

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2023

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 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 31 March 2023 and the related interim consolidated statement of income, interim consolidated statement of comprehensive income, 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 three-month period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization 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

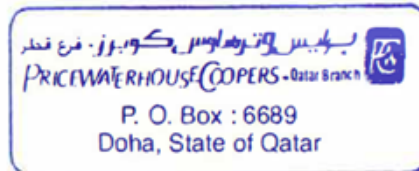
We conducted our review in accordance with International Standard on Review Engagements 2410, ‘Review of interim financial information performed by the independent auditor of the entity’. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial 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 Financial Accounting Standards 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 April 2023




INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed) (Restated)	1 January 2022 (Audited) (Restated)
ASSETS					
Cash and balances with central banks		5,094,303	5,088,200	5,571,016	5,220,712
Due from banks		3,358,332	6,108,768	4,605,782	9,155,812
Financing assets	8	116,522,494	117,859,281	122,251,335	120,880,202
Investment securities	9	30,300,170	31,476,658	31,867,155	32,752,667
Investment in associates		318,718	345,878	354,638	348,935
Fixed assets		932,844	901,888	754,338	714,680
Intangible assets		1,650,137	1,678,592	1,763,954	1,801,893
Other assets		4,011,737	4,073,948	3,707,989	3,279,815
TOTAL ASSETS		162,188,735	167,533,213	170,876,207	174,154,716
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY					
LIABILITIES					
Due to banks	10	26,656,155	28,804,957	26,522,140	23,246,577
Customer current accounts		8,878,077	8,736,827	9,186,056	9,192,634
Sukuk and debt financing	11	7,912,877	7,682,176	7,716,383	7,735,618
Other borrowings	12	4,938,911	3,843,236	4,800,212	5,699,994
Other liabilities		5,228,153	5,629,198	5,551,029	5,849,975
TOTAL LIABILITIES		53,614,173	54,696,394	53,775,820	51,724,798
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	84,810,489	88,554,879	91,937,835	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)	23,900	32,844	61,022	36,125
Foreign currency translation reserve	14 (e)	(126,276)	(148,600)	(103,003)	(87,328)
Other reserves	14 (f)	140,512	140,512	127,274	127,274
Retained earnings		1,171,275	1,716,321	2,651,299	2,163,579
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		22,552,120	23,083,786	23,963,582	23,466,640
Non-controlling interest	15	211,953	198,154	198,970	199,648
Instrument eligible as additional capital		1,000,000	1,000,000	1,000,000	1,000,000
TOTAL EQUITY		23,764,073	24,281,940	25,162,552	24,666,288
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		162,188,735	167,533,213	170,876,207	174,154,716

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


 Mohamed Bin Hamad
 Bin Qassim Al Thani
 Chairman


 Hamad Bin Faisal Bin
 Thani Al Thani
 Vice Chairman


 Fahad Bin Abdulla Al Khalifa
 Group Chief Executive Officer


 PRICEWATERHOUSECOOPERS - Qatar Branch
 FOR IDENTIFICATION PURPOSE ONLY

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-month period ended 31 March 2023

	Notes	For the three-month period ended 31 March	
		2023 (Reviewed)	2022 (Reviewed) (Restated)
Net income from financing activities		1,702,086	1,085,763
Net income from investing activities		370,137	299,118
Total net income from financing and investing activities		2,072,223	1,384,881
Fee and commission income		115,621	93,501
Fee and commission expense		(1,802)	(6,463)
Net fee and commission income		113,819	87,038
Foreign exchange gain (net)		49,932	72,453
Share of results of associates		12,503	10,228
Gain on sale of an associate		16,618	-
Other income		10,573	397
TOTAL INCOME		2,275,668	1,554,997
Staff costs		(93,906)	(182,147)
Depreciation and amortisation		(42,474)	(51,618)
Other expenses		(84,377)	(76,846)
Finance expense		(514,190)	(139,236)
TOTAL EXPENSES		(734,947)	(449,847)
Net reversal of impairment losses on due from banks	3 (a)	2,746	1,329
Net impairment losses on financing assets		(328,248)	(272,051)
Net impairment losses on investment securities		(7,717)	(9,067)
Net reversal of impairment / (impairment losses) on other exposures subject to credit risk	3 (a)	61,634	(6,824)
PROFIT FOR THE PERIOD BEFORE RETURN ON INVESTMENT ACCOUNT HOLDERS		1,269,136	818,537
Less: Return on investment account holders		(864,732)	(321,001)
PROFIT BEFORE TAX FOR THE PERIOD		404,404	497,536
Tax expense		(10,948)	(5,246)
NET PROFIT FOR THE PERIOD		393,456	492,290
Net profit for the period attributable to:			
Equity holders of the Bank		384,954	487,720
Non-controlling interest		8,502	4,570
		393,456	492,290
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	17	0.041	0.052

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-month period ended 31 March 2023

	<i>For the three-month period ended 31 March</i>	
	<i>Notes</i> 2023 (Reviewed)	2022 (Reviewed) (Restated)
NET PROFIT FOR THE PERIOD	393,456	492,290
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	(4,665)	20,567
Items that may be subsequently classified to consolidated income statement		
Exchange difference arising on translation of foreign operations	27,621	(20,923)
Net change in the share of other comprehensive income of investment in associates:		
Net change in fair value	(5,110)	(525)
Net amount transferred to consolidated income statement	951	-
Net movement in cash flow hedges – effective portion of changes in fair value	-	5,671
Fair value changes of debt-type investments carried at fair value through other comprehensive income	(497)	265
Share in the fair value reserve of equity investment account holders	377	(1,081)
Total other comprehensive income for the period	18,677	3,974
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	412,133	496,264
Attributable to:		
Equity holders of the Bank	398,334	496,942
Non-controlling interest	13,799	(678)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	412,133	496,264



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

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2023

	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to 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	-	-	-	-	-	-	384,954	384,954	8,502	-	393,456
Other comprehensive income	-	-	-	(8,944)	22,324	-	-	13,380	5,297	-	18,677
Total comprehensive income for the period	-	-	-	(8,944)	22,324	-	384,954	398,334	13,799	-	412,133
Dividend declared and approved for 2022 Note 14 (g)	-	-	-	-	-	-	(930,000)	(930,000)	-	-	(930,000)
Balance at 31 March 2023 (Reviewed)	9,300,000	9,644,166	2,398,543	23,900	(126,276)	140,512	1,171,275	22,552,120	211,953	1,000,000	23,764,073
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to 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	-	-	-	-	-	-	487,720	487,720	4,570	-	492,290
Other comprehensive income	-	-	-	24,897	(15,675)	-	-	9,222	(5,248)	-	3,974
Total comprehensive income for the period	-	-	-	24,897	(15,675)	-	487,720	496,942	(678)	-	496,264
Balance at 31 March 2022 (Reviewed)	9,300,000	9,644,166	2,282,824	61,022	(103,003)	127,274	2,651,299	23,963,582	198,970	1,000,000	25,162,552

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

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2023

	<i>For the three-month period ended 31 March</i>		
	<i>Note</i>	<i>2023 (Reviewed)</i>	<i>2022 (Reviewed) (Restated)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		404,404	497,536
Adjustments for:			
Net reversal of impairment losses on due from banks		(2,746)	(1,329)
Net impairment losses on financing assets		328,248	272,051
Net impairment losses on investment securities		7,717	9,067
Net (reversal of impairment) / impairment losses on other exposures subject to credit risk		(61,634)	6,824
Fair value gain on investment securities carried as fair value through income statement		-	(62)
Unrealized gain on revaluation of Shari'a compliant risk management instruments		(48,464)	(42,986)
Depreciation and amortisation		42,474	51,618
Loss on disposal of fixed assets		15	85
Amortization of transaction costs and IFRS 3 adjustments on sukuk financing and other borrowings		(13,722)	(18,919)
Net gain on sale of investment securities		-	(253)
Dividend income		(7,422)	(4,367)
Share of results of associates		(12,503)	(10,228)
Gain on sale of an associate		(16,618)	-
Net amortisation of premium and discount on investment securities		20,860	22,987
Employees' end of service benefit provisions		1,790	27,896
Profit before changes in operating assets and liabilities		642,399	809,920
Change in reserve account with Qatar Central Bank		(35,886)	278,551
Change in due from banks		426,767	(1,354,407)
Change in financing assets		953,829	(1,951,339)
Change in other assets		138,200	(260,389)
Change in profit receivable from investments		31,704	17,232
Change in due to banks		(2,148,802)	3,275,563
Change in customer current accounts		141,250	(6,578)
Change in other liabilities		(409,903)	174,796
Change in profit payable on sukuk financing and other borrowings		30,860	61,692
		(229,582)	1,045,041
Dividend received		7,422	4,367
Tax paid		(7,492)	(3,551)
Employees' end of service benefits paid		(497)	(28,225)
Net cash (used in) / generated from operating activities		(230,149)	1,017,632
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(1,015,878)	(135,211)
Proceeds from sale / redemption of investment securities		2,181,270	788,765
Proceeds from sale of an associate		40,623	-
Acquisition of fixed assets		(13,763)	(53,771)
Dividend received from associates		11,500	4,000
Net cash generated from investing activities		1,203,752	603,783

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

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the three-month period ended 31 March 2023

	Note	For the three-month period ended 31 March	
		2023 (Reviewed)	2022 (Reviewed) (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		(3,744,013)	(5,826,876)
Net proceeds from sukuk financing and other borrowings		1,998,180	361,865
Repayments of sukuk financing and other borrowings		(689,322)	(1,310,072)
Net repayment of Ijarah liabilities		(22,797)	(6,700)
Dividends paid		(845,104)	(43,920)
Profit paid on instrument eligible as additional capital		(46,000)	(48,195)
Net movement in non-controlling interest		5,297	(5,248)
Net cash used in financing activities		(3,343,759)	(6,879,146)
Net decrease in cash and cash equivalents		(2,370,156)	(5,257,731)
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		13,958	(19,179)
Cash and cash equivalents at 31 March	18	3,682,621	3,864,040

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 three-month period ended 31 March 2023

	1 January 2023	Movements during the period				Mudarib's share	31 March 2023
		Additions	Withdrawals	Revaluations / Gross income	Net dividends paid		
31 March 2023							
Money market placements	156,771	427,725	(342,161)	2,638	-	-	244,973
Investments in sukuk, shares, mutual funds and other securities	4,689,405	23,667	(32,982)	71,533	(1,195)	(6,305)	4,744,123
	<u>4,846,176</u>	<u>451,392</u>	<u>(375,143)</u>	<u>74,171</u>	<u>(1,195)</u>	<u>(6,305)</u>	<u>4,989,096</u>

	1 January 2022	Movements during the period				Mudarib's share	31 March 2022
		Additions	Withdrawals	Revaluations / Gross income	Net dividends paid		
31 March 2022							
Money market placements	146,769	522,400	(436,220)	878	-	-	233,827
Investments in sukuk, shares, mutual funds and other securities	4,684,310	63,194	(38,662)	644,041	1,358	(26,909)	5,327,332
	<u>4,831,079</u>	<u>585,594</u>	<u>(474,882)</u>	<u>644,919</u>	<u>1,358</u>	<u>(26,909)</u>	<u>5,561,159</u>



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 three-month period ended 31 March 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 three-month period ended 31 March 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>31 March 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%	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 three-month period ended 31 March 2023

1 REPORTING ENTITY (continued)

- ¹ On 14 July 2021, the Bank acquired additional 5% shares in Al Rayan (UK) Limited. Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 73.76% of Al Rayan Bank PLC.
- ² MAR Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.
- ³ Subsidiaries of Al Khaliji that became subsidiaries of the Group upon completion of the merger between the Bank and Al Khaliji on 30 November 2021.
- 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 Pursuant to the certificate of dissolution obtained by the Company, AKCB Falcon Limited is deemed to be dissolved effective 17 April 2023.

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 31 March 2023 were authorised for issuance in accordance with a resolution by the Board of Directors on 17 April 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") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the QCB. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

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 three-month period ended 31 March 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 that applied to the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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, amendment and interpretation**(i) New standard, amendment and interpretation 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 shall be 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.

(ii) New standards, amendment and interpretation 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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 1 – General Presentation and Disclosures in the Financial Statements (Revised 2021) (continued)*

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

- a) Revised conceptual framework is now 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 FAS that has been issued but is 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*.

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 three-month period ended 31 March 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 31 March 2023				
- Due from banks and balances with central banks	7,799,733	173,046	-	7,972,779
- Financing assets	83,248,020	30,026,391	7,451,394	120,725,805
- Debt type investments carried at amortised cost	29,505,742	399,508	57,162	29,962,412
- Other exposures subject to credit risk	12,088,241	2,344,740	36,548	14,469,529
	132,641,736	32,943,685	7,545,104	173,130,525
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	887	20	95	1,002
- Debt type investments carried at amortised cost	1	-	-	1
- Other exposures subject to credit risk	-	-	-	-
	888	20	95	1,003
Net transfer between stages				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	(1,316)	(1,125)	2,441	-
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	(92)	92	-	-
	(1,408)	(1,033)	2,441	-
Charge for the period (net)				
- Due from banks and balances with central banks	(924)	(1,822)	-	(2,746)
- Financing assets	(18,976)	42,599	334,104	357,727
- Debt type investments carried at amortised cost	8,214	(497)	-	7,717
- Other exposures subject to credit risk	1,650	(15,923)	(47,361)	(61,634)
	(10,036)	24,357	286,743	301,064
Write-offs				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	-	-	(65)	(65)
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	-	-
	-	-	(65)	(65)
Closing balance of allowance for impairment as at 31 March 2023				
- Due from banks and balances with central banks	11,368	719	-	12,087
- Financing assets	44,752	433,540	3,725,019	4,203,311
- Debt type investments carried at amortised cost	38,240	21,828	57,162	117,230
- Other exposures subject to credit risk	27,065	17,373	32,023	76,461
	121,425	473,460	3,814,204	4,409,089

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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 31 March 2022				
- Due from banks and balances with central banks	9,049,884	402,700	-	9,452,584
- Financing assets	104,049,397	17,914,644	2,574,536	124,538,577
- Debt type investments carried at amortised cost	30,956,353	576,020	57,162	31,589,535
- Other exposures subject to credit risk	19,446,294	3,368,219	47,809	22,862,322
	163,501,928	22,261,583	2,679,507	188,443,018
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	-	1	-	1
- Financing assets	(143)	(244)	(723)	(1,110)
- Debt type investments carried at amortised cost	(2)	-	-	(2)
- Other exposures subject to credit risk	-	231	-	231
	(145)	(12)	(723)	(880)
Net transfer between stages				
- Due from banks and balances with central banks	376	(376)	-	-
- Financing assets	782	(7,516)	6,734	-
- Debt type investments carried at amortised cost	(645)	645	-	-
- Other exposures subject to credit risk	24	(6,604)	6,580	-
	537	(13,851)	13,314	-
Charge for the period (net)				
- Due from banks and balances with central banks	(1,340)	11	-	(1,329)
- Financing assets	2,188	26,126	380,461	408,775
- Debt type investments carried at amortised cost	(2,890)	11,957	-	9,067
- Other exposures subject to credit risk	5,071	1,353	400	6,824
	3,029	39,447	380,861	423,337
Write-offs				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	-	-	(282)	(282)
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	-	-
	-	-	(282)	(282)
Closing balance of allowance for impairment as at 31 March 2022				
- Due from banks and balances with central banks	123	76	-	199
- Financing assets	61,444	812,345	1,413,453	2,287,242
- Debt type investments carried at amortised cost	8,192	18,962	57,162	84,316
- Other exposures subject to credit risk	20,205	29,493	8,999	58,697
	89,964	860,876	1,479,614	2,430,454

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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-	5,678,479	62,167,956	26,185,018	1,472,974
A+ to A-	1,571,172	8,231,805	1,697,976	4,813,832
BBB+ to BBB-	103,155	16,138,161	402,850	3,705,324
BB+ to B-	424,685	14,177,553	1,497,140	4,179,230
Unrated	195,288	20,010,330	179,428	298,169
Totals as at 31 March 2023	7,972,779	120,725,805	29,962,412	14,469,529

Rating grade	Due from banks and balances with central banks	Financing assets	Debt type investments carried at amortised cost	Other exposures subject to credit risk
AAA to AA-	7,577,631	62,794,377	28,300,351	3,585,640
A+ to A-	955,653	14,922,930	1,481,244	5,996,557
BBB+ to BBB-	7,289	14,002,360	1,370,729	4,692,553
BB+ to B-	615,637	18,163,146	82,435	7,232,157
Unrated	296,374	14,655,764	354,776	1,355,415
Totals as at 31 March 2022	9,452,584	124,538,577	31,589,535	22,862,322

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 three-month period ended 31 March 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>
31 March 2023 (Reviewed)				
Financial assets				
Shari'a-compliant risk management instruments	-	689,783	-	689,783
Investment securities	345,423	109,565	-	454,988
Assets held by non-Shari'a-compliant subsidiary	70,915	3,639	-	74,554
	416,338	802,987	-	1,219,325
Financial liabilities				
Shari'a-compliant risk management instruments	-	307,389	-	307,389
	-	307,389	-	307,389
	<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 non-Shari'a-compliant subsidiary	71,085	4,386	-	75,471
	362,621	719,084	-	1,081,705
Financial liabilities				
Shari'a-compliant risk management instruments	-	229,383	-	229,383
	-	229,383	-	229,383

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 6,509 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 31 March 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 three-month period ended 31 March 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 so 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 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 three-month period ended 31 March 2023

5 USE OF ESTIMATES AND JUDGMENTS (continued)**Key sources of estimation uncertainty (continued)***(v) Provisions and other contingent liabilities*

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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>
31 March 2023 (Reviewed)					
Cash and balances with central banks	-	-	5,094,303	5,094,303	5,094,303
Due from banks	-	-	3,358,332	3,358,332	3,358,332
Financing assets	-	-	116,522,494	116,522,494	116,522,494
Investment securities:					
- Measured at fair value	-	454,988	-	454,988	454,988
- Measured at amortised cost	-	-	29,845,182	29,845,182	29,913,648
Financial assets held by a non-Shari'a-compliant subsidiary	3,639	70,915	2,998,232	3,072,786	3,057,876
Other assets	-	-	5,692	5,692	5,692
Shari'a-compliant risk management instruments	689,783	-	-	689,783	689,783
	693,422	525,903	157,824,235	159,043,560	159,097,116
Due to banks	-	-	26,656,155	26,656,155	26,656,155
Customer current accounts	-	-	8,878,077	8,878,077	8,878,077
Sukuk and debt financing	-	-	7,912,877	7,912,877	7,631,077
Other borrowings	-	-	4,938,911	4,938,911	4,938,911
Financial liabilities of a non-Shari'a-compliant subsidiary	-	-	2,217,425	2,217,425	2,217,425
Other liabilities	-	-	1,423,215	1,423,215	1,423,215
Equity of investment account holders	-	-	84,810,489	84,810,489	84,810,489
Shari'a-compliant risk management instruments	307,389	-	-	307,389	307,389
	307,389	-	136,837,149	137,144,538	136,862,738

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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 three-month period ended 31 March 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 has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

7 OPERATING SEGMENTS (continued)

Information about operating segments

31 March 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	1,172,119	411,094	346,924	2,409	139,677	-	2,072,223
Net fee and commission income	43,763	56,134	2,224	11,282	416	-	113,819
Foreign exchange gain / (loss) (net)	-	-	50,004	-	(72)	-	49,932
Share of results of associates	-	-	-	-	-	12,503	12,503
Gain on sale of an associate	-	-	-	-	-	16,618	16,618
Other income	-	-	-	-	-	10,573	10,573
Total segment revenue	1,215,882	467,228	399,152	13,691	140,021	39,694	2,275,668
Finance expense	-	-	(507,838)	-	(6,352)	-	(514,190)
Return to investment account holders	(648,875)	(165,168)	-	-	(50,689)	-	(864,732)
Net impairment losses on financing assets	(326,228)	(1,515)	-	-	(505)	-	(328,248)
Net impairment losses on investments	-	-	(7,549)	(168)	-	-	(7,717)
Net reversal of impairment losses on due from banks and other exposures subject to credit risk	46,124	-	18,256	-	-	-	64,380
Reportable segment profit / (loss) before tax	281,708	300,545	(83,371)	8,924	42,713	(146,115)	404,404
Reportable segment assets	78,373,370	28,468,413	37,670,575	198,054	13,881,541	3,596,782	162,188,735
Reportable segment liabilities	5,328,149	2,516,275	38,987,948	12,189	3,936,648	2,832,964	53,614,173
Reportable segment equity of investment account holders	51,879,309	21,253,224	3,514,370	-	8,163,586	-	84,810,489

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

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

31 March 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 net income from financing and investing activities	730,075	277,819	291,284	2,991	82,712	-	1,384,881
Net fee and commission income	40,575	35,609	(299)	11,090	63	-	87,038
Foreign exchange gain / (loss) (net)	-	-	71,364	(5)	1,094	-	72,453
Share of results of associates	-	-	-	-	-	10,228	10,228
Other income	-	-	-	-	-	397	397
Total segment revenue	<u>770,650</u>	<u>313,428</u>	<u>362,349</u>	<u>14,076</u>	<u>83,869</u>	<u>10,625</u>	<u>1,554,997</u>
Finance expense	-	-	(138,815)	(118)	(303)	-	(139,236)
Return to investment account holders	(220,956)	(79,628)	-	-	(20,417)	-	(321,001)
Net impairment losses on financing assets	(32,667)	(240,580)	-	-	1,196	-	(272,051)
Net impairment losses on investments	-	-	(7,687)	(1,380)	-	-	(9,067)
Net reversal of impairment / (impairment losses) on due from banks and other exposures subject to credit risk	623	(5)	(5,713)	(400)	-	-	(5,495)
Reportable segment profit / (loss) before tax	<u>480,944</u>	<u>(56,235)</u>	<u>283,534</u>	<u>7,948</u>	<u>25,059</u>	<u>(243,714)</u>	<u>497,536</u>
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	<u>79,652,471</u>	<u>28,369,584</u>	<u>42,041,202</u>	<u>184,929</u>	<u>13,469,098</u>	<u>3,815,929</u>	<u>167,533,213</u>
Reportable segment liabilities	<u>5,247,917</u>	<u>2,468,184</u>	<u>39,813,956</u>	<u>13,613</u>	<u>3,768,817</u>	<u>3,383,907</u>	<u>54,696,394</u>
Reportable segment equity of investment account holders	<u>55,267,385</u>	<u>20,051,295</u>	<u>5,182,712</u>	<u>-</u>	<u>8,053,487</u>	<u>-</u>	<u>88,554,879</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

8 FINANCING ASSETS

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed) (Restated)</i>
(a) By type			
Receivables and balances from financing activities:			
Murabaha	81,488,727	80,136,882	101,095,080
Ijarah	41,897,588	43,974,590	21,546,666
Istisna'a	149,300	356,111	870,035
Musharaka	4,773,277	5,178,141	5,880,148
Others	1,066,112	956,165	768,249
Accrued profit	1,165,008	1,123,612	558,058
Total financing assets	130,540,012	131,725,501	130,718,236
Deferred profit	(9,814,207)	(10,021,573)	(6,179,659)
Allowance for impairment - Performing (Stages 1 and 2)*	(467,848)	(445,960)	(856,213)
Allowance for impairment - Non-performing (Stage 3)*	(3,242,336)	(2,935,039)	(1,241,543)
Profit in suspense*	(493,127)	(463,648)	(189,486)
Net financing assets	116,522,494	117,859,281	122,251,335

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

The total non-performing financing assets net of deferred profit at 31 March 2023 amounted to QAR 7,451 million representing 6.17% 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; 31 March 2022: QAR 2,575 million representing 2.07% of the gross financing assets net of deferred profit).

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

	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>31 March 2023 (Reviewed)</i>
Balance as at 1 January	3,380,999	463,648	3,844,647
Charge for the period	433,544	33,761	467,305
Recoveries / reversals during the period	(105,296)	(4,282)	(109,578)
Write off during the period	(65)	-	(65)
Effect of foreign currency movement	1,002	-	1,002
Balance as at 31 March	3,710,184	493,127	4,203,311
	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>31 December 2022 (Audited)</i>
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	3,380,999	463,648	3,844,647

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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>31 March 2022 (Reviewed)</i>
Balance as at 1 January	1,827,097	52,762	1,879,859
Charge for the period	317,007	143,987	460,994
Recoveries / reversals during the period	(44,956)	(7,263)	(52,219)
Write off during the period	(282)	-	(282)
Effect of foreign currency movement	(1,110)	-	(1,110)
	<u>2,097,756</u>	<u>189,486</u>	<u>2,287,242</u>

9 INVESTMENT SECURITIES

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed) (Restated)</i>
<i>Investments classified as fair value through income statement</i>			
<i>Investments classified as held for trading - Quoted</i>			
Debt type investments - Fixed profit rate	-	-	7,181
Accrued profit	-	-	174
	<u>-</u>	<u>-</u>	<u>7,355</u>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate - Quoted	4,098,926	3,401,458	3,690,278
Fixed profit rate - Unquoted	57,162	57,162	57,162
Floating profit rate - Quoted	77,461	77,459	27,933
Government of Qatar - Quoted	2,248,818	3,944,120	4,116,283
Government of Qatar - Unquoted	23,165,000	23,365,000	23,365,000
Accrued profit	315,045	346,619	332,879
Less: Allowance for impairment*	(117,230)	(109,512)	(84,316)
	<u>29,845,182</u>	<u>31,082,306</u>	<u>31,505,219</u>
<i>Investments classified as fair value through other comprehensive income</i>			
<i>Equity type investments</i>			
- Quoted	342,765	289,451	241,541
- Unquoted	109,565	102,816	111,945
Accrued profit	2,658	2,085	1,095
	<u>454,988</u>	<u>394,352</u>	<u>354,581</u>
	<u>30,300,170</u>	<u>31,476,658</u>	<u>31,867,155</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

9 INVESTMENT SECURITIES (continued)

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

	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed)
Positive fair value reserve:			
Balance at 1 January	45,074	36,125	36,125
Net change in fair value	1,231	10,199	23,418
Effective portion of cash flow hedge	-	(725)	5,671
Share of other comprehensive income of associates	(1,320)	(525)	(525)
Net fair value movement	(89)	8,949	28,564
Balance at 31 March / 31 December	44,985	45,074	64,689
	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed)
Negative fair value reserve:			
Balance at 1 January	(12,230)	-	-
Net change in fair value	(6,016)	(12,230)	(3,667)
Transfer to consolidated income statement	951	-	-
Share of other comprehensive income of associates	(3,790)	-	-
Net fair value movement	(8,855)	(12,230)	(3,667)
Balance at 31 March / 31 December	(21,085)	(12,230)	(3,667)
Total fair value reserve at 31 March / 31 December	23,900	32,844	61,022

10 DUE TO BANKS

	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed)
Current and short-term investment accounts	831,498	99,849	479,384
Commodity murabaha payable	459,134	846,312	566,087
Short-term Murabaha facilities from banks	-	-	4,839,966
Wakala payable	23,055,293	24,631,941	18,316,117
Repurchase agreements	2,235,858	3,139,915	2,297,175
Profit payable to banks	74,372	86,940	23,411
	26,656,155	28,804,957	26,522,140

The market value of securities given as collateral against the repurchase agreements are QAR 2,380 million (31 December 2022: QAR 3,347 million; 31 March 2022: QAR 2,568 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

11 SUKUK AND DEBT FINANCING

	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed) (Restated)
Face value of sukuk and debt financing	7,805,445	7,584,261	7,557,557
Less: Unamortised transaction costs	(5,399)	(6,476)	(10,058)
Add: Net IFRS 3 adjustments	34,169	50,547	99,399
Profit payable	78,662	53,844	69,485
	<u>7,912,877</u>	<u>7,682,176</u>	<u>7,716,383</u>

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

	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed) (Restated)
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	(370,690)	(293,660)	(35,896)
Amortisation of transaction costs	1,078	4,477	1,190
Amortisation of IFRS 3 adjustments	(16,378)	(70,309)	(21,457)
Effect of foreign currency movement	379	(37,884)	(18,603)
Finance expense for the period / year	70,237	234,750	55,531
Balance at 31 March / 31 December	<u>7,912,877</u>	<u>7,682,176</u>	<u>7,716,383</u>

12 OTHER BORROWINGS

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

	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed)
Balance at 1 January	3,843,236	5,699,994	5,699,994
Net issuances during the period / year	1,452,104	725,910	361,865
Repayments during the period / year	(392,252)	(2,620,722)	(1,274,176)
Amortisation of transaction cost	1,578	9,852	1,348
Profit payable on borrowings	34,245	28,202	6,161
Other movements	-	-	5,020
Balance at 31 March / 31 December	<u>4,938,911</u>	<u>3,843,236</u>	<u>4,800,212</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed)</i>
Saving accounts	8,075,825	8,395,652	7,507,113
Term accounts	70,872,088	75,167,905	78,119,460
Short-term investment accounts	5,415,339	4,541,090	5,858,764
Profit payable to equity of investment account holders	446,228	448,846	449,849
Share in the fair value reserve	1,009	1,386	2,649
	<u>84,810,489</u>	<u>88,554,879</u>	<u>91,937,835</u>

14 EQUITY**(a) Share capital**

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed)</i>
<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

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed)</i>
Balance at 1 January	9,644,166	9,644,166	9,644,166
Transfer from retained earnings ¹	-	-	-
Balance at 31 March / 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 31 March 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 31 March 2023 as Masraf will transfer the required amount by 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

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

	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 2022 (Reviewed)
Balance at 1 January	32,844	36,125	36,125
Net unrealised (losses) / gains	(3,776)	(645)	22,400
Effective portion of cash flow hedge	-	(725)	5,671
Share of other comprehensive income of associates	(5,110)	(525)	(525)
Transfer to consolidated income statement	951	-	-
Share of equity of investment account holders in the fair value reserve	(1,009)	(1,386)	(2,649)
Net fair value movement	(8,944)	(3,281)	24,897
Balance at 31 March / 31 December (shareholders' share)	<u>23,900</u>	<u>32,844</u>	<u>61,022</u>

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

(e) Foreign currency translation reserve

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

(f) Other reserves

	31 March 2023 (Reviewed)	31 December 2022 (Audited)	31 March 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 31 March / 31 December	<u>140,512</u>	<u>140,512</u>	<u>127,274</u>

No transfer has been made for the period ended 31 March 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

For the three-month period ended 31 March 2023

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

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed)</i>
Unutilised credit facilities	997,437	1,026,611	5,221,916
Guarantees	12,595,360	13,102,552	14,563,374
Letters of credit	871,040	1,461,838	3,072,240
	<u>14,463,837</u>	<u>15,591,001</u>	<u>22,857,530</u>
Contingent liabilities of a non-Shari'a-compliant subsidiary ¹	<u>471,207</u>	<u>502,707</u>	<u>673,128</u>

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

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed)</i>
Unutilised credit facilities	238,402	242,400	323,050
Guarantees	230,550	254,074	345,636
Letters of credit	2,255	6,233	4,442
	<u>471,207</u>	<u>502,707</u>	<u>673,128</u>

(b) Other undertakings and commitments

	<i>31 March 2023 (Reviewed)</i>	<i>31 December 2022 (Audited)</i>	<i>31 March 2022 (Reviewed)</i>
Profit rate swap	7,057,169	7,957,104	10,187,384
Unilateral promise to buy/sell currencies	14,878,120	8,604,329	9,583,401
Currency swap	68,413	68,413	59,740
	<u>22,003,702</u>	<u>16,629,846</u>	<u>19,830,525</u>
Capital commitments in respect of Head Office building under construction	<u>160,892</u>	<u>187,926</u>	<u>247,742</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

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 three-month period ended 31 March</i>	
	2023 <i>(Reviewed)</i>	2022 <i>(Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>384,954</u>	<u>487,720</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>0.041</u>	<u>0.052</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 condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	31 March 2023 <i>(Reviewed)</i>	31 March 2022 <i>(Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	776,023	1,554,741
Due from banks	2,906,547	2,309,100
Allowance for impairment	<u>51</u>	<u>199</u>
	<u>3,682,621</u>	<u>3,864,040</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 27,430 thousand during the period (31 December 2022: QAR 7,797 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

	31 March 2023 (Reviewed)			31 December 2022 (Audited)			31 March 2022 (Reviewed)		
	Associate companies	Board of Directors	Major shareholders	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Major shareholders
Consolidated statement of financial position items:									
Financing assets	26	635,602	-	-	670,327	-	-	729,830	-
Customer current accounts	69,579	105,824	-	76,233	172,495	-	71,259	36,640	-
Equity of investment account holders	66,815	212,890	2,853,396	75,700	252,190	5,737,145	22,993	626,849	3,215,430
Other assets	1,000	-	-	1,000	-	-	-	-	-
Other liabilities	-	-	99,695	-	-	97,588	-	-	101,075
Contingent liabilities:									
Letters of credit	-	22	-	-	3,327	-	-	5,566	-
Guarantees	107,807	113,057	-	107,326	110,845	-	94,133	138,537	-

*For the three-month period ended
31 March*

	2023 (Reviewed)			2022 (Reviewed)		
	Associate companies	Board of Directors	Major shareholders	Associate companies	Board of Directors	Major shareholders
Consolidated income statement items:						
Income from financing activities	-	12,380	-	-	5,907	-
Return on equity of investment account holders	496	1,994	44,876	39	1,802	7,988
Operating expenses	512	-	-	3,563	-	-

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 three-month period ended 31 March 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 three-month period ended</i>	
	<i>31 March</i>	<i>2022</i>
	<i>2023</i>	<i>2022</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Remuneration to Board of Directors including meeting allowances	<u>3,875</u>	<u>4,725</u>
Salaries and other benefits - Key management	<u>4,339</u>	<u>3,782</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>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2023</i>	<i>2022</i>	<i>2022</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>	<i>(Reviewed)</i>
Common Equity Tier 1 (CET 1) capital	20,691,644	20,644,439	20,328,192
Additional Tier 1 capital	1,000,000	1,000,000	1,000,000
Tier 2 capital	888,982	896,189	865,498
Total regulatory capital	<u>22,580,626</u>	<u>22,540,628</u>	<u>22,193,690</u>
Risk weighted assets			
Risk weighted assets for credit risk	101,572,487	103,470,735	96,913,342
Risk weighted assets for market risk	372,217	643,630	4,445,458
Risk weighted assets for operational risk	6,964,249	6,964,249	6,063,541
Total risk weighted assets	<u>108,908,953</u>	<u>111,078,614</u>	<u>107,422,341</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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
31 March 2023						
Actual	19.00%	19.00%	19.92%	20.73%	20.73%	20.73%
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%
31 March 2022						
Actual	18.92%	18.92%	19.85%	20.66%	20.66%	20.66%
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 three-month period ended</i>	
	<i>2023</i> <i>(Reviewed)</i>	<i>2022</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	21,434	7,449
Total source of charity fund	68,179	17,376
Use of charity fund		
Researches, donations and other uses during the period	-	-
Undistributed charity fund as at 31 March	68,179	17,376

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 three-month period ended 31 March 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 three-month period ended 31 March 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.

**30 November
2021****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**58,364,265****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

1,000,000**Total liabilities****50,511,751****Al Khaliji net assets as at acquisition date attributable to its equity holders****7,852,514**

The net assets recognised in the interim condensed consolidated financial statements for the period ended 31 March 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 31 March 2022 interim condensed consolidated financial statements were approved for issue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

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

During the 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 31 March 2022

As stated above, the 31 March 2022 comparative information has been restated to reflect the adjustments to the provisional amounts.

	<i>As at 31 March 2022 (as previously reported)</i>	<i>Restatement due to IFRS 3 adjustments</i>	<i>As at 31 March 2022 (as restated)</i>
Financing assets	122,191,939	59,396	122,251,335
Investment securities	31,886,971	(19,816)	31,867,155
Other assets	3,681,378	26,611	3,707,989
Intangible assets, net	1,758,698	5,256	1,763,954
Sukuk and debt financing	7,616,984	99,399	7,716,383

(f) Goodwill and intangible assets

During the 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 three-month period ended 31 March 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 31 March 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 three-month period ended 31 March 2023

23 RESTATEMENT OF PRIOR PERIOD'S FINANCIAL STATEMENTS (continued)**As at 31 March 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	122,191,939	59,396	-	122,251,335
Investment securities	31,886,971	(19,816)	-	31,867,155
Other assets	3,681,378	26,611	-	3,707,989
Intangible assets, net	1,758,698	5,256	-	1,763,954
Total assets	170,804,760	71,447	-	170,876,207
LIABILITIES				
Sukuk and debt financing	7,616,984	99,399	-	7,716,383
Total liabilities	53,676,421	99,399	-	53,775,820
EQUITY				
Foreign currency translation reserve	(12,125)	-	(90,878)	(103,003)
Retained earnings	2,588,373	(27,952)	90,878	2,651,299
Total equity attributable to equity holders	23,991,534	(27,952)	-	23,963,582

For the period ended 31 March 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	1,099,838	(14,075)	-	1,085,763
Net income from investing activities	296,513	2,605	-	299,118
Foreign exchange gain (net)	62,988	-	9,465	72,453
TOTAL INCOME	1,557,002	(11,470)	9,465	1,554,997
EXPENSES				
Depreciation and amortisation	(13,679)	(37,939)	-	(51,618)
Finance expense	(160,693)	21,457	-	(139,236)
TOTAL EXPENSES	(433,365)	(16,482)	-	(449,847)
NET PROFIT FOR THE PERIOD	510,777	(27,952)	9,465	492,290

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

23 RESTATEMENT OF PRIOR PERIOD'S FINANCIAL STATEMENTS (continued)**For the period ended 31 March 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	516,023	(27,952)	9,465	-	497,536
Depreciation and amortisation	13,679	37,939	-	-	51,618
Amortization of transaction costs and IFRS 3 adjustments on sukuk financing and other borrowings	2,538	(21,457)	-	-	(18,919)
Net amortisation of premium and discount on investment securities	25,592	(2,605)	-	-	22,987
Profit before changes in operating assets and liabilities	814,530	(14,075)	9,465	-	809,920
Change in financing assets	(1,965,414)	14,075	-	-	(1,951,339)
Change in other liabilities	126,601	-	-	48,195	174,796
Net cash from operating activities	959,972	-	9,465	48,195	1,017,632
CASH FLOWS FROM FINANCING ACTIVITIES					
Profit paid on instrument eligible as additional capital	-	-	-	(48,195)	(48,195)
Net cash used in financing activities	(6,830,951)	-	-	(48,195)	(6,879,146)
NON-CASH ITEM					
Effects of exchange rate changes on cash and cash equivalents held	(9,714)	-	(9,465)	-	(19,179)

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