

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
LESHA BANK LLC (Public)
30 June 2024**

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF LESHA BANK L.L.C. (PUBLIC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Lesha Bank L.L.C. (Public) ("the Bank") and its subsidiaries (collectively "the Group") as at 30 June 2024, comprising of the interim consolidated statement of financial position as at 30 June 2024 and the related interim consolidated statement of income, interim consolidated statement of comprehensive income, interim consolidated statement of income and attribution related to quasi-equity for the three months and six months periods ended 30 June 2024, and the interim consolidated statement of changes in equity, interim consolidated statement of cash flows, and interim consolidated statement of changes in off-balance sheet assets under management for the six 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 Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Financial Centre Regulatory Authority ("QFCRA"). 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 Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 FAS issued by the AAOIFI as modified by QFCRA.


Ahmed Sayed
of Ernst and Young
Auditor's Registration No. 326

Date: 23 July 2024
Doha



	Notes	30 June 2024 (Reviewed)	31 December 2023 (Audited)
ASSETS			
Cash and bank balances	4	3,787,021	2,962,937
Financing assets	5	66,465	88,387
Investments securities	6	2,948,214	2,440,385
Investments in real estate		286,160	264,262
Fixed assets		15,023	17,396
Intangible assets		16,162	2,554
Assets held-for-sale	7	158,234	387,303
Other assets		190,779	144,849
TOTAL ASSETS		7,468,058	6,308,073
LIABILITIES, QUASI-EQUITY AND EQUITY			
Liabilities			
Financing liabilities		2,405,534	1,862,616
Customers' balances		231,046	129,904
Liabilities held-for-sale	7	13,723	112,220
Other liabilities		123,610	149,229
Total Liabilities		2,773,913	2,253,969
QUASI-EQUITY			
Participatory investment accounts		3,435,735	2,827,095
Equity			
Share capital	8	1,120,000	1,120,000
Share premium		80,003	80,003
Legal reserve		9,439	9,439
Investments fair value reserve		(28,412)	(3,237)
Retained earnings		84,337	30,206
Total Equity Attributable to Shareholders of the Bank		1,265,367	1,236,411
Non-controlling interest		(6,957)	(9,402)
Total Equity		1,258,410	1,227,009
TOTAL LIABILITIES, QUASI-EQUITY AND EQUITY		7,468,058	6,308,073
Off-balance sheet assets under management		6,693,000	6,188,915
Contingent liabilities and commitments	10	2,595	1

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on 23rd July 2024 and signed on its behalf by:

Mohamed Yousef Al Mana
Vice Chairman

Mohammed Ismail Al Emadi
Chief Executive officer

The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three-month and six-month period ended 30 June 2024 (expressed in QAR'000)

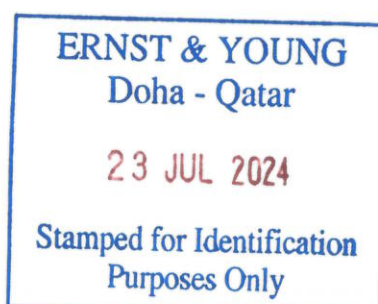
		For the three-month period ended		For the six-month period ended	
		30 June 2024 (Reviewed)	30 June 2023 (Reviewed)	30 June 2024 (Reviewed)	30 June 2023 (Reviewed)
	Notes				
CONTINUING OPERATIONS					
INCOME					
Income from financing assets		1,770	1,507	3,389	6,152
Income from placements with financial institutions		51,591	25,834	96,407	50,264
Profit on financing liabilities		(32,314)	(7,336)	(60,302)	(13,168)
Net income from financing assets		21,047	20,005	39,494	43,248
Fee income		17,696	8,843	32,622	29,242
Dividend income		10,782	4,898	15,745	8,091
Profit on Sukuk investments		27,033	17,222	52,615	31,056
(Loss) / gain on re-measurement of investments at fair value through income statement		(3,087)	3,148	(7,290)	6,229
Gain on disposal of Sukuk investments		257	-	396	-
Gain on disposal of equity investments		1,950	-	10,732	-
Gain on disposal of real estate Investments		-	-	13,933	-
Net foreign exchange gain		1,102	1,645	1,957	5,185
Other income, net		11,840	7,172	16,172	11,558
TOTAL INCOME		88,620	62,933	176,376	134,609
EXPENSES					
Staff costs		(19,164)	(12,181)	(37,926)	(30,741)
Depreciation and amortisation		(1,563)	(1,489)	(3,169)	(3,130)
Other operating expenses		(11,773)	(2,947)	(21,660)	(7,475)
TOTAL EXPENSES		(32,500)	(16,617)	(62,755)	(41,346)
Reversal / (provision) for impairment on financing assets, net of recoveries	12	2,162	(219)	2,162	(3,148)
Reversal / (provision) for impairment on other financial assets	12	125	(1,352)	96	(2,200)
PROFIT BEFORE TAX AND ATTRIBUTION TO QUASI-EQUITY		58,407	44,745	115,879	87,915
Less: Net profit attributable to quasi-equity		(32,798)	(22,269)	(59,303)	(43,561)
PROFIT BEFORE INCOME TAX		25,609	22,476	56,576	44,354
Income tax expense		-	-	-	-
NET PROFIT FROM CONTINUING OPERATIONS		25,609	22,476	56,576	44,354
DISCONTINUED OPERATIONS					
Profit from discontinued operations, net of tax		356	525	-	1,282
NET PROFIT FOR THE PERIOD		25,965	23,001	56,576	45,636
Attributable to:					
Equity holders of the Bank		25,361	22,603	54,131	44,721
Non-controlling interest		604	398	2,445	915
		25,965	23,001	56,576	45,636
Basic/diluted profit per share from continuing operations - QAR		0.022	0.020	0.048	0.040
Basic/diluted profit per share from discontinued operations - QAR		-	-	-	-
Basic/diluted profit per share - QAR	9	0.022	0.020	0.048	0.040

The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six-month period ended 30 June 2024 (expressed in QAR'000)

	For the three-month period ended		For the six-month period ended	
	30 June 2024 (Reviewed)	30 June 2023 (Reviewed)	30 June 2024 (Reviewed)	30 June 2023 (Reviewed)
NET PROFIT FOR THE PERIOD	25,965	23,001	56,576	45,636
OTHER COMPREHENSIVE INCOME				
Items that may not be subsequently classified to consolidated Income statement				
Fair value changes of equity-type investments carried at fair value through other comprehensive income	1,272	-	568	-
Items that may be subsequently classified to consolidated Income statement				
Fair value changes of debt-type investments classified as FVTOCI	(10,074)	(2,445)	(11,849)	(1,863)
Fair value changes of investment in real estate reclassified to consolidated Income statement	-	-	(13,894)	-
TOTAL OTHER COMPREHENSIVE LOSS	(8,802)	(2,445)	(25,175)	(1,863)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	17,163	20,556	31,401	43,773
Attributable to:				
Equity holders of the Bank	16,559	20,158	28,956	42,858
Non-controlling interest	604	398	2,445	915
	17,163	20,556	31,401	43,773



The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION
 RELATED TO QUASI-EQUITY

For the three-month and six-month period ended 30 June 2024 (expressed in QAR'000)

	For the three-month period ended		For the six-month period ended	
	30 June 2024 (Reviewed)	30 June 2023 (Reviewed)	30 June 2024 (Reviewed)	30 June 2023 (Reviewed)
NET PROFIT FOR THE PERIOD BEFORE ATTRIBUTION TO QUASI-EQUITY	58,407	44,745	115,879	87,915
Less: Income not attributable to quasi-equity	(16,563)	(15,862)	(39,682)	(32,683)
Add: Expenses not attributable to quasi-equity	-	-	-	-
Net profit attributable to quasi-equity holders before Bank's				
Mudaraba Income	41,844	28,883	76,197	55,232
Less: Mudarib's share	(12,553)	(8,665)	(22,859)	(16,570)
Add: Support provided by Bank	3,507	2,051	5,965	4,899
NET PROFIT ATTRIBUTABLE TO QUASI-EQUITY	32,798	22,269	59,303	43,561
OTHER COMPREHENSIVE INCOME				
Item that may be subsequently classified to consolidated statement of income				
Share in the reserve attributable to quasi-equity	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-
TOTAL PROFIT ATTRIBUTABLE TO QUASI-EQUITY	32,798	22,269	59,303	43,561

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The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2024 (expressed in QAR'000)

	Share capital	Share premium	Legal reserve	Investments fair value reserve	Retained earnings / (accumulated losses)	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2024	1,120,000	80,003	9,439	(3,237)	30,206	1,236,411	(9,402)	1,227,009
Net profit for the period	-	-	-	-	54,131	54,131	2,445	56,576
Fair value adjustments	-	-	-	(25,175)	-	(25,175)	-	(25,175)
Balance at 30 June 2024 (Reviewed)	1,120,000	80,003	9,439	(28,412)	84,337	1,265,367	(6,957)	1,258,410
Balance at 1 January 2023	1,120,000	80,003	-	(14,733)	(52,383)	1,132,887	(12,216)	1,120,671
Net profit for the period	-	-	-	-	44,721	44,721	915	45,636
Fair value adjustments	-	-	-	(1,863)	-	(1,863)	-	(1,863)
Balance at 30 June 2023 (Reviewed)	1,120,000	80,003	-	(16,596)	(7,662)	1,175,745	(11,301)	1,164,444

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2024 (expressed in QAR'000)

		For the six-month period ended	
		30 June	30 June
	Notes	2024	2023
		(Reviewed)	(Reviewed)
OPERATING ACTIVITIES			
Net profit from continuing operations		56,576	44,354
Net profit from discontinued operations before tax		-	1,282
Net profit for the period		56,576	45,636
Adjustments for non-cash items			
Depreciation and amortisation		3,169	3,130
Loss on disposal of Fixed assets		6	-
Gain on disposal of real estate Investments		(13,933)	-
Unrealised loss / (gain) on equity investments		7,290	(6,229)
Unrealised loss on Sharia-compliant risk management instruments, net		2,235	12,495
(Rerversal) / provision for impairment on financing assets, net	12	(2,162)	3,148
(Rerversal) / provision for impairment on other financial assets	12	(96)	2,200
		53,085	60,380
Changes in:			
Financing assets		24,084	127,497
Assets held-for-sale		(59,987)	(26,116)
Other assets		(45,891)	172,794
Customers' balances		101,142	(191,050)
Liabilities held-for-sale		(98,497)	(954)
Other liabilities		(27,854)	(51,743)
Net cash (used in) / from operating activities		(53,918)	90,808
INVESTING ACTIVITIES			
Purchase of fixed assets & intangible		(612)	(881)
Proceeds from disposal of fixed assets		110	-
Investments securities		(526,732)	(394,930)
Proceeds from disposal of real estate investments		253,250	-
Net change in cash and bank balances with maturity of more than 90 days		(412,927)	(785,531)
Net cash used in investing activities		(686,911)	(1,181,342)
FINANCING ACTIVITIES			
Net change in financing liabilities		542,918	(181,360)
Net change in participatory investment accounts		608,640	191,548
Net cash from financing activities		1,151,558	10,188
Net increase / (decrease) in cash and cash equivalents		410,729	(1,080,346)
Cash and cash equivalents at the beginning of the period	4	1,892,842	1,989,167
Cash and cash equivalents at the end of the peiord	4	2,303,571	908,821

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT
For the six-month period ended 30 June 2024 (expressed in QAR'000)

	<i>Movements during the period</i>					<i>At 30 June 2024 (Reviewed)</i>
	<i>1 January 2024</i>	<i>Investments</i>	<i>Revaluations / Gross Income</i>	<i>Dividends paid</i>	<i>Bank's Fee as an agent</i>	
<i>Investments</i>						
Debt securities Portfolio	59,089	36,707	-	-	-	95,796
Equity securities portfolio	6,129,826	502,378	50,637	(59,118)	(26,519)	6,597,204
	<u>6,188,915</u>	<u>539,085</u>	<u>50,637</u>	<u>(59,118)</u>	<u>(26,519)</u>	<u>6,693,000</u>
	<i>Movements during the period</i>					<i>At 30 June 2023 (Reviewed)</i>
	<i>1 January 2023</i>	<i>Investments</i>	<i>Revaluations / Gross Income</i>	<i>Dividends paid</i>	<i>Bank's Fee as an agent</i>	
<i>Investments</i>						
Debt securities Portfolio	37,456	(9,820)	-	-	-	27,636
Equity securities portfolio	5,200,574	728,495	87,192	(49,514)	(10,820)	5,955,927
	<u>5,238,030</u>	<u>718,675</u>	<u>87,192</u>	<u>(49,514)</u>	<u>(10,820)</u>	<u>5,983,563</u>

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1. REPORTING ENTITY

Lesha Bank LLC (Public) ("the Bank" or "the Parent") is an Islamic bank, which was established in the State of Qatar as a limited liability company under license No.00091, dated 4 September 2008, from the Qatar Financial Centre Authority. The Bank is authorized to conduct the following regulated activities by the Qatar Financial Centre Regulatory Authority (the "QFCRA"):

- Deposit taking;
- Providing credit facilities;
- Dealing in investments;
- Arranging deals in investments;
- Arranging credit facilities;
- Providing custody services;
- Arranging the provision of custody services;
- Managing investments;
- Advising on investments; and
- Operating a collective investment fund

All the Bank's activities are regulated by the QFCRA and are conducted in accordance with Islamic Shari'a principles, as determined by the Shari'a Supervisory Board of the Bank and in accordance with the provisions of its Articles of Association. The Bank operates through its head office located on 4th Floor, Tornado Tower, West Bay, Doha, State of Qatar. The Bank's issued shares were listed for trading on the Qatar Exchange effective from 27 April 2016 (ticker: "QFBQ").

The interim condensed consolidated financial statements of the Bank for the six-month period ended 30 June 2024 comprise of the Bank's and its subsidiaries' (together referred to as "the Group" and individually as "Group entities") results. The Parent Company / Ultimate Controlling Party of the Group is Lesha Bank LLC (Public).

Acquisition of the Bereke Bank in the Republic of Kazakhstan

During the period, the Bank entered into a sale and purchase agreement to acquire the full shares of a foreign bank (Bereke Bank) located in the Republic of Kazakhstan. The total consideration for the acquisition is 65,000,000,000 Kazakh Tenge (equivalent to QAR 532,382,681 using the exchange rate at the date of the agreement). As of the reporting date, the completion of the acquisition is contingent upon meeting the remaining conditions precedent, including obtaining further necessary approvals from relevant regulatory and supervisory authorities. The acquisition is expected to be finalised upon fulfilment of these conditions.

The Bank had the following subsidiaries as at 30 June 2024 and 31 December 2023:

Subsidiaries	Activity	Effective ownership as at		Year of Incorporation	Country
		30 June 2024	31 December 2023		
QFB Money Market Fund 1	Money market fund	100.0%	100.0%	2015	Cayman Islands
QFB Tech Fund Ltd.	Investments	100.0%	100.0%	2021	Cayman Islands
Astor Properties Finance Limited.*	Financing	29.0%	29.0%	2017	Jersey
Astor Properties Holdings Limited.*	Holding company	29.0%	29.0%	2017	Jersey
Umm Slai four Accommodation LLC	Construction	70.0%	70.0%	2017	Qatar
3130 Fairview GEG, LLC*	Owning and leasing real estate	98.0%	97.6%	2019	USA
Fairview Investor Corp.*	Leasing real estate	98.0%	97.6%	2019	USA
QFB Investments I Ltd.	Investments	100.0%	100.0%	2022	Cayman Islands
QFB Private Equity Ltd.	Investments	100.0%	100.0%	2022	Cayman Islands
LB RE Equity Fund 1	Investments	100.0%	100.0%	2023	Cayman Islands
LB Education	Investments	100.0%	100.0%	2023	Cayman Islands
QFB Information Technologies LLC	Investments	100.0%	100.0%	2022	Qatar
QFB Sharia-Compliant Global PE FoF2	Investments	100.0%	100.0%	2022	Cayman Islands
QFB Hospitality Ltd.	Investments	100.0%	100.0%	2022	Cayman Islands
LB Credit Fund 1	Investments	100.0%	100.0%	2022	Cayman Islands

*These subsidiaries related to investment products offered to customers. Refer to Note 7.1.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), as amended by applicable provisions of QFCRA regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 - 'Interim Financial Reporting'.

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023. In addition, results for the six-month period ended 30 June 2024 are not necessarily indicative of results that may be expected for the financial year ending 31 December 2024.

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for valuation of equity investments, investments in real estate and Sharia-compliant-risk management instruments, which are carried at fair value.

The interim condensed consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated.

Judgements and estimates

The preparation of the 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.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual consolidated financial statements as at 31 December 2023.

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 for the year ended 31 December 2023, except for the adoption of the following standards and amendments to standards effective from 1 January 2024.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. New standards, interpretations and amendments issued and effective

3.1.1. 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.

The Group has adopted the standard and applied changes in certain presentation and disclosures in the interim consolidated financial statements for the period. The Group shall implement any subsequent guidelines or amendments to the standard that may be issued by the QFCRA. The adoption of this standard did not have any significant impact on recognition and measurement.

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

- i. Revised conceptual framework is now an integral part of the AAOIFI FASs;
- ii. Definition of quasi-equity is introduced as a broader concept that will include the "unrestricted investment accounts" and other transactions under similar structures. Similarly, the wider term of "off-balance sheet assets under management" is now being used instead of "restricted investment accounts";
- iii. Definitions have been modified and improved;
- iv. Concept of comprehensive income has been introduced, with the option to prepare one statement that is a combination of statement of income and statement of other comprehensive income, or to prepare the two statements separately. The Group elected to prepare the two statements separately;
- v. Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- vi. Disclosure of Zakah and Charity have been relocated to the notes to the financial statements;
- vii. True and fair override has been introduced;
- viii. Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- ix. Disclosures of related parties, subsequent events and going concern have been improved;
- x. Improvement in reporting for foreign currency and segment reporting; and
- xi. Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to Islamic banks and similar IFIs and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FASs

3.1.2. 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". The standard does not have any impact on these interim condensed consolidated financial statements as it is applicable to Islamic finance windows.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. New standards, amendments and interpretations issued but not yet effective and not early adopted

3.2.1. FAS 46 - Off-Balance sheet Assets Under Management

AAOIFI has issued FAS 46 in 2023. This standard prescribes the criteria for characterisation of off-balance sheet assets under management, and the related principles of financial reporting in line with the "AAOIFI Conceptual Framework for Financial Reporting". The standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies, related to off-balance-sheet assets under management, as well as certain specific aspects of financial reporting such as impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements particularly aligning the same with the requirements of the revised FAS 1 "General Presentation and Disclosures in the Financial Statements" in respect of the statement of changes in off-balance sheet assets under management. This standard, along with, FAS 45 "Quasi-Equity (Including Investment Accounts)", supersedes the earlier FAS 27 "Investment Accounts". This standard shall be effective for the financial periods beginning on or after 1 January 2026 and shall be adopted at the same time of adoption of FAS 45 - Quasi-Equity (Including Investment Accounts)

3.2.2. FAS 47 - Transfer of Assets Between Investment Pools

AAOIFI has issued FAS 47 in 2023. This standard prescribes the financial reporting principles and disclosure requirements applicable to all transfers between investment pools related to (and where material, between significant categories of) owners' equity, quasi-equity and off-balance sheet assets under management of an institution. It requires adoption and consistent application of accounting policies for such transfers in line with Shari'ah principles and rules and describes general disclosure requirements in this respect. This standard shall be effective for the financial periods beginning or after 1 January 2026 and supersedes the earlier FAS 21 "Disclosure on Transfer of Assets".

QFCRA regulations with respect to accounting treatment of equity investments at fair value through equity

QFCRA issued an instruction dated 4 October 2020 on accounting treatment for investments in equity instruments to ensure that harmonisation is achieved between QFCRA-regulated conventional banks and Islamic banks.

Key changes in accounting of equity-type investments classified as fair value through equity:

Subsequent measurement

FAS 33's exemption to carry equity investments at cost less impairment, when a reliable measure of fair value when on a continuous basis cannot be determined, was removed.

Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and are reported as part of fair value reserve within equity statement.

Cumulative gains and losses recognised as part of fair value reserve within equity are transferred to retained earnings on disposal of equity investments at fair value through equity.

The regulation is effective from the financial reporting beginning on or after 1 January 2020. The new regulation did not have any impact on these interim condensed consolidated financial statements.

4. CASH AND BANK BALANCES

	30 June 2024 (Reviewed)	31 December 2023 (Audited)
Cash in hand	35	35
Balances with banks (current accounts)	131,650	257,716
Placements with financial institutions	3,659,279	2,709,557
Provision for impairment	(3,943)	(4,371)
	3,787,021	2,962,937
Less: cash and bank balances with maturity of more than 90 days	(1,487,393)	(1,074,466)
Add: provision for impairment (non-cash)	3,943	4,371
Cash and cash equivalents	2,303,571	1,892,842

5. FINANCING ASSETS

	30 June 2024 (Reviewed)	31 December 2023 (Audited)
Murabaha financing	300,906	310,625
Deferred investment sales	90,087	90,087
Others	30,841	49,973
Total financing assets	421,834	450,685
Deferred profit	(18,765)	(23,487)
Provision for impairment on financing assets	(336,604)	(338,811)
Net financing assets	66,465	88,387

6. INVESTMENTS SECURITIES

	30 June 2024 (Reviewed)	31 December 2023 (Audited)
<i>Classified as fair value through income statement</i>		
- Equity type (unquoted)	680,972	424,978
- Fund type	272,672	273,410
	953,644	698,388
<i>Debt-type classified at amortised cost</i>		
- Debt type sukuk investments*	60,242	100,666
<i>Classified as fair value through other comprehensive income</i>		
- Equity type (quoted)	48,732	-
- Equity type (unquoted)	84,119	79,385
- Debt type sukuk investments*	1,801,477	1,561,946
	1,934,328	1,641,331
	2,948,214	2,440,385

Loss on re-measurement of investments at fair value through income statement for the six-month period ended 30 June 2024 was QAR 7.2 million (for the six-month period ended 30 June 2023: a gain of QAR 6.2 million).

*As at 30 June 2024, the Bank recognized a positive fair value adjustment of QAR 11.8 million (for the six-month period ended 30 June 2023: a negative fair value of QAR 1.9 million) related to these sukuk investments and a positive fair value of QAR 0.60 million on listed equity investments. Sukuk investments of nominal value of QAR 697.8 million (fair value of QAR 699.9 million) of the Group have been pledged as security for bank financing liabilities of QAR 597 million of the Group.

7. ASSETS AND LIABILITIES HELD-FOR-SALE

	30 June 2024 (Reviewed)	31 December 2023 (Audited)
Assets of disposal groups classified as held-for-sale	-	296,788
Equity investments held-for-sale	158,234	90,515
Total	158,234	387,303
Liabilities of disposal group classified as held-for-sale	13,723	112,220

7. ASSETS AND LIABILITIES HELD-FOR-SALE (continued)

7.1 Assets and liabilities of disposal groups classified as held-for-sale

7.1.1 Assets and liabilities of Real Estate Structure

As part of its business, the Bank from time to time enters various structures to invest indirectly in real estate properties using special purpose vehicles ("SPV") with an intention to sell substantial part of it to investors. Until the Bank ceases its control over those SPVs, they are consolidated by the Bank as a result of application of the accounting consolidation rules under Financial Accounting Standard 23 whereby an entity needs to consolidate an SPV based on economic substance despite the fact that the SPV is not legally owned by and not legally related to the Bank. The financings of these SPVs related to the real estate property have no recourse to the Bank.

US Real Estate Structures

The Bank entered into various structures to invest in real estate within United States of America: (i) In 2019, the Bank entered a structure to invest in real estate within United States of America and indirectly acquired 97.88% in real estate property (the "Fair view"). These US real estate properties thereafter are leased under Ijarah terms.

During the period, these investments are reclassified to continuing operations.

7.1.2 Assets and liabilities of Private Equity Structure

As part of its business, the Bank from time to time enters various structures to invest indirectly in private equity investment using special purpose vehicles ("SPV") with an intention to sell substantial part of it to investors. In 2022 & 2024, the Bank entered into a structure to invest in a private equity within Europe. The remaining unsold portion of QAR 158.2 million has been classified as assets held for sale in the interim condensed consolidated financial statements.

8. SHARE CAPITAL

	30 June 2024 (Reviewed)	31 December 2023 (Audited)
Authorized		
2,500,000,000 ordinary shares of QAR 1 each	<u>2,500,000</u>	<u>2,500,000</u>
Issued and paid		
1,120,000,000 ordinary shares of QAR 1 each	<u>1,120,000</u>	<u>1,120,000</u>

9. BASIC AND DILUTED PROFIT PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the Bank's shareholders and the weighted average number of shares outstanding during the period:

	For the six-month period ended	
	30 June 2024 (Reviewed)	30 June 2023 (Reviewed)
<i>Basic and diluted profit per share</i>		
Net profit attributable to the equity holders of the Bank from continuing operations	54,131	44,354
Net profit attributable to the equity holders of the Bank from discontinued operations	-	367
Net Profit attributable to the equity holders of the Bank	54,131	44,721
Total weighted average number of shares (thousand)	1,120,000	1,120,000
Basic and diluted profit per share from continuing operations - QAR	0.048	0.040
Basic and diluted profit per share from discontinued operations - QAR	-	-
Basic and diluted profit per share - QAR	0.048	0.040

10. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the period / year-end:

	30 June 2024 (Reviewed)	31 December 2023 (Audited)
Unutilised credit facilities	2,595	1
	2,595	1

Contingent liabilities related to Sharia-compliant-risk-management instruments, representing notional amounts, amounted to QAR 1,341.8 million (31 December 2023: QAR 995.1 million).

11. RELATED PARTIES TRANSACTIONS AND BALANCES

Balances and transactions in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	30 June 2024		
	Associates	Other*	Total
	(Reviewed)	(Reviewed)	(Reviewed)
<i>a) Consolidated statement of financial position as at</i>			
Financing assets	5,497	-	5,497
Other assets	-	9,100	9,100
Customers' balances	-	40,191	40,191
Liabilities held-for-sale	13,723	-	13,723
<i>b) Consolidated income statement for the six-month period ended</i>			
Income from financing assets	402	-	402
Reversal of impairment on financing assets	4,913	-	4,913
Other operating expenses	-	(664)	(664)
<i>c) Off balance sheet instruments as at</i>			
Assets under management	-	90,512	90,512

	31 December 2023		
	Associates	Other*	Total
	(Audited)	(Audited)	(Audited)
<i>a) Consolidated statement of financial position as at</i>			
Financing assets	7,138	-	7,138
Other assets	-	9,100	9,100
Customers' balances	-	22,006	22,006
Liabilities held-for-sale	13,723	-	13,723
<i>b) Off balance sheet instruments as at</i>			
Asset under management	-	93,173	93,173

Transactions with related parties for the corresponding period are as follows:

	30 June 2023		
	Associates	Other*	Total
	(Reviewed)	(Reviewed)	(Reviewed)
<i>c) Consolidated income statement for the six-month period ended</i>			
Income from financing assets	822	-	822
Dividend and other income	2,330	-	2,330
Reversal for impairment of financing assets	1,580	-	1,580
Other operating expenses	-	(666)	(666)

11 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

Key management compensation is presented below:

	For the six-month period ended	
	30 June 2024 (Reviewed)	30 June 2023 (Reviewed)
<i>Key management personnel compensation :</i>		
Senior management personnel	3,993	3,114
Shari'a Supervisory Board remuneration	270	230
	4,263	3,344

* Other related parties include affiliated parties of the board members and senior management.

12. FINANCIAL RISK MANAGEMENT

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023.

Exposures

	30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances	3,787,324	-	3,640	3,790,964
Investments carried at amortised cost	61,683	-	-	61,683
Investments carried at fair value	1,811,217	-	-	1,811,217
Financing assets	19,161	83,020	300,888	403,069
Off balance sheet instruments, subject to credit risk	2,595	-	-	2,595
	5,681,980	83,020	304,528	6,069,528

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances	2,963,668	-	3,640	2,967,308
Investments carried at amortised cost	101,954	-	-	101,954
Investments carried at fair value	1,571,507	-	-	1,571,507
Financing assets	38,001	87,685	301,512	427,198
Off balance sheet instruments, subject to credit risk	1	-	-	1
	4,675,131	87,685	305,152	5,067,968

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under relevant FAS:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the six-month period ended 30 June 2024 (expressed in QAR'000)

12 FINANCIAL RISK MANAGEMENT (Continued)

	30 June 2024			31 December 2023				
	Stage 1 (Reviewed)	Stage 2 (Reviewed)	Stage 3 (Reviewed)	Total (Reviewed)	Stage 1 (Audited)	Stage 2 (Audited)	Stage 3 (Audited)	Total (Audited)
Cash and bank balances								
Balance at 1 January	731	-	3,640	4,371	27	-	3,694	3,721
Impairment allowance, net	(428)	-	-	(428)	704	-	-	704
Write-off of provision	-	-	-	-	-	-	(54)	(54)
Balance at end of the period / year	303	-	3,640	3,943	731	-	3,640	4,371
Investments carried at amortised cost								
Balance at 1 January	1,288	-	-	1,288	869	-	-	869
Impairment allowance, net	153	-	-	153	419	-	-	419
Balance at end of the period / year	1,441	-	-	1,441	1,288	-	-	1,288
Investments carried at fair value								
Balance at 1 January	9,561	-	-	9,561	7,687	-	-	7,687
Impairment allowance, net	179	-	-	179	1,874	-	-	1,874
Balance at end of the period / year	9,740	-	-	9,740	9,561	-	-	9,561
Financing assets								
Balance at 1 January	6,414	30,885	301,512	338,811	1,400	35,001	299,962	336,363
Foreign currency fluctuation,(net)	-	(45)	-	(45)	-	608	-	608
Impairment allowance, net	1,454	(2,992)	(624)	(2,162)	5,014	(4,724)	1,550	1,840
Balance at end of the period / year	7,868	27,848	300,888	336,604	6,414	30,885	301,512	338,811
Other assets								
Balance at 1 January	-	-	-	-	-	-	12,659	12,659
Write-off of provision	-	-	-	-	-	-	(12,659)	(12,659)
Balance at end of the period / year	-	-	-	-	-	-	-	-
Off balance sheet instruments, subject to credit risk								
Balance at 1 January	-	-	-	-	5,703	-	-	5,703
Impairment allowance, net	-	-	-	-	(5,703)	-	-	(5,703)
Balance at end of the period / year	-	-	-	-	-	-	-	-

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

13.1. Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
30 June 2024				
Investments carried at fair value				
- at fair value through equity	1,850,209	-	84,119	1,934,328
- at fair value through income statement	1,530	-	679,442	680,972
Investments in real estate carried at fair value	-	-	286,160	286,160
Investments in funds carried at fair value	79,715	-	192,957	272,672
Net gains and losses included in the consolidated statement of changes in equity	(11,281)	-	(13,894)	(25,175)
Net gains and losses included in the consolidated income statement	1,983	-	(19,901)	(17,918)
31 December 2023				
Equity investments				
- at fair value through equity	1,561,946	-	79,385	1,641,331
- at fair value through income statement	3,214	-	421,764	424,978
Investments in real estate carried at fair value	-	-	264,262	264,262
Investments in funds carried at fair value	78,850	-	194,560	273,410
30 June 2023 (Reviewed)				
Net gains and losses included in the consolidated statement of changes in equity	(1,863)	-	-	(1,863)
Net gains and losses included in the consolidated income statement	4,411	-	15,808	20,219

In addition to the above financial instruments, as at 30 June 2024 the Group had Sharia-compliant-risk management instruments whose fair value was negative QAR 2.2 million (31 December 2023: negative QAR 20 million), derived using Level 2 fair value hierarchy. The valuation techniques and key assumptions have remained consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2023.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**13.2. Movements in level 3 financial instruments**

The following table shows the reconciliation of the opening and closing amount of Level 3 investments, which are recorded at fair value:

	At 1 January 2024	Total gain / (losses) recorded in consolidated income statement /equity	Additions	Disposals	At 30 June 2024
<i>Equity investments</i>					
- at fair value through equity	79,385	-	4,734	-	84,119
- at fair value through income statement	616,324	(19,901)	284,704	(8,728)	872,399
	<u>695,709</u>	<u>(19,901)</u>	<u>289,438</u>	<u>(8,728)</u>	<u>956,518</u>
	At 1 January 2023	Total gain / (losses) recorded in consolidated income statement /equity	Additions	Disposals	At 31 December 2023
<i>Equity investments</i>					
- at fair value through equity	99,458	(28,991)	8,918	-	79,385
- at fair value through income statement	585,254	20,920	139,066	(128,916)	616,324
	<u>684,712</u>	<u>(8,071)</u>	<u>147,984</u>	<u>(128,916)</u>	<u>695,709</u>

14. SEGMENT INFORMATION

Below is the information about operating segments:

	For the six-month period ended			
	30 June 2024		30 June 2023	
	Segment income (Reviewed)	Segment Profit (Reviewed)	Segment income (Reviewed)	Segment Profit (Reviewed)
Alternative Investments	25,303	28,664	18,545	16,810
Private Bank	151,073	27,912	64,394	21,404
Other	-	-	8,109	7,422
Total	<u>176,376</u>	<u>56,576</u>	<u>91,048</u>	<u>45,636</u>