

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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Review report on the interim condensed consolidated financial statements to the board of directors of Masraf Al Rayan Q.P.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Masraf Al Rayan Q.P.S.C. (the “Parent”) and its subsidiaries (together “the Group”) as at 30 June 2023 and the related interim consolidated statement of income and interim consolidated statement of comprehensive income for the three-month and six-month period then ended, and interim consolidated statement of changes in equity, interim consolidated statement of cash flows and interim consolidated statement of changes in off-balance sheet assets under management for the six-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with Financial Accounting Standard (“FAS”) 41 “Interim financial reporting” issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) as modified by 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

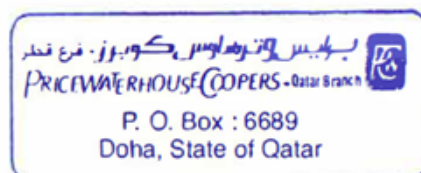
We conducted our review in accordance with International Standard on Review Engagements 2410, ‘Review of interim financial information performed by the independent auditor of the entity’. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial 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 FAS 41 issued by AAOIFI as modified by QCB.

For and on behalf of PricewaterhouseCoopers - Qatar Branch
Qatar Financial Market Authority registration number 120155

Waleed Tahtamouni
Auditor’s registration number 370
Doha, State of Qatar
17 July 2023



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed) (Restated)	1 January 2022 (Audited) (Restated)
ASSETS					
Cash and balances with central banks		4,976,344	5,088,200	6,111,005	5,220,712
Due from banks		2,554,353	6,108,768	5,803,874	9,155,812
Financing assets	8	111,811,539	117,859,281	118,774,748	120,880,202
Investment securities	9	34,328,351	31,476,658	31,180,358	32,752,667
Investment in associates		322,385	345,878	360,284	348,935
Fixed assets		959,169	901,888	771,579	714,680
Intangible assets		1,621,683	1,678,592	1,735,500	1,801,893
Other assets		3,893,952	4,073,948	3,927,023	3,279,815
TOTAL ASSETS		160,467,776	167,533,213	168,664,371	174,154,716
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY					
LIABILITIES					
Due to banks	10	29,812,345	28,804,957	29,683,354	23,246,577
Customer current accounts		8,790,242	8,736,827	9,478,779	9,192,634
Sukuk and debt financing	11	7,879,416	7,682,176	7,622,963	7,735,618
Other borrowings	12	4,763,084	3,843,236	4,455,886	5,699,994
Other liabilities		4,981,591	5,629,198	6,079,966	5,849,975
TOTAL LIABILITIES		56,226,678	54,696,394	57,320,948	51,724,798
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	80,073,481	88,554,879	87,334,910	97,763,630
EQUITY					
Share capital	14 (a)	9,300,000	9,300,000	9,300,000	9,300,000
Legal reserve	14 (b)	9,644,166	9,644,166	9,644,166	9,644,166
Risk reserve	14 (c)	2,398,543	2,398,543	2,282,824	2,282,824
Fair value reserve	14 (d)	29,383	32,844	43,731	36,125
Foreign currency translation reserve	14 (e)	(114,596)	(148,600)	(159,713)	(87,328)
Other reserves	14 (f)	140,512	140,512	127,274	127,274
Retained earnings		1,550,962	1,716,321	1,582,485	2,163,579
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		22,948,970	23,083,786	22,820,767	23,466,640
Non-controlling interest	15	218,647	198,154	187,746	199,648
Instrument eligible as additional capital		1,000,000	1,000,000	1,000,000	1,000,000
TOTAL EQUITY		24,167,617	24,281,940	24,008,513	24,666,288
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		160,467,776	167,533,213	168,664,371	174,154,716

These interim condensed consolidated financial statements were approved by the Board of Directors on 17 July 2023 and were signed on its behalf by:



Mohamed Bin Hamad
Bin Qassim Al Thani
Chairman



Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer

Independent auditor's review report is set out on page i

The attached notes 1 to 23 form part of, and should be read in conjunction with these interim condensed consolidated financial statements

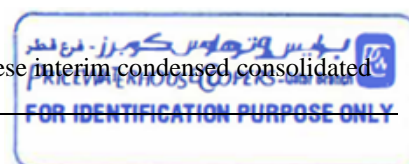
INTERIM CONSOLIDATED INCOME STATEMENT

For the three and six-month period ended 30 June 2023

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2023 (Reviewed)	2022 (Reviewed) (Restated)	2023 (Reviewed)	2022 (Reviewed) (Restated)
Net income from financing activities		1,789,903	1,213,182	3,491,989	2,298,945
Net income from investing activities		375,792	275,147	745,929	574,265
Total net income from financing and investing activities		2,165,695	1,488,329	4,237,918	2,873,210
Fee and commission income		97,097	115,406	212,718	208,907
Fee and commission expense		(2,254)	(639)	(4,056)	(1,222)
Net fee and commission income		94,843	114,767	208,662	207,685
Foreign exchange gain (net)		27,818	82,129	77,750	154,582
Share of results of associates		12,014	12,346	24,517	22,574
Gain on sale of an associate		-	-	16,618	-
Other income		37,213	10,279	47,786	10,676
TOTAL INCOME		2,337,583	1,707,850	4,613,251	3,268,727
Staff costs		(101,197)	(102,646)	(195,103)	(284,793)
Depreciation and amortisation		(41,670)	(42,275)	(84,144)	(93,893)
Other expenses		(103,261)	(158,988)	(187,638)	(241,714)
Finance expense		(538,553)	(165,411)	(1,052,743)	(304,647)
TOTAL EXPENSES		(784,681)	(469,320)	(1,519,628)	(925,047)
Net reversals / (impairment losses) on due from banks	3 (a)	1,231	(16,818)	3,977	(15,489)
Net impairment losses on financing assets		(244,378)	(309,641)	(572,626)	(581,692)
Net impairment losses on investments		(32,580)	(27,986)	(40,297)	(37,053)
Net (impairment losses) / reversals on other exposures subject to credit risk	3 (a)	(5,602)	(20,184)	56,032	(27,008)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		1,271,573	863,901	2,540,709	1,682,438
Less: Return to investment account holders		(882,409)	(341,011)	(1,747,141)	(662,012)
PROFIT BEFORE TAX FOR THE PERIOD		389,164	522,890	793,568	1,020,426
Tax expense		(6,831)	(6,304)	(17,779)	(11,550)
NET PROFIT FOR THE PERIOD		382,333	516,586	775,789	1,008,876
Net profit for the period attributable to:					
Equity holders of the Bank		379,687	512,186	764,641	999,906
Non-controlling interest		2,646	4,400	11,148	8,970
		382,333	516,586	775,789	1,008,876
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	17	0.041	0.055	0.082	0.108

Independent auditor's review report is set out on page i

The attached notes 1 to 23 form part of, and should be read in conjunction with these interim condensed consolidated financial statements



INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six-month period ended 30 June 2023

Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Reviewed)	2022 (Reviewed) (Restated)	2023 (Reviewed)	2022 (Reviewed) (Restated)
NET PROFIT FOR THE PERIOD	382,333	516,586	775,789	1,008,876
OTHER COMPREHENSIVE INCOME				
Items that may not be subsequently classified to consolidated income statement				
Fair value changes of equity-type investments carried at fair value through other comprehensive income	5,107	(20,402)	442	165
Items that may be subsequently classified to consolidated income statement				
Exchange difference arising on translation of foreign operations	15,728	(72,334)	43,349	(93,257)
Net change in the share of other comprehensive income of investment in associates:				
Net change in fair value	486	-	(4,624)	(525)
Net amount transferred to consolidated income statement	-	-	951	-
Net movement in cash flow hedges – effective portion of changes in fair value	-	3,077	-	8,748
Fair value changes of debt-type investments carried at fair value through other comprehensive income	121	(717)	(376)	(452)
Share in the fair value reserve of equity investment account holders	(231)	751	146	(330)
Total other comprehensive income for the period	21,211	(89,625)	39,888	(85,651)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	403,544	426,961	815,677	923,225
Attributable to:				
Equity holders of the Bank	396,850	438,185	795,184	935,127
Non-controlling interest	6,694	(11,224)	20,493	(11,902)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	403,544	426,961	815,677	923,225



Independent auditor's review report is set out on page i

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

	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 2022 (Audited)	9,300,000	9,644,166	2,398,543	32,844	(148,600)	140,512	1,716,321	23,083,786	198,154	1,000,000	24,281,940
Net profit for the period	-	-	-	-	-	-	764,641	764,641	11,148	-	775,789
Other comprehensive income	-	-	-	(3,461)	34,004	-	-	30,543	9,345	-	39,888
Total comprehensive income for the period	-	-	-	(3,461)	34,004	-	764,641	795,184	20,493	-	815,677
Dividend declared and approved for 2022 Note 14 (g)	-	-	-	-	-	-	(930,000)	(930,000)	-	-	(930,000)
Balance at 30 June 2023 (Reviewed)	9,300,000	9,644,166	2,398,543	29,383	(114,596)	140,512	1,550,962	22,948,970	218,647	1,000,000	24,167,617
	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, as previously reported	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
Restatements (Note 23)	-	-	-	-	(81,413)	-	81,413	-	-	-	-
Balance at 31 December 2021, as restated (Audited)	9,300,000	9,644,166	2,282,824	36,125	(87,328)	127,274	2,163,579	23,466,640	199,648	1,000,000	24,666,288
Net profit for the period	-	-	-	-	-	-	999,906	999,906	8,970	-	1,008,876
Other comprehensive income	-	-	-	7,606	(72,385)	-	-	(64,779)	(20,872)	-	(85,651)
Total comprehensive income for the period	-	-	-	7,606	(72,385)	-	999,906	935,127	(11,902)	-	923,225
Dividend declared and approved for 2021 Note 14 (g)	-	-	-	-	-	-	(1,581,000)	(1,581,000)	-	-	(1,581,000)
Balance at 30 June 2022 (Reviewed)	9,300,000	9,644,166	2,282,824	43,731	(159,713)	127,274	1,582,485	22,820,767	187,746	1,000,000	24,008,513

Independent auditor's review report is set out on page i

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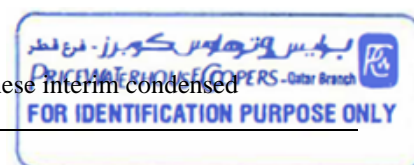
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2023

	<i>For the six-month period ended</i>	
	<i>30 June</i>	
<i>Note</i>	2023	2022
	(Reviewed)	(Reviewed)
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the period	793,568	1,020,426
Adjustments for:		
Net (reversals) / impairment losses on due from banks	(3,977)	15,489
Net impairment losses on financing assets	572,626	581,692
Net impairment losses on investment securities	40,297	37,053
Net (reversals) / impairment losses on other exposures subject to credit risk	(56,032)	27,008
Fair value gain on investment securities carried at fair value through income statement	-	(62)
Unrealized gain on revaluation of Shari'a compliant risk management instruments	(42,945)	(51,929)
Depreciation and amortisation	84,144	93,893
Loss on disposal of fixed assets	467	134
Amortization of transaction costs and IFRS 3 adjustments on sukuk financing and other borrowings	(27,170)	(32,603)
Net gain on sale of investment securities	(122)	2,991
Dividend income	(7,465)	(6,197)
Share of results of associates	(24,517)	(22,574)
Gain on sale of an associate	(16,618)	-
Net amortisation of premium and discount on investment securities	23,668	34,022
Employees' end of service benefit provisions	5,630	10,301
Profit before changes in operating assets and liabilities	1,341,554	1,709,644
Change in reserve account with Qatar Central Bank	245,911	270,286
Change in due from banks	473,200	141,696
Change in financing assets	5,387,520	1,295,840
Change in other assets	176,129	(366,228)
Change in profit receivable from investments	4,217	15,823
Change in due to banks	1,007,388	6,436,777
Change in customer current accounts	53,415	286,145
Change in other liabilities	(360,612)	563,884
Change in profit payable on sukuk financing and other borrowings	25,938	8,390
	8,354,660	10,362,257
Dividend received	7,465	6,197
Tax paid	(11,397)	(8,180)
Social and sports fund contribution	(35,644)	(42,813)
Employees' end of service benefits paid	(2,346)	(56,199)
Net cash generated from operating activities	8,312,738	10,261,262
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities	(7,608,557)	(279,600)
Proceeds from sale / redemption of investment securities	4,724,546	1,401,227
Proceeds from sale of an associate	40,623	-
Acquisition of fixed assets	(70,001)	(84,103)
Dividend received from associates	11,500	10,700
Net cash (used in) / generated from investing activities	(2,901,889)	1,048,224

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Independent auditor's review report is set out on page i
The attached notes 1 to 23 form part of, and should be read in conjunction with these interim condensed consolidated financial statements



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six-month period ended 30 June 2023

	Note	For the six-month period ended 30 June	
		2023 (Reviewed)	2022 (Reviewed) (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		(8,481,252)	(10,429,050)
Net proceeds from sukuk financing and other borrowings		1,993,628	376,965
Net repayments of sukuk financing and other borrowings		(871,347)	(1,663,387)
Net repayment of Ijarah liabilities		(9,539)	(16,098)
Dividends paid		(978,802)	(1,491,631)
Profit paid on instrument eligible as additional capital		(46,000)	(48,195)
Net movement in non-controlling interest		9,345	(20,872)
Net cash used in financing activities		(8,383,967)	(13,292,268)
Net decrease in cash and cash equivalents		(2,973,118)	(1,982,782)
Cash and cash equivalents at 1 January		6,038,819	9,140,950
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held		21,981	(51,392)
Cash and cash equivalents at 30 June	18	3,087,682	7,106,776

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



Independent auditor's review report is set out on page i
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT

For the six-month period ended 30 June 2023

	1 January 2023	Movements during the period					Mudarib's share	30 June 2023
		Additions	Withdrawals	Revaluations / Gross income	Assets transferred to liquidator	Net dividends paid		
30 June 2023 (Reviewed)								
Money market placements	156,771	758,444	(557,081)	6,395	-	-	-	364,529
Investments in sukuk, shares, mutual funds and other securities	4,689,405	73,095	(104,851)	139,120	(5,191)	(85,200)	(20,103)	4,686,275
	4,846,176	831,539	(661,932)	145,515	(5,191)	(85,200)	(20,103)	5,050,804

	1 January 2022	Movements during the period					Mudarib's share	30 June 2022
		Additions	Withdrawals	Revaluations / Gross income	Assets transferred to liquidator	Net dividends paid		
30 June 2022 (Reviewed)								
Money market placements	146,769	944,975	(734,298)	2,058	-	-	-	359,504
Investments in sukuk, shares, mutual funds and other securities	4,684,310	160,657	(169,612)	200,701	-	(31,463)	(28,646)	4,815,947
	4,831,079	1,105,632	(903,910)	202,759	-	(31,463)	(28,646)	5,175,451



Independent auditor's review report is set out on page i

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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 Number 11 of 2015 and Law Number 8 of 2021, under decision Number 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 six-month period ended 30 June 2023 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 16 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 as amended by Law Number 8 of 2021 (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:

<i>Entity’s name</i>	<i>Country of incorporation</i>	<i>Entity’s capital</i>	<i>Entity’s activities</i>	<i>Effective percentage of ownership</i>	
				<i>30 June 2023</i>	<i>31 December 2022</i>
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 & 6}	Cayman Islands	USD 1	Debt Issuance	-	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%	100.0%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

1 REPORTING ENTITY (continued)

- ¹ 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.
- 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 consolidated income statement, and the subsidiary's assets and liabilities are presented under other assets and other liabilities in the consolidated statement of financial position.
- ⁶ AKCB Falcon Limited has been dissolved effective 17 April 2023, pursuant to the certificate of dissolution obtained by the Company.

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

The interim condensed consolidated financial statements of the Group for the period ended 30 June 2023 were authorised for issuance in accordance with a resolution by the Board of Directors on 17 July 2023.

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

The interim condensed consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") 41 "Interim financial reporting" issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by Qatar Central Bank ("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").

The Bank has adopted QCB Circular 13/2020 dated 29 April 2020 (execution date), which 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 Other Comprehensive Income ("FVOCI") and repurchase agreements. 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 2022. In addition, results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 applied to the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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

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 2022.

(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 carried at "investments at fair value through other comprehensive income, "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, amendments and interpretations**(i) New standards, amendments and interpretations effective from 1 January 2023***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 is effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The adoption of this standard did not result in changes to previously reported net profit or equity of the Group.

FAS 41 Interim Financial Reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institution in line with various financial accounting standards issued by AAOIFI. This standard also provides an option for the institution to prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023.

The Group adopted this standard for the basis of preparation of its interim condensed consolidated financial statements. The adoption of this standard did not have any significant impact on the Group's interim condensed consolidated financial statements.

(ii) New standards, amendments and interpretations issued but not yet effective*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.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

2 BASIS OF PREPARATION (continued)**(d) New standards, amendments and interpretations (continued)****(ii) New standards, amendments and interpretations issued but not yet effective (continued)**

The Accounting Board (AAB) of AAOIFI decided to defer the effective date of this standard from 1 January 2023 to 1 January 2024 with early adoption encouraged.

The Group early adopted the standard during the period and applied changes in certain presentation and disclosures in its interim condensed consolidated financial statements. The Group shall implement any subsequent guidelines or amendments to the standard that may be issued by the QCB.

Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now an integral part of the AAOIFI FASs;
- b) Definition of quasi-equity is introduced as a broader concept;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced, with the option to prepare one statement that is a combination of statement of income and statement of other comprehensive income, or to prepare the two statements separately. The Group elected to prepare the two statements separately;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current. The Group elected to continue presenting its consolidated statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item;
- f) Disclosure of Zakah and Charity have been relocated to the notes to the financial statements;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting; and
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to Islamic banks and similar IFI's and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FASs.

The Group has not yet applied the following new and revised FASs that have been issued but are not yet effective. These standards are currently in process of being assessed by the management of the Group to consider any implication in the current or future reporting periods and on foreseeable future transactions.

FAS 40 - Financial Reporting for Islamic Finance Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services Offered by Conventional Financial Institutions". This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted.

FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions

AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier *FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies*". The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari'a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside *FAS 43 – Accounting for Takaful: Recognition and Measurement*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

2 BASIS OF PREPARATION (continued)**(d) New standards, amendment and interpretation (continued)****(ii) New standards, amendment and interpretation issued but not yet effective (continued)***FAS 43 – Accounting for Takaful: Recognition and Measurement*

AAOIFI has issued FAS 43 in 2022. The objective of this standard is to set out the principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. The standard should be read in conjunction with *FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions*. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside *FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

3 EXPECTED CREDIT LOSSES (“ECL”)**(a) Expected credit loss / Allowance for impairment**

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 June 2023				
- Due from banks and balances with central banks	6,803,842	172,284	-	6,976,126
- Financing assets	78,488,891	30,334,593	7,459,038	116,282,522
- Debt type investments carried at amortised cost	33,438,839	509,736	53,142	34,001,717
- Other exposures subject to credit risk	11,667,160	2,402,659	37,870	14,107,689
	130,398,732	33,419,272	7,550,050	171,368,054
Opening balance of allowance for impairment as at 1 January 2023				
- Due from banks and balances with central banks	12,292	2,541	-	14,833
- Financing assets	64,157	392,046	3,388,444	3,844,647
- Debt type investments carried at amortised cost	30,025	22,325	57,162	109,512
- Other exposures subject to credit risk	25,507	33,204	79,384	138,095
	131,981	450,116	3,524,990	4,107,087
Foreign currency translation for the period				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	1,211	41	621	1,873
- Debt type investments carried at amortised cost	3	-	-	3
- Other exposures subject to credit risk	-	-	-	-
	1,214	41	621	1,876
Net transfer between stages				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	(2,437)	3,972	(1,535)	-
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	(115)	110	5	-
	(2,552)	4,082	(1,530)	-
Charges / (Reversals) for the period (net)				
- Due from banks and balances with central banks	(1,888)	(2,089)	-	(3,977)
- Financing assets	(23,918)	32,199	617,694	625,975
- Debt type investments carried at amortised cost	22,971	12,514	(4,020)	31,465
- Other exposures subject to credit risk	(1,640)	(9,981)	(44,411)	(56,032)
	(4,475)	32,643	569,263	597,431
Write-offs				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	-	-	(1,512)	(1,512)
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	-	-
	-	-	(1,512)	(1,512)
Closing balance of allowance for impairment as at 30 June 2023				
- Due from banks and balances with central banks	10,404	452	-	10,856
- Financing assets	39,013	428,258	4,003,712	4,470,983
- Debt type investments carried at amortised cost	52,999	34,839	53,142	140,980
- Other exposures subject to credit risk	23,752	23,333	34,978	82,063
	126,168	486,882	4,091,832	4,704,882

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

3 EXPECTED CREDIT LOSSES (“ECL”) (continued)**(a) Expected credit loss / Allowance for impairment (continued)**

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 June 2022 (Restated)				
- Due from banks and balances with central banks	10,976,740	406,104	-	11,382,844
- Financing assets	96,607,226	22,209,704	2,633,284	121,450,214
- Debt type investments carried at amortised cost	30,605,682	294,979	57,162	30,957,823
- Other exposures subject to credit risk	15,042,828	2,094,273	16,107	17,153,208
	153,232,476	25,005,060	2,706,553	180,944,089
Opening balance of allowance for impairment 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	(579)	(976)	(60)	(1,615)
- Debt type investments carried at amortised cost	(9)	-	-	(9)
- Other exposures subject to credit risk	-	-	-	-
	(588)	(976)	(60)	(1,624)
Net transfer between stages				
- Due from banks and balances with central banks	2	(2)	-	-
- Financing assets	109	(448)	339	-
- Debt type investments carried at amortised cost	(645)	645	-	-
- Other exposures subject to credit risk	(713)	713	-	-
	(1,247)	908	339	-
Charges / (Reversals) for the period (net)				
- Due from banks and balances with central banks	13,037	2,452	-	15,489
- Financing assets	118,893	170,990	507,666	797,549
- Debt type investments carried at amortised cost	22,653	14,400	-	37,053
- Other exposures subject to credit risk	35,376	(15,048)	6,680	27,008
	189,959	172,794	514,346	877,099
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 of allowance for impairment as at 30 June 2022				
- Due from banks and balances with central banks	14,126	2,890	-	17,016
- Financing assets	177,040	963,545	1,534,881	2,675,466
- Debt type investments carried at amortised cost	33,728	21,405	57,162	112,295
- Other exposures subject to credit risk	49,773	20,178	8,599	78,550
	274,667	1,008,018	1,600,642	2,883,327

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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-	5,002,290	57,767,055	29,822,433	1,851,800
A+ to A-	1,259,873	8,238,696	2,102,573	4,831,824
BBB+ to BBB-	109,922	16,169,773	201,679	2,837,635
BB+ to B-	431,756	13,969,011	1,589,282	4,300,339
Unrated	172,285	20,137,987	285,750	286,091
Totals as at 30 June 2023	6,976,126	116,282,522	34,001,717	14,107,689

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-	8,034,063	56,945,137	28,189,739	2,219,688
A+ to A-	2,497,063	10,505,288	1,180,346	5,572,794
BBB+ to BBB-	4,472	27,162,812	876,910	3,094,992
BB+ to B-	550,181	12,715,464	653,665	5,198,032
Unrated	297,065	14,121,513	57,163	1,067,702
Totals as at 30 June 2022 (Restated)	11,382,844	121,450,214	30,957,823	17,153,208

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 2022.

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
30 June 2023 (Reviewed)				
Financial assets				
Shari'a-compliant risk management instruments	-	610,248	-	610,248
Investment securities	353,344	114,270	-	467,614
Assets held by a non-Shari'a-compliant subsidiary	71,380	3,899	-	75,279
	<u>424,724</u>	<u>728,417</u>	<u>-</u>	<u>1,153,141</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	209,112	-	209,112
	<u>-</u>	<u>209,112</u>	<u>-</u>	<u>209,112</u>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2022 (Audited)				
Financial assets				
Shari'a-compliant risk management instruments	-	611,882	-	611,882
Investment securities	291,536	102,816	-	394,352
Assets held by a non-Shari'a-compliant subsidiary	71,085	4,386	-	75,471
	<u>362,621</u>	<u>719,084</u>	<u>-</u>	<u>1,081,705</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	229,383	-	229,383
	<u>-</u>	<u>229,383</u>	<u>-</u>	<u>229,383</u>

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 6,893 million (31 December 2022: QAR 7,518 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 June 2023 and 31 December 2022, there were no transfers among Levels 1, 2 and 3 fair value measurements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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 and therefore allowances for financial assets should 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 the 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<i>Fair value through income statement</i>	<i>Fair value through other comprehensive income</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
30 June 2023 (Reviewed)					
Cash and balances with central banks	-	-	4,976,344	4,976,344	4,976,344
Due from banks	-	-	2,554,353	2,554,353	2,554,353
Financing assets	-	-	111,811,539	111,811,539	111,811,539
Investment securities:					
- Measured at fair value	-	467,614	-	467,614	467,614
- Measured at amortised cost	-	-	33,860,737	33,860,737	34,026,384
Financial assets held by a non-Shari'a-compliant subsidiary	3,899	71,380	2,892,907	2,968,186	2,951,440
Other assets	-	-	47,273	47,273	47,273
Shari'a-compliant risk management instruments	610,248	-	-	610,248	610,248
	614,147	538,994	156,143,153	157,296,294	157,445,195
Due to banks	-	-	29,812,345	29,812,345	29,812,345
Customer current accounts	-	-	8,790,242	8,790,242	8,790,242
Sukuk and debt financing	-	-	7,879,416	7,879,416	7,652,907
Other borrowings	-	-	4,763,084	4,763,084	4,763,084
Financial liabilities of a non-Shari'a-compliant subsidiary	-	-	2,061,652	2,061,652	2,061,652
Other liabilities	-	-	1,271,042	1,271,042	1,271,042
Equity of investment account holders	-	-	80,073,481	80,073,481	80,073,481
Shari'a-compliant risk management instruments	209,112	-	-	209,112	209,112
	209,112	-	134,651,262	134,860,374	134,633,865

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

	<i>Fair value through income statement</i>	<i>Fair value through other comprehensive income</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
31 December 2022					
Cash and balances with central banks	-	-	5,088,200	5,088,200	5,088,200
Due from banks	-	-	6,108,768	6,108,768	6,108,768
Financing assets	-	-	117,859,281	117,859,281	117,859,281
Investment securities:					
- Measured at fair value	-	394,352	-	394,352	394,352
- Measured at amortised cost	-	-	31,082,306	31,082,306	31,153,108
Financial assets held by a non-Shari'a-compliant subsidiary	4,386	71,085	2,879,908	2,955,379	2,950,202
Other assets	-	-	5,197	5,197	5,197
Shari'a-compliant risk management instruments	611,882	-	-	611,882	611,882
	<u>616,268</u>	<u>465,437</u>	<u>163,023,660</u>	<u>164,105,365</u>	<u>164,170,990</u>
Due to banks	-	-	28,804,957	28,804,957	28,804,957
Customer current accounts	-	-	8,736,827	8,736,827	8,736,827
Sukuk and debt financing	-	-	7,682,176	7,682,176	7,355,921
Other borrowings	-	-	3,843,236	3,843,236	3,843,236
Financial liabilities of a non-Shari'a-compliant subsidiary	-	-	2,084,789	2,084,789	2,084,789
Other liabilities	-	-	1,449,644	1,449,644	1,449,644
Equity of investment account holders	-	-	88,554,879	88,554,879	88,554,879
Shari'a-compliant risk management instruments	229,383	-	-	229,383	229,383
	<u>229,383</u>	<u>-</u>	<u>141,156,508</u>	<u>141,385,891</u>	<u>141,059,636</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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 performs the following functions: (a) provide customised investment solutions (with expertise across equities & fixed income investments) to institutional and High Net Worth investors in line with investors' specific needs and risk parameters, (b) manage mutual funds and exchange traded fund, and (c) provide financial and strategic advisory services.
- International Operations includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.
- Central Function comprises the cost of all central support departments and non-core business operations.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

7 OPERATING SEGMENTS (continued)

Information about operating segments

30 June 2023 (Reviewed)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Treasury and Financial Institutions</i>	<i>Asset Management</i>	<i>International Operations</i>	<i>Central Function</i>	<i>Total</i>
<i>External revenue:</i>							
Total net income from financing and investing activities	2,387,209	837,201	717,573	4,946	290,989	-	4,237,918
Net fee and commission income	76,374	102,793	6,778	22,048	669	-	208,662
Foreign exchange gain / (loss) (net)	-	-	78,139	-	(389)	-	77,750
Share of results of associates	-	-	-	-	-	24,517	24,517
Gain on sale of an associate	-	-	-	-	-	16,618	16,618
Other income	-	-	-	-	-	47,786	47,786
Total segment revenue	2,463,583	939,994	802,490	26,994	291,269	88,921	4,613,251
Finance expense	-	-	(1,046,839)	-	(5,904)	-	(1,052,743)
Return to investment account holders	(1,264,788)	(366,478)	-	-	(115,875)	-	(1,747,141)
Net impairment losses on financing assets	(248,906)	(271,044)	(29,770)	-	(22,906)	-	(572,626)
Net impairment losses on investments	-	-	(29,063)	(2,402)	-	(8,832)	(40,297)
Net reversals / (impairment losses) on due from banks and other exposures subject to credit risk	35,842	(3)	23,365	805	-	-	60,009
Reportable segment profit / (loss) before tax	974,693	302,468	(268,524)	16,265	65,584	(296,918)	793,568
Reportable segment assets	74,080,576	28,210,255	40,555,022	195,642	13,840,668	3,585,613	160,467,776
Reportable segment liabilities	5,523,299	2,266,424	42,457,101	12,383	3,214,876	2,752,595	56,226,678
Reportable segment equity of investment account holders	45,490,268	22,160,365	3,647,814	-	8,775,034	-	80,073,481

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

7 OPERATING SEGMENTS (continued)*Information about operating segments (continued)*

30 June 2022 (Reviewed) (Restated)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Treasury and Financial Institutions</i>	<i>Asset Management</i>	<i>International Operations</i>	<i>Central Function</i>	<i>Total</i>
<i>External revenue:</i>							
Total income from financing and investing activities	1,576,998	555,604	564,730	5,359	170,519	-	2,873,210
Net fee and commission income	93,127	87,186	(538)	27,769	141	-	207,685
Foreign exchange gain / (loss)	-	-	152,765	(6)	1,823	-	154,582
Share of results of associates	-	-	-	-	-	22,574	22,574
Other income	-	-	-	-	-	10,676	10,676
Total segment revenue	1,670,125	642,790	716,957	33,122	172,483	33,250	3,268,727
Finance expense	-	-	(303,620)	(145)	(882)	-	(304,647)
Return to investment account holders	(462,243)	(155,399)	-	-	(44,370)	-	(662,012)
Net (impairment losses) / reversal of impairment on financing assets	(144,873)	(437,625)	-	-	806	-	(581,692)
Net impairment losses on investments	-	-	(35,692)	(1,361)	-	-	(37,053)
Net reversal of impairment / (impairment losses) on due from banks and other exposures subject to credit risk	23,516	6	(65,919)	(100)	-	-	(42,497)
Reportable segment profit / (loss) before tax	1,081,130	49,772	311,725	22,869	50,667	(495,737)	1,020,426
31 December 2022 (Audited)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Treasury and Financial Institutions</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Central Function</i>	<i>Total</i>
Reportable segment assets	79,652,471	28,369,584	42,041,202	184,929	13,469,098	3,815,929	167,533,213
Reportable segment liabilities	5,247,917	2,468,184	39,813,956	13,613	3,768,817	3,383,907	54,696,394
Reportable segment equity of investment account holders	55,267,385	20,051,295	5,182,712	-	8,053,487	-	88,554,879

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

8 FINANCING ASSETS

(a) By type	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed) (Restated)
Receivables and balances from financing activities:			
Murabaha	80,057,081	80,136,882	73,855,461
Ijarah	39,380,858	43,974,590	45,802,603
Istisna'a	96,345	356,111	916,340
Musharaka	4,757,635	5,178,141	5,381,699
Others	375,104	956,165	880,409
Accrued profit	1,213,775	1,123,612	826,421
Total financing assets	<u>125,880,798</u>	<u>131,725,501</u>	<u>127,662,933</u>
Deferred profit	(9,598,276)	(10,021,573)	(6,212,719)
Allowance for impairment - Performing (Stages 1 and 2)*	(463,356)	(445,960)	(1,086,781)
Allowance for impairment - Non-performing (Stage 3)*	(3,490,630)	(2,935,039)	(1,320,066)
Profit in suspense*	(516,997)	(463,648)	(268,619)
Net financing assets	<u>111,811,539</u>	<u>117,859,281</u>	<u>118,774,748</u>

*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 June 2023 amounted to QAR 7,459 million representing 6.41% of the gross financing assets net of deferred profit (31 December 2022: QAR 7,295 million representing 5.99% of the gross financing assets net of deferred profit; 30 June 2022: QAR 2,633 million representing 2.17% 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 June 2023 (Reviewed)
Balance as at 1 January	3,380,999	463,648	3,844,647
Charge for the period	720,122	66,429	786,551
Recoveries / reversals during the period	(147,496)	(13,080)	(160,576)
Write off during the period	(1,512)	-	(1,512)
Effect of foreign currency movement	1,873	-	1,873
Balance as at 30 June	<u>3,953,986</u>	<u>516,997</u>	<u>4,470,983</u>
	Allowance for impairment	Profit in suspense	31 December 2022 (Audited)
Balance as at 1 January	1,827,097	52,762	1,879,859
Charge for the year	1,749,740	416,928	2,166,668
Recoveries / reversals during the year	(193,285)	(6,042)	(199,327)
Write-off during the year	(704)	-	(704)
Effect of foreign currency movement	(1,849)	-	(1,849)
Balance at 31 December	<u>3,380,999</u>	<u>463,648</u>	<u>3,844,647</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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

	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>30 June 2022 (Reviewed)</i>
Balance as at 1 January	1,827,097	52,762	1,879,859
Charge for the period	797,447	220,565	1,018,012
Recoveries / reversals during the period	(215,755)	(4,708)	(220,463)
Write off during the period	(327)	-	(327)
Effect of foreign currency movement	(1,615)	-	(1,615)
Balance as at 30 June	<u>2,406,847</u>	<u>268,619</u>	<u>2,675,466</u>

9 INVESTMENT SECURITIES

	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed) (Restated)</i>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate - Quoted	4,204,080	3,401,458	3,153,244
Fixed profit rate - Unquoted	53,142	57,162	57,162
Floating profit rate - Quoted	370,068	77,459	27,812
Government of Qatar - Quoted	2,215,279	3,944,120	4,021,538
Government of Qatar - Unquoted	26,816,683	23,365,000	23,365,000
Accrued profit	342,465	346,619	333,067
Less: Allowance for impairment*	(140,980)	(109,512)	(112,295)
	<u>33,860,737</u>	<u>31,082,306</u>	<u>30,845,528</u>
<i>Investments classified as fair value through other comprehensive income</i>			
Equity type investments			
- Quoted	350,475	289,451	232,272
- Unquoted	114,270	102,816	100,816
Accrued profit	2,869	2,085	1,742
	<u>467,614</u>	<u>394,352</u>	<u>334,830</u>
	<u>34,328,351</u>	<u>31,476,658</u>	<u>31,180,358</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

9 INVESTMENT SECURITIES (continued)

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

	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
Positive fair value reserve:			
Balance at 1 January	45,074	36,125	36,125
Net change in fair value	9,215	10,199	8,027
Effective portion of cash flow hedge	-	(725)	8,748
Share of other comprehensive income of associates	(1,320)	(525)	(525)
Net fair value movement	7,895	8,949	16,250
Balance at 30 June / 31 December	52,969	45,074	52,375
	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
Negative fair value reserve:			
Balance at 1 January	(12,230)	-	-
Net change in fair value	(9,003)	(12,230)	(8,644)
Transfer to consolidated income statement	951	-	-
Share of other comprehensive income of associates	(3,304)	-	-
Net fair value movement	(11,356)	(12,230)	(8,644)
Balance at 30 June / 31 December	(23,586)	(12,230)	(8,644)
Total fair value reserve at 30 June / 31 December	29,383	32,844	43,731

10 DUE TO BANKS

	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
Current and short-term investment accounts	552,805	99,849	69,322
Commodity murabaha payable	936,047	846,312	174,514
Short-term Murabaha facilities from banks	-	-	643,559
Wakala payable	25,290,327	24,631,941	25,610,072
Repurchase agreements	2,935,152	3,139,915	3,158,787
Profit payable to banks	98,014	86,940	27,100
	29,812,345	28,804,957	29,683,354

The market value of securities given as collateral against the repurchase agreements are QAR 3,151 million (31 December 2022: QAR 3,347 million; 30 June 2022: QAR 3,398 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

11 SUKUK AND DEBT FINANCING

	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed) (Restated)</i>
Face value of sukuk and debt financing	7,801,104	7,584,261	7,498,344
Less: Unamortised transaction costs	(4,294)	(6,476)	(8,929)
Add: Net IFRS 3 adjustments	17,732	50,547	83,172
Profit payable	64,874	53,844	50,376
	<u>7,879,416</u>	<u>7,682,176</u>	<u>7,622,963</u>

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

	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed) (Restated)</i>
Balance at 1 January	7,682,176	7,735,618	7,735,618
Net issuances during the period / year	546,075	109,184	-
Repayments during the period / year	(455,895)	(293,660)	(142,724)
Amortisation of transaction costs	2,182	4,477	2,319
Amortisation of IFRS 3 adjustments	(32,815)	(70,309)	(37,684)
Effect of foreign currency movement	(3,961)	(37,884)	(46,128)
Finance expense for the period / year	141,654	234,750	111,562
Balance at 30 June / 31 December	<u>7,879,416</u>	<u>7,682,176</u>	<u>7,622,963</u>

12 OTHER BORROWINGS

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

	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed)</i>
Balance at 1 January	3,843,236	5,699,994	5,699,994
Net issuances during the period / year	1,447,553	725,910	376,965
Repayments during the period / year	(574,277)	(2,620,722)	(1,637,897)
Amortisation of transaction costs	3,463	9,852	2,816
Profit payable on borrowings	43,109	28,202	14,008
Balance at 30 June / 31 December	<u>4,763,084</u>	<u>3,843,236</u>	<u>4,455,886</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
Saving accounts	7,655,459	8,395,652	7,804,323
Term accounts	67,519,773	75,167,905	73,685,078
Short-term investment accounts	4,393,436	4,541,090	5,429,335
Profit payable to equity of investment account holders	503,573	448,846	414,276
Share in the fair value reserve	1,240	1,386	1,898
	<u>80,073,481</u>	<u>88,554,879</u>	<u>87,334,910</u>

14 EQUITY**(a) Share capital**

	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
<i>Authorised - Issued and fully paid</i> 9,300,000,000 shares at QAR 1 each	<u>9,300,000</u>	<u>9,300,000</u>	<u>9,300,000</u>

(b) Legal reserve

	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
Balance at 1 January	9,644,166	9,644,166	9,644,166
Transfer from retained earnings ¹	-	-	-
Balance at 30 June / 31 December	<u>9,644,166</u>	<u>9,644,166</u>	<u>9,644,166</u>

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 June 2023, 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 the Group inside and outside Qatar after the exclusion of 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.

In accordance with QCB approval, only 50% of the required amount of risk reserve for 2021 was appropriated from retained earnings. The remaining unappropriated risk reserve amounting to QAR 486 million will be rebuilt within a period of 5 years through annual transfers of QAR 97 million from retained earnings. The first of such annual transfers was done during the year ended 31 December 2022 and was included in the total risk reserve transfer of QAR 116 million made for that year. No transfer has been made for the period ended 30 June 2023 as Masraf will transfer the required amount by 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14 EQUITY (continued)**(d) Fair value reserve**

	30 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
Balance at 1 January	32,844	36,125	36,125
Net unrealised gains / (losses)	1,452	(645)	1,281
Effective portion of cash flow hedge	-	(725)	8,748
Share of other comprehensive income of associates	(4,624)	(525)	(525)
Transfer to consolidated income statement	951	-	-
Share of equity of investment account holders in the fair value reserve	(1,240)	(1,386)	(1,898)
Net fair value movement	(3,461)	(3,281)	7,606
Balance at 30 June / 31 December (shareholders' share)	<u>29,383</u>	<u>32,844</u>	<u>43,731</u>

Fair value reserve represents unearned gains / (losses), being not available for distribution unless realised and charged to the interim 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 June 2023 (Reviewed)	31 December 2022 (Audited)	30 June 2022 (Reviewed)
Balance at 1 January	140,512	127,274	127,274
Share of results of associates	-	27,201	-
Dividend from associates transferred to retained earnings	-	(10,700)	-
Other movement	-	(3,263)	-
Balance at 30 June / 31 December	<u>140,512</u>	<u>140,512</u>	<u>127,274</u>

No transfer has been made for the period ended 30 June 2023, as Masraf will transfer the share of results of associates to other reserves by 31 December 2023.

(g) Dividend

On 15 March 2023, the General Assembly approved a cash dividend of 10% of the paid up share capital (2022: 17%) amounting to QAR 930 million (2022: QAR 1,581 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 2022: Al Rayan (UK) Limited - 25% and Al Rayan Bank PLC - 26.24%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16 CONTINGENT LIABILITIES AND COMMITMENTS**(a) Contingent liabilities**

	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed)</i>
Unutilised credit facilities	1,061,118	1,026,611	1,040,034
Guarantees	12,205,941	13,102,552	13,861,374
Letters of credit	836,445	1,461,838	2,246,090
	<u>14,103,504</u>	<u>15,591,001</u>	<u>17,147,498</u>
Contingent liabilities of a non-Shari'a-compliant subsidiary ¹	<u>484,883</u>	<u>502,707</u>	<u>646,525</u>

¹ Contingent liabilities of a non-Shari'a-compliant subsidiary consist of the following:

	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed)</i>
Unutilised credit facilities	259,379	242,400	317,245
Guarantees	222,177	254,074	324,713
Letters of credit	3,327	6,233	4,567
	<u>484,883</u>	<u>502,707</u>	<u>646,525</u>

(b) Other undertakings and commitments

	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed)</i>
Profit rate swap	7,779,940	7,957,104	9,502,520
Unilateral promise to buy/sell currencies	22,486,259	8,604,329	8,446,555
Currency swap	68,413	68,413	68,413
	<u>30,334,612</u>	<u>16,629,846</u>	<u>18,017,488</u>
	<i>30 June 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>30 June 2022 (Reviewed)</i>
Capital commitments in respect of Head Office building under construction	<u>130,494</u>	<u>187,926</u>	<u>217,336</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>For the six-month period ended</i>	
	<i>30 June</i>	
	2023 <i>(Reviewed)</i>	2022 <i>(Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>764,641</u>	<u>999,906</u>
Weighted average number of shares outstanding during the period (thousand)	<u>9,300,000</u>	<u>9,300,000</u>
Basic earnings per share (QAR)	<u>0.082</u>	<u>0.108</u>

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

	<i>30 June</i>	<i>30 June</i>
	2023 <i>(Reviewed)</i>	2022 <i>(Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	939,861	2,086,465
Due from banks	2,147,736	5,020,215
Allowance for impairment	<u>85</u>	<u>96</u>
	<u>3,087,682</u>	<u>7,106,776</u>

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 The Group recognized Ijarah contract additions and modifications resulting to increase in right-of-use assets amounting to QAR 8,349 thousand during the period (31 December 2022: QAR 7,797 thousand, 30 June 2022: QAR 3,999 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 shareholders and entities over which the Group and the shareholders exercise significant influence, directors and executive management of the Group.

(a) Transactions and balances

	30 June 2023 (Reviewed)			31 December 2022 (Audited)			30 June 2022 (Reviewed)		
	Associate companies	Board of Directors	Major shareholders	Associate companies	Board of Directors	Major Shareholders	Associate companies	Board of Directors	Major shareholders
Consolidated statement of financial position items:									
Financing assets	-	18,012	3,721,118	-	670,327	3,808,408	-	717,152	3,768,290
Customer current accounts	89,601	112,434	-	76,233	172,495	3	66,124	168,837	-
Equity of investment account holders	25,102	236,188	11,565,164	75,700	252,190	19,004,065	13,393	251,143	18,990,399
Other assets	-	-	-	1,000	-	-	1,000	-	-
Other liabilities	-	-	99,660	-	-	97,588	-	-	94,650
Contingent liabilities:									
Letters of credit	-	3,000	-	-	3,327	-	-	2,720	-
Guarantees	129,374	115,680	-	107,326	110,845	-	95,675	132,092	-
				<i>For the six-month period ended 30 June</i>					
				2023 (Reviewed)			2022 (Reviewed)		
	Associate companies	Board of Directors	Major shareholders	Associate companies	Board of Directors	Major shareholders	Associate companies	Board of Directors	Major shareholders
Consolidated income statement items:									
Income from financing activities	-	501	81,961	-	11,354	74,832	-	11,354	74,832
Return on equity of investment account holders	700	4,431	398,461	137	1,802	96,373	137	1,802	96,373
Operating expenses	11,739	-	-	6,665	-	-	6,665	-	-

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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:

	<i>For the six-month period ended 30 June</i>	
	2023 <i>(Reviewed)</i>	2022 <i>(Reviewed)</i>
Remuneration to Board of Directors including meeting allowances	<u>9,750</u>	<u>9,450</u>
Salaries and other benefits - Key management	<u>9,086</u>	<u>9,785</u>

20 CAPITAL ADEQUACY RATIO

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

	<i>30 June 2023</i> <i>(Reviewed)</i>	<i>31 December 2022</i> <i>(Audited)</i>	<i>30 June 2022</i> <i>(Reviewed)</i>
Common Equity Tier 1 (CET 1) capital	20,744,613	20,644,439	20,272,086
Additional Tier 1 capital	1,000,000	1,000,000	1,000,000
Tier 2 capital	890,753	896,189	1,228,881
Total regulatory capital	<u>22,635,366</u>	<u>22,540,628</u>	<u>22,500,967</u>
Risk weighted assets			
Risk weighted assets for credit risk	98,688,074	103,470,735	102,050,808
Risk weighted assets for market risk	369,838	643,630	4,469,062
Risk weighted assets for operational risk	6,964,249	6,964,249	6,063,541
Total risk weighted assets	<u>106,022,161</u>	<u>111,078,614</u>	<u>112,583,411</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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 June 2023						
Actual	19.57%	19.57%	20.51%	21.35%	21.35%	21.35%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.38%
31 December 2022						
Actual	18.59%	18.59%	19.49%	20.29%	20.29%	20.29%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.38%
30 June 2022						
Actual	18.01%	18.01%	18.89%	20.00%	20.00%	20.00%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%

¹ Domestic Systemically Important Bank**21 DISCLOSURE OF SOURCES AND APPLICATION OF CHARITY FUND FOR THE PERIOD**

	<i>For the six-month period ended</i>	
	<i>2023</i>	<i>2022</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Sources of charity fund		
Undistributed charity fund as at 1 January	46,745	9,927
Net earnings prohibited by Shari'a during the period	46,978	14,158
Total source of charity fund	93,723	24,085
Use of charity fund		
Researches, donations and other uses during the period	-	-
Undistributed charity fund as at 30 June	93,723	24,085

22 BUSINESS COMBINATION

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") have 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").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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 Khaliji 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 Khaliji 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: share premium on issuance of new shares	6,930,000
Closing balance post business combination ¹	9,644,166

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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.)	<u>1,796,600</u>
Total	2,291,795
Less: pre-acquisition risk reserve	<u>(495,195)</u>
Closing balance post business combination ¹	<u>1,796,600</u>

¹ Prior to transfers from retained earnings for the 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 fair values at the acquisition date.

	<i>30 November 2021</i>
Assets	
Cash and balances with central banks	1,433,464
Due from banks	6,216,979
Financing assets	35,434,561
Investment securities	10,924,453
Fixed assets	371,048
Assets of a non-Shari'a-compliant subsidiary and Other assets	3,059,353
Intangible asset – Customer relationships	649,567
Intangible asset – Core deposits	223,471
Intangible asset – License	<u>51,369</u>
Total assets	<u>58,364,265</u>
Liabilities	
Due to banks	13,385,586
Customer current accounts	881,126
Equity of investment account holders	26,843,045
Debt securities	2,383,726
Other borrowings	3,270,966
Liabilities of a non-Shari'a-compliant subsidiary and Other liabilities	<u>2,747,302</u>
	49,511,751
Instrument eligible for additional capital	<u>1,000,000</u>
Total liabilities	<u>50,511,751</u>
Al Khaliji net assets as at acquisition date attributable to its equity holders	<u>7,852,514</u>

The net assets recognised in the interim condensed consolidated financial statements for the period ended 30 June 2022 were based on a provisional assessment of their fair value while the Group continued its PPA exercise. The PPA exercise was not completed by the date when the 30 June 2022 interim condensed consolidated financial statements were approved for issue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

22 BUSINESS COMBINATION (continued)**(d) Identifiable assets acquired and liabilities assumed (continued)**

During 2022, the Group completed the Purchase Price Allocation (“PPA”) exercise within twelve months from the acquisition date and the following items were covered:

- valuation of intangible assets including license, core deposits and customer relationships;
- valuation adjustments to the fair value of financing assets;
- valuation adjustments to the fair value of investment securities;
- valuation adjustments to the fair value of assets held by a non-Shari’a-compliant subsidiary; and
- valuation adjustments to the fair value of sukuk and debt financing.

(e) Restatement of the interim consolidated statement of financial position as at 30 June 2022

As stated above, the 30 June 2022 comparative information has been restated to reflect the adjustments to the provisional amounts.

	<i>As at 30 June 2022 (as previously reported)</i>	<i>Net restatement due to IFRS 3 adjustments</i>	<i>As at 30 June 2022 (as restated)</i>
Financing assets	118,739,997	34,751	118,774,748
Investment securities	31,198,512	(18,154)	31,180,358
Other assets	3,900,412	26,611	3,927,023
Intangible assets, net	1,758,698	(23,198)	1,735,500
Sukuk and debt financing	7,539,791	83,172	7,622,963

(f) Goodwill and intangible assets

During 2022, the Group has completed the PPA exercise of calculating the carrying value of Al Khaliji’s assets and liabilities as at 30 November 2021, which is equal to fair value for the purpose of calculating goodwill. The goodwill is attributable to the synergies expected to be achieved from integrating Al Khaliji into the Group.

	<i>30 November 2021</i>
Total purchase consideration	8,730,000
Total fair value of identifiable net assets of Al Khaliji	<u>(7,852,514)</u>
Goodwill on business acquisition	<u>877,486</u>

(g) Valuation approach and methodologiesCustomer relationship

- The income approach has been used in estimating the fair value of Al Khaliji’s customer relationships as an intangible asset as at the effective date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life.
- Under the income approach, the Multi-period excess earnings method (“MPEEM”) has been utilized which is a commonly accepted method for valuing customer relationships.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

22 BUSINESS COMBINATION (continued)**(g) Valuation approach and methodologies (continued)**

- MPEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental (after-tax) cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").
- The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets.
- Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value.

Core deposits

- The incremental saving approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the effective date. Under this method, the economic benefits earned from the core deposits have been computed over the life of the core deposits considering an attrition rate. The incremental savings approach values the core deposits as the present value of the future savings that are expected to be generated over its remaining useful economic life. The incremental savings method utilized is a commonly accepted method for valuing core deposits.

License

- License intangible assets represent the value attributable from operating profit expected to be generated by the Group's subsidiary, Al Khaliji France S.A. from its operations in France and United Arab Emirates. The intangible asset was valued using the multi-period excess earnings method, a commonly applied methodology for valuing operating license.

23 RESTATEMENT OF PRIOR PERIOD'S FINANCIAL STATEMENTS

During 2022, restatements to the consolidated financial statements for the year ended 31 December 2021 relating to adjustments to the provisional amounts of identified assets and liabilities acquired upon completion of the PPA exercise, and adjustment to foreign currency translation reserve to be consistent with *IAS 21 - The Effects of Changes in Foreign Exchange Rates*, have been incorporated by the Group. Prior to the restatement, a non-monetary item in a foreign currency that should be measured in terms of historical cost was translated using the closing exchange rate, which resulted to foreign exchange revaluation gains / (losses) in previous reporting periods.

These restatements had been carried out in accordance with the requirements of *IFRS 3 - Business Combinations* and *FAS 1 - General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions*. Accordingly, the comparative amounts for the period ended 30 June 2022 have also been restated to conform with the restatements carried out for 31 December 2021 consolidated financial statements. The effects of the restatements are summarised below:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

23 RESTATEMENT OF PRIOR PERIOD'S FINANCIAL STATEMENTS (continued)**As at 30 June 2022:**

Consolidated statement of financial position	<i>As previously reported</i>	<i>Net restatements</i>		<i>As restated</i>
		<i>IFRS 3 adjustments</i>	<i>Foreign currency translation reserve</i>	
ASSETS				
Financing assets	118,739,997	34,751	-	118,774,748
Investment securities	31,198,512	(18,154)	-	31,180,358
Other assets	3,900,412	26,611	-	3,927,023
Intangible assets, net	1,758,698	(23,198)	-	1,735,500
Total assets	168,644,361	20,010	-	168,664,371
LIABILITIES				
Sukuk and debt financing	7,539,791	83,172	-	7,622,963
Total liabilities	57,237,776	83,172	-	57,320,948
EQUITY				
Foreign currency translation reserve	(41,115)	-	(118,598)	(159,713)
Retained earnings	1,527,049	(63,162)	118,598	1,582,485
Total equity attributable to equity holders	22,883,929	(63,162)	-	22,820,767

For the period ended 30 June 2022:

Consolidated income statement	<i>As previously reported</i>	<i>Net restatements</i>		<i>As restated</i>
		<i>IFRS 3 adjustments</i>	<i>Foreign currency translation reserve</i>	
INCOME				
Net income from financing activities	2,337,665	(38,720)	-	2,298,945
Net income from investing activities	569,998	4,267	-	574,265
Foreign exchange gain (net)	117,397	-	37,185	154,582
TOTAL INCOME	3,265,995	(34,453)	37,185	3,268,727
EXPENSES				
Depreciation and amortisation	(27,500)	(66,393)	-	(93,893)
Finance expense	(342,331)	37,684	-	(304,647)
TOTAL EXPENSES	(896,338)	(28,709)	-	(925,047)
NET PROFIT FOR THE PERIOD	1,034,853	(63,162)	37,185	1,008,876

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

23 RESTATEMENT OF PRIOR PERIOD'S FINANCIAL STATEMENTS (continued)**For the period ended 30 June 2022:**

Consolidated statement of cash flows	<i>As previously reported</i>	<i>Net restatements</i>		<i>Reclassifications</i>	<i>As restated</i>
		<i>IFRS 3 adjustments</i>	<i>Foreign currency translation reserve</i>		
CASH FLOWS FROM OPERATING ACTIVITIES					
Adjustments for:					
Profit before tax for the year	1,046,403	(63,162)	37,185	-	1,020,426
Depreciation and amortisation	27,500	66,393	-	-	93,893
Amortization of transaction costs and IFRS 3 adjustments on sukuk financing and other borrowings	5,081	(37,684)	-	-	(32,603)
Net amortisation of premium and discount on investment securities	38,289	(4,267)	-	-	34,022
Profit before changes in operating assets and liabilities	1,711,179	(38,720)	37,185	-	1,709,644
Change in financing assets	1,257,120	38,720	-	-	1,295,840
Change in other liabilities	515,689	-	-	48,195	563,884
Net cash from operating activities	10,175,882	-	37,185	48,195	10,261,262
CASH FLOWS FROM FINANCING ACTIVITIES					
Profit paid on instrument eligible as additional capital	-	-	-	(48,195)	(48,195)
Net cash used in financing activities	(13,244,073)	-	-	(48,195)	(13,292,268)
NON-CASH ITEM					
Effects of exchange rate changes on cash and cash equivalents held	(14,207)	-	(37,185)	-	(51,392)

As at 31 December 2021:

Consolidated statement of financial position	<i>As previously reported</i>	<i>Net restatements</i>		<i>As restated</i>
		<i>IFRS 3 adjustments</i>	<i>Foreign currency translation reserve</i>	
ASSETS				
Financing assets	120,806,731	73,471	-	120,880,202
Investment securities	32,775,088	(22,421)	-	32,752,667
Other assets	3,253,204	26,611	-	3,279,815
Intangible assets, net	1,758,698	43,195	-	1,801,893
Total assets	174,033,860	120,856	-	174,154,716
LIABILITIES				
Sukuk and debt financing	7,614,762	120,856	-	7,735,618
Total liabilities	51,603,942	120,856	-	51,724,798
EQUITY				
Foreign currency translation reserve	(5,915)	-	(81,413)	(87,328)
Retained earnings	2,082,166	-	81,413	2,163,579
Total equity attributable to equity holders	23,466,640	-	-	23,466,640