DUKHAN BANK Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (REVIEWED)

DUKHAN BANK Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine month period ended 30 September 2022

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Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF DUKHAN BANK Q.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dukhan Bank Q.P.S.C. ("the Bank") and its subsidiaries (together referred to as the "Group") at 30 September 2022, comprising of the interim consolidated statement of financial position as at 30 September 2022, and the related interim consolidated statement of income for the three month and nine month periods ended 30 September 2022, interim consolidated statement of changes in owner's equity, interim consolidated statement of cash flows and interim consolidated statement of changes in restricted investment accounts for the nine months period then ended, and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by Qatar Central Bank ("QCB"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 prepared, in all material respects, in accordance with Financial Accounting Standards issued by ("AAOIFI") as modified by Qatar Central Bank ("QCB").

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

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Date: 12 October 2022
Doha

DUKHAN BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Notes	30 September 2022 (Reviewed) QAR '000	31 December 2021 (Audited) QAR '000
ASSETS			
Cash and balances with Qatar Central Bank	7	**4,054,329**	7,245,842
Due from banks	8	**3,034,168**	5,558,980
Financing assets	9	**75,056,115**	75,221,707
Investment securities	10	**20,154,938**	20,799,620
Investment in associates and joint ventures	11	**64,170**	62,557
Investment properties		**135,079**	135,254
Fixed assets		**256,292**	279,896
Intangible assets	16	**933,332**	992,182
Other assets		**896,561**	431,116
TOTAL ASSETS		**104,584,984**	110,727,154
LIABILITIES			
Due to banks	12	**11,448,606**	16,755,141
Customers current accounts		**7,739,077**	6,200,820
Other liabilities		**2,800,264**	2,559,225
TOTAL LIABILITIES		**21,987,947**	25,515,186
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	13	**68,424,652**	71,225,407
OWNERS' EQUITY			
Share capital	14(a)	**5,234,100**	5,234,100
Legal reserve	14(b)	**4,449,812**	4,449,812
Treasury shares	14(e)	**(38,350)**	(38,350)
Risk reserve	14(c)	**1,338,716**	1,338,716
Fair value reserve	10	**(122,712)**	(27,098)
Foreign currency translation reserve		**(3)**	-
Other reserves	14(d)	**73,333**	73,333
Retained earnings		**1,416,648**	1,135,207
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**12,351,544**	12,165,720
Non-controlling interests		**91**	91
Sukuk eligible as additional capital	21	**1,820,750**	1,820,750
TOTAL OWNERS' EQUITY		**14,172,385**	13,986,561
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**104,584,984**	110,727,154

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These interim condensed consolidated financial statements were approved by the Board of Directors on 11 October 2022 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

DUKHAN BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the three month and nine month periods ended 30 September 2022

	Notes	*For the three month period ended 30 September* 2022 (Reviewed) QAR'000	2021 (Reviewed) QAR'000	*For the nine month period ended 30 September* 2022 (Reviewed) QAR'000	2021 (Reviewed) QAR'000
Net income from financing activities		**784,907**	762,092	**2,245,313**	2,144,810
Net income from investing activities		**187,125**	162,131	**554,124**	511,114
Total net income from financing and investing activities		**972,032**	924,223	**2,799,437**	2,655,924
Fee and commission income		**70,366**	60,446	**234,833**	173,952
Fee and commission expense		**(25,502)**	(20,874)	**(76,242)**	(59,583)
Net fee and commission income		**44,864**	39,572	**158,591**	114,369
Net foreign exchange gain		**52,950**	45,730	**176,406**	120,845
Share of results of associates and joint ventures	11	**732**	(2,447)	**1,616**	(6,752)
Other income		**7,774**	7,232	**16,018**	58,818
Total income		**1,078,352**	1,014,310	**3,152,068**	2,943,204
Staff costs		**(108,023)**	(116,928)	**(315,179)**	(310,661)
Depreciation and amortisation		**(33,933)**	(33,492)	**(101,735)**	(100,644)
Other expenses		**(62,729)**	(58,113)	**(146,862)**	(157,063)
Finance cost		**(53,222)**	(15,727)	**(80,359)**	(68,096)
Total expenses		**(257,907)**	(224,260)	**(644,135)**	(636,464)
Net impairment loss on financing assets	4(c)	**(68,399)**	(176,536)	**(389,329)**	(602,607)
Net impairment (loss)/ reversal on due from banks	4(c)	**(168)**	53	**(567)**	75
Net impairment (loss)/ reversal on investment securities	4(c)	**(2,238)**	-	**7,405**	58
Net impairment reversal on off balance sheet exposures	4(c)	**14,969**	4,009	**3,086**	7,711
		(55,836)	(172,474)	**(379,405)**	(594,763)
Profit for the period before return to unrestricted investment account holders		**764,609**	617,576	**2,128,528**	1,711,977
Return to unrestricted investment account holders	13	**(428,622)**	(302,841)	**(1,045,872)**	(810,503)
Net profit for the period before tax		**335,987**	314,735	**1,082,656**	901,474
Tax expense		**(630)**	(535)	**(1,890)**	(1,535)
Net profit for the period		**335,357**	314,200	**1,080,766**	899,939
Net profit for the period attributable to:					
Equity holders of the Bank		**335,357**	314,200	**1,080,766**	899,939
Non-controlling interests		**-**	-	**-**	-
Net profit for the period		**335,357**	314,200	**1,080,766**	899,939
Earnings per share					
Basic and diluted earnings per share (QAR per share)	17	**0.61**	0.61	**1.98**	1.73

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the nine month period ended 30 September 2022

For the nine month period ended 30 September 2022	*Share capital*	*Legal Reserve*	*Treasury shares*	*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*	*Sukuk eligible as additional capital*	*Total owners' equity*
	QAR '000	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*
Balance at 1 January 2022 (Audited)	**5,234,100**	**4,449,812**	**(38,350)**	**1,338,716**	**(27,098)**	**-**	**73,333**	**1,135,207**	**12,165,720**	**91**	**1,820,750**	**13,986,561**
Net profit for the period	-	-	-	-	-	-	-	**1,080,766**	**1,080,766**	-	-	**1,080,766**
Fair value reserve movement (Note 10)	-	-	-	-	**(95,614)**	**(3)**	-	-	**(95,617)**	-	-	**(95,617)**
Total recognised income for the period	-	-	-	-	**(95,614)**	**(3)**	-	**1,080,766**	**985,149**	-	-	**985,149**
Profit paid on Sukuk eligible as additional capital (Note 21)	-	-	-	-	-	-	-	**(71,920)**	**(71,920)**	-	-	**(71,920)**
Dividend paid (Note 14(f))	-	-	-	-	-	-	-	**(727,405)**	**(727,405)**	-	-	**(727,405)**
Balance at 30 September 2022 (Reviewed)	**5,234,100**	**4,449,812**	**(38,350)**	**1,338,716**	**(122,712)**	**(3)**	**73,333**	**1,416,648**	**12,351,544**	**91**	**1,820,750**	**14,172,385**

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the nine month period ended 30 September 2022

For the nine-month period ended 30 September 2021	*Share capital QAR '000*	*Legal Reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Sukuk eligible as additional capital QAR '000*	*Total owners' equity QAR '000*
Balance as at 1 January 2021 (Audited)	5,234,100	4,330,473	(38,350)	1,235,629	(24,621)	73,333	693,383	11,503,947	91	-	11,504,038
Net profit for the period	-	-	-	-	-	-	899,939	899,939	-	-	899,939
Fair value reserve movement	-	-	-	-	20,008	-	-	20,008	-	-	20,008
Transferred to retained earnings on disposal of equity-type instruments classified as fair value through equity	-	-	-	-	9,677	-	(9,677)	-	-	-	-
Share of comprehensive income of associates	-	-	-	-	1,058	-	-	1,058	-	-	1,058
Total recognised income for the period	-	-	-	-	30,743		890,262	921,005	-	-	921,005
Dividend paid (Note 14(f))	-	-	-	-	-	-	(519,575)	(519,575)	-	-	(519,575)
Sukuk issuance eligible as additional capital (Note 21)	-	-	-	-	-	-	-	-	-	1,820,750	1,820,750
Balance at 30 September 2021 (Reviewed)	5,234,100	4,330,473	(38,350)	1,235,629	6,122	73,333	1,064,070	11,905,377	91	1,820,750	13,726,218

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DUKHAN BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine month period ended 30 September 2022

	Notes	*For the nine month period ended 30 September* 2022 (Reviewed) QAR '000	2021 (Reviewed) QAR '000
Cash flows from operating activities			
Net profit for the period before tax		**1,082,656**	901,474
Adjustments for:			
Net impairment loss / (reversal) on due from banks	4(c)	**567**	(75)
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**(3,086)**	(7,711)
Net impairment loss on financing assets	4(c)	**389,329**	602,607
Net impairment reversal on investment securities	4(c)	**(7,405)**	(58)
Depreciation and amortisation		**101,735**	100,644
Employees' end of service benefits provision		**17,383**	23,096
Net gain on sale of investment securities		**(5,128)**	(28,402)
Dividend income		**(31,369)**	(29,877)
Gain on disposal of fixed assets		**(1,830)**	(1,455)
Share of results of associates and joint ventures	11	**(1,616)**	6,752
Profit before changes in operating assets and liabilities		**1,541,236**	1,566,995
Change in reserve account with Qatar Central Bank		**(134,926)**	(1,015,477)
Change in due from banks		**(181,481)**	62,441
Change in financing assets		**(223,737)**	(20,552,072)
Change in other assets		**(465,445)**	(132,694)
Change in due to banks		**(5,306,535)**	(4,689,688)
Change in customer current accounts		**1,538,257**	(391,067)
Change in other liabilities		**235,494**	591,187
		(2,997,137)	(24,560,375)
Dividends received		**31,369**	29,877
Tax paid		**(1,723)**	-
Employees' end of service benefits paid		**(8,919)**	(4,721)
Net cash used in operating activities		**(2,976,410)**	(24,535,219)
Cash flows from investing activities			
Acquisition of investments, net		**(545,824)**	(2,580,632)
Sale proceeds from Investment		**1,107,600**	1,514,840
Acquisition of fixed and intangible assets		**(22,152)**	(33,035)
Proceeds from sale of fixed assets		**4,701**	4,814
Net cash from / (used in) investing activities		**544,325**	(1,094,013)
Cash flows from financing activities			
Change in unrestricted investment account holders		**(2,800,755)**	19,362,093
Profit paid on Sukuk eligible as additional capital	21	**(71,920)**	-
Proceeds from issuance of Sukuk eligible as additional capital		**-**	1,820,750
Dividend paid		**(727,405)**	(519,575)
Net cash (used in) / from financing activities		**(3,600,080)**	20,663,268
Net decrease in cash and cash equivalents		**(6,032,165)**	(4,965,964)
Cash and cash equivalents at 1 January		**9,303,335**	6,651,735
Cash and cash equivalents at 30 September	19	**3,271,170**	1,685,771

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The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

For the nine month period ended 30 September 2022		***Movements during the period***					
	At 1 January 2022 (Audited) Total value QAR '000	***Investment / (withdrawal) QAR '000***	***Revaluation QAR '000***	***Gross Income QAR '000***	***Dividends paid QAR '000***	***Group's fee as an agent QAR '000***	***At 30 September 2022 (Reviewed) Total value QAR '000***
Discretionary Portfolio Management	**590,611**	**(111,566)**	**9,658**	**-**	**-**	**-**	**488,703**
Other Restricted Wakalas	**2,230,438**	**212,197**	**43,962**	**51,107**	**(51,107)**	**-**	**2,486,597**
	2,821,049	**100,631**	**53,620**	**51,107**	**(51,107)**	**-**	**2,975,300**

For the nine month period ended 30 September 2021		*Movements during the period*					
	At 1 January 2021 (Audited) Total value QAR '000	*Investment / (withdrawal) QAR '000*	*Revaluation QAR '000*	*Gross Income QAR '000*	*Dividends paid QAR '000*	*Group's fee as an agent QAR '000*	*At 30 September 2021 (Reviewed) Total value QAR '000*
Discretionary Portfolio Management	275,674	73,000	5,561	13,030	-	-	367,265
Other Restricted Wakalas	780,249	397,981	5,794	-	-	-	1,184,024
	1,055,923	470,981	11,355	13,030	-	-	1,551,289

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1. REPORTING ENTITY

Dukhan Bank was incorporated as a Qatari Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the “date of incorporation”). Dukhan Bank (the “Bank”) commenced its activities on 1 February 2009 under Qatar Central Bank (“QCB”) License No. RM/19/2007. On 21 March 2019, the Bank changed its status from Qatari Shareholding Company to Qatari Private Shareholding Company (Q.P.S.C.) following the approval from the shareholders and the Ministry of Business and Trade, State of Qatar. The Bank and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) are primarily engaged in financing, investing and advisory activities in accordance with Islamic Shari’a rules as determined by the Shari’a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

On 12 August 2018, the Bank and International Bank of Qatar (“IBQ”) entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by shareholder of both banks at respective extraordinary general meetings in December 2018. On 21 April 2019 (the effective date), the merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the Qatar Central Bank Law, Article 278 of the Companies Law, and the Merger Agreement. On the effective date, the assets and liabilities of IBQ has been assumed by Dukhan Bank in consideration for the issue of new Dukhan Bank shares to existing IBQ shareholders. Upon the merger becoming effective, IBQ has been dissolved as a legal entity pursuant to the provisions of Article 291 of the Companies Law. The combined bank retains Dukhan Bank’s legal registrations and licenses and continued to be a Shari’a compliant entity. The merger transaction has been executed through a share swap, with the IBQ shareholders receiving 2.031 Dukhan Bank shares for each of the IBQ share they hold. Following the issuance of the new Dukhan Bank shares, shareholders of the Bank own approximately 57% of the combined bank and IBQ shareholders own approximately 43%.

The Bank operates through its head office situated on Grand Hamad Street, Doha and its 8 retail branches in the State of Qatar. The Bank post completion of merger is now 24.48% owned by General Retirement and Social Insurance Authority, 11.67% by Military Pension Fund (Qatar), and 6.96% by Qatar Holding, strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; and remaining shares are owned by several individuals, Corporates and Government related entities. The Bank rebranded itself from Barwa Bank to Dukhan Bank during October 2020 post obtaining necessary approvals as per the State of Qatar applicable laws and regulations.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	***Country of incorporation***	***Year of incorporation***	***Percentage of ownership as at***	
			30 September 2022	*31 December 2021*
The First Investor Q.P.S.C. (“TFI”)	Qatar	1999	**100%**	100%
First Finance Company Q.P.S.C. (“FFC”)	Qatar	1999	**100%**	100%
First Leasing Company Q.P.S.C (“FLC”)	Qatar	2008	**100%**	100%
BBG Sukuk limited	Cayman Islands	2015	**100%**	100%
BB Islamic Derivatives	Cayman Islands	2018	**100%**	100%
Dukhan Tier-1 Sukuk Limited	Cayman Islands	2021	**100%**	100%

BB Islamic Derivatives was incorporated in the Cayman Islands to engage in conducting derivative transactions on behalf of the Group. The business description and principal activities of each of the above listed subsidiaries is consistent with the explanation as provided in the 31 December 2021 year-end audited financial statements.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors passed on 11 October 2022.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated financial statements have been prepared using accounting policies which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021, except for adoption of new standards effective from 1 January 2022 as stated in note 3. These interim condensed consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard ("IFRS"). Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 'Interim Financial Reporting'.

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

These 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 consolidated financial statements of the Group as at and for the year ended 31 December 2021. The results for the period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

(b) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the statement of income, derivatives held for risk management purposes and Shari'a compliant risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

The preparation of these interim condensed consolidated financial statements in conformity with FAS requires management to make judgments, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2021 including the following estimates which are subject to high level of uncertainty due to COVID-19:

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments (continued)

i) Covid-19 and Expected Credit Loss (ECL)

Any changes made to ECL to estimate the overall impact of Covid-19 is subject to very high levels of uncertainty as so little reasonable and supportable forward-looking information is currently available on which to base those changes. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. Forecast of these economic variables (the “base, upside and downside economic scenario”) are obtained externally.

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as 1) Average volume of exports of Qatar government; 2) Average volume of government expenditures; and 3) Gross Domestic Product of Qatar. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination.

In light of the current uncertain economic environment, the Group has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 30 September 2022, refer to note 23. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

ii) Valuation of financial and non-financial assets (including goodwill)

The Group has also considered potential impacts of the current economic volatility in determination of the fair value of the Group’s financial and non-financial assets and liabilities, for which there is no observable inputs, and these are considered to represent management's best assessment based on available or observable information. However, markets remain volatile, and the recorded amounts remain sensitive to market fluctuations.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended 31 December 2021, except for the changes as described below:

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

New standards, amendments and interpretations effective from 1 January 2022

FAS 37 -Financial Reporting by Waqf Institutions

AAOIFI has issued FAS 37 in 2020. The objective of this standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari’ah principles and rules. The implementation of this comprehensive standard is expected, in turn, to contribute towards improving effectiveness and efficiency of operations of Waqfs, maximizing benefits to the beneficiaries and encouraging proper accountability and management.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not yet effective

FAS 1 (Revised 2021) - General Presentation and Disclosures in the Financial Statements

AAOIFI has issued revised FAS 1 in 2021. The revised FAS 1 supersedes the earlier FAS 1 General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

FAS 39 - Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 on “Zakah” and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as relevant. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

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

4 FINANCIAL RISK MANAGEMENT

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2021. Following are some special considerations due to the COVID - 19 pandemic, which are also consistent with the Group’s financial risk management objectives and policies as disclosed in the consolidated financial statements as at and for the year ended 31 December 2021 but subject to constant review and evaluation:

4 FINANCIAL RISK MANAGEMENT (CONTNUED)

(a) Risk management in the current economic scenario

The COVID - 19 and the measures to reduce its spread has impacted the local economy. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Group is closely monitoring the situation and has invoked required actions to ensure safety and security of Group staff and an uninterrupted service to our customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Group has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected. COVID 19 has impacted the banks in Qatar from various facets which includes increase in overall credit risk pertaining to financing assets portfolio in certain sectors, reduced fee income. We have mentioned below the major aspects of COVID 19 on the Group's risk management policies:

i) Assets quality and credit risk
The Risk department of the Group is conducting assessments to identify borrowers operating in various sectors which are most likely being affected by the pandemic. Group has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained of 18.3% is sufficient.

ii) Liquidity management
Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments of certain customers. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Group has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

iii) Capital Adequacy Ratio
Under the current scenario, the financial institutions are under pressure to extend further credit to its borrowers under national guarantee program, while overall deteriorating credit risk and increased non-performing assets (NPLs) may also put additional pressures on the Group from Capital Adequacy Ratio perspective. The Group believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

(b) FAS 30 and ECL Regulations

AAOIFI has issued FAS 30 Impairment, credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach 2) Net Realizable Value approach (“NRV”) and 3) Impairment approach.

The standard was effective from financial periods beginning 1 January 2020 with early adoption permitted. However, in 2018, the Group early adopted FAS 30 effective 1 January 2018 based on QCB instructions pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 1 January 2018 were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Further detail on the key considerations relating to estimates and judgements relating to ECL calculation is given under note 2(d) and note 23.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Expected credit loss / Impairment allowances

	Stage 1 QAR '000	*Stage 2 QAR '000*	*Non - performing QAR '000*	*Total QAR '000*
Exposure (carrying value) subject to ECL as at 30 September 2022 (Reviewed)				
- Financing assets	62,358,995	12,044,385	3,764,491	78,167,871
- Due from banks	3,034,776	-	-	3,034,776
- Debt type investments carried at amortised cost	1,582,194	-	-	1,582,194
- Off balance sheet exposures subject to credit risk	14,171,793	6,187,631	165,349	20,524,773
	81,147,758	18,232,016	3,929,840	103,309,614
Opening Balance – as at 1 January 2022 (Audited)				
- Financing assets	60,715	584,884	2,114,814	2,760,413
- Due from banks	41	-	-	41
- Debt type investments carried at amortised cost	3,432	10,431	-	13,863
- Off balance sheet exposures subject to credit risk	35,429	94,773	168,715	298,917
	99,617	690,088	2,283,529	3,073,234
Net transfer between stages				
- Financing assets	(2,934)	(55,644)	58,578	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(4,558)	4,558	-	-
	(7,492)	(51,086)	58,578	-
Charge for the period (net)				
- Financing assets	20,952	63,842	304,535	389,329
- Due from banks	567	-	-	567
- Debt type investments carried at amortised cost	3,026	(10,431)	-	(7,405)
- Off balance sheet exposures subject to credit risk	(1,043)	1,323	(3,366)	(3,086)
	23,502	54,734	301,169	379,405
- Financing assets – write-off	-	-	(54,844)	(54,844)
- Financing assets – profit in suspense net movement	-	-	16,858	16,858
	23,502	54,734	263,183	341,419
Closing Balance – as at 30 September 2022 (Reviewed)				
- Financing assets	78,733	593,082	2,439,941	3,111,756
- Due from banks	608	-	-	608
- Debt type investments carried at amortised cost	6,458	-	-	6,458
- Off balance sheet exposures subject to credit risk	29,828	100,654	165,349	295,831
	115,627	693,736	2,605,290	3,414,653

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Stage 1 *QAR '000*	*Stage 2* *QAR '000*	*Non - performing* *QAR '000*	*Total* *QAR '000*
Exposure (carrying value) subject to ECL as at 30 September 2021 (Reviewed)				
- Financing assets	62,585,411	16,120,116	2,264,364	80,969,891
- Due from banks	1,287,720	-	-	1,287,720
- Debt type investments carried at amortised cost	1,914,926	53,685	-	1,968,611
- Off balance sheet exposures subject to credit risk	16,368,620	4,483,787	10,508	20,862,915
	82,156,677	20,657,588	2,274,872	105,089,137
Opening Balance – as at 1 January 2021 (Audited)				
- Financing assets	113,381	585,984	1,138,387	1,837,752
- Due from banks	126	-	-	126
- Debt type investments carried at amortised cost	3,967	9,466	-	13,433
- Off balance sheet exposures subject to credit risk	56,406	257,804	3,230	317,440
	173,880	853,254	1,141,617	2,168,751
Net transfer between stages				
- Financing assets	(46,608)	(36,789)	83,397	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(17,260)	17,260	-	-
	(63,868)	(19,529)	83,397	-
Charge for the period (net)				
- Financing assets	5,926	421,073	175,608	602,607
- Due from banks	(75)	-	-	(75)
- Debt type investments carried at amortised cost	(53)	(5)	-	(58)
- Off balance sheet exposures subject to credit risk	(5,906)	(2,671)	866	(7,711)
	(108)	418,397	176,474	594,763
- Financing assets – write-off	-	-	(1,269)	(1,269)
- Financing assets – profit in suspense net movement	-	-	44,344	44,344
	(108)	418,397	219,549	637,838
Closing Balance – as at 30 September 2021 (Reviewed)				
- Financing assets	72,699	970,268	1,440,467	2,483,434
- Due from banks	51	-	-	51
- Debt type investments carried at amortised cost	3,914	9,461	-	13,375
- Off balance sheet exposures subject to credit risk	33,240	272,393	4,096	309,729
	109,904	1,252,122	1,444,563	2,806,589

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit quality assessments

Pursuant to the adoption of the ECL regulations, the Group has mapped its internal credit rating scale to Moody's rating scale, 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) as at 30 September 2022:

Rating grade	***Financing assets QAR '000***	***Due from Banks QAR '000***	***Debt type investments carried at amortised cost QAR '000***	***Off balance sheet exposures subject to credit risk QAR '000***
Aaa to Aa3	**25,115,411**	**493,695**	**269**	**506,453**
A1 to A3	**8,488,380**	**1,714,465**	**878,444**	**3,419,622**
Baa1 to Baa3	**23,642,424**	**823,355**	**138,713**	**13,193,711**
Ba1 to B3	**11,028,669**	**3,261**	**564,768**	**3,239,638**
Below B3	**3,764,491**	**-**	**-**	**165,349**
Unrated	**6,128,496**	**-**	**-**	**-**
Total (Reviewed)	**78,167,871**	**3,034,776**	**1,582,194**	**20,524,773**

31 December 2021

Rating grade	*Financing assets QAR '000*	*Due from Banks QAR '000*	*Debt type investments carried at amortised cost QAR '000*	*Off balance sheet exposures subject to credit risk QAR '000*
Aaa to Aa3	30,340,945	546,855	55,730	1,529,303
A1 to A3	10,540,833	2,278,687	1,244,473	2,223,874
Baa1 to Baa3	16,121,304	525,863	103,874	12,086,891
Ba1 to B3	12,548,447	-	340,938	4,352,199
Below B3	2,195,827	-	-	23,761
Unrated	5,297,860	-	-	-
Total (Audited)	77,045,216	3,351,405	1,745,015	20,216,028

5. 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 Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

5. OPERATING SEGMENTS (CONTINUED)

Wholesale Banking	Includes financing, deposits and other transactions and balances with wholesale customers
Retail and private Banking	Includes financing, deposits and other transactions and balances with retail and private customers including part asset management activities for private customers.
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further it also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

5. OPERATING SEGMENTS (CONTINUED)

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. 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.

Information about operating segments

30 September 2022 (Reviewed)	***Wholesale banking QAR '000***	***Retail and private banking QAR '000***	***Treasury and investments division QAR '000***	***Investment banking and asset management QAR '000***	***Unallocated QAR '000***	***Total QAR '000***
Total income from financing and investing activities	**1,079,262**	**1,166,051**	**550,703**	**3,421**	**-**	**2,799,437**
Net fee and commission income	**103,637**	**42,177**	**5,651**	**7,126**	**-**	**158,591**
Reportable segment net profit	**738,834**	**264,614**	**67,984**	**9,334**	**-**	**1,080,766**
Reportable segment assets	**38,240,816**	**38,859,375**	**26,128,141**	**423,320**	**933,332**	**104,584,984**

30 September 2021 (Reviewed)	*Wholesale banking QAR '000*	*Retail and private banking QAR '000*	*Treasury and investments division QAR '000*	*Investment banking and asset management QAR '000*	*Unallocated QAR '000*	*Total QAR '000*
Total income from financing and investing activities	1,087,736	1,057,074	505,517	5,597	-	2,655,924
Net fee and commission income	79,495	26,361	-	8,513	-	114,369
Reportable segment net profit	440,526	69,778	388,778	857	-	899,939
Reportable segment assets	43,715,700	36,146,909	22,128,723	469,507	1,011,799	103,472,638

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

30 September 2022 (Reviewed)	*Fair value through statement of income QAR '000*	*Fair value through equity QAR '000*	*Amortised cost QAR '000*	*Total carrying amount QAR '000*	*Fair value QAR '000*
Cash and balances with Qatar Central Bank	-	-	4,054,329	4,054,329	4,054,329
Due from banks	-	-	3,034,168	3,034,168	3,034,168
Financing assets	-	-	75,056,115	75,056,115	75,056,115
Investment securities:					
- Carried at fair value	145,650	1,135,165	-	1,280,815	1,280,815
- Carried at amortised cost	-	-	18,874,123	18,874,123	18,819,095
Risk management instruments	123,027	-	-	123,027	123,027
	268,677	**1,135,165**	**101,018,735**	**102,422,577**	**102,367,549**
Due to banks	-	-	11,448,606	11,448,606	11,448,606
Customers current accounts	-	-	7,739,077	7,739,077	7,739,077
Risk management instruments	76,641	-	-	76,641	76,641
	76,641	-	**19,187,683**	**19,264,324**	**19,264,324**
Equity of unrestricted investment account holders	-	-	68,424,652	68,424,652	68,424,652
	76,641	-	**87,612,335**	**87,688,976**	**87,688,976**

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

31 December 2021 (Audited)	*Fair value through income statement QAR'000*	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
Cash and balances with Qatar Central Bank	-	-	7,245,842	7,245,842	7,245,842
Due from banks	-	-	5,558,980	5,558,980	5,558,980
Financing assets	-	-	75,221,707	75,221,707	75,221,707
Investment securities:					
- Carried at fair value	177,323	1,213,610	-	1,390,933	1,390,933
- Carried at amortised cost	-	-	19,408,687	19,408,687	19,479,609
Risk management instruments	87,136	-	-	87,136	87,136
	264,459	1,213,610	107,435,216	108,913,285	108,984,207
Due to banks	-	-	16,755,141	16,755,141	16,755,141
Customer current accounts	-	-	6,200,820	6,200,820	6,200,820
Risk management instruments	23,430	-	-	23,430	23,430
	23,430	-	22,955,961	22,979,391	22,979,391
Equity of unrestricted investment account holders	-	-	71,225,407	71,225,407	71,225,407
	23,430	-	94,181,368	94,204,798	94,204,798

Note: Certain fair value and classification of financial instruments for the nine months period ended 30 September 2021 were reclassified in the interim condensed consolidated financial statements for the the nine months period ended 30 September 2022 to conform to the presentation and classification adopted in the current period.

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 September 2022 (Reviewed)	*Level 1 QAR '000*	*Level 2 QAR '000*	*Level 3 QAR '000*	*Total QAR '000*
Risk management instruments (assets)	**-**	**-**	**123,027**	**123,027**
Investment securities carried at fair value	**1,021,149**	**-**	**259,666**	**1,280,815**
	1,021,149	**-**	**382,693**	**1,403,842**
Risk management instruments (liabilities)	**-**	**-**	**76,641**	**76,641**
	-	**-**	**76,641**	**76,641**
31 December 2021 (Audited)				
Risk management instruments (assets)	-	-	87,136	87,136
Investment securities carried at fair value	1,108,796	-	282,137	1,390,933
	1,108,796	-	369,273	1,478,069
Risk management instruments (liabilities)	-	-	23,430	23,430
	-	-	23,430	23,430

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through Statement of Income, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used and quoted investment securities for which level 1 valuation method has been used. During the period ended 30 September 2022 and year ended 31 December 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The valuation technique in measuring the fair value financial instruments categorized as level 3 were in line with 31 December 2021.

7. CASH AND BALANCES WITH QATAR CENTRAL BANK

	30 September 2022 (Reviewed) QAR '000	*31 December 2021 (Audited) QAR '000*
Cash	**306,373**	379,325
Cash reserve with QCB*	**3,517,357**	3,382,431
Other balances with QCB	**230,599**	3,484,086
	4,054,329	7,245,842

*The cash reserve with QCB is not available for use in the Group's day to day operations.

8. DUE FROM BANKS

	30 September 2022 (Reviewed) QAR '000	*31 December 2021 (Audited) QAR '000*
Current accounts	**793,113**	2,051,712
Wakala placements with banks	**1,665,776**	3,275,204
Mudaraba placements	**110,953**	184,433
Commodity Murabaha receivable	**464,701**	47,563
Accrued profit	**233**	109
Allowance for impairment*	**(608)**	(41)
	3,034,168	5,558,980

*For stage wise exposure and allowance for impairment refer note 4(c).

9. FINANCING ASSETS

	30 September 2022 (Reviewed) QAR '000	*31 December 2021 (Audited) QAR '000*
Murabaha	**69,063,451**	68,753,773
Ijarah Muntahia Bittamleek	**5,002,905**	4,992,064
Istisna	**649,507**	690,408
Musawama	**1,092,559**	1,094,061
Acceptances	**942,841**	912,987
Cards	**181,452**	182,570
Others	**1,890,179**	2,129,757
Accrued profit	**565,114**	497,826
Total financing assets	**79,388,008**	79,253,446
Less: Deferred profit	**1,220,137**	1,271,326
Allowance for impairment on financing assets	**2,896,453**	2,556,630
Suspended profit on non performing financing assets	**215,303**	203,783
Allowance for impairment*	**3,111,756**	2,760,413
Net financing assets	**75,056,115**	75,221,707

*For stage wise exposure, allowance for impairment and profit in suspense refer note 4(c). The total non-performing financing assets at 30 September 2022 amounted to QAR 3,764.5 million, representing 4.8% of the gross financing assets (31 December 2021: QAR 3,276.2 million, representing 4.2%). Gross financing assets represent total financing assets net of deferred profit amount.

Others include QAR 1,890.2 million (31 December 2021: QAR 2,129.8 million) of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products or kept on a run-off basis. These are carried at amortised cost and its corresponding income is recognised on a time-apportioned basis over the period of the loan term using effective profit rate until conversion is completed.

10. INVESTMENT SECURITIES

	30 September 2022 (Reviewed)			*31 December 2021 (Audited)*		
	Quoted QAR'000	**Unquoted QAR'000**	**Total QAR'000**	*Quoted QAR'000*	*Unquoted QAR'000*	*Total QAR'000*
Investments classified as fair value through statement of income						
- Investments classified as held for trading:						
• Equity-type investments	**57,444**	**-**	**57,444**	81,801	-	81,801
• Debt-type investments	**88,206**	**-**	**88,206**	95,522	-	95,522
	145,650	**-**	**145,650**	177,323	-	177,323
Debt-type investments classified at amortised cost						
- Fixed rate*	**2,097,641**	**16,637,003**	**18,734,644**	2,924,257	16,333,216	19,257,473
- Allowance for impairment**	**(6,458)**	**-**	**(6,458)**	(13,863)	-	(13,863)
	2,091,183	**16,637,003**	**18,728,186**	2,910,394	16,333,216	19,243,610
Equity-type investments classified as fair value through equity	**875,499**	**259,666**	**1,135,165**	931,473	282,137	1,213,610
	3,112,332	**16,896,669**	**20,009,001**	4,019,190	16,615,353	20,634,543
Accrued profit income			**145,937**			165,077
			20,154,938			20,799,620

*Investments in unquoted debt-type instruments classified at amortised cost at fixed rate represent investments in the Sovereign securities. It includes acquired Sovereign bonds portfolio of QAR 3,042.0 million (31 December 2021: QAR 3,138.2 million) on business combination, which are being held till maturity without conversion to equivalent Sharia compliant Sovereign instrument as approved by the Sharia Board of the Bank.

** For stage wise exposure and allowance for impairment refer note 4(c).

The carrying amount of the debt-type instruments pledged under repurchase agreements amounted to QAR 1,459.8 million (31 December 2021: QAR 7,775.9 million).

10. INVESTMENT SECURITIES (CONTINUED)

The cumulative change in the fair value reserve of investments is as follows:

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Balance at 1 January	**(27,098)**	(24,621)
Net change in fair value	**(95,614)**	(13,103)
Transferred to consolidated statement of income on impairment	**-**	9,568
	(95,614)	(3,535)
Share of associate's fair value changes	**-**	1,058
Balance at period / year end	**(122,712)**	(27,098)

11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Balance at 1 January	**62,557**	83,535
Share of results	**1,616**	(5,841)
Exchange translation reserve	**(3)**	-
Share of associates and joint venture fair value changes	**-**	1,058
Impairment	**-**	(16,195)
Balance at period / year end	**64,170**	62,557

12. DUE TO BANKS

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Commodity Murabaha payable*	**728,490**	1,130,257
Due to QCB*	**1,025,000**	6,450,000
Wakala payable	**9,692,411**	9,174,602
Profit payable	**2,705**	282
	11,448,606	16,755,141

*This represents amounts held under repurchase agreements amounting to QAR 1,459.8 million (31 December 2021: QAR 7,775.9 million).

13. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Unrestricted investment account holders balance before share of profit (a)	**67,732,275**	70,676,723
Distributable profits to unrestricted investment account holders for the period (b)*	**1,045,872**	1,123,607
Profit distributed during the period	**(354,027)**	(575,455)
Net profit payable to unrestricted investment account holders	**691,845**	548,152
Share in fair value reserve	**532**	532
Total unrestricted investment account holders balance	**68,424,652**	71,225,407
(a) Unrestricted investment account holders balance before share of profit, by type:		
Saving accounts	**6,781,671**	5,972,076
Call accounts	**1,125,661**	2,456,295
Term accounts	**59,824,943**	62,248,352
Total	**67,732,275**	70,676,723

	For the nine month period ended	
(b) Return to unrestricted investment account holders for the period:	***30 September 2022 (Reviewed) QAR'000***	*30 September 2021 (Reviewed) QAR'000*
Saving accounts	**65,077**	58,159
Call accounts	**2,836**	2,574
Term accounts - 1 month	**126,830**	42,912
Term accounts - 3 month	**218,471**	180,254
Term accounts - 6 month	**89,156**	54,689
Term accounts - 9 month	**47**	2,406
Term accounts - 12 month	**535,401**	455,518
Term accounts - 2 year	**5,248**	5,464
Term accounts - 4 year	**2,806**	8,527
Total*	**1,045,872**	810,503

*It represents net return to unrestricted investment account holders. However, Group's share as Mudarib and Owners' contribution will be determined at year end, which is not expected to change the distributable profit amount.

14. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Issued *(in thousands of shares)*	**523,410**	523,410

The authorised share capital of the Bank is 523,410 thousand (31 December 2021: 523,410 thousand) ordinary shares, having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2021: 523,410 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Bank, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law and after QCB approval. The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law. As at 31 December 2021, legal reserve balance was QAR 4,449.8 million. No further transfer has been made for the nine months period ended 30 September 2022 as the Bank transfers required amount for the current year at year-end.

(c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, 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 the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. As at 31 December 2021, risk reserve balance was QAR 1,338.7 million which complies with the minimum requirement as stipulated by the Qatar Central Bank regulations. No further transfer has been made for the nine months period ended 30 September 2022 as the Bank transfers required amount for the current year at year-end.

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates and joint ventures and should be transferred to a separate reserve account in Owners' equity. Further the Group can set aside any amount on recommendation of Board of Directors as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events. As at 31 December 2021, other reserve total balance was QAR 73.3 million. No further transfer has been made for the nine months period ended 30 September 2022 as the Bank transfers required amount for the current year at year-end.

(e) Treasury shares

Treasury shares represent ordinary shares of Dukhan Bank with nominal value of QAR 10 each. Treasury shares are presented as a deduction from equity.

(f) Dividend

The Board of Directors in its meeting held on 9 March 2022 proposed a cash dividend for the year 2021 of 14.0% (31 December 2020: 10.0%) of the paid up share capital amounting to QAR 727 million – QAR 1.40 per share (31 December 2020: QAR 520 million – QAR 1.00 per share), which was subsequently approved for distribution at the Annual General Meeting of the shareholders of the Bank held on 10 April 2022.

15. CONTINGENT LIABILITIES AND COMMITMENTS

		30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
a)	**Contingent liabilities**		
	Unused credit facilities	**15,517,456**	17,111,413
	Guarantees	**1,617,591**	18,451,919
	Letters of credit	**18,907,182**	2,233,924
		36,042,229	37,797,256
b)	**Commitments**		
	Profit rate swaps	**2,742,344**	2,481,427
	Options	**401,273**	865,362
	Other risk management instruments – WAAD	**15,158,186**	18,054,183
		18,301,803	21,400,972

Unused credit facilities
Commitments to extend credit represent contractual commitments to make financings and revolving credits. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and Letters of credit
Guarantees and letters of credit commit the Group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as financings.

Lease commitments
The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Within one year	**7,578**	5,647
After one year but not more than five years	**1,652**	2,952

16. INTANGIBLE ASSETS

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Goodwill and Intangibles		
Goodwill	**443,060**	443,060
Customer relationship	**389,219**	433,281
Core deposits	**101,053**	115,841
	933,332	992,182

Impairment testing for cash-generating unit containing goodwill
For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU will be carried out at the year-end. However, refer note 2(d) (ii), when the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

17. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the three month period ended		*For the nine month period ended*	
	30 September 2022 (Reviewed) QAR'000	*30 September 2021 (Reviewed) QAR'000*	***30 September 2022 (Reviewed) QAR'000***	*30 September 2021 (Reviewed) QAR'000*
Net profit for the period attributable to the equity holders of the Bank	**335,357**	314,200	**1,080,766**	899,939
Weighted average number of outstanding shares	**519,575**	519,575	**519,575**	519,575
Basic and diluted earning per share (QAR)	**0.61**	0.61	**1.98**	1.73
The weighted average number of shares have been calculated as follows:				
Weighted average number of shares from beginning	**523,410**	523,410	**523,410**	523,410
Weighted average number of shares issued on business combination		-		-
Treasury shares	**(3,835)**	(3,835)	**(3,835)**	(3,835)
Weighted average number of shares at 30 September	**519,575**	519,575	**519,575**	519,575

(i) 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. 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.

The related party transactions and balances included in these interim condensed consolidated financial statements are as follows:

	30 September 2022 (Reviewed)		
	Subsidiaries QAR'000	***Board of directors QAR'000***	***Others QAR'000***
Assets:			
Customer financing	**-**	**6,640,734**	**-**
Liabilities:			
Customer deposits	**743,830**	**1,070,288**	**3,611,978**
Off balance sheet items:			
Unfunded credit facilities	**3,382**	**447,123**	**-**

18. RELATED PARTIES (CONTINUED)

	31 December 2021 (Audited)		
	Subsidiaries QAR'000	*Board of directors QAR'000*	*Others QAR'000*
Assets:			
Customer financing	-	5,464,360	-
Liabilities:			
Customer deposits	567,466	1,333,655	3,742,212
Off balance sheet items:			
Unfunded credit facilities	16,866	376,991	-

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group as follows:

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Financing to key management personnel	**10,704**	8,946

	For the nine months period ended	
	30 September 2022 (Reviewed) QAR'000	*30 September 2021 (Reviewed) QAR'000*
Compensation of key management personnel		
Short-term employee benefits	**48,493**	49,402
Post-employment benefits	**4,016**	3,774
	52,509	53,176

19. CASH AND CASH EQUIVALENTS

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

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	**536,972**	3,863,411
Due from banks	**2,734,198**	5,439,924
	3,271,170	9,303,335

20. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassification did not have any effect on the consolidated net profit or the consolidated owners' equity for the comparative period/year.

21. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

In July 2021, the Group issued a perpetual, unsecured, subordinated sukuk eligible as additional tier 1 capital amounting to USD 500 million listed in London Stock Exchange. The sukuk is unsecured and the profit distributions are non-cumulative, payable semi-annually at an agreed expected profit rate of 3.950% per annum and are made at the discretion of Dukhan Bank. The Group has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The applicable profit rate has a reset date as per the terms of the agreement of the issued sukuks. The sukuk does not have a fixed maturity date and has been classified as equity.

22. CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the capital ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer, ICAAP pillar II capital charge and the applicable Domestically Systemically Important Bank ("DSIB") Buffer is 15.0% for 2022.

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

	30 September 2022 (Reviewed) QAR'000	*31 December 2021 (Audited) QAR'000*
Common Equity Tier 1 (CET) Capital	**10,409,369**	10,446,133
Additional Tier 1 Capital	**1,820,750**	1,820,750
Additional Tier 2 Capital	**809,363**	789,705
Total Eligible Capital	**13,039,482**	13,056,588
Risk Weighted Assets	**72,582,791**	70,985,325
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio	**14.3%**	14.7%
Tier 1 Capital Adequacy Ratio	**16.8%**	17.3%
Total Capital Adequacy Ratio	**18.0%**	18.4%

23. 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 Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 September 2022, which is consistent from expected credit loss methodology adopted and valuation estimates and judgements as at and for the year ended 31 December 2021:

23. IMPACT OF COVID-19 (CONTINUED)

i. Expected credit losses

a) Reasonableness of Forward-Looking Information and probability weights:
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 expected credit losses ("ECLs") as at 30 September 2022. 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 weightings assigned to these scenarios.

Vasicek Merton Single Factor Model has been deployed to convert the TTC PDs to a PiT PD term structure. This model employs a macroeconomic index to incorporate the forward-looking macroeconomic variables that are relevant to the different portfolios. The output of the model is the forecast of the expected point-in-time probability of defaults for the credit portfolio of the Bank. As of 30 September 2022, Gross domestic product (%Change), Volume of exports of goods (%Change) and General government total expenditure (as a % of GDP) have been considered as the relevant macroeconomic variables for the corporate portfolio. For the Retail Portfolio, Inflation (%Change) and Gross domestic product (%Change) have been used. These variables have been sourced for Qatar from IMF (World Economic Outlook): i) Gross domestic product (%Change) is 3.96 and 2.63 for 2022 and 2023 respectively; ii) Volume of exports of goods (%Change) is 1.51 and 1.79 for 2022 and 2023 respectively; iii) General government total expenditure (as a % of GDP) is 30.76 and 28.25 for 2022 and 2023 respectively; iv) Inflation (%Change) is 3.18 and 2.39 for 2022 and 2023 respectively. These multiple macroeconomic variables have been statistically integrated (Principal Component Analysis) to create a single macroeconomic index. The ECL has been calculated as probability weighted figure for three scenarios viz.; Baseline, Extreme Downside and Improved with 65%, 25% and 10% weightings respectively. The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue. 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.

b) Identifying significant increase in credit risk (SICR):
Post start of pandemic and upto 30 September 2022, the Group has delayed repayments for the affected sectors, that payment delay may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger an SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers due to the effect of Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constrains and a change in its lifetime credit risk.

The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

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 Group has delayed repayments for the affected sectors. The accounting impact of the one-off extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of AAOIFI AAB 1-/2020 "Accounting implications of the impact of COVID- 19 pandemic".

23. IMPACT OF COVID-19 (CONTINUED)

iv. Accounting for zero rate repo facility

The QCB has encouraged banks to defer existing repayments of principal and profit due and extend new financing to affected sectors at reduced rates. It has extended support to all local banks to avail repo facilities at zero cost as well as providing guarantees in some cases from the Government of the State of Qatar to support the affected sectors. The benefit arising out from the zero rate repos was not considered to be material for the period ended 30 September 2022.

24. ASSETS UNDER MANAGEMENT

Assets under management represent the funds belonging to Group's customers, for which it has assumed investment management responsibilities in accordance with the terms and conditions of the investment agreement entered into with the customers. Such funds are invested on behalf of the customers by the Group, acting as an agent or a trustee, and accordingly such funds and the attributable investment gains or losses are not included in these interim condensed consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or fee. As at 30 September 2022, such assets total was QAR 3.9 billion (31 December 2021: QAR 3.9 billion). However, of such assets, only QAR 2,975.3 million (31 December 2021: QAR 2,821.0 million) was held in a fiduciary capacity.