

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2021

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2021

Contents	Page(s)
Independent auditor's review report	--
Interim condensed consolidated financial statements:	
Interim consolidated statement of financial position	1
Interim consolidated income statement	2
Interim consolidated statement of changes in equity	3
Interim consolidated statement of cash flows	4-5
Notes to the interim condensed consolidated financial statements	6-32

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (“the Bank”) and its subsidiaries (together referred to as the “Group”) comprising the interim consolidated statement of financial position as at 30 September 2021, and the related interim consolidated statement of income for the three month and nine month periods ended 30 September 2021, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine month period then ended, and certain explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) as modified by the Qatar Central Bank (“QCB”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

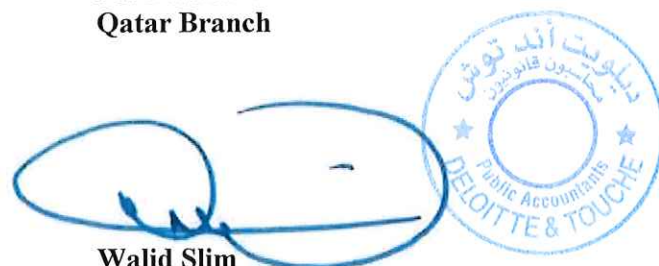
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 presented fairly, in all material respects, in accordance with the Financial Accounting Standards issued by the AAOIFI as modified by the QCB.

Doha – Qatar
18 October 2021

For Deloitte & Touche
Qatar Branch



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	30 September 2021 (Reviewed)	31 December 2020 (Audited)	30 September 2020 (Reviewed)
ASSETS				
Cash and balances with central banks		7,312,538	7,070,507	9,212,162
Due from banks		7,709,434	6,307,575	4,890,929
Financing assets	8	87,009,549	85,983,437	80,775,399
Investment securities	9	21,864,182	20,585,834	20,643,420
Investment in associates		348,936	534,116	538,828
Fixed assets		373,213	271,406	265,850
Other assets		147,466	362,005	221,460
TOTAL ASSETS		124,765,318	121,114,880	116,548,048
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	22,091,934	27,979,497	25,100,703
Customer current accounts		8,616,640	8,491,997	8,874,685
Sukuk financing	11	5,349,332	6,023,180	6,001,241
Other borrowings	12	1,560,656	1,270,775	2,365,089
Other liabilities		2,570,757	2,331,558	2,327,693
TOTAL LIABILITIES		40,189,319	46,097,007	44,669,411
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	69,545,394	60,425,902	57,777,860
EQUITY				
Share capital	14 (a)	7,500,000	7,500,000	7,500,000
Legal reserve	14 (b)	2,714,166	2,714,166	2,496,623
Risk reserve	14 (c)	1,796,600	1,796,600	1,636,268
Fair value reserve	14 (d)	38,378	25,204	22,270
Foreign currency translation reserve	14 (e)	(2,959)	(3,618)	(12,887)
Other reserves	14 (f)	126,222	126,222	123,405
Retained earnings		2,661,207	2,206,731	2,123,780
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		14,833,614	14,365,305	13,889,459
Non-controlling interest	15	196,991	226,666	211,318
TOTAL EQUITY		15,030,605	14,591,971	14,100,777
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		124,765,318	121,114,880	116,548,048

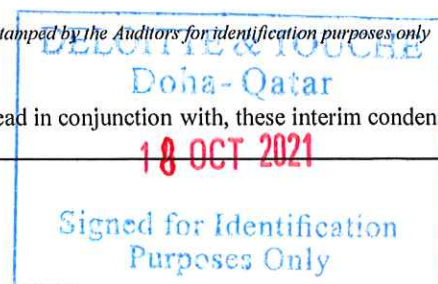
These interim condensed consolidated financial statements were approved by the Board of Directors on 18 October 2021 and were signed on its behalf by:

.....
Ali Bin Ahmed Al Kuwari
Chairman and Managing Director

.....
Ahmed Abdisheikh
Acting Group Chief Executive Officer

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

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



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INTERIM CONSOLIDATED INCOME STATEMENT

For the Three and Nine-Month Periods Ended 30 September 2021

	Notes	<i>For the Three-Month Period Ended 30 September</i>		<i>For the Nine-Month Period Ended 30 September</i>	
		2021 (Reviewed)	2020 (Reviewed)	2021 (Reviewed)	2020 (Reviewed)
Net income from financing activities		869,272	918,289	2,726,167	2,750,630
Net income from investing activities		206,190	221,361	637,813	703,826
Total net income from financing and investing activities		1,075,462	1,139,650	3,363,980	3,454,456
Fee and commission income		85,981	66,026	246,889	193,289
Fee and commission expense		(642)	(629)	(2,319)	(1,617)
Net fee and commission income		85,339	65,397	244,570	191,672
Foreign exchange gain (net)		36,670	38,879	117,629	141,301
Share of results of associates		4,036	253	13,706	12,601
Other income		278	1,291	2,285	4,618
TOTAL INCOME		1,201,785	1,245,470	3,742,170	3,804,648
Staff costs		(112,471)	(96,846)	(316,715)	(289,987)
Depreciation and amortisation		(12,398)	(5,483)	(38,753)	(17,555)
Other expenses		(80,930)	(69,259)	(206,290)	(203,567)
Finance expense		(122,743)	(144,114)	(397,744)	(517,849)
TOTAL EXPENSES		(328,542)	(315,702)	(959,502)	(1,028,958)
Net reversals / (impairment losses) on due from banks	3 (a)	163	73	(1,356)	77
Net impairment losses on financing assets		(57,053)	(77,051)	(239,149)	(152,629)
Net impairment losses on investments		(315)	(20,149)	(189,031)	(31,302)
Net (impairment losses) / reversals on other exposures subject to credit risk	3 (a)	(3,302)	(4,165)	7,574	9,853
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		812,736	828,476	2,360,706	2,601,689
Less: Return to investment account holders		(236,831)	(247,497)	(636,049)	(935,654)
PROFIT BEFORE TAX FOR THE PERIOD		575,905	580,979	1,724,657	1,666,035
Tax expense (net)		(2,595)	(525)	(738)	(69)
NET PROFIT FOR THE PERIOD		573,310	580,454	1,723,919	1,665,966
Net profit for the period attributable to:					
Equity holders of the Bank		569,958	578,760	1,713,276	1,662,281
Non-controlling interest		3,352	1,694	10,643	3,685
		573,310	580,454	1,723,919	1,665,966
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	17	0.076	0.077	0.228	0.222

DELOITTE & TOUCHE

BASIC AND DILUTED EARNINGS PER SHARE (QAR)

18 OCT 2021

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

Signed for Identification

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine-Month Period Ended 30 September 2021

	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance at 31 December 2020 (Audited)	7,500,000	2,714,166	1,796,600	25,204	(3,618)	126,222	2,206,731	14,365,305	226,666	14,591,971
Change in foreign currency translation reserve	-	-	-	-	(81,743)	-	-	(81,743)	-	(81,743)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	82,402	-	-	82,402	-	82,402
Gain on sale of FVTE investments	-	-	-	(5,483)	-	-	5,483	-	-	-
Fair value reserve movement	-	-	-	18,657	-	-	-	18,657	-	18,657
Profit for the period	-	-	-	-	-	-	1,713,276	1,713,276	10,643	1,723,919
Dividend declared and approved for 2020 (Note 14g)	-	-	-	-	-	-	(1,275,000)	(1,275,000)	-	(1,275,000)
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	-	10,717	10,717	(37,458)	(26,741)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(2,860)	(2,860)
Balance at 30 September 2021 (Reviewed)	7,500,000	2,714,166	1,796,600	38,378	(2,959)	126,222	2,661,207	14,833,614	196,991	15,030,605
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance at 31 December 2019 (Audited)	7,500,000	2,496,623	1,636,268	23,604	(9,703)	123,405	2,148,999	13,919,196	212,719	14,131,915
Change in foreign currency translation reserve	-	-	-	-	(100,253)	-	-	(100,253)	-	(100,253)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	97,069	-	-	97,069	-	97,069
Fair value reserve movement	-	-	-	(1,334)	-	-	-	(1,334)	-	(1,334)
Profit for the period	-	-	-	-	-	-	1,662,281	1,662,281	3,685	1,665,966
Dividend declared and approved for 2019 (Note 14g)	-	-	-	-	-	-	(1,687,500)	(1,687,500)	-	(1,687,500)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(5,086)	(5,086)
Balance at 30 September 2020 (Reviewed)	7,500,000	2,496,623	1,636,268	22,270	(12,887)	123,405	2,123,780	13,889,459	211,318	14,100,777

Signed for Identification

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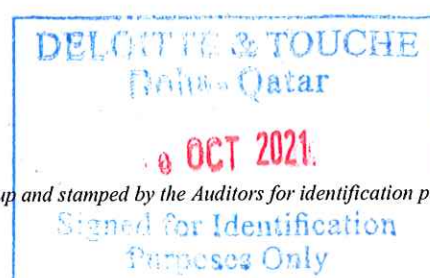
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine-Month Period Ended 30 September 2021

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>Note</i>	<i>2020 (Reviewed)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the period	1,724,657	1,666,035
Adjustments for:		
Net impairment losses / (reversals) on due from banks	1,356	(77)
Net impairment losses on financing assets	239,149	152,629
Net impairment losses on investments	189,031	31,302
Net reversals of impairment losses on other exposures subject to credit risk	(7,574)	(9,853)
Fair value losses on investment securities carried as fair value through income statement	86	26
Unrealized loss / (gain) on revaluation of Shari'a compliant risk management instruments	23,735	(6,693)
Depreciation and amortisation	38,753	17,555
Amortisation of transaction costs on sukuk financing, other borrowings and due to banks	9,737	2,192
Net gain on sale of investment securities	(98)	(10,296)
Dividend income	(3,911)	(1,442)
Share of results of associates	(13,706)	(12,601)
Amortisation of premium and discount on investment securities	(12,641)	(16,373)
Employees' end of service benefit provisions	8,868	4,194
Profit before changes in operating assets and liabilities	2,197,442	1,816,598
Change in reserve account with Qatar Central Bank	(454,473)	(98,805)
Change in due from banks	(334,620)	-
Change in financing assets	(1,274,736)	(6,090,523)
Change in other assets	187,764	65,898
Change in profit receivable from investments	7,656	2,525
Change in due to banks	(6,437,115)	5,551,487
Change in customer current accounts	124,643	1,348,002
Change in other liabilities	204,562	318,001
Change in profit payable on sukuk financing and other borrowings	28,873	33,997
	(5,750,004)	2,947,180
Dividend received	3,911	1,442
Employees' end of service benefits paid	(2,059)	(391)
Social and sports fund contribution	(54,386)	(54,460)
Tax paid	(8,627)	(2,151)
Net cash (used in) / generated from operating activities	(5,811,165)	2,891,620
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities	(2,851,249)	(523,778)
Proceeds from sale / redemption of investment securities	1,582,749	1,222,569
Acquisition of fixed assets	(46,087)	(56,412)
Dividend received from associates	10,700	4,000
Net cash (used in) / generated from investing activities	(1,303,887)	646,379

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the Nine-Month Period Ended 30 September 2021

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>Note</i>	<i>2020</i>
	2021	2020
	(Reviewed)	(Reviewed)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in equity of investment account holders	9,118,896	(307,961)
Net proceeds from sukuk financing and other borrowings	832,840	3,408,708
Repayment of sukuk financing and other borrowings	(707,232)	(211,656)
Net repayment of Ijarah liabilities	(31,830)	-
Dividends paid	(1,228,257)	(1,577,303)
Net movement in non-controlling interest	(29,601)	(5,086)
Net cash generated from financing activities	7,954,816	1,306,702
Net increase in cash and cash equivalents	839,764	4,844,701
Cash and cash equivalents at 1 January	10,713,783	6,554,869
NON-CASH ITEM		
Effects of exchange rate changes on cash and cash equivalents held	16,389	1,558
Cash and cash equivalents at 30 September	18	11,401,128
	11,569,936	11,401,128

Significant non-cash transaction:

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

- During the period, the Group recognized right-of-use assets amounting to QAR 81,257 thousand (30 September 2020: Nil) resulting from the adoption of FAS 32 (Note 2(d)). The Group also recognized Ijarah contract additions and modifications resulting to increase in right-of-use assets amounting to QAR 14,432 thousand (30 September 2020: Nil).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

1 REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) (“Masraf” or “the Bank”) is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies’ Law No. 5 of 2002, as amended by Qatar Commercial Companies’ Law No. 11 of 2015, under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank’s registered office is at P.O. Box 28888, Grand Hamad Steet, Doha, Qatar. The interim condensed consolidated financial statements of the Bank for the nine-month period ended 30 September 2021 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, investing and brokerage activities, and has 16 branches including the head office in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

The principal subsidiaries of the Group are as follows:

Entity’s name	Country of incorporation	Entity’s capital	Entity’s activities	Effective percentage of ownership	
				30 September 2021	31 December 2020
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage L.L.C. ¹	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan (UK) Limited ²	UK	GBP 100,000,000	Investment activities	75.0%	70.0%
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 50,000	Investment activities	100.0%	100.0%
MAR Sukuk Limited ³	Cayman Islands	USD 50,000	Sukuk issuance	100.0%	100.0%

¹ The operations have ceased since 12 January 2017 after Qatar Financial Markets Authority (“QFMA”) approved to freeze its license for two years, which had been extended up to 10 September 2019. On 13 January 2019, the Board of Directors resolved to liquidate Al Rayan Financial Brokerage. The liquidation procedures are ongoing as of reporting date.

² 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. Al Rayan Bank PLC is the designated “Servicer” of Tolkien Funding Sukuk No. 1 Plc, a special purpose entity incorporated in the UK for the purpose of sukuk issuance for the benefit of Al Rayan Bank PLC.

³ 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.

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. (“Al Khaliji”) have entered into a merger agreement. The Bank will issue one share for every two Al Khaliji shares, equivalent to 1.8 billion new shares to be issued to Al Khaliji shareholders. Upon completion of the merger, Al Khaliji (legal entity) will be dissolved and its assets and liabilities will be absorbed by the Bank, which will be the remaining legal entity and will continue to operate in accordance with Shari’a principles. The merger agreement is subject to the approvals of the regulatory authorities in the State of Qatar.

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’.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

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

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

The 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 2020. In addition, results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020.

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 2020.

(b) Basis of measurement

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

(c) Functional and presentational currency

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

(d) New standards, amendments and interpretations

The accounting policies applied by the Group in the preparation of the interim condensed consolidated financial statements are the same as those used in the preparation of the Group's last audited consolidated financial statements as at and for the year ended 31 December 2020, except for those arising from the adoption of the following standards and amendments to standards effective from 1 January 2021. The impact of the adoption of these standards and amendments is set out below:

(i) New standards, amendments and interpretations effective from 1 January 2021*FAS 32 - Ijarah*

AAOIFI has issued FAS 32 in 2019. FAS 32 improves upon and supersedes FAS 8 - Ijarah and Ijarah Muntahia Bittamleek originally issued in 1997. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by Islamic financial institutions, in both the capacities of lessor and lessee.

The Group has applied FAS 32 “Ijarah” from 1 January 2021 and has opted for the simplified transition approach and has not restated comparative information, prior to the date of the adoption of the standard.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

2 BASIS OF PREPARATION (continued)

(d) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective from 1 January 2021 (continued)

Change in accounting policy

Ijarah – Policy applicable from 1 January 2021

The Group as lessee

Identifying an Ijarah

At inception of a contract, the Group assesses whether the contract is, or contains an Ijarah. A contract is, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration.

Classification and measurement

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Group adopts a simplified approach whereby the Group elects, by class of underlying asset, not to separate the non-Ijarah components from Ijarah components, and instead account for each Ijarah component and any associated non-Ijarah components as a single Ijarah component.

The Group, in its capacity as either the lessor or the lessee, classifies each of its Ijarah into:

- a. Operating Ijarah;
- b. Ijarah Muntahia Bittamleek with expected transfer of ownership after the end of the Ijarah term – either through a sale or a gift; or
- c. Ijarah Muntahia Bittamleek with gradual transfer of ownership during the Ijarah term (including Diminishing Musharaka Ijarah).

At the Ijarah commencement date, the Group as a lessee recognises a right-of-use (usufruct) asset and a net Ijarah liability (i.e. gross Ijarah liability less deferred Ijarah cost).

Right-of-use (usufruct) asset

Initial recognition and measurement

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- a. The prime cost of the right-of-use asset;
- b. Initial direct costs incurred by the lessee; and
- c. Dismantling or decommissioning costs.

The Group determines the prime cost of the right-of-use asset using the liability estimation method. Under this method, the prime cost of the right-of-use asset is determined through estimation based on the fair value of the total consideration paid or payable (i.e. total Ijarah rentals) against the right-of-use asset, under a similar transaction.

Recognition exemptions and simplified accounting for the lessee

The Group as a lessee elects not to apply the requirements of Ijarah recognition and measurement to:

- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Subsequent measurement

After the commencement date, the Group as a lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modifications or reassessments. The amortizable amount of a right-of-use asset comprises of the right-of-use asset less residual value, if any, and is amortised according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

2 BASIS OF PREPARATION (continued)

(d) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective from 1 January 2021 (continued)

Right-of-use (usufruct) asset (continued)

Subsequent measurement (continued)

The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, which coincides with the end of the Ijarah term. The Group determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- a. Extension periods if it is reasonably certain that the Group will exercise that option; and/ or
- b. Termination options if it is reasonably certain that the Group will not exercise that option.

The Group carries out impairment assessment in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments" to determine whether the right-of-use asset is impaired and to account for any impairment losses identified. The impairment assessment takes into consideration the estimated residual value of the underlying asset. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

Net Ijarah liability

Initial recognition and measurement

The net Ijarah liability comprises of the gross Ijarah liability and deferred Ijarah cost (shown as a contra-liability).

The gross Ijarah liability is initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rental payable comprises of the following payments for the right to use the underlying asset during the Ijarah term:

- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payments of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

Advance rentals paid are netted off with the gross Ijarah liability.

Hamish Jiddiyyah paid by the Group are recognized as a receivable from the lessor and are not netted-off with the Ijarah liability, unless it is to be adjusted against consideration for transfer of ownership or adjustment against rental liability if agreed upon between the parties, at the time of such event taking place.

Subsequent measurement

After the commencement date, the Group measures the net Ijarah liability by:

- a. Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals made;
- b. Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost); and
- c. Re-measuring the carrying amount in the event of reassessment or Ijarah contract modifications or to reflect revised Ijarah rentals.

The deferred Ijarah cost is amortised to interim consolidated income statement over the Ijarah terms on a time-proportionate basis using the effective rate of return method.

Ijarah contract modifications

After the commencement date, the Group accounts for Ijarah contract modifications as follows:

- a. Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- b. Change in future Ijarah rentals only: re-calculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of-use asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

2 BASIS OF PREPARATION (continued)

(d) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective from 1 January 2021 (continued)

Ijarah contract modifications (continued)

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset. For modifications not meeting any of the conditions stated above, the Group considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Group recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognises the existing Ijarah transaction and balances.

Expenses relating to underlying asset

Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Group, are recognised by the Group in the interim consolidated income statement in the period incurred.

Impact on adoption of FAS 32

The following amounts are recognized under the new standard and included in the respective headings of the interim consolidated statement of financial position and income statement:

	<i>1 January 2021</i>	<i>30 September 2021</i>
Interim consolidated statement of financial position		
Right-of-use asset ("Fixed Assets")	<u>81,257</u>	<u>68,329</u>
Gross Ijarah liability	79,560	68,499
Less: Deferred Ijarah cost	<u>(5,883)</u>	<u>(4,639)</u>
Net Ijarah liability ("Other liabilities")	<u>73,677</u>	<u>63,860</u>
		<i>For the Nine- Month Period Ended</i>
		<i>30 September 2021</i>
Interim consolidated income statement		
Amortisation on the right-of-use asset ("Depreciation and amortisation")		<u>26,485</u>
Amortisation of Ijarah costs ("Finance expense")		<u>1,285</u>

As of reporting date, the Group is currently performing an evaluation of right-of-use assets related to the Group's Head Office and other Ijarah contracts that may be impaired as a result of synergies that may take place following the approval by the Bank's Extra-Ordinary General Assembly of the proposed merger of the Bank and Al Khaliji (Note 22).

FAS 35 - Risk Reserves

AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 – "Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions).

The above standard is effective for annual reporting periods beginning on or after 1 January 2021 and has no material impact on the Group's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

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

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

FAS 38 Wa'ad, Khiyar and Tahawwut

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

This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

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

(e) Inter Bank Offered Rate (IBOR) transition

IBOR - Phase 2 amendments, effective from 1 January 2021, address issues that might affect financial reporting as result of the reform of the rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and hedge accounting.

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

The Group is in the process of establishing policies for amending the interbank offered rates that will be replaced as part of IBOR reforms. The Group has discussion with counterparties in relation to exposure to derivative and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021.

The Group is in discussions with various stakeholders to amend the contractual terms in preparation for IBOR reform and assess preparedness for adopting alternate reference rates and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

3 EXPECTED CREDIT LOSSES (“ECL”)

(a) Expected credit loss / Impairment allowances

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

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

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

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 September 2020				
- Due from banks and balances with central banks	13,679,804	2,333	-	13,682,137
- Financing assets	67,915,216	12,788,145	878,467	81,581,828
- Debt type investments carried at amortised cost	20,041,986	435,275	57,162	20,534,423
- Other exposures subject to credit risk	12,655,392	1,245,754	5,633	13,906,779
	114,292,398	14,471,507	941,262	129,705,167
Opening Balance - as at 1 January 2020				
- Due from banks and balances with central banks	173	-	-	173
- Financing assets	38,990	270,543	327,869	637,402
- Debt type investments carried at amortised cost	1,715	4,976	28,610	35,301
- Other exposures subject to credit risk	9,808	26,227	-	36,035
	50,686	301,746	356,479	708,911
Foreign currency translation for the period				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	(80)	(104)	(12)	(196)
- Debt type investments carried at amortised cost	(3)	-	-	(3)
- Other exposures subject to credit risk	-	-	-	-
	(83)	(104)	(12)	(199)
Net transfer between stages				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	5,030	(11,356)	6,326	-
- Debt type investments carried at amortised cost	1,629	(1,629)	-	-
- Other exposures subject to credit risk	581	(581)	-	-
	7,240	(13,566)	6,326	-
Charge / (reversal) for the period (net)				
- Due from banks and balances with central banks	(77)	-	-	(77)
- Financing assets	103,262	48,458	18,686	170,406
- Debt type investments carried at amortised cost	1,412	2,777	20,000	24,189
- Other exposures subject to credit risk	13,448	(23,301)	-	(9,853)
	118,045	27,934	38,686	184,665
Write offs				
- Due from banks and balances with central banks	-	-	-	-
- Financing assets	-	-	(1,183)	(1,183)
- Debt type investments carried at amortised cost	-	-	-	-
- Other exposures subject to credit risk	-	-	-	-
	-	-	(1,183)	(1,183)
Closing Balance - as at 30 September 2020				
- Due from banks and balances with central banks	96	-	-	96
- Financing assets	147,202	307,541	351,686	806,429
- Debt type investments carried at amortised cost	4,753	6,124	48,610	59,487
- Other exposures subject to credit risk	23,837	2,345	-	26,182
	175,888	316,010	400,296	892,194

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

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-	7,985,015	53,952,423	20,626,229	2,902,698
A+ to A-	5,614,897	6,384,738	173,684	4,293,961
BBB+ to BBB-	500,318	7,799,332	12,812	2,236,343
BB+ to B-	186	6,412,549	623,745	2,497,518
Unrated	353,389	13,671,165	250,170	475,027
Totals as at 30 September 2021	14,453,805	88,220,207	21,686,640	12,405,547

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-	9,782,174	48,381,207	19,052,067	2,947,787
A+ to A-	3,896,630	8,133,853	355,740	4,219,659
BBB+ to BBB-	728	8,364,434	48,375	5,220,415
BB+ to B-	274	5,037,179	542,137	1,112,136
Unrated	2,331	11,665,155	536,104	406,782
Totals as of 30 September 2020	13,682,137	81,581,828	20,534,423	13,906,779

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 2020.

(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 Nine-Month Period Ended 30 September 2021

4 FINANCIAL RISK MANAGEMENT (continued)*(i) Valuation of financial instruments (continued)*

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

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

(ii) Financial asset and liability classification

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
30 September 2021 (Reviewed)				
Financial assets				
Shari'a-compliant risk management instruments	-	28,531	-	28,531
Investment securities	152,061	100,927	-	252,988
	<u>152,061</u>	<u>129,458</u>	<u>-</u>	<u>281,519</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	16,692	-	16,692
	<u>-</u>	<u>16,692</u>	<u>-</u>	<u>16,692</u>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2020 (Audited)				
Financial assets				
Shari'a-compliant risk management instruments	-	55,306	-	55,306
Investment securities	53,801	99,198	-	152,999
	<u>53,801</u>	<u>154,504</u>	<u>-</u>	<u>208,305</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	19,732	-	19,732
	<u>-</u>	<u>19,732</u>	<u>-</u>	<u>19,732</u>

The fair values of financial assets and financial liabilities carried at amortised 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 2,868 million (31 December 2020: QAR 3,216 million), which is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 6.

During the reporting periods 30 September 2021 and 31 December 2020, there were no transfers among Levels 1, 2 and 3 fair value measurements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
30 September 2021 (Reviewed)					
Cash and balances with central banks	-	-	7,312,538	7,312,538	7,312,538
Due from banks	-	-	7,709,434	7,709,434	7,709,434
Financing assets	-	-	87,009,549	87,009,549	87,009,549
Investment securities:					
- Measured at fair value	7,260	245,728	-	252,988	252,988
- Measured at amortised cost	-	-	21,611,194	21,611,194	21,723,279
Other assets	-	-	4,650	4,650	4,650
Shari'a-compliant risk management instruments	28,531	-	-	28,531	28,531
	35,791	245,728	123,647,365	123,928,884	124,040,969
Due to banks	-	-	22,091,934	22,091,934	22,091,934
Customer current accounts	-	-	8,616,640	8,616,640	8,616,640
Sukuk financing	-	-	5,349,332	5,349,332	5,349,332
Other borrowings	-	-	1,560,656	1,560,656	1,560,656
Other liabilities	-	-	1,823,829	1,823,829	1,823,829
Equity of investment account holders	-	-	69,545,394	69,545,394	69,545,394
Shari'a-compliant risk management instruments	16,692	-	-	16,692	16,692
	16,692	-	108,987,785	109,004,477	109,004,477

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
31 December 2020 (Audited)					
Cash and balances with central banks	-	-	7,070,507	7,070,507	7,070,507
Due from banks	-	-	6,307,575	6,307,575	6,307,575
Financing assets	-	-	85,983,437	85,983,437	85,983,437
Investment securities:					
- Measured at fair value	2,029	150,970	-	152,999	152,999
- Measured at amortised cost	-	-	20,432,835	20,432,835	20,578,155
Other assets	-	-	3,828	3,828	3,828
Shari'a-compliant risk management instruments	55,306	-	-	55,306	55,306
	<u>57,335</u>	<u>150,970</u>	<u>119,798,182</u>	<u>120,006,487</u>	<u>120,151,807</u>
Due to banks	-	-	27,979,497	27,979,497	27,979,497
Customer current accounts	-	-	8,491,997	8,491,997	8,491,997
Sukuk financing	-	-	6,023,180	6,023,180	6,023,180
Other borrowings	-	-	1,270,775	1,270,775	1,270,775
Other liabilities	-	-	1,732,566	1,732,566	1,732,566
Equity of investment account holders	-	-	60,425,902	60,425,902	60,425,902
Shari'a-compliant risk management instruments	19,732	-	-	19,732	19,732
	<u>19,732</u>	<u>-</u>	<u>105,923,917</u>	<u>105,943,649</u>	<u>105,943,649</u>

7 OPERATING SEGMENTS

The Group has four 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.
- 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 Nine-Month Period Ended 30 September 2021

7 OPERATING SEGMENTS (continued)

Information about operating segments

30 September 2021 (Reviewed)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Unallocated</i>	<i>Total</i>
<i>External revenue:</i>						
Total income from financing and investing activities	2,180,095	917,910	17,925	248,050	-	3,363,980
Net fee and commission income	217,256	-	26,919	395	-	244,570
Foreign exchange gain / (loss)	117,859	-	-	(230)	-	117,629
Share of results of associates	13,706	-	-	-	-	13,706
Other income	-	-	-	-	2,285	2,285
Total segment revenue	2,528,916	917,910	44,844	248,215	2,285	3,742,170
Finance expense	(383,764)	-	(828)	(13,152)	-	(397,744)
Return to investment account holders	(341,110)	(220,033)	-	(74,906)	-	(636,049)
Net impairment losses on financing assets	(156,248)	(80,718)	-	(2,183)	-	(239,149)
Net impairment losses on investments	(188,600)	-	(431)	-	-	(189,031)
Net reversals / (impairment losses) on due from banks and other exposures subject to credit risk	6,233	-	(15)	-	-	6,218
Reportable segment profit before tax	1,465,427	617,159	28,720	35,185	(421,834)	1,724,657
Reportable segment assets	88,825,445	22,842,529	725,527	11,414,759	957,058	124,765,318
Reportable segment liabilities	33,031,042	2,790,746	132,492	2,358,297	1,876,742	40,189,319
Reportable segment equity of investment account holders	44,784,003	16,455,539	-	8,305,852	-	69,545,394

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 September 2020 (Reviewed)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Unallocated</i>	<i>Total</i>
<i>External revenue:</i>						
Total income from financing and investing activities	2,151,155	1,043,363	20,033	239,905	-	3,454,456
Net fee and commission income	169,865	-	21,256	551	-	191,672
Foreign exchange gain / (loss)	143,220	-	-	(1,919)	-	141,301
Share of results of associates	12,601	-	-	-	-	12,601
Other income	-	-	169	-	4,449	4,618
Total segment revenue	<u>2,476,841</u>	<u>1,043,363</u>	<u>41,458</u>	<u>238,537</u>	<u>4,449</u>	<u>3,804,648</u>
Finance expense	(500,319)	-	(1,720)	(15,810)	-	(517,849)
Return to investment account holders	(555,129)	(288,736)	-	(91,789)	-	(935,654)
Net impairment losses on financing assets	(85,117)	(58,555)	-	(8,957)	-	(152,629)
Net impairment losses on investment securities	(30,359)	-	(936)	(7)	-	(31,302)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	9,910	(4)	11	13	-	9,930
Reportable segment profit before tax	<u>1,303,224</u>	<u>696,068</u>	<u>25,060</u>	<u>11,384</u>	<u>(369,701)</u>	<u>1,666,035</u>
Reportable segment assets	<u>79,176,207</u>	<u>24,878,083</u>	<u>789,689</u>	<u>10,396,318</u>	<u>1,307,751</u>	<u>116,548,048</u>
Reportable segment liabilities	<u>37,275,802</u>	<u>2,706,273</u>	<u>229,119</u>	<u>2,717,232</u>	<u>1,740,985</u>	<u>44,669,411</u>
Reportable segment equity of investment account holders	<u>34,816,689</u>	<u>15,960,834</u>	<u>-</u>	<u>7,000,337</u>	<u>-</u>	<u>57,777,860</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

8 FINANCING ASSETS

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
(a) By type			
Receivables and balances from financing activities:			
Murabaha	67,232,839	62,567,084	58,608,207
Ijarah	16,924,427	20,438,039	20,152,826
Istisna'a	1,042,906	938,073	916,839
Musharaka	6,519,711	6,079,771	5,619,490
Others	783,891	758,729	685,250
Accrued profit receivable	357,611	410,007	392,930
Total financing assets	92,861,385	91,191,703	86,375,542
Deferred profit	(4,641,178)	(4,250,331)	(4,793,714)
Allowance for impairment - Performing (Stages 1 and 2)*	(451,252)	(409,430)	(454,743)
Allowance for impairment - Non-performing (Stage 3)*	(704,599)	(509,035)	(316,294)
Profit in suspense*	(54,807)	(39,470)	(35,392)
Net financing assets	87,009,549	85,983,437	80,775,399

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

The total non-performing financing assets net of deferred profit at 30 September 2021 amounted to QAR 1,290,697 thousand representing 1.46% of the gross financing assets net of deferred profit (31 December 2020: QAR 979,654 thousand representing 1.13% of the gross financing assets net of deferred profit; 30 September 2020: QAR 878,467 thousand representing 1.08% 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>30 September 2021 (Reviewed)</i>
Balance as at 1 January	918,465	39,470	957,935
Charge for the period	293,283	22,864	316,147
Recoveries / reversals during the period	(54,134)	(7,527)	(61,661)
Write-off during the period	(1,352)	-	(1,352)
Effect of foreign currency movement	(411)	-	(411)
Balance as at 30 September	1,155,851	54,807	1,210,658
	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>31 December 2020 (Audited)</i>
Balance as at 1 January	619,787	17,615	637,402
Charge for the year	405,631	22,849	428,480
Recoveries / reversals during the year	(106,867)	(994)	(107,861)
Write-off during the year	(1,027)	-	(1,027)
Effect of foreign currency movement	941	-	941
Balance as at 31 December	918,465	39,470	957,935

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

8 FINANCING ASSETS (continued)

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

	<i>Allowance for impairment</i>	<i>Profit in suspense</i>	<i>30 September 2020 (Reviewed)</i>
Balance as at 1 January	619,787	17,615	637,402
Charge for the period	240,710	18,776	259,486
Recoveries / reversals during the period	(88,081)	(999)	(89,080)
Write off during the period	(1,183)	-	(1,183)
Effect of foreign currency movement	(196)	-	(196)
Balance at 30 September	<u>771,037</u>	<u>35,392</u>	<u>806,429</u>

9 INVESTMENT SECURITIES

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
<i>Investments classified as fair value through income statement</i>			
Investments classified as held for trading (Quoted)			
Debt type investments - Fixed profit rate	7,086	2,018	1,916
Accrued profit receivable	174	11	33
	<u>7,260</u>	<u>2,029</u>	<u>1,949</u>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate - Quoted	1,509,353	1,850,563	1,680,376
Fixed profit rate - Unquoted	57,162	50,967	50,967
Government of Qatar Sukuk - Quoted	1,235,400	1,214,119	1,303,932
Government of Qatar Sukuk - Unquoted	18,650,000	17,150,000	17,250,000
Accrued profit receivable	234,725	243,602	249,148
Less: Allowance for impairment*	(75,446)	(76,416)	(59,487)
	<u>21,611,194</u>	<u>20,432,835</u>	<u>20,474,936</u>
<i>Investments classified as fair value through equity</i>			
• Equity type investments			
- Quoted	34,339	32,207	31,223
- Unquoted	100,927	99,198	115,706
• Debt type investments - Fixed profit rate - Quoted	109,367	19,458	19,264
Accrued profit receivable	1,095	107	342
	<u>245,728</u>	<u>150,970</u>	<u>166,535</u>
	<u>21,864,182</u>	<u>20,585,834</u>	<u>20,643,420</u>

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

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the period amounting to Nil (30 September 2020: QAR 7,113 thousand), due to significant and prolonged reduction in fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

9 INVESTMENT SECURITIES (continued)

The cumulative change in fair value of investments designated as fair value through equity during the period / year is as follows:

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
<i>Positive fair value reserve:</i>			
Balance at 1 January	25,239	24,634	24,634
Net change in fair value	16,809	2,687	(4,917)
Transferred to retained earnings on sale of FVTE investments	(5,483)	(4,885)	-
Transferred to consolidated income statement on sale of FVTE investments	-	-	(217)
Share of other comprehensive income of associates	1,813	2,803	2,803
Net fair value movement	13,139	605	(2,331)
Balance at 30 September / 31 December	<u>38,378</u>	<u>25,239</u>	<u>22,303</u>
<i>Negative fair value reserve:</i>			
Balance at 1 January	(35)	(1,030)	(1,030)
Net change in fair value	35	(6,118)	(6,116)
Transferred to consolidated income statement on impairment of FVTE investments	-	7,113	7,113
Net fair value movement	35	995	997
Balance at 30 September / 31 December	<u>-</u>	<u>(35)</u>	<u>(33)</u>
Total fair value reserve at 30 September / 31 December	<u>38,378</u>	<u>25,204</u>	<u>22,270</u>

10 DUE TO BANKS

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Wakala payable	16,058,009	21,467,248	20,345,493
Short-term murabaha facilities from banks	2,728,375	2,450,837	651,579
Commodity murabaha payable	1,493,758	1,942,153	2,183,558
Repurchase agreements	1,630,010	1,965,320	1,809,071
Current and short-term investment accounts	157,649	105,290	55,653
Profit payable to banks	24,133	48,649	55,349
	<u>22,091,934</u>	<u>27,979,497</u>	<u>25,100,703</u>

The market value of securities given as collateral against the repurchase agreements are QAR 1,912 million (31 December 2020: QAR 2,461 million; 30 September 2020: QAR 2,189 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

11 SUKUK FINANCING

The Group has issued the following debt securities under its sukuk programs:

Instrument	Issuer	Issued amount	Issued on	Maturity	Profit rate
Sukuk	MAR Sukuk Limited	USD 100 million	20 November 2018	20 November 2023	3-month USD LIBOR + 1.75% p.a. payable quarterly
Sukuk	MAR Sukuk Limited	USD 90 million	21 November 2018	21 November 2023	3-month USD LIBOR + 1.75% payable quarterly
Sukuk	MAR Sukuk Limited	USD 500 million	13 November 2019	13 November 2024	Fixed rate of 3.025% payable semi-annually
Sukuk	MAR Sukuk Limited	USD 40 million	12 March 2020	12 March 2023	3-month USD LIBOR + 1.05% payable quarterly
Sukuk	MAR Sukuk Limited	USD 750 million	2 September 2020	2 September 2025	Fixed rate of 2.210% payable semi-annually
Sukuk	Tolkien Funding Sukuk No.1 Plc ¹	GBP 221 million	20 February 2018	20 July 2052	3-month Sterling LIBOR + 0.8% payable quarterly

¹ On 26 March 2021, Al Rayan Bank PLC, a subsidiary of Al Rayan (UK) Limited exercised its options to purchase the rights, title interest and benefits in the portfolio of assets held by Tolkien Funding Sukuk No. 1 PLC (the "Trustee"). The Trustee redeemed the certificates issued in full on 20 April 2021, being the next periodic distribution date of the Sukuk Programme.

	30 September 2021 (Reviewed)	31 December 2020 (Audited)	30 September 2020 (Reviewed)
Face value of sukuk	5,329,727	6,003,820	5,983,705
Less: Unamortised transaction costs	(7,857)	(9,491)	(9,999)
Profit payable	27,462	28,851	27,535
	<u>5,349,332</u>	<u>6,023,180</u>	<u>6,001,241</u>

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

	30 September 2021 (Reviewed)	31 December 2020 (Audited)	30 September 2020 (Reviewed)
Balance at 1 January	6,023,180	3,333,998	3,333,998
Net issuances during the period / year	-	2,862,380	2,862,633
Repayments during the period / year	(704,311)	(237,880)	(202,691)
Amortisation of transaction costs	1,634	1,352	653
Effect of foreign currency movement	1,367	34,479	(20,887)
Profit payable on sukuk financing	27,462	28,851	27,535
Balance at 30 September / 31 December	<u>5,349,332</u>	<u>6,023,180</u>	<u>6,001,241</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

12 OTHER BORROWINGS

Other borrowings are USD floating rate syndications that are priced at spreads over LIBOR and which have residual maturities of 1 to 2 years. The movement in other borrowings issued by the Group during the period/year is as follows:

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Balance at 1 January	1,270,775	2,002,003	2,002,003
Net borrowings during the period / year	832,840	1,267,161	546,075
Repayments during the period / year	(2,921)	(8,965)	(8,965)
Amortisation of transaction cost	2,746	5,644	1,539
Reclassified as Due to banks	(544,195)	(1,997,989)	(182,025)
Profit payable on borrowings	1,411	2,921	6,462
	<u>1,560,656</u>	<u>1,270,775</u>	<u>2,365,089</u>
Balance at 30 September / 31 December			

13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Term accounts	56,731,019	45,781,149	44,170,870
Saving accounts	7,476,939	8,414,414	7,805,806
Short-term investment accounts	5,001,648	5,926,572	5,434,889
Profit payable to equity of investment account holders	334,051	302,626	365,280
Share in the fair value reserves	1,737	1,141	1,015
	<u>69,545,394</u>	<u>60,425,902</u>	<u>57,777,860</u>

14 EQUITY**(a) Share capital**

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
<i>Authorised</i> 7,500,000,000 shares at QAR 1 each	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>

(b) Legal reserve

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Balance at 1 January	2,714,166	2,496,623	2,496,623
Transfer from retained earnings	-	217,543	-
Balance at 30 September / 31 December	<u>2,714,166</u>	<u>2,714,166</u>	<u>2,496,623</u>

According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 30 September 2021, as Masraf will transfer the required amount by 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2021

14 EQUITY (continued)

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by Masraf and its branches inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. No transfer has been made for the period ended 30 September 2021 as Masraf will transfer the required amount by 31 December 2021.

(d) Fair value reserve

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

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Balance at 1 January	25,204	23,604	23,604
Net unrealised gains / (losses)	18,581	(2,290)	(10,018)
Transferred to retained earnings on sale of FVTE investments	(5,483)	(4,885)	-
Transferred to consolidated income statement on sale of FVTE investments	-	-	(217)
Transferred to consolidated income statement on impairment of FVTE investments	-	7,113	7,113
Share of other comprehensive income of associates	1,813	2,803	2,803
Share of equity of investment account holders in the fair value reserve	(1,737)	(1,141)	(1,015)
Net fair value movement	13,174	1,600	(1,334)
Balance at 30 September / 31 December (shareholders' share)	<u>38,378</u>	<u>25,204</u>	<u>22,270</u>

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

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on Shari'a-compliant risk management instruments that hedge the Group's net investment in foreign operations.

(f) Other reserves

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Balance at 1 January	126,222	123,405	123,405
Share of results of associates	-	17,888	-
Dividend from associates transferred to retained earnings	-	(4,000)	-
Other movement	-	(11,071)	-
Balance at 30 September / 31 December	<u>126,222</u>	<u>126,222</u>	<u>123,405</u>

No transfer has been made for the period ended 30 September 2021 as Masraf will transfer the share of results of associates to other reserves by 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

14 EQUITY (continued)**(g) Dividend**

On 1 March 2021, the General Assembly approved a cash dividend of 17.0% of the paid up share capital (2020: 22.5%) amounting to QAR 1,275 million (2020: QAR 1,687.5 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 2020: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

16 CONTINGENT LIABILITIES AND COMMITMENTS**(a) Capital commitments**

The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these lease agreements are as follows:

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Payable not later than 1 year*	-	18,829	18,408
Payable later than 1 year and not later than 5 years*	-	24,358	29,026
	<u>-</u>	<u>43,187</u>	<u>47,434</u>

*The Group has applied FAS 32 "Ijarah" from 1 January 2021. The impact on adoption of FAS 32 is disclosed in Note 2(d).

(b) Contingent liabilities

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Unutilised credit facilities	843,403	601,212	1,305,295
Guarantees	9,886,178	12,376,417	11,525,154
Letters of credit	1,675,966	988,168	1,076,330
	<u>12,405,547</u>	<u>13,965,797</u>	<u>13,906,779</u>

(c) Other undertakings and commitments

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Profit rate swap	1,322,805	1,302,839	733,043
Unilateral promise to buy/sell currencies	12,120,987	11,749,333	12,655,028
	<u>13,443,792</u>	<u>13,052,172</u>	<u>13,388,071</u>
Capital commitment - Head Office building under construction	<u>293,019</u>	<u>333,170</u>	<u>346,032</u>

(d) Post-merger integrations costs

As of reporting date, the Group is in the process of determining a reliable estimate of the probable outflow of economic resources arising from expected post-merger integration costs that will be incurred in relation to the merger of the Bank and Al Khaliji (Note 22).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

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 Nine-Month Period Ended 30 September</i>	
	2021 <i>(Reviewed)</i>	2020 <i>(Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>1,713,276</u>	<u>1,662,281</u>
Weighted average number of shares outstanding during the period (thousand)	<u>7,500,000</u>	<u>7,500,000</u>
Basic earnings per share (QAR)	<u>0.228</u>	<u>0.222</u>

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

18 CASH AND CASH EQUIVALENTS

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

	30 September 2021 <i>(Reviewed)</i>	30 September 2020 <i>(Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	4,193,480	6,510,103
Due from banks	7,375,526	4,890,929
Allowance for impairment	<u>930</u>	<u>96</u>
	<u>11,569,936</u>	<u>11,401,128</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

19 RELATED PARTIES

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

(a) Transactions and balances

	30 September 2021 (Reviewed)			31 December 2020 (Audited)			30 September 2020 (Reviewed)		
	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Shareholders
Consolidated statement of financial position items:									
Financing assets	-	4,544	-	-	5,046	-	-	5,510	-
Customer current accounts	23,518	14,900	-	83,994	10,224	-	87,351	11,000	-
Equity of investment account holders	23,654	50,979	3,209,336	16,716	64,615	3,181,426	2,994	61,721	3,190,506
Contingent liabilities:									
Guarantees	97,510	-	-	67,526	-	-	63,711	-	-
<i>For the Nine-Month Period Ended</i>									
<i>30 September</i>									
	2021 (Reviewed)			2020 (Reviewed)					
	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Shareholders			
Consolidated income statement items:									
Income from financing activities	-	58	-	-	70	-			
Return on equity of investment account holders	166	809	25,818	103	1,107	36,089			
Operating expenses	8,699	-	-	10,875	-	-			

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 Nine-Month Period Ended 30 September 2021

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 Nine-Month Period Ended 30 September</i>	
	<i>2021 (Reviewed)</i>	<i>2020 (Reviewed)</i>
Remuneration to Board of Directors including meeting allowances:		
- Parent	12,225	12,546
- Subsidiaries	2,960	2,013
	<u>15,185</u>	<u>14,559</u>
Salaries and other benefits - Key management	<u>9,481</u>	<u>10,019</u>

20 CAPITAL ADEQUACY RATIO

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

Pursuant to Qatar Central Bank circular 24/2019, there is no material change to the Group's current ICAAP capital charge based on revised Profit Rate Risk on Banking Book (PRRBB) rules, which are effective from 30 June 2020.

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>	<i>30 September 2020 (Reviewed)</i>
Common Equity Tier 1 (CET 1) capital	13,321,144	13,299,338	12,426,211
Additional Tier 1 capital	-	-	-
Tier 2 capital	<u>494,225</u>	<u>459,589</u>	<u>491,898</u>
Total regulatory capital	<u>13,815,369</u>	<u>13,758,927</u>	<u>12,918,109</u>
Risk weighted assets			
Risk weighted assets for credit risk	62,785,860	61,625,989	60,258,858
Risk weighted assets for market risk	525,686	567,201	661,678
Risk weighted assets for operational risk	<u>5,552,963</u>	<u>5,552,963</u>	<u>5,241,574</u>
Total risk weighted assets	<u>68,864,509</u>	<u>67,746,153</u>	<u>66,162,110</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

20 CAPITAL ADEQUACY RATIO (continued)

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB ¹ buffer	Total capital including conservation buffer, DSIB ¹ buffer and ICAAP Pillar II capital charge
30 September 2021						
Actual	19.34%	19.34%	19.34%	20.06%	20.06%	20.06%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%
31 December 2020						
Actual	19.63%	19.63%	19.63%	20.31%	20.31%	20.31%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%
30 September 2020						
Actual	18.78%	18.78%	18.78%	19.52%	19.52%	19.52%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.80%

¹ Domestic Systemically Important Bank**21 IMPACT OF COVID-19**

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

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

The Group has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 September 2021:

i. Expected credit losses

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of ECLs as at 30 September 2021. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Group. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes: i) yearly weighted average oil price of USD 53/barrel, ii) weighted average real GDP growth of 2.5% for financial year 2021 (31 December 2020: Oil price of \$45/barrel and GDP of -2%) and c) Loan Growth rate (LGR) and LNG prices for wholesale banking portfolio based on the results of correlation analysis. The macro variable factors were selected after considering inter-correlation of the macro-variable direction and degree of association, relationship with asset quality of Qatar as well as market benchmarking.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Period Ended 30 September 2021

21 IMPACT OF COVID-19 (continued)**i. Expected credit losses (continued)**

The aforementioned values of macro-economic factors have been derived by applying weightings of 65%, 10.4% and 24.6% for base, stressed and improved scenarios, respectively, for the wholesale banking portfolio (31 December 2020: 65%, 20% and 15% for base, stressed and improved scenarios). The situation is fast evolving and, accordingly, any downside scenarios will be reassessed if adverse conditions continue.

The Group has updated the methodologies for all segments of wholesale and retail banking by calibrating the PD curve to the internal default history.

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

Sensitivity of impairment assessment	30 September 2021 Impact on ECL	31 December 2020 Impact on ECL
Simulations:		
Base case - 100% weighted, loss allowance would be higher/(lower) by	(70,751)	(64,584)
Upside case - 100% weighted, loss allowance would be higher/(lower) by	(206,512)	(188,784)
Downside case - 100% weighted, loss allowance would be higher/(lower) by	276,361	252,445

In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances as disclosed in Note 3(a) to the interim condensed consolidated financial statements.

ii. Valuation estimates and judgements

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

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors, via a circular issued on 22 March 2020, pursuant to which the Group has delayed repayments for certain customers for a period of six months.

iv. Accounting for zero rate repo facility

The QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from the QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The Group has not utilized the zero-rate repos during the nine-month period ended 30 September 2021.

v. Major events

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

22 EVENT AFTER THE REPORTING PERIOD

On 5 October 2021, the Bank's Extra-Ordinary General Assembly approved the proposed merger of the Bank and Al Khaliji by way of absorption, whereby the Bank shall be the surviving entity following the merger's completion. The merger shall be completed through the issuance of shares in the Bank to Al Khaliji's shareholders on the basis of such shareholders receiving 0.50 Bank share for every 1 share in Al Khaliji, subject to obtaining all regulatory approvals and fulfilling all the conditions set out in the merger agreement.