealth management represents servicing high net worth individuals through a range of investment products, funds, credit facilities, trusts and alternative investments.
Corporate banking, treasury, investments and brokerage subsidiary	Principally handling loans and other credit facilities, and deposit and current accounts for corporate and institutional customers and providing money market, trading and treasury services, as well as management of the Group's funding. This includes the brokerage activities of the wholly owned subsidiary, Ahli Brokerage Company L.L.C.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

11 SEGMENT INFORMATION (CONTINUED)

Segment information for the period is as follows:

<i>30 September 2020 (Reviewed)</i>	<i>Retail & private banking and wealth management QR'000</i>	<i>Corporate banking, treasury, investments and brokerage subsidiary QR'000</i>	<i>Total QR'000</i>
Net interest income	148,045	557,953	705,998
Net fee and commission income	38,724	93,529	132,253
Foreign exchange gain	11,596	18,834	30,430
Income from investment securities	-	5,703	5,703
Other operating income	-	3,452	3,452
Total segment operating income	198,365	679,471	877,836
Other material non-cash items: Net recoveries / (provisions)	3,857	(146,416)	(142,559)
Reportable segment profit	98,400	402,378	500,778
Reportable segment assets	7,563,240	40,740,070	48,303,310
Reportable segment liabilities	13,594,790	28,609,069	42,203,859
<i>30 September 2019 (Reviewed)</i>	<i>Retail & private banking and wealth management QR'000</i>	<i>Corporate banking, treasury, investments and brokerage subsidiary QR'000</i>	<i>Total QR'000</i>
Net interest income	144,861	462,697	607,558
Net fee and commission income	38,411	108,693	147,104
Foreign exchange gain	12,457	12,910	25,367
Income from investment securities	-	36,992	36,992
Other operating income	-	3,941	3,941
Total segment operating income	195,729	625,233	820,962
Other material non-cash items: Net provisions	(7,311)	(44,894)	(52,205)
Reportable segment profit	84,131	460,410	544,541
Reportable segment assets	7,310,778	34,714,546	42,025,324
Reportable segment liabilities	12,010,832	24,171,329	36,182,161

12 RELATED PARTIES

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

	<i>30 September 2020 (Reviewed)</i>		<i>31 December 2019 (Audited)</i>	
	<i>Board of directors</i>	<i>Shareholders</i>	<i>Board of directors</i>	<i>Shareholders</i>
	<i>QR' 000</i>	<i>QR' 000</i>	<i>QR' 000</i>	<i>QR' 000</i>
Assets:				
Loans and advances to customers	781,377	-	786,970	-
Liabilities:				
Customer deposits	1,431,113	1,516,123	2,074,645	1,474,847
Unfunded items:				
Letters of guarantee, letters of credit, commitments and indirect credit facilities	10,181	-	16,027	-
	<i>For the nine month period ended 30 September 2020 (Reviewed)</i>		<i>For the nine month period ended 30 September 2019 (Reviewed)</i>	
	<i>Board of directors</i>	<i>Shareholders</i>	<i>Board of directors</i>	<i>Shareholders</i>
	<i>QR' 000</i>	<i>QR' 000</i>	<i>QR' 000</i>	<i>QR' 000</i>
Income statement items:				
Interest and fee and commission income	33,886	-	36,762	-
Interest and fee and commission expense	33,474	19,242	49,212	30,381
Board of Directors' remuneration	9,189	-	9,189	-

Transactions with key management personnel

Key management personnel (other than Board of Directors) and their immediate relatives have transacted with the Group during the period / year as follows:

	<i>30 September 2020 QR' 000 (Reviewed)</i>	<i>31 December 2019 QR' 000 (Audited)</i>
Other loans	3,374	4,103

Key management personnel compensation comprised:

	<i>For the nine month period ended 30 September 2020 QR' 000 (Reviewed)</i>	<i>30 September 2019 QR' 000 (Reviewed)</i>
Salaries and short-term employee benefits	29,351	17,758
Post employment benefits	4,615	10,828
	33,966	28,586

13 CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the below ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer (2.5%) and the applicable Domestically Systemically Important Bank ("DSIB") Buffer, is 12.5 % for 2020.

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

	<i>30 September 2020 QR'000 (Reviewed)</i>	<i>30 September 2019 QR'000 (Reviewed)</i>	<i>31 December 2019 QR'000 (Audited)</i>
Common Equity Tier 1 (CET) Capital	5,598,672	5,298,622	5,611,617
Additional Tier 2 Capital	406,353	331,184	284,852
Total Eligible Capital	6,005,025	5,629,806	5,896,469
Risk Weighted Assets	35,455,804	33,296,147	32,735,102
	16.94	16.91	18.01

14 IMPACT OF COVID-19 AND REVISION TO FORWARD LOOKING INFORMATION WITH RESPECT TO EXPECTED CREDIT LOSSES

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The Central Banks and Sovereign Governments have announced monetary and fiscal measures to mitigate the possible adverse implications.

The Group is closely monitoring the situation and has activated its business continuity planning to manage the potential business disruption due to the outbreak of COVID-19. The impact of outbreak may have on its operations and financial performance is being continually assessed.

The Group uses econometric models for estimating forward looking ECL. The econometric models have been developed based its financial assets relationship with various relevant economic variables. Despite reaffirmation of Qatar's strong fundamentals and extraordinary measures taken by the Qatar Government to alleviate the financial and economic impact of COVID-19 on affected sectors, the Group decided to take a conservative view for the purpose of estimating its ECL. Accordingly, in line with the latest available projections, real GDP was assumed to decline 4.52% during 2020. The estimates of other relevant variables were also considered in line with the latest projections provided by leading economic agencies. Furthermore, the weightings assigned to each macro-economic scenario at the Group level as at 30 September 2020, were 60% to the Base Case 30% to Downside and 10% to the Upside Case. (31 December 2019: 62.5% to the Base Case, 18.75% to Downside and Upside Case). In managements best assessment Risks are sufficiently covered at this point of time. The management will continuously monitor the ongoing situation and continue to provide conservatively for any downside risks.

QCB has encouraged banks in Qatar to delay repayments for affected sectors, pursuant to which the group has deferred repayments for certain customers during the period. In accordance with IASB guidance, the extension of payment relief does not automatically trigger a significant increase in credit risk and a stage migration for the purpose of calculating expected credit losses, as these measures are being made available to assist borrowers affected by Covid-19 outbreak to resume regular payments.

The Group has considered the potential impacts of the current economic volatility in determining the reported amounts of the Group's financial and non-financial assets as at 30 September 2020. However, market remains volatile and the recorded amounts remain sensitive to market fluctuations.