



**DUKHAN BANK Q.P.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2023  
(REVIEWED)**

**DUKHAN BANK Q.P.S.C.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months period ended 31 March 2023**

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## **INDEPENDENT AUDITOR'S REVIEW REPORT 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") as at 31 March 2023, comprising of the interim consolidated statement of financial position as at 31 March 2023, and the related interim consolidated statement of income, interim consolidated statement of changes in shareholders' equity, interim consolidated statement of cash flows and interim consolidated statement of changes in restricted investment accounts for the three months period then ended, and the related explanatory notes.

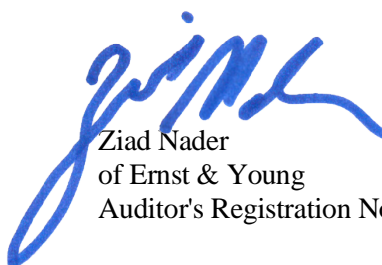
The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by 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 QCB.



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

Date: 3 May 2023  
Doha



**DUKHAN BANK Q.P.S.C.**
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 31 March 2023**

	Notes	31 March 2023 (Reviewed) QAR '000	31 December 2022 (Audited) QAR '000
<b>ASSETS</b>			
Cash and balances with Qatar Central Bank	7	3,745,013	6,425,410
Due from banks	8	1,799,550	1,499,934
Financing assets	9	74,146,826	75,676,514
Investment securities	10	20,229,783	20,431,560
Investment in associates and joint ventures	11	38,396	64,111
Investment properties		134,962	135,021
Fixed assets		258,267	264,008
Intangible assets	16	894,098	913,714
Other assets		916,228	865,744
<b>TOTAL ASSETS</b>		<b>102,163,123</b>	<b>106,276,016</b>
<b>LIABILITIES</b>			
Due to banks	12	15,256,146	14,871,443
Customer current accounts		7,330,912	8,251,685
Other liabilities		2,175,372	2,523,315
<b>TOTAL LIABILITIES</b>		<b>24,762,430</b>	<b>25,646,443</b>
<b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>			
	13	62,686,523	66,293,521
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14(a)	5,234,100	5,234,100
Legal reserve	14(b)	4,575,119	4,575,119
Treasury shares	14(e)	(38,350)	(38,350)
Risk reserve	14(c)	1,430,377	1,430,377
Fair value reserve	10	(131,238)	(131,351)
Foreign currency translation reserve		1	(2)
Other reserves	14(d)	75,180	75,180
Retained earnings		1,748,140	1,370,138
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>		<b>12,893,329</b>	<b>12,515,211</b>
Non-controlling interests		91	91
Sukuk eligible as additional capital	21	1,820,750	1,820,750
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>14,714,170</b>	<b>14,336,052</b>
<b>TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>		<b>102,163,123</b>	<b>106,276,016</b>

These interim condensed consolidated financial statements were approved by the Board of Directors on 3 May 2023 and were signed on its behalf by:

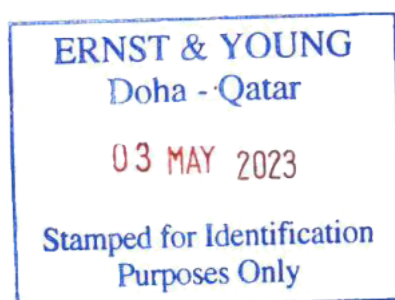
  
 Mohamed Bin Hamad Bin Jassim Al Thani  
 Chairman and Managing Director

  
 Ahmed I. Hashem  
 Acting Group Chief Executive Officer

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

**DUKHAN BANK Q.P.S.C.**  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**For the three months period ended 31 March 2023**

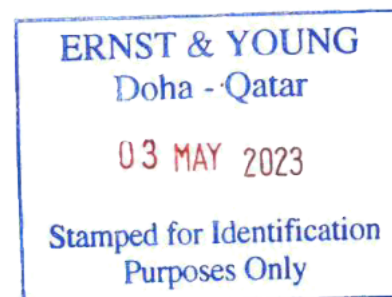
<b><i>For the three months period ended 31 March</i></b>			
	<b>Notes</b>	<b>2023 (Reviewed) QAR'000</b>	<b>2022 (Reviewed) QAR'000</b>
Net income from financing activities		1,070,328	736,074
Net income from investing activities		202,242	188,436
<b>Total net income from financing and investing activities</b>		<b>1,272,570</b>	<b>924,510</b>
Fee and commission income		89,674	83,716
Fee and commission expense		(30,477)	(24,789)
<b>Net fee and commission income</b>		<b>59,197</b>	<b>58,927</b>
Net foreign exchange gain		36,992	73,944
Share of results of associates and joint ventures	11	(5,316)	388
Other income		59,536	5,461
<b>Total income</b>		<b>1,422,979</b>	<b>1,063,230</b>
Staff costs		(105,450)	(105,835)
Depreciation and amortization		(34,460)	(33,374)
Other expenses		(47,234)	(39,589)
Finance cost		(211,967)	(7,491)
<b>Total expenses</b>		<b>(399,111)</b>	<b>(186,289)</b>
Net impairment loss on financing assets	4(a)	(7,357)	(179,814)
Net impairment loss on due from banks	4(a)	(70)	(54)
Net Impairment reversal on investment securities	4(a)	275	203
Net impairment loss on off balance sheet exposures subject to credit risk	4(a)	(22,721)	(2,259)
		<b>(29,873)</b>	<b>(181,924)</b>
<b>Net profit for the period before tax and return to unrestricted investment account holders</b>		<b>993,995</b>	<b>695,017</b>
Return to unrestricted investment account holders	13	(579,587)	(302,326)
<b>Net profit for the period before tax</b>		<b>414,408</b>	<b>392,691</b>
Tax expense		(447)	(550)
<b>Net profit for the period</b>		<b>413,961</b>	<b>392,141</b>
<b>Net profit for the period attributable to:</b>			
Equity holders of the Bank		413,961	392,141
Non-controlling interests		-	-
<b>Net profit for the period</b>		<b>413,961</b>	<b>392,141</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (QAR per share)	17	0.076	0.072



The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

**DUKHAN BANK Q.P.S.C.**
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**For the three months period ended 31 March 2023**

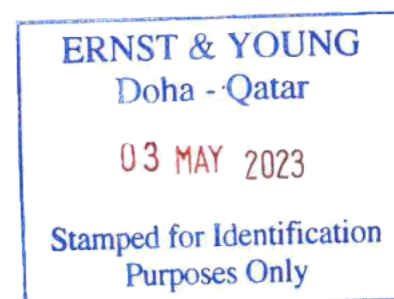
<i>For the three months period ended 31 March 2023</i>	<i>Share capital</i>	<i>Legal reserve</i>	<i>Treasury shares QAR '000</i>	<i>Risk reserve</i>	<i>Fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total equity attributable to equity holders of the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total shareholders' equity</i>
	<i>QAR '000</i>	<i>QAR '000</i>	<i>'000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>
Balance at 1 January 2023 (Audited)	5,234,100	4,575,119	(38,350)	1,430,377	(131,351)	(2)	75,180	1,370,138	12,515,211	91	1,820,750	14,336,052
Net profit for the period	-	-	-	-	-	-	-	413,961	413,961	-	-	413,961
Share of comprehensive income of associates	-	-	-	-	-	3	-	-	3	-	-	3
Fair value reserve movement (Note 10)	-	-	-	-	113	-	-	-	113	-	-	113
Total recognised income for the period	-	-	-	-	113	3	-	413,961	414,077	-	-	414,077
Profit on Sukuk eligible as additional capital (Note 21)	-	-	-	-	-	-	-	(35,959)	(35,959)	-	-	(35,959)
<b>Balance at 31 March 2023 (Reviewed)</b>	<b>5,234,100</b>	<b>4,575,119</b>	<b>(38,350)</b>	<b>1,430,377</b>	<b>(131,238)</b>	<b>1</b>	<b>75,180</b>	<b>1,748,140</b>	<b>12,893,329</b>	<b>91</b>	<b>1,820,750</b>	<b>14,714,170</b>



The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

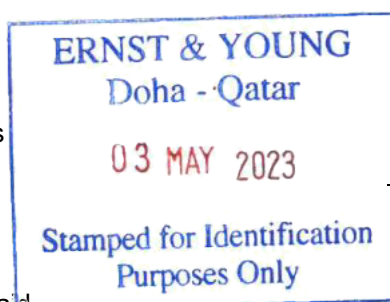
**DUKHAN BANK Q.P.S.C.**
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**For the three months period ended 31 March 2023**

<i>For the three months period ended 31 March 2022</i>	<i>Share capital</i> QAR '000	<i>Legal reserve</i> QAR '000	<i>Treasury shares</i> QAR '000	<i>Risk reserve</i> QAR '000	<i>Fair value reserve</i> QAR '000	<i>Other reserves</i> QAR '000	<i>Retained earnings</i> QAR '000	<i>Total equity attributable to equity holders of the Bank</i> QAR '000	<i>Non-controlling interests</i> QAR '000	<i>Sukuk eligible as additional capital</i> QAR '000	<i>Total shareholders' equity</i> 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	-	-	-	-	-	-	392,141	392,141	-	-	392,141
Fair value reserve movement (Note 10)	-	-	-	-	(33,988)	-	-	(33,988)	-	-	(33,988)
Total recognised income for the period	-	-	-	-	(33,988)	-	392,141	358,153	-	-	358,153
Profit on Sukuk eligible as additional capital (Note 21)	-	-	-	-	-	-	(35,960)	(35,960)	-	-	(35,960)
<i>Balance at 31 March 2022 (Reviewed)</i>	<i>5,234,100</i>	<i>4,449,812</i>	<i>(38,350)</i>	<i>1,338,716</i>	<i>(61,086)</i>	<i>73,333</i>	<i>1,491,388</i>	<i>12,487,913</i>	<i>91</i>	<i>1,820,750</i>	<i>14,308,754</i>



The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

		<b>For the three months period ended 31 March</b>	
		<b>2023</b>	<b>2022</b>
		<b>(Reviewed)</b>	<b>(Reviewed)</b>
	<b>Notes</b>	<b>QAR '000</b>	<b>QAR '000</b>
<b>Cash flows from operating activities</b>			
Net profit for the period before tax		414,408	392,691
<i>Adjustments for:</i>			
Net impairment loss on due from banks	4(a)	70	54
Net impairment loss on off balance sheet exposures subject to credit risk	4(a)	22,721	2,259
Net impairment loss on financing assets	4(a)	7,357	179,814
Net impairment reversal on investment securities	4(a)	(275)	(203)
Depreciation and amortisation		34,460	33,374
Employees' end of service benefits provision		7,636	6,457
Net gain on sale of investment securities		(414)	(3,298)
Dividend income		(8,763)	(11,321)
Gain on disposal of fixed assets		(454)	(125)
Share of results of associates and joint ventures	11	5,316	(388)
<i>Profit before changes in operating assets and liabilities</i>		<b>482,062</b>	<b>599,314</b>
Change in reserve account with Qatar Central Bank		302,413	32,167
Change in due from banks		(50,070)	(765,374)
Change in financing assets		1,522,334	(174,539)
Change in other assets		(50,484)	(237,720)
Change in due to banks		384,703	1,456,426
Change in customer current accounts		(920,773)	808,883
Change in other liabilities		(370,241)	886,993
Dividends received		1,299,944	2,606,150
Employees' end of service benefits paid		8,763	11,321
		(8,506)	(3,847)
<b>Net cash from operating activities</b>		<b>1,300,201</b>	<b>2,613,624</b>
<b>Cash flows from investing activities</b>			
Disposal/(acquisition) of investments, net		164,987	(500,842)
Proceeds from sale of investment		58,050	950,671
Acquisition of fixed and intangible assets		(14,666)	(3,822)
Proceeds from sale of fixed assets		6,017	459
<b>Net cash from investing activities</b>		<b>214,388</b>	<b>446,466</b>
<b>Cash flows from financing activities</b>			
Change in unrestricted investment account holders		(3,606,998)	(6,165,517)
Profit paid on Sukuk eligible as additional capital		(35,959)	(35,960)
<b>Net cash used in financing activities</b>		<b>(3,642,957)</b>	<b>(6,201,477)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,128,368)</b>	<b>(3,141,387)</b>
Cash and cash equivalents at 1 January		4,538,555	9,303,335
<b>Cash and cash equivalents at 31 March</b>	19	<b>2,410,187</b>	<b>6,161,948</b>





INTERIM CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the three months period ended 31 March 2023

For the three months period ended 31 March 2023

	<i>At 1 January 2023 (Audited) Total value QAR '000</i>	<i>Investment QAR '000</i>	<i>Movements during the period Revaluation QAR '000</i>	<i>Gross Income QAR '000</i>	<i>Dividends paid QAR '000</i>	<i>Group's fee as an agent QAR '000</i>	<i>At 31 March 2023 (Reviewed) Total value QAR '000</i>
Discretionary Portfolio Management	472,930	-	333	8,862	-	-	482,125
Other Restricted Wakalas	2,481,472	52,792	1,867	19,130	(19,130)	-	2,536,131
	<b>2,954,402</b>	<b>52,792</b>	<b>2,200</b>	<b>27,992</b>	<b>(19,130)</b>	<b>-</b>	<b>3,018,256</b>

For the three months period ended 31 March 2022

	<i>At 1 January 2022 (Audited) Total value QAR '000</i>	<i>Investment QAR '000</i>	<i>Movements during the period Revaluation QAR '000</i>	<i>Gross Income QAR '000</i>	<i>Dividends paid QAR '000</i>	<i>Group's fee as an agent QAR '000</i>	<i>At 31 March 2022 (Reviewed) Total value QAR '000</i>
Discretionary Portfolio Management	590,611	25,935	19,772	-	-	-	636,318
Other Restricted Wakalas	2,230,438	149,057	44,414	20,477	(20,477)	-	2,423,909
	<b>2,821,049</b>	<b>174,992</b>	<b>64,186</b>	<b>20,477</b>	<b>(20,477)</b>	<b>-</b>	<b>3,060,227</b>



**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. 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 merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the 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 9 branches in the State of Qatar. The Bank post completion of merger is now 24.48% owned by the General Retirement and Social Insurance Authority, 11.67% by the 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 and corporate 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.

On 15 January 2023, the extraordinary general assembly resolution resolved to convert the Bank from a Qatari Private Shareholding Company to a Qatari Public Shareholding Company and subsequently list on the Qatar Stock Exchange. On 22 January 2023, pursuant to Resolution No. 2 of 2023 by the Minister of Industry and Commerce, the Bank was converted from a Qatari Private Shareholding Company to a Qatari Public Shareholding Company. The conversion from a Qatari Private Shareholding Company to a Qatari Public shareholding Company was formally announced in the Constitutional General Assembly meeting held on 25 January 2023. Consequently, there were no changes in the interest held by the shareholders of the Bank. On 1 February 2023, Qatar Financial Markets Authority approved the listing of the Bank’s shares on the Qatar Stock Exchange.

The principal subsidiaries of the Group are as follows:

<i><b>Name of subsidiary</b></i>	<i><b>Country of incorporation</b></i>	<i><b>Year of incorporation</b></i>	<i><b>Percentage of ownership as at</b></i>	
			<i><b>31 March 2023</b></i>	<i><b>31 December 2022</b></i>
The First Investor P.Q.S.C. (“TFI”)	Qatar	1999	<b>100%</b>	100%
First Finance Company P.Q.S.C. (“FFC”)	Qatar	1999	<b>100%</b>	100%
First Leasing Company P.Q.S.C (“FLC”)	Qatar	2008	<b>100%</b>	100%
BBG Sukuk limited	Cayman Islands	2015	<b>100%</b>	100%
BB Islamic Derivatives	Cayman Islands	2018	<b>100%</b>	100%
Dukhan Tier-1 Sukuk Limited	Cayman Islands	2021	<b>100%</b>	100%

The business description and principal activities of each of the above listed subsidiaries is consistent with the explanation as provided in the 31 December 2022 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 3 May 2023.

**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 2022, except for adoption of new standards effective from 1 January 2023 as stated in note 3. These interim condensed consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by 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 2022. The results for the period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the year ending 31 December 2023.

**(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.

### **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 2022, 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 2023**

##### **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.

#### **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 2024 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 2022.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Expected credit loss / Impairment allowances

	Stage 1 QAR '000	Stage 2 QAR '000	Non - performing QAR '000	Total QAR '000
<b>Exposure (carrying value) subject to ECL as at 31 March 2023 (Reviewed)</b>				
- Financing assets	61,336,363	12,231,976	3,991,008	77,559,347
- Due from banks	1,799,672	-	-	1,799,672
- Debt type investments carried at amortised cost	2,772,777	-	-	2,772,777
- Off balance sheet exposures subject to credit risk	13,102,461	5,715,332	165,049	18,982,842
	79,011,273	17,947,308	4,156,057	101,114,638
<b>Opening Balance – as at 1 January 2023 (Audited)</b>				
- Financing assets	80,132	548,284	2,763,117	3,391,533
- Due from banks	52	-	-	52
- Debt type investments carried at amortised cost	7,657	-	-	7,657
- Off balance sheet exposures subject to credit risk	32,588	95,247	165,349	293,184
	120,429	643,531	2,928,466	3,692,426
<b>Net transfer between stages</b>				
- Financing assets	2,863	(4,195)	1,332	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(402)	402	-	-
	2,461	(3,793)	1,332	-
<b>Charge for the period (net)</b>				
- Financing assets	7,877	45,405	67,636	120,918
- Financing assets – recovery	(3,241)	(315)	(110,005)	(113,561)
- Due from banks	70	-	-	70
- Debt type investments carried at amortised cost	(275)	-	-	(275)
- Off balance sheet exposures subject to credit risk	(5,976)	28,997	(300)	22,721
	(1,545)	74,087	(42,669)	29,873
- Financing assets – write-off	-	-	(7,736)	(7,736)
- Financing assets – profit in suspense net movement	-	-	21,367	21,367
	(1,545)	74,087	(29,038)	43,504
<b>Closing Balance – as at 31 March 2023 (Reviewed)</b>				
- Financing assets	87,631	589,179	2,735,711	3,412,521
- Due from banks	122	-	-	122
- Debt type investments carried at amortised cost	7,382	-	-	7,382
- Off balance sheet exposures subject to credit risk	26,210	124,646	165,049	315,905
	121,345	713,825	2,900,760	3,735,930

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) 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 31 March 2022 (Reviewed)				
- Financing assets	61,798,267	13,101,426	3,267,749	78,167,442
- Due from banks	2,994,376	-	-	2,994,376
- Debt type investments carried at amortised cost	1,843,979	99,224	-	1,943,203
- Off balance sheet exposures subject to credit risk	14,910,265	6,030,520	175,300	21,116,085
	81,546,887	19,231,170	3,443,049	104,221,106
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	(3,744)	788	2,956	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(3,531)	3,531	-	-
	(7,275)	4,319	2,956	-
Charge for the period (net)				
- Financing assets	10,886	9,937	174,451	195,274
- Financing assets – recovery	-	-	(15,460)	(15,460)
- Due from banks	54	-	-	54
- Debt type investments carried at amortised cost	936	(1,139)	-	(203)
- Off balance sheet exposures subject to credit risk	(704)	2,963	-	2,259
	11,172	11,761	158,991	181,924
- Financing assets – write-off	-	-	(734)	(734)
- Financing assets – profit in suspense net movement	-	-	11,517	11,517
	11,172	11,761	169,774	192,707
Closing Balance – as at 31 March 2022 (Reviewed)				
- Financing assets	67,857	595,609	2,287,544	2,951,010
- Due from banks	95	-	-	95
- Debt type investments carried at amortised cost	4,368	9,292	-	13,660
- Off balance sheet exposures subject to credit risk	31,194	101,267	168,715	301,176
	103,514	706,168	2,456,259	3,265,941

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(b) 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 31 March 2023:

<b>Rating grade</b>	<b>Financing assets QAR '000</b>	<b>Due from Banks QAR '000</b>	<b>Debt type investments carried at amortised cost QAR '000</b>	<b>Off balance sheet exposures subject to credit risk QAR '000</b>
Aaa to Aa3	25,051,790	560,771	710,093	268,306
A1 to A3	7,231,846	970,697	1,181,160	2,558,986
Baa1 to Baa3	24,326,695	267,890	224,191	12,419,937
Ba1 to B3	10,704,452	314	657,333	3,570,564
Below B3	3,991,008	-	-	165,049
Unrated	6,253,556	-	-	-
<b>Total (Reviewed)</b>	<b>77,559,347</b>	<b>1,799,672</b>	<b>2,772,777</b>	<b>18,982,842</b>

31 December 2022

<b>Rating grade</b>	<b>Financing assets QAR '000</b>	<b>Due from Banks QAR '000</b>	<b>Debt type investments carried at amortised cost QAR '000</b>	<b>Off balance sheet exposures subject to credit risk QAR '000</b>
Aaa to Aa3	25,316,525	175,852	363,922	428,503
A1 to A3	8,166,190	1,023,715	992,499	4,802,599
Baa1 to Baa3	24,579,845	299,792	138,770	9,993,377
Ba1 to B3	10,756,214	627	657,333	4,127,076
Below B3	4,070,662	-	-	165,349
Unrated	6,178,611	-	-	-
<b>Total (Audited)</b>	<b>79,068,047</b>	<b>1,499,986</b>	<b>2,152,524</b>	<b>19,516,904</b>

**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

#### 31 March 2023 (Reviewed)

	<i>Wholesale banking QAR '000</i>	<i>Retail and private banking QAR '000</i>	<i>Treasury and investments division QAR '000</i>	<i>Investment banking and asset management QAR '000</i>	<i>Unallocated QAR '000</i>	<i>Total QAR '000</i>
Total income from financing and investing activities	568,954	501,374	200,677	1,565	-	1,272,570
Net fee and commission income	43,305	9,181	5,803	908	-	59,197
<b>Reportable segment net profit</b>	<b>169,194</b>	<b>50,743</b>	<b>195,083</b>	<b>(1,059)</b>	<b>-</b>	<b>413,961</b>
<b>Reportable segment assets</b>	<b>37,245,249</b>	<b>38,553,235</b>	<b>25,060,202</b>	<b>410,339</b>	<b>894,098</b>	<b>102,163,123</b>

#### 31 March 2022 (Reviewed)

	<i>Wholesale banking QAR '000</i>	<i>Retail and private banking QAR '000</i>	<i>Treasury and investments division QAR '000</i>	<i>Investment banking and asset management QAR '000</i>	<i>Unallocated QAR '000</i>	<i>Total QAR '000</i>
Total income from financing and investing activities	349,894	386,180	186,336	2,100	-	924,510
Net fee and commission income	46,850	8,804	-	3,273	-	58,927
<b>Reportable segment net profit</b>	<b>139,258</b>	<b>(8,234)</b>	<b>256,320</b>	<b>4,797</b>	<b>-</b>	<b>392,141</b>
<b>Reportable segment assets</b>	<b>40,341,758</b>	<b>36,839,770</b>	<b>29,464,466</b>	<b>422,991</b>	<b>972,566</b>	<b>108,041,551</b>

## 6. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2023 (Reviewed)

	<i>Fair value through income statement QAR'000</i>	<i>Fair value through equity QAR'000</i>	<i>Amortised cost QAR'000</i>	<i>Total carrying amount QAR'000</i>	<i>Fair value QAR'000</i>
Cash and balances with Qatar Central Bank	-	-	3,745,013	3,745,013	3,745,013
Due from banks	-	-	1,799,550	1,799,550	1,799,550
Financing assets	-	-	74,146,826	74,146,826	74,146,826
Investment securities:					
- Carried at fair value	77,330	1,190,308	-	1,267,638	1,267,638
- Carried at amortised cost	-	-	18,962,145	18,962,145	18,909,209
Risk management instruments	47,709	-	-	47,709	47,709
	<b>125,039</b>	<b>1,190,308</b>	<b>98,653,534</b>	<b>99,968,881</b>	<b>99,915,945</b>
Due to banks	-	-	15,256,146	15,256,146	15,256,146
Customer current accounts	-	-	7,330,912	7,330,912	7,330,912
Risk management instruments	50,113	-	-	50,113	50,113
	<b>50,113</b>	<b>-</b>	<b>22,587,058</b>	<b>22,637,171</b>	<b>22,637,171</b>
Equity of unrestricted investment account holders	-	-	62,686,523	62,686,523	62,686,523
	<b>50,113</b>	<b>-</b>	<b>85,273,581</b>	<b>85,323,694</b>	<b>85,323,694</b>

## 6. FAIR VALUE AND CLASSIFICATION 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 2022 (Audited)

	<i>Fair value through income statement QAR'000</i>	<i>Fair value through equity QAR'000</i>	<i>Amortised cost QAR'000</i>	<i>Total carrying amount QAR'000</i>	<i>Fair value QAR'000</i>
Cash and balances with Qatar Central Bank	-	-	6,425,410	6,425,410	6,425,410
Due from banks	-	-	1,499,934	1,499,934	1,499,934
Financing assets	-	-	75,676,514	75,676,514	75,676,514
Investment securities:					
- Carried at fair value	77,866	1,190,195	-	1,268,061	1,268,061
- Carried at amortised cost	-	-	19,163,499	19,163,499	19,109,670
Risk management instruments	50,609	-	-	50,609	50,609
	<u>128,475</u>	<u>1,190,195</u>	<u>102,765,357</u>	<u>104,084,027</u>	<u>104,030,198</u>
Due to banks	-	-	14,871,443	14,871,443	14,871,443
Customer current accounts	-	-	8,251,685	8,251,685	8,251,685
Risk management instruments	102,000	-	-	102,000	102,000
	<u>102,000</u>	<u>-</u>	<u>23,123,128</u>	<u>23,225,128</u>	<u>23,225,128</u>
Equity of unrestricted investment account holders	-	-	66,293,521	66,293,521	66,293,521
	<u>102,000</u>	<u>-</u>	<u>89,416,649</u>	<u>89,518,649</u>	<u>89,518,649</u>

Note: Certain fair value and classification of financial instruments for the three months period ended 31 March 2022 were reclassified in the interim condensed consolidated financial statements for the the three months period ended 31 March 2023 to confirm to the presentation and classification adopted in the current period.

**6. FAIR VALUE AND CLASSIFICATION 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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2023 (Reviewed)</b>	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>
Risk management instruments (assets)	-	-	47,709	47,709
Investment securities carried at fair value	1,006,482	-	261,156	1,267,638
	<b>1,006,482</b>	<b>-</b>	<b>308,865</b>	<b>1,315,347</b>
Risk management instruments (liabilities)	-	-	50,113	50,113
	<b>-</b>	<b>-</b>	<b>50,113</b>	<b>50,113</b>
<b>31 December 2022 (Audited)</b>				
Risk management instruments (assets)	-	-	50,609	50,609
Investment securities carried at fair value	1,014,416	-	253,645	1,268,061
	<b>1,014,416</b>	<b>-</b>	<b>304,254</b>	<b>1,318,670</b>
Risk management instruments (liabilities)	-	-	102,000	102,000
	<b>-</b>	<b>-</b>	<b>102,000</b>	<b>102,000</b>

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 31 March 2023 and year ended 31 December 2022, 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 2022.

**7. CASH AND BALANCES WITH QATAR CENTRAL BANK**

	<b>31 March 2023 (Reviewed) QAR '000</b>	<b>31 December 2022 (Audited) QAR '000</b>
Cash	363,970	372,504
Cash reserve with QCB*	3,084,376	3,298,355
Other balances with QCB	296,667	2,754,551
	<b>3,745,013</b>	<b>6,425,410</b>

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

**8. DUE FROM BANKS**

	<b>31 March 2023 (Reviewed) QAR '000</b>	<b>31 December 2022 (Audited) QAR '000</b>
Current accounts	925,780	984,389
Wakala placements with banks	662,085	290,868
Mudaraba placements	130,930	135,661
Commodity Murabaha receivable	80,720	88,485
Accrued profit	157	583
Allowance for impairment*	(122)	(52)
	<b><u>1,799,550</u></b>	<b><u>1,499,934</u></b>

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

**9. FINANCING ASSETS**

	<b>31 March 2023 (Reviewed) QAR '000</b>	<b>31 December 2022 (Audited) QAR '000</b>
Murabaha	70,107,075	70,037,405
Ijarah Muntahia Bittamleek	4,201,703	5,010,692
Istisna	628,393	639,414
Musawama	1,144,998	1,117,186
Acceptances	523,573	724,526
Cards	181,357	182,488
Others	1,750,219	1,809,928
Accrued profit	663,100	598,976
Total financing assets	79,200,418	80,120,615
Less: Deferred profit	1,641,071	1,052,568
Allowance for impairment on financing assets	3,176,497	3,176,876
Suspended profit on non performing financing assets	236,024	214,657
	<b><u>3,412,521</u></b>	<b><u>3,391,533</u></b>
Net financing assets	<b><u>74,146,826</u></b>	<b><u>75,676,514</u></b>

\*For stage wise exposure, allowance for impairment and profit in suspense refer note 4(a). The total non-performing financing assets at 31 March 2023 amounted to QAR 3.991.0 million, representing 5.1% of the gross financing assets (31 December 2022: QAR 4,070.7 million, representing 5.1%).

Others include QAR 1,750.2 million (31 December 2022: QAR 1,809.9 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 till conversion is completed.

10. INVESTMENT SECURITIES

	31 March 2023 (Reviewed)			31 December 2022 (Audited)		
	Quoted QAR'000	Unquoted QAR'000	Total QAR'000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
<i>Investments classified as fair value through statement of income</i>						
- Investments classified as held for trading:						
- Equity-type investments	59,932	-	59,932	60,125	-	60,125
- Debt-type investments	17,398	-	17,398	17,741	-	17,741
	77,330	-	77,330	77,866	-	77,866
<i>Debt-type investments classified at amortised cost</i>						
- Fixed rate *	2,772,777	16,039,312	18,812,089	2,667,517	16,338,167	19,005,684
- Allowance for impairment**	(7,382)	-	(7,382)	(7,657)	-	(7,657)
	2,765,395	16,039,312	18,804,707	2,659,860	16,338,167	18,998,027
<i>Equity-type investments classified as fair value through equity</i>						
	929,152	261,156	1,190,308	936,550	253,645	1,190,195
	3,771,877	16,300,468	20,072,345	3,674,276	16,591,812	20,266,088
Accrued profit income			157,438			165,472
			<b>20,229,783</b>			<b>20,431,560</b>

\*Investments in unquoted debt-type instruments classified at amortised cost at fixed rate represent investments in the Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 2,944.3 million (31 December 2022: QAR 3,043.2 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(a).

The carrying amount of the debt-type instruments pledged under repurchase agreements amounted to nil balance (31 December 2022: QAR 434.8 million).

**10. INVESTMENT SECURITIES (CONTINUED)**

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

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
Balance at 1 January	(131,351)	(27,098)
Net change in fair value	113	(104,253)
Transferred to consolidated statement of income on impairment	-	-
	113	(104,253)
Share of associate's fair value changes	-	-
<b>Balance at period/year end</b>	<b>(131,238)</b>	<b>(131,351)</b>

**11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES**

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
Balance at 1 January	64,111	62,557
Share of results	(5,316)	1,847
Share of associates currency translation reserve	1	(2)
Impairment	-	(291)
Derecognition of the investment	(20,400)	-
<b>Balance at period/year end</b>	<b>38,396</b>	<b>64,111</b>

**12. DUE TO BANKS**

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
Commodity Murabaha payable*	363,059	729,552
Wakala payable	14,877,842	14,131,930
Profit payable	15,245	9,961
	15,256,146	14,871,443

\*This represents amounts held under repurchase agreements amounting to nil (31 December 2022: QAR 434.8 million).

## 13. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	31 March 2023 (Reviewed) QAR'000	31 December 2022 (Audited) QAR'000
Unrestricted investment account holders balance before share of profit (a)	62,235,727	65,452,374
Distributable profits to unrestricted investment account holders for the period (b)*	579,587	1,558,578
Profit payable including from prior year net of distributed profit amount during the period	(129,323)	(717,963)
Net profit payable to unrestricted investment account holders	450,264	840,615
Share in fair value reserve	532	532
<b>Total unrestricted investment account holders balance</b>	<b>62,686,523</b>	<b>66,293,521</b>
<i>(a) Unrestricted investment account holders balance before share of profit, by type:</i>		
Saving accounts	5,796,655	6,703,246
Call accounts	1,604,745	1,501,664
Term accounts	54,834,327	57,247,464
<b>Total</b>	<b>62,235,727</b>	<b>65,452,374</b>
<i>For the three months period ended</i>		
	31 March 2023 (Reviewed) QAR'000	31 March 2022 (Reviewed) QAR'000
<i>(b) Return to unrestricted investment account holders for the period:</i>		
Saving accounts	25,389	19,267
Call accounts	8,712	892
Term accounts - 1 month	109,821	41,432
Term accounts - 3 month	124,424	61,486
Term accounts - 6 month	85,885	14,054
Term accounts - 9 month	266	2
Term accounts - 12 month	221,300	162,210
Term accounts - 2 year	2,678	1,808
Term accounts - 4 year	1,112	1,175
<b>Total*</b>	<b>579,587</b>	<b>302,326</b>

\*It represents net return to unrestricted investment account holders however the 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. SHAREHOLDERS' EQUITY**

##### **(a) Share capital**

	<b>Ordinary shares</b>	
	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
<b>Issued</b>	<b>5,234,100</b>	<b>5,234,100</b>

The authorised share capital of the Bank is 5,234,100 thousand (31 December 2022: 523,410 thousand) ordinary shares, having a par value of QAR 1 each share (31 December 2022: 10 each share). Out of this authorised capital 5,234,100 thousand ordinary shares (31 December 2022: 523,410 thousand) are issued and fully paid.

Post conversion to a public shareholding company as per the requirements of Qatar Commercial Companies Law, each one share with the par value of QAR 10 was split into 10 shares with the par value of QAR 1.

##### **(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 2022, legal reserve balance was QAR 4,575.1 million. No further transfer has been made for the three months period ended 31 March 2023 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 2022, risk reserve balance was QAR 1,430.4 million which complies with the minimum requirement as stipulated by the Qatar Central Bank regulations. No further transfer has been made for the three months period ended 31 March 2023 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 shareholders' 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 2022, other reserve total balance was QAR 75.2 million. No further transfer has been made for the three months period ended 31 March 2023 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 1 each. Treasury shares are presented as a deduction from shareholders' equity.

##### **(f) Dividend**

The Board of Directors in their meeting held on 14 March 2023 proposed a cash dividend of 16.0% of the paid up share capital amounting to QAR 831.3 million – QAR 0.16 per share (31 December 2021: 14.0% of the paid up share capital amounting to QAR 727.4 million – QAR 0.14 per share) post considering nominal share value of QAR 1 per share, after conversion of the Bank to a Public Shareholding Company, was approved for distribution at the Annual General Meeting of the shareholders of the Group held on 12 April 2023.

**15. CONTINGENT LIABILITIES AND COMMITMENTS**

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
<b>a) Contingent liabilities</b>		
Unused credit facilities	16,171,420	15,057,152
Guarantees	17,874,796	18,424,217
Letters of credit	<u>1,108,046</u>	<u>1,092,687</u>
	<b><u>35,154,262</u></b>	<b><u>34,574,056</u></b>
<b>b) Commitments</b>		
Profit rate swaps	2,006,928	2,611,349
Options	774,413	789,629
Other risk management instruments – WAAD	<u>10,583,805</u>	<u>13,455,382</u>
	<b><u>13,365,146</u></b>	<b><u>16,856,360</u></b>

**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:

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
Within one year	<u>6,229</u>	<u>5,822</u>
After one year but not more than five years	<u>1,091</u>	<u>1,332</u>

**16. INTANGIBLE ASSETS**

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
<b>Goodwill and Intangibles</b>		
Goodwill	443,060	443,060
Customer relationship	359,844	374,530
Core deposits	<u>91,194</u>	<u>96,124</u>
	<b><u>894,098</u></b>	<b><u>913,714</u></b>

**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. 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.

	<i>For the three months period ended</i>	
	<i>31 March 2023 (Reviewed) QAR'000</i>	<i>31 March 2022 (Reviewed) QAR'000</i>
Net profit for the period attributable to the shareholders' of the Group	413,961	392,141
Less: Profit attributable to sukuk eligible as additional capital	(17,980)	(17,980)
Net profit for EPS computation	395,981	374,161
Weighted average number of outstanding shares	5,195,750	5,195,750
<b>Basic and diluted earning per share (QAR)</b>	<b>0.076</b>	<b>0.072</b>
Weighted average number of shares from beginning	5,234,100	5,234,100
Less: Treasury shares	(38,350)	(38,350)
<b>Weighted average number of shares at 31 March</b>	<b>5,195,750</b>	<b>5,195,750</b>

Earnings Per Share (EPS) for 2022 has been re-stated to reflect the increase in number of shares due to share split for the purpose of listing in Qatar Stock Exchange.

(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:

	<i>31 March 2023 (Reviewed)</i>		
	<i>Subsidiaries QAR'000</i>	<i>Board of directors QAR'000</i>	<i>Others QAR'000</i>
<b>Assets:</b>			
Customer financing	1,920	7,344,388	-
<b>Liabilities:</b>			
Customer deposits	683,099	800,411	4,448,497
<b>Off balance sheet items:</b>			
Unfunded credit facilities	5,788	506,902	-

**18. RELATED PARTIES (CONTINUED)**

	<i>31 December 2022 (Audited)</i>		
	<i>Subsidiaries</i>	<i>Board of</i>	<i>Others</i>
	<i>QAR'000</i>	<i>directors</i>	<i>QAR'000</i>
		<i>QAR'000</i>	<i>QAR'000</i>
Assets:			
Customer financing	<u>1,898</u>	<u>7,645,186</u>	<u>-</u>
Liabilities:			
Customer deposits	<u>674,342</u>	<u>893,236</u>	<u>4,197,609</u>
Off balance sheet items:			
Unfunded credit facilities	<u>6,197</u>	<u>464,894</u>	<u>-</u>

**Transactions with key management personnel**

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

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
Financing to key management personnel	<u>12,873</u>	<u>10,827</u>
	<b>For the three months period ended</b>	
	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 March 2022 (Reviewed) QAR'000</b>
Compensation of key management personnel		
Short-term employee benefits	<u>17,630</u>	<u>17,373</u>
Post-employment benefits	<u>1,330</u>	<u>1,330</u>
	<u>18,960</u>	<u>18,703</u>

**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:

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	<u>660,637</u>	<u>3,127,055</u>
Due from banks	<u>1,749,550</u>	<u>1,411,500</u>
	<u>2,410,187</u>	<u>4,538,555</u>

**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 shareholders' 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 sukuk. The sukuk does not have a maturity date and have 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 14.4% for 2023.

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

	<b>31 March 2023 (Reviewed) QAR'000</b>	<b>31 December 2022 (Audited) QAR'000</b>
Common Equity Tier 1 (CET) Capital	<b>10,789,909</b>	10,770,179
Additional Tier 1 Capital	<b>1,820,750</b>	1,820,750
Additional Tier 2 Capital	<b>803,843</b>	763,960
<b>Total Eligible Capital</b>	<b>13,414,502</b>	13,354,889
<b>Risk Weighted Assets</b>	<b>71,522,907</b>	73,065,442
<b>Common Equity Tier 1 (CET 1) Capital Adequacy Ratio</b>	<b>15.1%</b>	14.7%
<b>Tier 1 Capital Adequacy Ratio</b>	<b>17.6%</b>	17.2%
<b>Total Capital Adequacy Ratio</b>	<b>18.8%</b>	18.3%

**23. ASSETS UNDER MANAGEMENT**

Assets under management represent the funds belonging to the 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 31 March 2023, such assets total was QAR 3.8 billion (31 December 2022: QAR 3.8 billion). However, of such assets, only QAR 3,018.2 million (31 December 2022: QAR 2,954.4 million) was held in a fiduciary capacity.