MASRAF AL RAYAN (Q.P.S.C.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2022

Masraf Al Rayan (Q.P.S.C.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To The Board of Directors
Masraf Al Rayan (Q.P.S.C.)
Doha – Qatar

Introduction

We have reviewed the interim condensed consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) ("the Bank") and its subsidiaries (together referred to as the "Group") comprising the interim consolidated statement of financial position as at 30 September 2022, and the related interim consolidated statement of income, interim consolidated statement of changes in equity, interim consolidated statement of cash flows and interim consolidated statement of sources and uses of charity fund for the nine month period then ended, and certain explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the 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.

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

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 the Financial Accounting Standards issued by the AAOIFI as modified by the QCB.

Doha – Qatar
25 October 2022

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

Masraf Al Rayan (Q.P.S.C.) QAR '000s

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Notes	30 September 2022 (Reviewed)	31 December 2021 (Audited)	30 September 2021 (Reviewed)
ASSETS				
Cash and balances with central banks		**5,288,633**	5,220,712	7,312,538
Due from banks		**3,050,926**	9,155,812	7,709,434
Financing assets	8	**116,630,115**	120,806,731	87,009,549
Investment securities	9	**31,984,589**	32,775,088	21,864,182
Investment in associates		**345,398**	348,935	348,936
Fixed assets		**767,196**	714,680	373,213
Intangible asset	22	**1,758,698**	1,758,698	-
Other assets		**4,276,759**	3,253,204	147,466
TOTAL ASSETS		**164,102,314**	174,033,860	124,765,318
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	**28,003,036**	23,246,577	22,091,934
Customer current accounts		**9,334,194**	9,192,634	8,616,640
Sukuk and debt financing	11	**7,547,844**	7,614,762	5,349,332
Other borrowings	12	**4,456,676**	5,699,994	1,560,656
Other liabilities		**6,413,821**	5,849,975	2,570,757
TOTAL LIABILITIES		**55,755,571**	51,603,942	40,189,319
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	**83,973,181**	97,763,630	69,545,394
EQUITY				
Share capital	14 (a)	**9,300,000**	9,300,000	7,500,000
Legal reserve	14 (b)	**9,644,166**	9,644,166	2,714,166
Risk reserve	14 (c)	**2,282,824**	2,282,824	1,796,600
Fair value reserve	14 (d)	**54,506**	36,125	38,378
Foreign currency translation reserve	14 (e)	**(71,511)**	(5,915)	(2,959)
Other reserves	14 (f)	**127,274**	127,274	126,222
Retained earnings		**1,861,185**	2,082,166	2,661,207
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**23,198,444**	23,466,640	14,833,614
Non-controlling interest	15	**175,118**	199,648	196,991
Instrument eligible as additional capital		**1,000,000**	1,000,000	-
TOTAL EQUITY		**24,373,562**	24,666,288	15,030,605
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**164,102,314**	174,033,860	124,765,318

These interim condensed consolidated financial statements were approved by the Board of Directors on 25 October 2022 and were signed on its behalf by:

Mohamed Bin Hamad Bin Qassim Al Thani Chairman	Hamad Bin Faisal Bin Thani Al Thani Vice Chairman	Fahad Bin Abdulla Al Khalifa Group Chief Executive Officer

DELOITTE & TOUCHE
Doha - Qatar
25 OCT 2022
Signed for Identification Purposes Only

This statement has been prepared by the Management of the Group and stamped by the Auditors for identification purposes only

The attached notes 1 to 22 form part of, and should be read in conjunction with these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.P.S.C.) QAR '000s

INTERIM CONSOLIDATED INCOME STATEMENT
For the Nine-Month Period Ended 30 September 2022

	Notes	*For the Three-Month Period Ended 30 September* 2022 (Reviewed)	*For the Three-Month Period Ended 30 September* 2021 (Reviewed)	*For the Nine-Month Period Ended 30 September* 2022 (Reviewed)	*For the Nine-Month Period Ended 30 September* 2021 (Reviewed)
Net income from financing activities		**1,348,721**	869,272	**3,686,386**	2,726,167
Net income from investing activities		**327,393**	206,190	**897,391**	637,813
Total net income from financing and investing activities		**1,676,114**	1,075,462	**4,583,777**	3,363,980
Fee and commission income		**133,374**	85,981	**342,281**	246,889
Fee and commission expense		**(611)**	(642)	**(1,833)**	(2,319)
Net fee and commission income		**132,763**	85,339	**340,448**	244,570
Foreign exchange gain (net)		**59,784**	36,670	**177,181**	117,629
Share of results of associates		**-**	4,036	**22,574**	13,706
Other income		**1,820**	278	**12,496**	2,285
TOTAL INCOME		**1,870,481**	1,201,785	**5,136,476**	3,742,170
Staff costs		**(116,454)**	(112,471)	**(401,247)**	(316,715)
Depreciation and amortisation		**(13,337)**	(12,398)	**(40,837)**	(38,753)
Other expenses		**(184,274)**	(80,930)	**(425,988)**	(206,290)
Finance expense		**(303,993)**	(122,743)	**(646,324)**	(397,744)
TOTAL EXPENSES		**(618,058)**	(328,542)	**(1,514,396)**	(959,502)
Net reversals / (impairment losses) on due from banks	3 (a)	**6,591**	163	**(8,898)**	(1,356)
Net impairment losses on financing assets		**(360,064)**	(57,053)	**(941,756)**	(239,149)
Net impairment losses on investments		**(12,442)**	(315)	**(49,495)**	(189,031)
Net (impairment losses) / reversals on other exposures subject to credit risk	3 (a)	**(62,143)**	(3,302)	**(89,151)**	7,574
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**824,365**	812,736	**2,532,780**	2,360,706
Less: Return to investment account holders		**(479,058)**	(236,831)	**(1,141,070)**	(636,049)
PROFIT BEFORE TAX FOR THE PERIOD		**345,307**	575,905	**1,391,710**	1,724,657
Tax expense		**(5,443)**	(2,595)	**(16,993)**	(738)
NET PROFIT FOR THE PERIOD		**339,864**	573,310	**1,374,717**	1,723,919
Net profit for the period attributable to:					
Equity holders of the Bank		**334,136**	569,958	**1,360,019**	1,713,276
Non-controlling interest		**5,728**	3,352	**14,698**	10,643
		339,864	573,310	**1,374,717**	1,723,919
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	17	**0.036**	0.076	**0.146**	0.228

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Doha - Qatar

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25 OCT 2022

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Masraf Al Rayan (Q.P.S.C.) QAR '000s

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Nine-Month Period Ended 30 September 2022

	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interest	Instrument eligible as additional capital	Total equity
Balance at 31 December 2021 (Audited)	9,300,000	9,644,166	2,282,824	36,125	(5,915)	127,274	2,082,166	23,466,640	199,648	1,000,000	24,666,288
Change in foreign currency translation reserve	-	-	-	-	(65,596)	-	-	(65,596)	-	-	(65,596)
Fair value reserve movement	-	-	-	8,840	-	-	-	8,840	-	-	8,840
Effective portion of changes in fair value of cash flow hedges	-	-	-	9,541	-	-	-	9,541	-	-	9,541
Net profit for the period	-	-	-	-	-	-	1,360,019	1,360,019	14,698	-	1,374,717
Dividend declared and approved for 2021	-	-	-	-	-	-	(1,581,000)	(1,581,000)	-	-	(1,581,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(39,228)	-	(39,228)
Balance at 30 September 2022 (Reviewed)	**9,300,000**	**9,644,166**	**2,282,824**	**54,506**	**(71,511)**	**127,274**	**1,861,185**	**23,198,444**	**175,118**	**1,000,000**	**24,373,562**

	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interest	Instrument eligible as additional capital	Total equity
Balance at 31 December 2020 (Audited)	7,500,000	2,714,166	1,796,600	25,204	(3,618)	126,222	2,206,731	14,365,305	226,666	-	14,591,971
Change in foreign currency translation reserve	-	-	-	-	659	-	-	659	-	-	659
Fair value reserve movement	-	-	-	18,657	-	-	-	18,657	-	-	18,657
Gain on sale of FVTE investments	-	-	-	(5,483)	-	-	5,483	-	-	-	-
Net profit for the period	-	-	-	-	-	-	1,713,276	1,713,276	10,643	-	1,723,919
Dividend declared and approved for 2020	-	-	-	-	-	-	(1,275,000)	(1,275,000)	-	-	(1,275,000)
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	-	10,717	10,717	(37,458)	-	(26,741)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(2,860)	-	(2,860)
Balance at 30 September 2021 (Reviewed)	7,500,000	2,714,166	1,796,600	38,378	(2,959)	126,222	2,661,207	14,833,614	196,991	-	15,030,605

DELOITTE & TOUCHE Doha - Qatar 25 OCT 2022 Signed for Identification Purposes Only

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The attached notes 1 to 22 form part of, and should be read in conjunction with these interim condensed consolidated financial statements

Masraf Al Rayan (Q.P.S.C.) QAR '000s

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Nine-Month Period Ended 30 September 2022

	Note	For the Nine-Month Period Ended 30 September 2022 (Reviewed)	2021 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		**1,391,710**	1,724,657
Adjustments for:			
Net impairment losses on due from banks		**8,898**	1,356
Net impairment losses on financing assets		**941,756**	239,149
Net impairment losses on investments		**49,495**	189,031
Net impairment losses / (reversals) on other exposures subject to credit risk		**89,151**	(7,574)
Fair value gain / (loss) on investment securities carried as fair value through income statement		**(62)**	86
Unrealized (gain) / loss on revaluation of Shari'a compliant risk management instruments		**(28,233)**	23,735
Depreciation and amortisation		**40,837**	38,753
Gain on disposal of fixed assets and right-of-use assets reassessments		**141**	-
Amortization of transaction costs on sukuk and debt financing, due to banks and other borrowings		**11,774**	9,737
Net loss / (gain) on sale of investment securities		**2,999**	(98)
Dividend income		**(6,197)**	(3,911)
Share of results of associates		**(22,574)**	(13,706)
Amortisation of premium and discount on investment securities		**61,827**	(12,641)
Employees' end of service benefit provisions		**7,940**	8,868
Profit before changes in operating assets and liabilities		**2,549,462**	2,197,442
Change in reserve account with Qatar Central Bank		**44,025**	(454,473)
Change in due from banks		**358,955**	(334,620)
Change in financing assets		**2,681,822**	(1,274,736)
Change in other assets		**(542,599)**	187,764
Change in profit receivable from investments		**19,741**	7,656
Change in due to banks		**4,756,459**	(6,437,115)
Change in customer current accounts		**141,560**	124,643
Change in other liabilities		**1,169,158**	204,562
Change in profit payable on sukuk financing and other borrowings		**39,036**	28,873
		11,217,619	(5,750,004)
Dividend received		**6,197**	3,911
Tax paid		**(11,144)**	(8,627)
Social and sports fund contribution		**(42,813)**	(54,386)
Employees' end of service benefits paid		**(52,980)**	(2,059)
Net cash generated from / (used in) operating activities		**11,116,879**	(5,811,165)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		**(2,830,760)**	(2,851,249)
Proceeds from sale / redemption of investment securities		**3,026,506**	1,582,749
Acquisition of fixed assets		**(93,893)**	(46,087)
Dividend received from associates		**10,700**	10,700
Net cash generated from / (used in) investing activities		**112,553**	(1,303,887)

...continued

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25 OCT 2022
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Masraf Al Rayan (Q.P.S.C.) QAR '000s

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the Nine-Month Period Ended 30 September 2022

	Note	*For the Nine-Month Period Ended 30 September* 2022 (Reviewed)	2021 (Reviewed)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		**(13,791,247)**	9,118,896
Net proceeds from sukuk financing and other borrowings		**361,865**	832,840
Repayments of sukuk financing and other borrowings		**(1,663,387)**	(707,232)
Profit paid on instrument eligible as additional capital		**(48,195)**	-
Net repayment of Ijarah liabilities		**(23,398)**	(31,830)
Dividends paid		**(1,591,868)**	(1,228,257)
Net movement in non-controlling interest		**(39,228)**	(29,601)
Net cash (used in) / generated from financing activities		**(16,795,458)**	7,954,816
Net (decrease) / increase in cash and cash equivalents		**(5,566,026)**	839,764
Cash and cash equivalents at 1 January		**9,140,950**	10,713,783
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held		**(59,061)**	16,389
Cash and cash equivalents at 30 September	18	**3,515,863**	11,569,936

Refer to Note 18 for details of non-cash transaction.

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Masraf Al Rayan (Q.P.S.C.) QAR '000s

INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND
For the Nine-Month Period Ended 30 September 2022

	For the Nine-Month Period Ended 30 September	
	2022 (Reviewed)	*2021 (Reviewed)*
Undistributed charity fund as at 1 January	**9,927**	2,472
Net earnings prohibited by Shari'a during the period	**26,466**	515
Total source of charity fund	**36,393**	2,987
Use of charity fund		
Researches, donations and other uses during the period	**-**	-
Undistributed charity fund as at 30 September	**36,393**	2,987

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Masraf Al Rayan (Q.P.S.C.) QAR ’000s

1 REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) (“Masraf” or “the Bank”) is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies’ Law No. 5 of 2002, as amended by Qatar Commercial Companies’ Law No. 11 of 2015, under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank’s registered office is at P.O. Box 28888, Lusail Marina, Qatar. The interim condensed consolidated financial statements of the Bank for the nine-month period ended 30 September 2022 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Group is primarily involved in Islamic banking, financing and investing activities, and has 17 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the interim condensed consolidated financial statements continue to be prepared on the going concern basis.

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. (“Al Khaliji”) have entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by the shareholders of both banks at their respective Extra-Ordinary General Assemblies held on 5 October 2021 and 6 October 2021. On 2 November 2021, Qatar Central Bank (“QCB”) approved the Bank’s merger by way of absorption pursuant to Article 278 of the Commercial Companies Law Number 11 of 2015 (the “Commercial Companies Law”) and Article 161(2) of Law Number 13 of 2012 issuing the Qatar Central Bank Law and Regulation of Financial Institutions (the “QCB Law”) and the merger agreement (the “Merger”).

The merger was effected in a share swap transaction through the issuance of 0.5 new Masraf share for every 1 share in Al Khaliji at the close of business on 30 November 2021 (the “effective date”), subsequent to which Al Khaliji shares were delisted from Qatar Stock Exchange. On the effective date, Al Khaliji has been dissolved and Masraf, which will be the remaining legal entity and will continue to conduct all operations in accordance with Shari’a principles, absorbed its assets and liabilities.

The principal subsidiaries of the Group are as follows:

Entity’s name	*Country of incorporation*	*Entity’s capital*		*Entity’s activities*	*Effective percentage of ownership*	
					30 September 2022	*31 December 2021*
Al Rayan Investment L.L.C.	Qatar	USD	100,000,000	Investment banking	**100.0%**	100.0%
Al Rayan (UK) Limited[1]	UK	GBP	100,000,000	Investment activities	**75.0%**	75.0%
Al Rayan Partners L.L.C.	Qatar	QAR	10,000,000	Real estate consulting	**100.0%**	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD	100	Investment activities	**100.0%**	100.0%
MAR Sukuk Limited[2]	Cayman Islands	USD	250	Sukuk issuance	**100.0%**	100.0%
Al Khaliji France S.A.[3 & 5]	France	EUR	104,000,000	Banking	**100.0%**	100.0%
AKCB Finance Limited[3]	Cayman Islands	USD	1	Debt Issuance	**100.0%**	100.0%
AKCB Falcon Limited[3]	Cayman Islands	USD	1	Debt Issuance	**100.0%**	100.0%
AKCB Markets Limited[3]	Cayman Islands	USD	1	Over-the-Counter Shari’a-compliant risk management instruments	**100.0%**	100.0%
Lusail Limited	Cayman Islands	USD	1	Financing and investing activities	**100.0%**	100.0%
MAR Finance L.L.C.[4]	Qatar	QAR	1,000	Sukuk issuance	**100.0%**	-

1 REPORTING ENTITY (continued)

[1] On 14 July 2021, the Bank acquired additional 5% shares in Al Rayan (UK) Limited. Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 73.76% of Al Rayan Bank PLC.
[2] MAR Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.
[3] Subsidiaries of Al Khaliji that became subsidiaries of the Group upon completion of the merger between the Bank and Al Khaliji on 30 November 2021. Please refer to Note 22 for more details on the business combination.
[4] MAR Finance L.L.C. was incorporated in Qatar Financial Centre as a limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.
[5] In relation to the merger, Al Khaliji France S.A. continues to operate in its present status as a conventional bank. As of reporting date, there are no plans in place to convert the portfolio of the subsidiary into Shari'a-compliant products. Accordingly, the net profit earned by the subsidiary is not included in the interim consolidated income statement, and the subsidiary's assets and liabilities are presented under other assets and other liabilities in the interim consolidated statement of financial position.

The Group does not have any subsidiaries with material non-controlling interests.

2 BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the QCB. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at Fair Value Through Equity ("FVTE"). The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank.

The Group has adopted QCB guidelines on staging and provisioning of certain exposures, which modifies the requirements of FAS 30 "Impairment, credit losses and onerous commitments".

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. In addition, results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The preparation of these 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, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

2 BASIS OF PREPARATION (continued)

(b) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial investments classified as "investments at fair value through equity", "investments at fair value through income statement" and Shari'a-compliant risk management instruments.

(c) Functional and presentational currency

The interim condensed consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(d) New standards, amendment and interpretation

(i) New standard, amendment and interpretation effective from 1 January 2022

FAS 38 Wa'ad, Khiyar and Tahawwut
AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions.

This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The adoption of this standard did not result in changes to previously reported net profit or equity of the Group, however, may result in additional disclosures at year end.

(ii) New standards, amendment and interpretation issued but not yet effective

The Group has not yet applied the following new and revised FAS that has been issued but is not yet effective:

FAS 39 – Financial Reporting for Zakah
AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 "Zakah" issued previously. This standard aims at setting out the accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in the financial statements.

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

FAS 1 – General Presentation and Disclosures in the Financial Statements (Revised 2021)
AAOIFI has issued FAS 1 (Revised) in 2021. The revised FAS 1 "General Presentation and Disclosures in the Financial Statements" describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. The objective of this standard is to align the accounting treatments and the reporting requirements for the Islamic financial institutions to the maximum possible extent with the generally accepted accounting principles without compromising the Shari'a requirements and nature of Islamic financial transactions and institutions.

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

The Group is currently evaluating the impact of the above standards.

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3 EXPECTED CREDIT LOSSES ("ECL")

(a) Expected credit loss / Impairment allowances

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 September 2022				
- Due from banks and balances with central banks	**7,457,823**	**309,036**	**-**	**7,766,859**
- Financing assets	**93,231,383**	**22,528,541**	**3,947,091**	**119,707,015**
- Debt type investments carried at amortised cost	**31,400,470**	**292,955**	**57,162**	**31,750,587**
- Other exposures subject to credit risk	**14,248,944**	**2,045,959**	**605,413**	**16,900,316**
	146,338,620	**25,176,491**	**4,609,666**	**176,124,777**
Opening balance - as at 1 January 2022				
- Due from banks and balances with central banks	1,087	440	-	1,527
- Financing assets	58,617	793,979	1,027,263	1,879,859
- Debt type investments carried at amortised cost	11,729	6,360	57,162	75,251
- Other exposures subject to credit risk	15,110	34,513	2,019	51,642
	86,543	835,292	1,086,444	2,008,279
Foreign currency translation for the period				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	(1,543)	(1,332)	52	(2,823)
- Debt type investments carried at amortised cost	(17)	-	-	(17)
- Other exposures subject to credit risk	-	-	-	-
	(1,560)	(1,332)	52	(2,840)
Net transfer between stages				
- Due from banks and balances with central banks	2	(2)	-	-
- Financing assets	5,927	(8,479)	2,552	-
- Debt type investments carried at amortised cost	(645)	645	-	-
- Other exposures subject to credit risk	(719)	714	5	-
	4,565	(7,122)	2,557	-
Charge / (reversal) for the period (net)				
- Due from banks and balances with central banks	7,645	1,253	-	8,898
- Financing assets	(7,129)	272,863	934,457	1,200,191
- Debt type investments carried at amortised cost	20,550	14,060	-	34,610
- Other exposures subject to credit risk	20,921	(8,364)	76,594	89,151
	41,987	279,812	1,011,051	1,332,850
Write-offs				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	-	-	(327)	(327)
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	(100)	(100)
	-	-	(427)	(427)
Closing balance - as at 30 September 2022				
- Due from banks and balances with central banks	**8,734**	**1,691**	**-**	**10,425**
- Financing assets	**55,872**	**1,057,031**	**1,963,997**	**3,076,900**
- Debt type investments carried at amortised cost	**31,617**	**21,065**	**57,162**	**109,844**
- Other exposures subject to credit risk	**35,312**	**26,863**	**78,518**	**140,693**
	131,535	**1,106,650**	**2,099,677**	**3,337,862**

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3 EXPECTED CREDIT LOSSES (“ECL”) (continued)

(a) Expected credit loss / Impairment allowances (continued)

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 September 2021				
- Due from banks and balances with central banks	14,100,414	353,391	-	14,453,805
- Financing assets	73,580,628	13,348,882	1,290,697	88,220,207
- Debt type investments carried at amortised cost	21,381,793	247,685	57,162	21,686,640
- Other exposures subject to credit risk	10,958,287	1,430,351	16,909	12,405,547
	120,021,122	15,380,309	1,364,768	136,766,199
Opening balance - as at 1 January 2021				
- Due from banks and balances with central banks	224	62	-	286
- Financing assets	66,810	342,620	548,505	957,935
- Debt type investments carried at amortised cost	16,571	2,683	57,162	76,416
- Other exposures subject to credit risk	22,168	8,452	-	30,620
	105,773	353,817	605,667	1,065,257
Foreign currency translation for the period				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	(181)	(207)	(23)	(411)
- Debt type investments carried at amortised cost	(1)	-	-	(1)
- Other exposures subject to credit risk	-	-	-	-
	(182)	(207)	(23)	(412)
Net transfer between stages				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	(6,305)	(6,575)	12,880	-
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	(861)	861	-	-
	(7,166)	(5,714)	12,880	-
Charge / (reversal) for the period (net)				
- Due from banks and balances with central banks	1	1,355	-	1,356
- Financing assets	8,621	46,469	199,396	254,486
- Debt type investments carried at amortised cost	664	(1,633)	-	(969)
- Other exposures subject to credit risk	(2,750)	(4,824)	-	(7,574)
	6,536	41,367	199,396	247,299
Write offs				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	-	-	(1,352)	(1,352)
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	-	-
	-	-	(1,352)	(1,352)
Closing balance - as at 30 September 2021				
- Due from banks and balances with central banks	225	1,417	-	1,642
- Financing assets	68,945	382,307	759,406	1,210,658
- Debt type investments carried at amortised cost	17,234	1,050	57,162	75,446
- Other exposures subject to credit risk	18,557	4,489	-	23,046
	104,961	389,263	816,568	1,310,792

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3 EXPECTED CREDIT LOSSES ("ECL") (continued)

(b) Credit quality assessments

The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent):

Rating grade	**Due from banks and balances with central banks**	**Financing assets**	**Debt type investments carried at amortised cost**	**Other exposures subject to credit risk**
AAA to AA-	5,430,207	62,394,435	29,015,637	1,650,531
A+ to A-	1,566,034	7,778,819	1,157,010	5,031,399
BBB+ to BBB-	39,524	19,388,469	200,477	4,422,961
BB+ to B-	424,426	14,555,164	1,302,469	4,455,429
Unrated	306,668	15,590,128	74,994	1,339,996
Totals as at 30 September 2022	**7,766,859**	**119,707,015**	**31,750,587**	**16,900,316**

Rating grade	Due from banks and balances with central banks	Financing assets	Debt type investments carried at amortised cost	Other exposures subject to credit risk
AAA to AA-	7,985,015	53,952,423	20,626,229	2,902,698
A+ to A-	5,614,897	6,384,738	173,684	4,293,961
BBB+ to BBB-	500,318	7,799,332	12,812	2,236,343
BB+ to B-	186	6,412,549	623,745	2,497,518
Unrated	353,389	13,671,165	250,170	475,027
Totals as at 30 September 2021	14,453,805	88,220,207	21,686,640	12,405,547

4 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 2021.

(i) *Valuation of financial instruments*

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

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4 FINANCIAL RISK MANAGEMENT (continued)

(i) *Valuation of financial instruments (continued)*

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

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

(ii) *Financial asset and liability classification*

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 September 2022 (Reviewed)	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets				
Shari’a-compliant risk management instruments	-	660,712	-	660,712
Investment securities	239,659	104,187	-	343,846
Assets held by non-Shari’a-compliant subsidiary	70,160	4,313	-	74,473
	309,819	**769,212**	**-**	**1,079,031**
Financial liabilities				
Shari’a-compliant risk management instruments	-	296,706	-	296,706
	-	**296,706**	**-**	**296,706**

31 December 2021 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Shari’a-compliant risk management instruments	-	169,877	-	169,877
Investment securities	244,033	97,571	-	341,604
Assets held by non-Shari’a-compliant subsidiary	76,357	30	-	76,387
	320,390	267,478	-	587,868
Financial liabilities				
Shari’a-compliant risk management instruments	-	272,722	-	272,722
Liabilities of a non-Shari’a-compliant subsidiary	-	1,999	-	1,999
	-	274,721	-	274,721

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investment securities for which the fair value amounts to QAR 7,105 million (31 December 2021: QAR 8,825 million), which is derived using Level 1 fair value hierarchy. The details of the Group’s classification of financial assets and liabilities are disclosed in Note 6.

During the reporting periods 30 September 2022 and 31 December 2021, there were no transfers among Levels 1, 2 and 3 fair value measurements.

5 USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) *Impairment losses on financial assets*

The measurement of impairment losses under FAS 30 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk, thereby requiring allowances for financial assets to be measured on a lifetime ECL basis, and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(ii) *Determining fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies (financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument).

(iii) *Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the interim condensed consolidated financial statements continue to be prepared on the going concern basis.

(iv) *FAS 32 – Determination of Ijarah term in Ijarah contracts with the renewal and termination option (Bank as a lessee)*

In determining the Ijarah term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the Ijarah term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5 USE OF ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty (continued)

(v) *Provisions and other contingent liabilities*

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in State of Qatar and in other jurisdictions, arising in the ordinary course of the Group’s business. When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

For further details on provisions and other contingencies, see Note 16.

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6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
30 September 2022 (Reviewed)					
Cash and balances with central banks	-	-	5,288,633	5,288,633	5,288,633
Due from banks	-	-	3,050,926	3,050,926	3,050,926
Financing assets	-	-	116,630,115	116,630,115	116,630,115
Investment securities:					
- Measured at fair value	-	343,846	-	343,846	343,846
- Measured at amortised cost	-	-	31,640,743	31,640,743	31,621,865
Financial assets held by a non-Shari'a-compliant subsidiary	4,313	70,160	2,796,001	2,870,474	2,853,303
Other assets	-	-	7,032	7,032	7,032
Shari'a-compliant risk management instruments	660,712	-	-	660,712	660,712
	665,025	**414,006**	**159,413,450**	**160,492,481**	**160,456,432**
Due to banks	-	-	28,003,036	28,003,036	28,003,036
Customer current accounts	-	-	9,334,194	9,334,194	9,334,194
Sukuk financing	-	-	7,547,844	7,547,844	7,284,178
Other borrowings	-	-	4,456,676	4,456,676	4,456,676
Financial liabilities of a non-Shari'a-compliant subsidiary	-	-	2,134,009	2,134,009	2,134,009
Other liabilities	-	-	1,571,908	1,571,908	1,571,908
Equity of investment account holders	-	-	83,973,181	83,973,181	83,973,181
Shari'a-compliant risk management instruments	296,706	-	-	296,706	296,706
	296,706	**-**	**137,020,848**	**137,317,554**	**137,053,888**

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6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

31 December 2021 (Audited)	*Fair value through income statement*	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
Cash and balances with central banks	-	-	5,220,712	5,220,712	5,220,712
Due from banks	-	-	9,155,812	9,155,812	9,155,812
Financing assets	-	-	120,806,731	120,806,731	120,806,731
Investment securities:					
- Measured at fair value	7,204	334,400	-	341,604	341,604
- Measured at amortised cost	-	-	32,433,484	32,433,484	32,551,098
Financial assets held by a non-Shari’a-compliant subsidiary	30	76,357	2,868,799	2,945,186	3,081,324
Other assets	-	-	7,429	7,429	7,429
Shari’a-compliant risk management instruments	169,877	-	-	169,877	169,877
	177,111	410,757	170,492,967	171,080,835	171,334,587
Due to banks	-	-	23,246,577	23,246,577	23,246,577
Customer current accounts	-	-	9,192,634	9,192,634	9,192,634
Sukuk financing	-	-	7,614,762	7,614,762	7,614,762
Other borrowings	-	-	5,699,994	5,699,994	5,699,994
Financial liabilities of a non-Shari’a-compliant subsidiary	1,999		2,245,901	2,247,900	2,247,900
Other liabilities	-	-	2,170,886	2,170,886	2,170,886
Equity of investment account holders	-	-	97,763,630	97,763,630	97,763,630
Shari’a-compliant risk management instruments	272,722	-	-	272,722	272,722
	274,721	-	147,934,384	148,209,105	148,209,105

7 OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group’s strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group’s management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group’s reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Treasury and Financial Institutions undertake the Group’s funding and centralised risk management activities through borrowings, sukuk and debt financing, use of Shari’a compliant instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan’s portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan’s investment products, asset management and investment placement business.
- International Operations includes loans, deposits and other products and services with corporate and individual customers in the Group’s international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non-core business operations, like common property & equipment, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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7 OPERATING SEGMENTS (continued)

Information about operating segments

30 September 2022 (Reviewed)	***Corporate Banking***	***Retail Banking***	***Treasury and Financial Institutions***	***Asset Management***	***International operations***	***Central Function***	***Total***
External revenue:							
Total income from financing and investing activities	2,469,214	933,615	910,161	7,612	263,175	-	**4,583,777**
Net fee and commission income	141,831	148,591	(538)	50,315	249	-	**340,448**
Foreign exchange gain / (loss)	-	-	174,833	(6)	2,354	-	**177,181**
Share of results of associates	-	-		-	-	22,574	**22,574**
Other income	-	-		-	-	12,496	**12,496**
Total segment revenue	**2,611,045**	**1,082,206**	**1,084,456**	**57,921**	**265,778**	**35,070**	**5,136,476**
Finance expense	-	-	(642,938)	(145)	(3,241)	-	**(646,324)**
Return to investment account holders	(815,150)	(252,203)	-	-	(73,717)	-	**(1,141,070)**
Net (impairment losses) / reversal of impairment on financing assets	(426,319)	(516,235)	-	-	798	-	**(941,756)**
Net impairment losses on investments	-	-	(33,209)	(1,401)	-	(14,885)	**(49,495)**
Net (impairment losses) / reversal of impairment on due from banks and other exposures subject to credit risk	(49,709)	6	(48,246)	(100)	-	-	**(98,049)**
Reportable segment profit / (loss) before tax	**1,311,475**	**313,774**	**331,355**	**43,133**	**79,894**	**(687,921)**	**1,391,710**
Reportable segment assets	**78,825,192**	**29,394,149**	**39,300,084**	**184,093**	**12,240,996**	**4,157,800**	**164,102,314**
Reportable segment liabilities	**5,542,528**	**2,727,560**	**39,685,796**	**11,879**	**3,695,855**	**4,091,953**	**55,755,571**
Reportable segment equity of investment account holders	**45,453,875**	**19,518,108**	**11,722,127**	**-**	**7,279,071**	**-**	**83,973,181**

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7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 September 2021 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Treasury and Financial Institutions*	*Asset Management*	*International operations*	*Central Function*	*Total*
External revenue:							
Total income from financing and investing activities	1,568,562	925,887	609,505	11,976	248,050	-	3,363,980
Net fee and commission income	129,367	87,889	-	26,919	395	-	244,570
Foreign exchange gain / (loss)	-	-	117,859	-	(230)	-	117,629
Share of results of associates	-	-	-	-	-	13,706	13,706
Other income	-	-	-	-	-	2,285	2,285
Total segment revenue	1,697,929	1,013,776	727,364	38,895	248,215	15,991	3,742,170
Finance expense	-	-	(383,764)	(828)	(13,152)	-	(397,744)
Return to investment account holders	(341,110)	(220,033)	-	-	(74,906)	-	(636,049)
Net impairment losses on financing assets	(156,248)	(80,718)	-	-	(2,183)	-	(239,149)
Net reversal of impairment / (impairment) losses on investments	-	-	1,400	(431)	-	(190,000)	(189,031)
Net reversal of impairment / (impairment losses) on due from banks and other exposures subject to credit risk	7,575	-	(1,357)	-	-	-	6,218
Reportable segment profit / (loss) before tax	1,202,190	713,025	362,578	25,936	35,185	(614,257)	1,724,657
Reportable segment assets	54,178,357	22,841,379	35,888,821	282,125	10,832,989	741,647	124,765,318
Reportable segment liabilities	4,184,514	2,790,453	28,420,141	132,492	2,212,367	2,449,352	40,189,319
Reportable segment equity of investment account holders	37,446,397	16,451,410	7,341,735	-	8,305,852	-	69,545,394

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8 FINANCING ASSETS

(a) By type

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Receivables and balances from financing activities:			
Murabaha	**76,486,877**	103,395,737	67,232,839
Ijarah	**43,844,797**	17,168,271	16,924,427
Istisna’a	**966,378**	814,576	1,042,906
Musharaka	**4,841,761**	6,117,880	6,519,711
Others	**566,816**	1,001,666	783,891
Accrued profit	**925,612**	569,892	357,611
Total financing assets	**127,632,241**	129,068,022	92,861,385
Deferred profit	**(7,925,226)**	(6,381,432)	(4,641,178)
Allowance for impairment - Performing (Stages 1 and 2)*	**(1,040,639)**	(842,084)	(451,252)
Allowance for impairment - Non-performing (Stage 3)*	**(1,725,064)**	(985,013)	(704,599)
Profit in suspense*	**(311,197)**	(52,762)	(54,807)
Net financing assets	**116,630,115**	120,806,731	87,009,549

*For stage-wise exposure and allowance for impairment, refer to Note 3(a).

The total non-performing financing assets net of deferred profit at 30 September 2022 amounted to QAR 3,947 million representing 3.30% of the gross financing assets net of deferred profit (31 December 2021: QAR 2,048 million representing 1.67% of the gross financing assets net of deferred profit; 30 September 2021: QAR 1,291 million representing 1.46% of the gross financing assets net of deferred profit).

(b) Movement in the allowance for impairment and profit in suspense on financing assets

	Allowance for impairment	***Profit in suspense***	***30 September 2022 (Reviewed)***
Balance as at 1 January	1,827,097	52,762	1,879,859
Charge for the period	1,155,712	263,595	1,419,307
Recoveries / reversals during the period	(213,956)	(5,160)	(219,116)
Write off during the period	(327)	-	(327)
Effect of foreign currency movement	(2,823)	-	(2,823)
Balance as at 30 September	**2,765,703**	**311,197**	**3,076,900**

	Allowance for impairment	*Profit in suspense*	*31 December 2021 (Audited)*
Balance as at 1 January	918,465	39,470	957,935
Charge for the year	1,015,578	26,797	1,042,375
Recoveries / reversals during the year	(105,238)	(13,505)	(118,743)
Write-off during the year	(1,386)	-	(1,386)
Effect of foreign currency movement	(322)	-	(322)
Balance at 31 December	1,827,097	52,762	1,879,859

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8 FINANCING ASSETS (continued)

(b) Movement in the allowance for impairment and profit in suspense on financing assets (continued)

	Allowance for impairment	*Profit in suspense*	*30 September 2021 (Reviewed)*
Balance as at 1 January	918,465	39,470	957,935
Charge for the period	293,283	22,864	316,147
Recoveries / reversals during the period	(54,134)	(7,527)	(61,661)
Write-off during the period	(1,352)	-	(1,352)
Effect of foreign currency movement	(411)	-	(411)
Balance as at 30 September	**1,155,851**	**54,807**	**1,210,658**

9 INVESTMENT SECURITIES

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Investments classified as fair value through income statement			
Investments classified as held for trading - Quoted			
Debt type investments - Fixed profit rate	**-**	7,119	7,086
Accrued profit	**-**	85	174
	-	7,204	7,260
Debt-type investments classified as amortised cost			
Fixed profit rate - Quoted	**3,149,144**	3,857,927	1,509,353
Fixed profit rate - Unquoted	**57,162**	57,162	57,162
Floating profit rate - Quoted	**27,715**	27,969	-
Government of Qatar - Quoted	**3,921,496**	4,751,011	1,235,400
Government of Qatar - Unquoted	**24,265,000**	23,465,000	18,650,000
Accrued profit	**330,070**	349,666	234,725
Less: Allowance for impairment*	**(109,844)**	(75,251)	(75,446)
	31,640,743	32,433,484	21,611,194
Investments classified as fair value through equity			
Equity type investments			
- Quoted	**238,564**	235,087	143,706
- Unquoted	**104,187**	97,571	100,927
Accrued profit	**1,095**	1,742	1,095
	343,846	334,400	245,728
	31,984,589	32,775,088	21,864,182

*For stage-wise exposure and allowance for impairment, refer to Note 3(a).

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9 INVESTMENT SECURITIES (continued)

The cumulative change in fair value reserve of investment securities during the period / year is as follows:

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Positive fair value reserve:			
Balance at 1 January	**36,125**	25,239	25,239
Net change in fair value	**16,633**	13,831	16,809
Transferred to retained earnings on sale of FVTE investments	**-**	(5,483)	(5,483)
Effective portion of cash flow hedge	**9,541**	725	-
Share of other comprehensive income of associates	**(525)**	1,813	1,813
Net fair value movement	**25,649**	10,886	13,139
Balance at 30 September / 31 December	**61,774**	36,125	38,378

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Negative fair value reserve:			
Balance at 1 January	**-**	(35)	(35)
Net change in fair value	**(7,268)**	35	35
Net fair value movement	**(7,268)**	35	35
Balance at 30 September / 31 December	**(7,268)**	-	-
Total fair value reserve at 30 September / 31 December	**54,506**	36,125	38,378

10 DUE TO BANKS

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Current and short-term investment accounts	**83,790**	151,114	157,649
Commodity murabaha payable	**286,983**	497,247	1,493,758
Short-term Murabaha facilities from banks	**655,028**	6,515,284	2,728,375
Wakala payable	**23,764,880**	12,636,928	16,058,009
Repurchase agreements	**3,158,787**	3,416,392	1,630,010
Profit payable to banks	**53,568**	29,612	24,133
	28,003,036	23,246,577	22,091,934

The market value of securities given as collateral against the repurchase agreements are QAR 3,324 million (31 December 2021: QAR 3,960 million; 30 September 2021: QAR 1,912 million).

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11 SUKUK AND DEBT FINANCING

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Face value of sukuk and debt financing	**7,484,603**	7,576,151	5,329,727
Less: Unamortised transaction costs	**(7,552)**	(11,248)	(7,857)
Profit payable	**70,793**	49,859	27,462
	7,547,844	7,614,762	5,349,332

The movement in sukuk and debt financing issued by the Group during the period / year is as follows:

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Balance at 1 January	**7,614,762**	6,023,180	6,023,180
Assumed on business combination (Note 22)	**-**	2,262,870	-
Repayments during the period / year	**(181,331)**	(806,193)	(774,821)
Amortisation of transaction costs	**3,406**	2,369	1,634
Effect of foreign currency movement	**(59,952)**	(5,261)	1,367
Finance expense for the period / year	**170,959**	137,797	97,972
Balance at 30 September / 31 December	**7,547,844**	7,614,762	5,349,332

12 OTHER BORROWINGS

The movement in other borrowings issued by the Group during the period / year is as follows:

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Balance at 1 January	**5,699,994**	1,270,775	1,270,775
Assumed on business combination (Note 22)	**-**	3,270,966	-
Net issuances during the period / year	**361,866**	3,082,097	832,840
Repayments during the period / year	**(1,637,898)**	(839,845)	(2,921)
Amortisation of transaction cost	**8,368**	2,217	2,746
Reclassified as Due to banks	**-**	(1,086,803)	(544,195)
Profit payable on borrowings	**24,236**	4,997	1,411
Other movements	**110**	(4,410)	-
Balance at 30 September / 31 December	**4,456,676**	5,699,994	1,560,656

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13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Saving accounts	**8,088,695**	7,239,306	7,476,939
Term accounts	**70,615,413**	82,678,485	56,731,019
Short-term investment accounts	**4,954,275**	7,355,060	5,001,648
Profit payable to equity of investment account holders	**312,432**	489,211	334,051
Share in the fair value reserve	**2,366**	1,568	1,737
	83,973,181	97,763,630	69,545,394

14 EQUITY

(a) Share capital

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Authorised			
9,300,000,000 shares at QAR 1 each	**9,300,000**	9,300,000	7,500,000

(i) The merger between the Bank and Al Khaliji was effected by a capital issuance of 1,800 million shares of QAR 1 each by the Bank to the shareholders of Al Khaliji, in a share swap transaction at the exchange rate of 0.5 new Masraf share for each share of Al Khaliji. Pursuant to the transaction, the shares of Al Khaliji were delisted from Qatar Stock Exchange and replaced with the newly issued share capital. The newly issued share capital added to the outstanding shares of Masraf already in issue (being the share capital of the surviving legal entity at the time of merger) to constitute the share capital of the merged entity. For details of the business combination, refer to Note 22.

(b) Legal reserve

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Balance at 1 January	**9,644,166**	2,714,166	2,714,166
Share premium on issuance of shares on business combination (Note 22)	**-**	6,930,000	-
Transfer from retained earnings[1]	**-**	-	-
Balance at 30 September / 31 December	**9,644,166**	9,644,166	2,714,166

[1] According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 30 September 2022, as legal reserve reached 100% of the paid up capital.

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by Masraf and its branches inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. No transfer has been made for the period ended 30 September 2022 as Masraf will transfer the required amount by 31 December 2022.

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14 EQUITY (continued)

(d) Fair value reserve

This reserve comprises changes in fair value of investments designated as fair value through equity.

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Balance at 1 January	**36,125**	25,204	25,204
Net unrealised gains / (losses)	**11,731**	15,434	18,581
Effective portion of cash flow hedge	**9,541**	725	-
Transferred to retained earnings on sale of FVTE investments	**-**	(5,483)	(5,483)
Share of other comprehensive income of associates	**(525)**	1,813	1,813
Share of equity of investment account holders in the fair value reserve	**(2,366)**	(1,568)	(1,737)
Net fair value movement	**18,381**	10,921	13,174
Balance at 30 September / 31 December (shareholders’ share)	**54,506**	36,125	38,378

Fair value reserve represents unearned gains / (losses), being not available for distribution unless realised and charged to the condensed consolidated income statement.

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) Other reserves

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Balance at 1 January	**127,274**	126,222	126,222
Share of results of associates	**-**	13,706	-
Dividend from associates transferred to retained earnings	**-**	(10,700)	-
Other movement	**-**	(1,954)	-
Balance at 30 September / 31 December	**127,274**	127,274	126,222

No transfer has been made for the period ended 30 September 2022, as Masraf will transfer the share of results of associates to other reserves by 31 December 2022.

(g) Dividend

On 27 April 2022, the General Assembly approved a cash dividend of 17.0% of the paid up share capital (2021: 17.0%) amounting to QAR 1,581 million (2021: QAR 1,275 million).

15 NON-CONTROLLING INTEREST

This represents the Group’s non-controlling interest in Al Rayan (UK) Limited (25%) and Al Rayan Bank PLC (26.24%) (31 December 2021: Al Rayan (UK) Limited - 25% and Al Rayan Bank PLC – 26.24%).

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16 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Unutilised credit facilities	**1,261,665**	5,544,059	843,403
Guarantees	**13,834,108**	15,170,129	9,886,178
Letters of credit	**1,797,511**	3,399,486	1,675,966
	16,893,284	24,113,674	12,405,547
Contingent liabilities of a non-Shari’a-compliant subsidiary[1]	**502,827**	682,218	-

[1] Contingent liabilities of a non-Shari’a-compliant subsidiary consist of the following:

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Unutilised credit facilities	**212,905**	346,957	-
Guarantees	**287,262**	327,620	-
Letters of credit	**2,660**	7,641	-
	502,827	682,218	-

(b) Other undertakings and commitments

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Profit rate swap	**8,896,161**	11,113,336	1,322,805
Unilateral promise to buy/sell currencies	**8,412,834**	10,727,282	12,120,987
Cross currency swap	**68,413**	63,250	-
	17,377,408	21,903,868	13,443,792

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Other undertakings and commitments of a non-Shari’a-compliant subsidiary[2]	**-**	218,299	-

[2] Other undertakings and commitments of a non-Shari’a-compliant subsidiary consist of the following:

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Unilateral promise to buy/sell currencies	**-**	218,299	-
	-	218,299	-

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16 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Capital commitments in respect of Head Office building under construction	**209,804**	290,509	293,019

17 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the Nine-Month Period Ended 30 September	
	2022 (Reviewed)	*2021 (Reviewed)*
Profit for the period attributable to equity holders of the Bank	**1,360,019**	1,713,276
Weighted average number of shares outstanding during the period (thousand)	**9,300,000**	7,500,000
Basic earnings per share (QAR)	**0.146**	0.228

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

18 CASH AND CASH EQUIVALENTS

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

	30 September 2022 (Reviewed)	*30 September 2021 (Reviewed)*
Cash on hand and balances with QCB excluding cash reserve	**1,037,832**	4,193,480
Due from banks	**2,477,978**	7,375,526
Allowance for impairment	**53**	930
	3,515,863	11,569,936

Non-cash transaction:
The following non-cash activity entered into by the Group is not reflected in the interim consolidated statement of cash flows:

[1] During 2021, the Group recognized right-of-use assets amounting to QAR 81,257 thousand resulting from the adoption of FAS 32. During the period, the Group recognized Ijarah contract additions and modifications resulting to increase in right-of-use assets amounting to QAR 5,878 thousand (30 September 2021: QAR 14,432 thousand).

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19 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

(a) Transactions and balances

	30 September 2022 (Reviewed)			31 December 2021 (Audited)			30 September 2021 (Reviewed)		
	Associate companies	**Board of Directors**	**Shareholders**	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Shareholders
Consolidated statement of financial position items:									
Financing assets	**-**	**674,473**	**-**	-	775,119	-	-	4,544	-
Customer current accounts	**85,837**	**57,011**	**-**	80,169	54,644	-	23,518	14,900	-
Equity of investment account holders	**16,645**	**250,749**	**5,728,654**	5,863	538,837	3,212,842	23,654	50,979	3,209,336
Other liabilities	**-**	**-**	**89,030**	-	-	103,005	-	-	-
Contingent liabilities:									
Letters of credit	**-**	**498**	**-**	-	5,056	-			
Guarantees	**96,195**	**121,785**	**-**	96,757	144,703	-	97,510	-	-

	For the Nine-Month Period Ended 30 September					
	2022 (Reviewed)			2021 (Reviewed)		
	Associate companies	**Board of Directors**	**Shareholders**	Associate companies	Board of Directors	Shareholders
Consolidated income statement items:						
Income from financing activities	**-**	**21,090**	**-**	-	58	-
Return on equity of investment account holders	**259**	**3,289**	**55,619**	166	809	25,818
Operating expenses	**22,909**	**-**	**-**	8,699	-	-

All the transactions with the related parties are substantially on the same terms, including profit rates and collateral, as those prevailing in comparable transactions with unrelated parties.

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19 RELATED PARTIES (continued)

(b) Transactions with key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	For the Nine-Month Period Ended 30 September	
	2022 (Reviewed)	*2021 (Reviewed)*
Remuneration to Board of Directors including meeting allowances	**14,175**	12,225
Salaries and other benefits - Key management	**14,079**	10,084

20 CAPITAL ADEQUACY RATIO

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*	*30 September 2021 (Reviewed)*
Common Equity Tier 1 (CET 1) capital	**20,230,575**	20,312,960	13,321,144
Additional Tier 1 capital	**1,000,000**	1,000,000	-
Tier 2 capital	**1,165,919**	921,835	494,225
Total regulatory capital	**22,396,494**	22,234,795	13,815,369
Risk weighted assets			
Risk weighted assets for credit risk	**100,198,275**	98,526,568	62,785,860
Risk weighted assets for market risk	**4,328,619**	541,778	525,686
Risk weighted assets for operational risk	**6,063,541**	6,068,171	5,552,963
Total risk weighted assets	**110,590,435**	105,136,517	68,864,509

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20 CAPITAL ADEQUACY RATIO (continued)

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB[1] buffer	Total capital including conservation buffer, DSIB[1] buffer and ICAAP Pillar II capital charge
30 September 2022						
Actual	**18.29%**	**18.29%**	**19.20%**	**20.25%**	**20.25%**	**20.25%**
Minimum QCB limit	**6.00%**	**8.50%**	**10.50%**	**12.50%**	**13.50%**	**15.54%**
31 December 2021						
Actual	19.32%	19.32%	20.27%	21.15%	21.15%	21.15%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%
30 September 2021						
Actual	19.34%	19.34%	19.34%	20.06%	20.06%	20.06%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%

[1] *Domestic Systemically Important Bank*

21 IMPACT OF COVID 19

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

In addition, the Group’s operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Group has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, 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 September 2022:

i. Expected credit losses

The macro-economic variables have been updated as at 30 September 2022 and re-aligned with the economy. ECLs were estimated based on a range of forecast economic conditions. The Group has considered the impact of higher volatility in the forward-looking macro-economic factors when determining the economic scenarios for ECL estimation.

The volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (Credit Index or “CI”) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Group. The forward-looking PDs have been arrived based on the economic outlook on the country/region and based on the macro-economic factors such as Percentage change in Real GDP, Energy Index, Percentage change in Volume of Exports, General Government Total Expenditure (as % of GDP), Gross National Savings (as % of GDP), and CPI (inflation). These variables were selected based on three criteria: Correlation (degree and direction) of the variable with the segment, Correlation (degree and direction) of the variable with the AQR (Asset Quality Ratio of Qatar) and the relevance of the variable with respect to the segment.

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21 IMPACT OF COVID 19 (continued)

The Group has incorporated different forward-looking economic scenarios into the measurement of expected credit losses by applying conservative weightings of 70%, 14% and 16% for base, improved and stressed scenarios, respectively, for the wholesale banking portfolio and conservative weightings of 70%, 18% and 12 % for base, improved and stressed scenarios, respectively, for the retail banking portfolio. The situation is fast evolving and, accordingly, any downside scenarios will be reassessed if adverse conditions continue.

The table below shows a comparison of the loss allowances on non-impaired financial assets (stages 1 and 2) by assuming each forward-looking scenarios resulting from simulations of each scenario weighted at 100%:

Sensitivity of impairment assessment	***30 September 2022 Impact on ECL***	*31 December 2021 Impact on ECL*
Simulations:		
Base case - 100% weighted, loss allowance would be higher/(lower) by	**1,996**	(106,283)
Upside case - 100% weighted, loss allowance would be higher/(lower) by	**(157,622)**	(345,440)
Downside case - 100% weighted, loss allowance would be higher/(lower) by	**1,874,102**	457,155

ii. Valuation estimates and judgements

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

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors via a circular issued on 22 March 2020, pursuant to which the Group has delayed repayments for certain customers for a period of six months, extended until 31 March 2022. In light of the gradual, continuous recovery of the economy from the effects of the COVID-19 pandemic, QCB decided to gradually stop these repayment deferral measures to the affected sectors.

iv. Accounting for zero rate repo facility

The QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from the QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The Group has no outstanding zero-rate repos as at 30 September 2022.

v. Major events

The implications of the COVID-19 pandemic are ongoing and the outcome of this event is unknown and, therefore, the impact on the Group for conditions that arose after the period-end, i.e. “non-adjusting events” in line with IAS 10 “Subsequent events”, cannot be reasonably quantified at the date of issuance of these consolidated financial statements.

22 BUSINESS COMBINATION

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. (“Al Khaliji”) entered into a merger agreement (the “Merger”) as approved by the Board of Directors of both banks, which was subsequently approved by the shareholders of both the Bank and Al Khalij at their respective Extra-Ordinary General Assemblies held on 5 October 2021 and 6 October 2021, respectively.

On 2 November 2021, the QCB approved the Bank’s merger with Al Khalij by way of absorption pursuant to Article 278 of the Commercial Companies Law Number 11 of 2015 and Article 161(2) of Law Number 13 of 2012 issuing the Qatar Central Bank Law and Regulation of Financial Institutions and the merger agreement.

The Merger was effected through a share swap transaction at an exchange ratio of 0.5 Masraf share for every one share of Al Khaliji, corresponding to 1,800 million new shares issued to the shareholders of Al Khaliji at the close of business on 30 November 2021 (the “effective date”).

Masraf Al Rayan (Q.P.S.C.) QAR '000s

22 BUSINESS COMBINATION (continued)

Al Khaliji shares were delisted from the Qatar Stock Exchange and the Bank issued 1,800 million new shares to the shareholders of Al Khaliji. Following the completion of the merger, Masraf shareholders owned approximately 81 percent of the combined bank and Al Khaliji shareholders owned approximately 19 percent. The merger transaction is accounted for in accordance with IFRS 3 - Business Combinations. IFRS 3 requires that an acquirer be identified in a business combination and acquisition accounting principles be applied. Masraf was identified as the "accounting acquirer" in this transaction.

The merger was effected to create a new Bank with the financial strength, expertise and global network that will become one of Qatar's and the region's leading Shari'a-compliant banks which will bolster Qatar's economic growth and finance development initiatives.

(a) Share capital – issuance of new shares

Outstanding number of shares of Al Khaliji (Units '000)	3,600,000
Exchange ratio	0.5
Number of shares of the Bank issued to Al Khaliji shareholders (Units '000)	1,800,000
Par value of shares issued by the Bank to Al Khaiji shareholders (QAR 1 each) (QAR '000)	1,800,000
Outstanding share capital of the Bank (QAR '000)	7,500,000
Total share capital post acquisition (QAR '000)	**9,300,000**

(b) Purchase consideration

Outstanding number of shares of the Bank (Units '000)	7,500,000
Divided by the Bank's percentage of ownership in the Group	80.65%
Total number of shares of the Group (Units '000)	**9,300,000**
Multiplied by Al Khaliji's percentage of ownership in the Group	19.35%
Total number of shares issued by the Bank to Al Khaliji	1,800,000
Multiplied by the Bank's share price on the effective date (QAR)	4.85
Total purchase consideration (QAR '000)	**8,730,000**

(c) Share premium

In accordance with Qatar Commercial Companies' Law, any share premium on issuance of new shares will form part of the legal reserve.

Total purchase consideration	8,730,000
Par value of shares issued by the Bank to Al Khaiji shareholders	(1,800,000)
Share premium	**6,930,000**

Legal reserve	
Al Khalij Commercial Bank (al khaliji) P.Q.S.C	1,532,395
Masraf Al Rayan (Q.P.S.C.)	2,714,166
Total	4,246,561
Less: pre-acquisition legal reserve	(1,532,395)
Add: allocation from share premium on issuance of new shares	6,930,000
Closing balance post business combination[1]	**9,644,166**

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

22 BUSINESS COMBINATION (continued)

(c) Share premium (continued)

Risk reserve	
Al Khalij Commercial Bank (al khaliji) P.Q.S.C	495,195
Masraf Al Rayan (Q.P.S.C.)	1,796,600
Total	2,291,795
Less: pre-acquisition risk reserve	(495,195)
Closing balance post business combination[1]	**1,796,600**

[1] Prior to transfers from retained earnings for the current year

(d) Identifiable assets acquired and liabilities assumed

The purchase consideration (also referred to as “purchase price”) of the merger has been allocated to the assets acquired and liabilities assumed using their preliminary fair values at the acquisition date. The allocation of the purchase consideration and its allocation to the net assets of Al Khaliji based on its preliminary fair values as of 30 November 2021 is presented below. The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed.

	30 November 2021
Assets	
Cash and balances with central banks	1,433,464
Due from banks	6,216,979
Financing assets	35,361,090
Investment securities	10,946,874
Fixed assets	371,048
Assets of a non-Shari’a-compliant subsidiary and Other assets	3,032,742
Total assets	57,362,197
Liabilities	
Due to banks	13,385,586
Customer current accounts	881,126
Equity of investment account holders	26,843,045
Debt securities	2,262,870
Other borrowings	3,270,966
Liabilities of a non-Shari’a-compliant subsidiary and Other liabilities	2,747,302
	49,390,895
Instrument eligible for additional capital	1,000,000
Total liabilities	50,390,895
Al Khaliji net assets as at acquisition date attributable to its equity holders	**6,971,302**

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

22 BUSINESS COMBINATION (continued)

(e) Goodwill and intangible assets

The Group has used the preliminary fair values of Al Khaliji’s financial assets and liabilities as at 30 November 2021 for the purpose of calculating goodwill.

	30 November 2021
Total purchase consideration	8,730,000
Total fair value of identifiable net assets of Al Khaliji	(6,971,302)
Goodwill on business acquisition	**1,758,698**

The goodwill is attributable to the synergies expected to be achieved from integrating Al Khaliji into the Group. The Group has twelve months from the date of acquisition to complete a Purchase Price Allocation (“PPA”) exercise which sets out in detail the way in which the fair value of the acquired Al Khaliji assets and liabilities have been determined. A comprehensive PPA exercise is currently in process and the results of this exercise will be reflected in subsequent financial statements. This exercise may result in different values being attributed to the assets, liabilities and contingent liabilities acquired, and the identification of other intangible assets, hence, change in the goodwill.

(f) Impact on Group’s results

If the acquisition had occurred on 1 January 2021, management estimates that consolidated total income and profit would be QAR 5,328 million and QAR 2,274 million, respectively, for the period from 1 January 2021 to 30 September 2021. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

(g) Integration-related costs

Integration-related costs during the current period of QAR 134 million relating to redundancy payouts, information technology and other expenses have been included in ‘Staff costs’ and ‘Other expenses’ in the interim condensed consolidated income statement.