
مصرف الريان
MASRAF AL RAYAN
Leading the Way
2022
annual report

Honor

is the reward, for what we give,
not what we receive

His Highness
Sheikh Tamim bin Hamad Al-Thani
Amir of the State of Qatar

His Highness
Sheikh Hamad bin Khalifa Al-Thani
Father Amir

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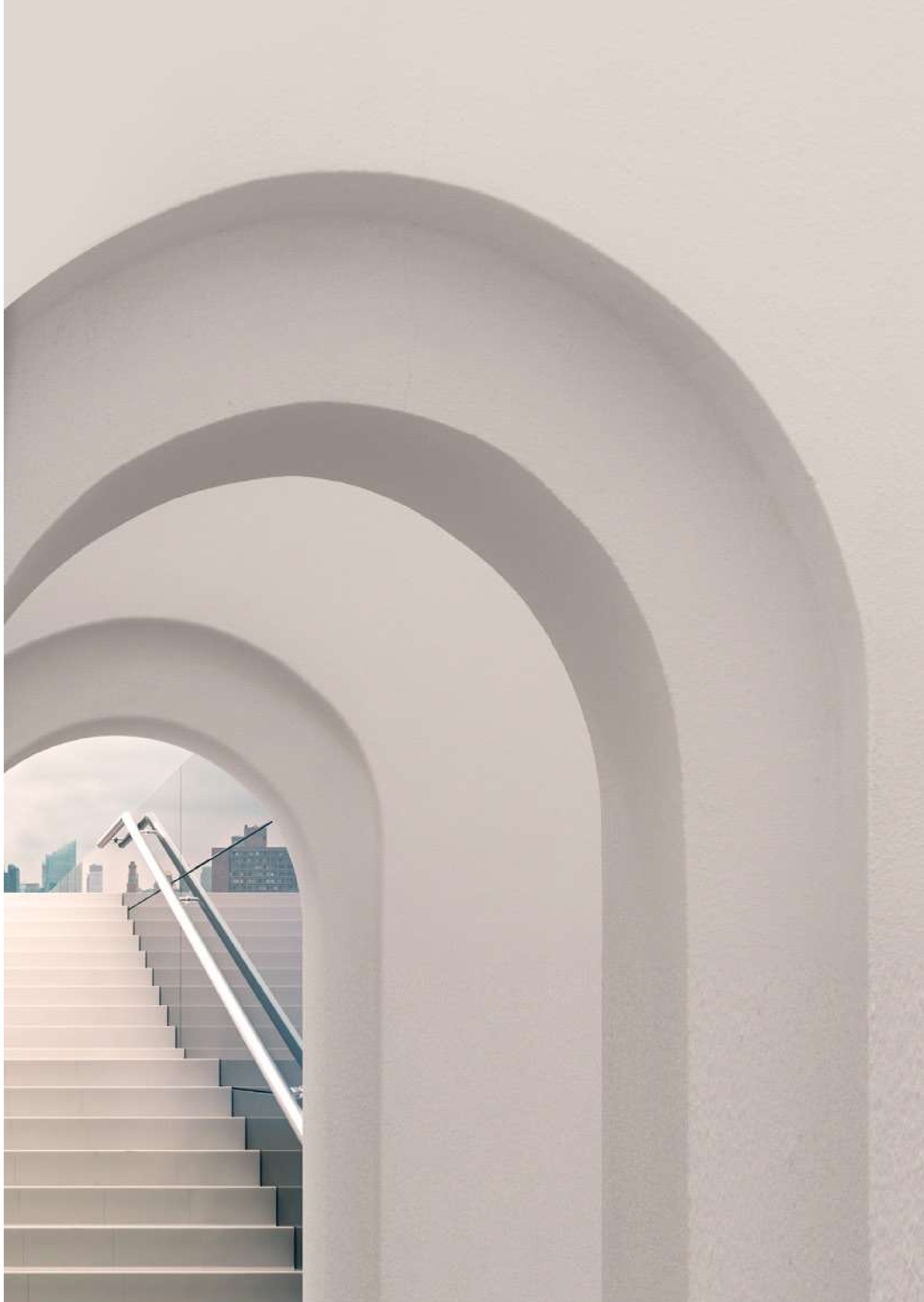


2022 was a milestone year for MAR. We built on the combined strengths emanating out of our merger with Al Khalij Commercial Bank P.Q.S.C, and became **one of the Middle East's leading Sharia'h-compliant lenders** with a sturdy capital position and healthy liquidity. We have also increased our Foreign Ownership Limit (FOL) to 100%, which will assist to boost the Bank's weight in major indices.

Board of Directors' Report and Chairman's Statement

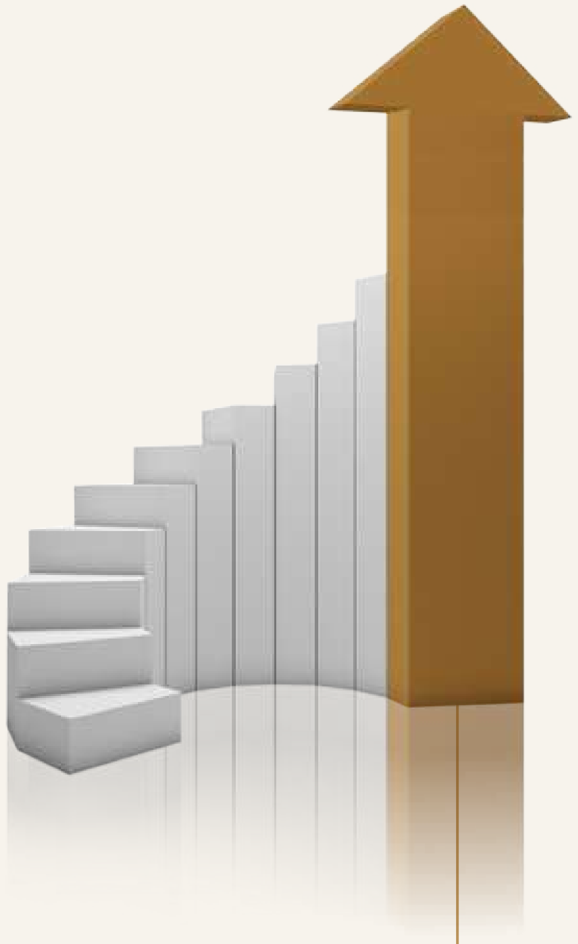
Respected Shareholders,

On behalf of the Board of Directors of Masraf Al Rayan QPSC ("MAR", "Bank" and/or "Group"), I am pleased to present the Board of Directors' report for the financial year ending 31 December 2022.

2022 was a milestone year for MAR. We built on the combined strengths emanating out of our merger with Al Khalij Commercial Bank P.Q.S.C, and became one of the Middle East's leading Sharia'h-compliant lenders with a sturdy capital position and healthy liquidity.

The year saw us embark on, and successfully complete, the essential integration of the teams and operations of the two merged entities and power ahead with the addition of new services to enhance our market competitiveness and build our customer responsiveness and service. We have also launched Sustainable Finance Framework – Qatar's first Shari'a compliant green deposit and Islamic sustainable financing framework. Moreover, we have increased our Foreign Ownership Limit (FOL) to 100%, which will assist to boost the Bank's weight in major indices. This was all accomplished with our commitment to supporting and contributing to the objectives of the Qatar National Vision 2030 foremost in mind, and to deliver to you, our valued shareholders, the best possible returns.

Total Income
increased to QAR
7,240
million



The evolved larger and fitter MAR entity now has in place a highly experienced, focused, and dedicated management team comprising both Qatari nationals and expatriates. Together, this team, all specialists in specific management disciplines, are taking the Group forward with a refreshed and reinvigorated mandate to support Qatar's public and private sectors, grow our retail consumer base within our targeted segments and work on adopting advanced digital technology to create new, market-leading products and contribute to local society through our CSR initiatives.

In terms of financial performance for the year ended December 31, 2022, we have achieved a net profit of QAR 1,344 million compared to QAR 1,718 million last year. Our total income for 2022 reached QAR 7,240 million compared to QAR 5,106 million last year. Total Assets at QAR 167.5 billion, Financing Assets at 117.8 billion, and Customer Deposits at QAR 97 billion as at 31 December 2022. The Bank grew its coverage ratio to 2.3% (up from 1.04% as at 31 Dec 2021), by recording net impairment charge on financial assets of 1.5 billion. Non-performing loan (NPL) ratio stood at 5.99% at the end of 2022. Earnings per share for 2022 is QAR 0.14, as compared to QAR 0.217 in 2021. The Bank's capital adequacy ratio also exceeded regulatory requirements, closing at 20.29%. The accounting and profit distribution policies adopted in 2022 remained steady, with the basis of evaluation and estimates being the same.

We will take our rightful role in leading Qatar's banking sector in the digital economy era embracing all technology advancements to bring to market the very best of Fintech products for customer convenience and service excellence.

As previously, MAR prepared its financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and relevant Qatar Central Bank instructions. The Board of Directors has now recommended that the Net Profit be distributed in line with the proposed format in the audited financial statements and that a portion of the net profits be distributed in cash dividends to shareholders at the ratio of 10% of the par value of the share, i.e. at the rate of QAR 0.1 per share.

As we begin 2023, we are providing the entire annual report for the fiscal year 2022, including the governance report, the final audited financial statements, and the reports of the external auditor, to give you full disclosure as per the prevailing laws and regulations.

Looking to the future, we intend to fully embrace all the tenets of Environmental, Social, and Governance (ESG), recognizing that its associated opportunities and risks are becoming increasing important to financial institutions and the industry at large. MAR is fully committed to making a positive contribution to society, minimizing its environmental impact in line with Qatar's national climate change action plan aspirations, and to facilitating and promoting sustainable green financing.

We will take our rightful role in leading Qatar's banking sector in the digital economy era embracing all technology advancements to bring to market the very best of Fintech products for customer convenience and service excellence.

We will also continue our efforts to develop Qatar's human resource potential and contribute to creating a knowledge-based economy by offering talented and ambitious nations career opportunities and personal development training to ensure they are empowered to be tomorrow's successful industry leaders, role models and responsible and committed citizens.

We will simultaneously nurture our close, and expanding, relationships with ultra-high-net-worth clients, industry leaders, Government and public sector related organizations, which have been the backbone of our customer base and have our eyes firmly focused on attaining the status of being the Islamic bank of choice to support Qatar's national vision ambitions. And we will strive to be a force for good in supporting our local community to advance its wellbeing through a growing portfolio of corporate social responsibility initiatives instigated by us and along with valued partners.

Let me take this opportunity to offer my sincerest appreciation, and that of MAR Board of Directors, to His Highness Sheikh Tamim Bin Hamad bin Khalifa Al Thani, the Amir of the State of Qatar, to His Highness the Father Emir Sheikh Hamad Bin Khalifa Al Thani and His Excellency Sheikh Khalid Bin Khalifa bin Abdulaziz Al Thani, the Prime Minister, and Minister of Interior for their continuous support to the economy, companies, and Qatari institutions. I wish also to express my fulsome gratitude to all the supervisory authorities to which the Bank is subject, starting with the Qatar Central Bank represented by His Excellency the Governor Sheikh Bandar Bin Mohamed bin Saud Al Thani, Qatar Financial Markets Authority (QMFA), Qatar Stock Exchange (QSE) and the Ministry of Commerce and Industry (MOCI) for their unceasing support to the Bank.

I would also like to acknowledge the efforts of all the Bank's employees, the Group Chief Executive Officer and the Executive Team, for their unceasing dedication, commitment and industry-leading innovation which will enable us to attain our ever-expanding goals. Finally, I conclude by expressing gratitude to our shareholders and investors for their continued trust in MAR and its entire team. The confidence you place in us empowers us ever forward.

Mohamed Bin Hamad Bin Qassim Al Thani
Chairman of Board of Directors

Group CEO Foreword

The year was a pivotal moment for MAR as we completed the operational phase of our merger in June within six months of announcing legal day one. The new direction for the Bank will focus on Corporate, Government and Government Related Entities, High Net Worth and Affluent clients. We see ourselves as an **enabler and accelerator of the realization of Qatar National Vision (QNV) 2030 goals.**

2022 was a defining moment for the Bank and we have taken many effective decisions that will impact the future direction and continued success of the Bank for many years to come.

In 2022 the Board approved an entirely new Executive team, to build the foundations for new beginnings. The new team members have been selected based on their technical skills, proven industry experience, and local market knowledge of the customer segments in which they operate. Together we have established a vision for the Bank and with a common purpose will innovate, maximize opportunities and drive to ensure continued success and sustainable revenues.

This year was a pivotal moment for MAR as we completed the operational phase of our merger in June within six months of announcing legal day one. The new direction for the Bank will focus on Corporate, Government and Government Related Entities, High Net Worth and Affluent clients, while financing will be in line with our new risk appetite. The Bank generated substantial revenues of QAR 7.2 billion in 2022 and this reflects a solid banking franchise across our business units in Qatar, the United Kingdom, France and the United Arab Emirates . Net Operating Income reached QAR4.3 billion and Net Profits for the year was QAR 1,344 million. MAR has an excellent efficiency ratio, and continues to capture synergies arising from the merger, in addition to a strong capital base and good liquidity, and is well positioned for future growth.

The bank achieved a **net profit** of QAR

1,344

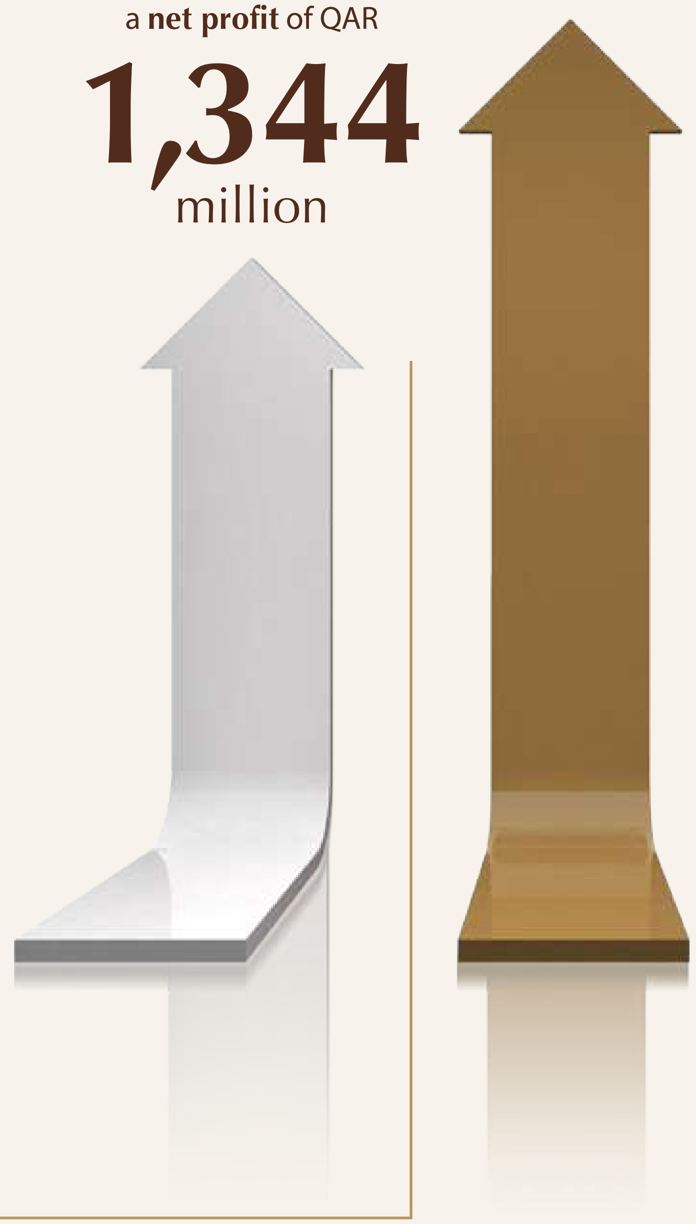
million

Total Assets

reached QAR

168

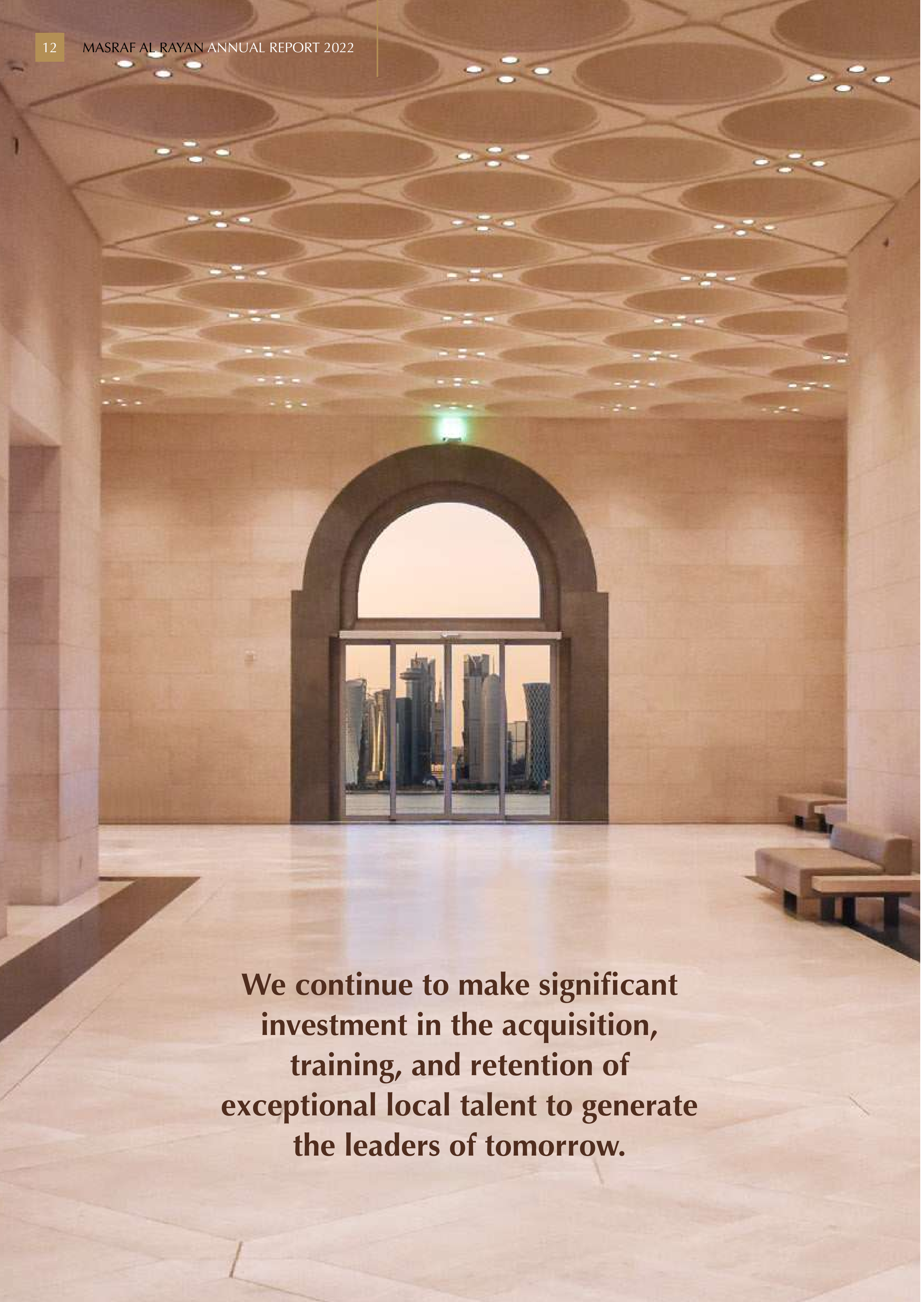
billion



We see ourselves as an enabler and accelerator of the realization of Qatar National Vision (QNV) 2030 goals on economic growth, modernization, and human development. MAR's operational focus is an accelerated shift to digital services and a renewed commitment to sustainable financing solutions. The Bank effectively seeks to establish itself as a key player and sustainability leader in the regional banking sector.

We have demonstrated our commitment to this objective with the launch of our Sustainable Financing Framework (SSF) earlier in the year. The framework has been assessed as "strong" by S&P Global Ratings. As the first Islamic bank in Qatar to launch such a framework the Bank can offer exclusive Environment, Social and Governance (ESG)-linked funding opportunities to investors and apply those proceeds to environmentally friendly, sustainable projects.

MAR launched Qatar's very first Shariah compliant green deposit, a unique alternative investment solution that allows Riyal deposits and other major currencies to be deployed for funding green initiatives. With the introduction of the green deposit model to the Qatar



We continue to make significant investment in the acquisition, training, and retention of exceptional local talent to generate the leaders of tomorrow.

market, banking clients now have an avenue to incorporate environmental and sustainability goals in their business ambitions. Collectively, we can create a positive impact and enable our clients to manage their funds in a more environmentally responsible way.

Our continuous focus on product and process enhancements, and strive for customer service excellence is reflected in the broad range of industry awards conferred on the Bank during the year:

2022 International Finance Awards
- Best New Sustainable Financing Framework

International Business Magazine
- Best Shari'ah Compliant Bank Qatar 2022
- Best Private Banking Qatar 2022

Red Money
- Qatar Deal of the Year
- MEA, Equity and IPO Deal of the Year

Forbes Digital Qatar Awards
- One of the Most Valuable Companies in Qatar

In 2023 the Bank will embark on a series of new wide-scale internal projects of digital transformation to significantly enhance the customer experience. There will be a substantial investment in our technology offering to improve the customer journey, increase process efficiency, accelerate product innovation and improve competitiveness. We expect the enhanced digitalization of our customer offering to continue into the future to enable us to offer our clients a first-class mix of digital and in-person services, the finest available in the market.

Our strong commitment to attracting, recruiting, developing, and retaining Qatari talent, which we believe will greatly contribute to the development of a robust national banking system, has seen us continue to recruit graduates from Qatar's schools and universities. Qataris now comprise 80% of our C-suite and 30% of our management structure. Our overall Qatarization rate is now 36%. Our business teams are entirely led by Qatari nationals as are our 17 branches. We continue to make significant investment in the acquisition, training, and retention of exceptional local talent to generate the leaders of tomorrow. However, while we certainly prioritize Qatarization, the value of human resources is entirely recognized by the Group and our growing team of professionals is highly diverse in nationality and the contributions of all are greatly valued.

The FIFA 2022 World Cup will leave a lasting legacy for Qatar, globally it is viewed as a resounding success. In terms of our sporting reputation, Qatar became the first Arab and first Muslim-majority nation to host the FIFA finals. Some 1.4 million people visited our country during the month-long tournament and our hospitality and generosity as a nation was well acknowledged. In addition to Qatar's eye for futuristic development, in the form of overall infrastructure, superb stadiums and eye-catching buildings, it set the tone for the ambitious direction the country is pursuing.

MAR has also set ambitious goals for its future. Under our newly integrated identity and driven by digitization, the Bank is prepared to assume a leading position, to redefine and upgrade the Islamic banking experience with a focus on innovation that embeds a legacy of sustainability in Qatar's long-term economic development.

Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer

Masraf Al Rayan Overview

BUSINESS LINES

- Corporate Banking & SME
- Retail & Private Banking
- Treasury and Financial Institutions
- Asset Management and Financial Advisory
- International Operations (UK, France and U.A.E)

MARKET SHARE

- 2nd largest listed Islamic bank in Qatar by total assets (33 % market share)*
- 3rd largest listed Qatari bank by total loans (10% market share)*

PUBLIC LISTING

- Ordinary shares listed on the Qatar Stock Exchange
- 3rd largest bank in Qatar by market capitalization(QAR 29.5 b)**
- Total ordinary shares issued 9.3 billion

RATING

- MAR's credit rating re-affirmed at A1
- Stable outlook, baseline credit assessment and adjusted baseline credit assessment: baa2

OWNERSHIP STRUCTURE

- Diversified shareholders base and strong institutional holding
- Government and Government-related entities (GREs) hold approx. 33.9 of shares
- Qatari Institutional investors hold approx. 15.2% of shares. Rest of 50.90% is owned by Institutional & retail in-vestor from Qatar and other countries.
- Major shareholders owning directly or indirectly 5% or more of capital are: Qatar Investment Authority (20.6%) Qatar Armed Forces Investment Portfolio (7.51%), Qatar Pension Fund (5.61%)

SHARE OVERVIEW

- MAR shares listed on the Qatar Stock Exchange
- Symbol: MARK
- ISIN: QA000A0M8VM3
- Market cap: QAR 29.5 bn
- Valuation multiples:
  P/E 22.64; P/B 1.28

*Source: Latest Published Financials statements
**Source: Qatar exchange, closing price as at 31 December 2022

Profile

Islamic bank incorporated in Qatar on January 4 2006 and licensed by the Qatar Central Bank

Classified as a DSIB (Domestic Systemically Important Bank)

Legal merger completed on December 1, 2021 with Al Khalij Commercial Bank P.Q.S.C

Key Financial Highlights

as at 31 December 2022

FINANCING ASSETS
118
QAR BILLION

CUSTOMER DEPOSITS
97
QAR BILLION

CAR
20.29%

TOTAL ASSETS
168
QAR BILLION

TOTAL INCOME
7,240
QAR MILLION

NET PROFIT
1,344
QAR MILLION

SHAREHOLDERS' EQUITY
23
QAR BILLION

EARNINGS PER SHARE
0.14
QAR

Corporate Governance

1. Independent External Auditor Report on Corporate Governance

Independent Assurance Report to the Shareholders of Masraf Al Rayan (Q.P.S.C.) (the 'Company' or the 'Bank') and its subsidiaries (together referred to as the "Group") on the Board of Directors' Statements on Compliance with Qatar Financial Markets Authority relevant Regulations including the Governance Code ("Code") for Companies & Legal Entities Listed on the Main Market as at 31 December 2022

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016, we have carried out a limited assurance engagement over the Board of Directors' Statements on Compliance (the "Directors' Statements on Compliance") of the Group with QFMA relevant regulations including the Governance Code for Companies & Legal Entities Listed on the Main Market (the "Code") included in section 5.17 of the Annual Corporate Governance Report as at 31 December 2022 in accordance with the terms of our engagement letter dated 19 April 2022.

Responsibilities of the Board of Directors

The Board of Directors are required to provide a corporate governance report as part of the Group's annual report including the Group's disclosure on its compliance with the relevant QFMA regulations including the provisions of the Code in line with the requirements of Article 4 included in these regulations.

Responsibility for the compliance with the Code, including adequate disclosures and the preparation of the corporate governance report and that of the Directors' Statement on Compliance, is that of the Group Board of Directors, and where appropriate, those charged with governance. This responsibility includes designing, implementing and maintaining internal controls relevant to the Directors' Statement on Compliance that are free from misstatement, whether due to fraud or error.

The Board of Directors, and where appropriate, those charged with governance, are solely responsible for the providing accurate and complete information requested by us. Deloitte & Touche - Qatar Branch has no responsibility for the accuracy or completeness of the information provided by or on behalf of the Group.

The responsibilities of the Board of Directors includes, inter alia, the following:

(a) acceptance of responsibility for internal control procedures;

(b) evaluation of the effectiveness of the Group's control procedures using suitable criteria and supporting their evaluation with sufficient documentary evidence; and

(c) providing a written report of the effectiveness of the Group's internal controls for the relevant periods.

The Board of Directors has provided its Report on compliance with QFMA's relevant regulations including the Code ("Directors' Statement on Compliance") in section 5.17 of the Annual Corporate Governance Report.

Our Responsibilities

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the Directors' Statements on Compliance does not present fairly, in all material respects, the Group's compliance with the QFMA relevant regulations including the Code.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB').

This standard requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Directors' Statements on Compliance, taken as a whole, does not present fairly, in all material respects, the Group's compliance with the applicable QFMA regulations including the Code. The applicable QFMA regulations including the Code comprises the criteria by which the Group›s compliance is to be evaluated for purposes of our limited assurance conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our limited assurance procedures comprise mainly of inquiries of management and inspection of supporting policies, procedures, and other documents to obtain an understanding of the processes followed to identify the requirements of the applicable QFMA regulations including the Code (the 'requirements'), the procedures adopted by management to comply with these requirements and the methodology adopted by management to assess compliance with these requirements. We also inspected supporting documentation compiled by management, on a sample basis to assess compliance with the requirements, which we considered necessary in order to provide us with sufficient appropriate evidence to express our conclusion.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

Due to the inherent limitations of a system of internal control, errors or fraud may not be prevented or deterred, and a properly designed and performed assurance engagement may not detect all irregularities.

Control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such control procedures cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, our conclusion is based on historical information and the projection of any information or conclusions in our report to any further periods would be inappropriate.

Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Management # 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusions

Based on our limited assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Directors' Statements of Compliance is not compliant with the applicable QFMA regulations as at 31 December 2022.

Use of Our Report

This limited assurance report is made solely to the Group in accordance with the terms of the engagement letter between us. Our work has been undertaken so that we might state to the Group those matters we are required to state to them in an independent limited assurance report and for no other purpose. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Group, we acknowledge that in connection with the Group's compliance with the Code, the Group is required to publish this report, which will not affect or extend our responsibilities for any purpose or on any basis. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and QFMA for our limited assurance work, for this limited assurance report or for the conclusion we have formed.

For Deloitte & Touche
Qatar Branch

Doha, Qatar
12 February 2023

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

2. Independent External Auditor Report on ICOFAR

Independent Assurance Report, to MAR Shareholders on the Board of Directors' Report on the Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting.

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over The Board of Directors' Report on the evaluation of Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting (the 'Directors' ICFR Report') as of 31 December 2022.

Responsibilities of the Board of directors and those charged with governance

The Board of Directors of Masraf Al Rayan Q.P.S.C. ("the Bank") and its subsidiaries (the "Group") is responsible for implementing and maintaining effective internal control over financial reporting. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates and judgements that are reasonable in the circumstances.

Masraf Al Rayan Q.P.S.C. (the 'Bank') operates and conducts its activities through the Bank and its subsidiaries and associates ('Components') (together the 'Group') in the State of Qatar and overseas.

The Group has assessed the design, implementation and operating effectiveness of its internal control system as at 31 December 2022, based on the criteria established in the Internal Control — Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework").

The Group's assessment of its internal control system is presented by Management to the Board of Directors in the form of the Directors' ICFR Report, which includes:

- A description of the scope covering material business processes in the assessment of Inter-nal Control over Financial Reporting;
- Identification of the risks that threaten the achievement of the control objectives;
- An assessment of the design, implementation and operating effectiveness of Internal Control over Financial Reporting; and
- A statement on the existence of any material control deficiencies not remediated at 31 De-cember 2022

Our Responsibilities

Our responsibility is to express a reasonable assurance opinion on the fairness of the presentation of the "Directors' ICFR Report" presented in Section 5.11 of the Annual Corporate Governance Report, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as at 31 December 2022.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB'). This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Directors' ICFR Report is fairly presented. The COSO Framework comprises the criteria by which the Group›s Internal Control over Financial Reporting is to be evaluated for purposes of our reasonable assurance opinion.

An assurance engagement to issue a reasonable assurance opinion on the Directors' ICFR Report involves performing procedures to obtain evidence about the fairness of the presentation of the Report. Our procedures on the Directors' ICFR Report included:

- Obtaining an understanding of the Group's components of internal control as defined by the COSO Framework and comparing this to the assessment performed by management;
- Obtaining an understanding of the Group's scoping of significant processes and comparing this to the assessment performed by management;
- Performing a risk assessment for all material Account Balances, Classes of Transactions and Disclosures within the Group for significant processes and material entities and compar-ing this to the assessment performed by management;
- Obtaining Management's testing of the design, implementation and operating effectiveness of internal control over financial reporting, and evaluating the sufficiency of the test procedures performed by management and the accuracy of management's conclusions reached for each internal control tested;
- Independently testing the design, implementation and operating effectiveness of internal con-trols that address significant risks of material misstatement and re-performing a proportion of management's testing for normal risks of material misstatement.
- Assessing the severity of deficiencies in internal control which are not remediated at

31 December 2022 and comparing this to the assessment performed by management, as applicable.

The components of internal control as defined by the COSO Framework are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

We performed procedures to conclude on the risk of material misstatement within significant processes considering the nature and value of the relevant account balance, class of transaction or disclosure.

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to affect the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: Entity Level Controls, Revenue, Financing assets, Expected Credit Losses (ECL), Investments, Treasury operations, Customer deposits including equity of investment account holders, General ledger and Financial Reporting including the consolidation process and Information Technology Controls.

The procedures to test the design, implementation and operating effectiveness of internal control depend on our judgement including the assessment of the risks of material misstatement identified and involve a combination of inquiry, observation, re-performance and inspection of evidence.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on the fairness of the presentation of the Directors' ICFR Report.

Meaning of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Financial Accounting Standards (FAS) issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB"). An entity's internal control over financial reporting includes those policies and procedures that:

1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;

2) provide reasonable assurance that transactions are recorded as necessary to permit prepa-ration of financial statements in accordance with the generally accepted accounting princi-ples, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management of the entity; and

3) provide reasonable assurance regarding prevention or timely detection of unauthorized ac-quisition, use, or disposition of the entity's assets that could have a material effect on the fi-nancial statements, which would reasonably be expected to impact the decisions of the us-ers of financial statements.

Inherent limitations

Because of the inherent limitations of Internal Control over Financial Reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Therefore, Internal Control over Financial Reporting may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met.

In addition, projections of any evaluation of the Internal Control over Financial Reporting to future periods are subject to the risk that the internal control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

In our opinion the Directors' ICFR Report in Section 5.11 of the Annual Corporate Governance Report, is fairly stated, in all material respects, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as of 31 December 2022.

For Deloitte & Touche
Qatar Branch

Doha, Qatar
12 February 2023

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

3. Corporate Governance Report 2022

Chairman's Governance Statement

I am pleased to present the Annual Corporate Governance Report of MAR for the year ended 31 December 2022 on behalf of the Board of Directors.

In 2022, MAR took a number of initiatives with the aim of enhancing the corporate governance environment in the Bank. Upon Legal Day 1 of the merger with Al Khalij Commercial Bank (al khaliji) PQSC on 1 December 2021, we have restructured the Board committees to enhance compliance with regulatory requirements and the functioning of the Board. Also, we set up our Environment, Social and Governance ("ESG") framework and focused heavily on meeting its 14 ESG principles, including Qatarization, female empowerment and sustainability, all of which are in line with Islamic principles and Qatar's National Vision 2030.

We launched the MAR Sustainable Finance Framework – Qatar's first Sharia'h compliant Green Deposit and Islamic sustainable financing framework- as part of our Environment, Social and Governance ("ESG") initiatives. This confirms our commitment to sustainability in Qatar and to the four pillars of Qatar's National Vision 2030. The Bank's sustainability framework guides MAR's commitment to help Qatar establish advanced educational and health systems as well as a capable and motivated workforce, to participate in enhancing social care and protection, to enable private sector participation in sustainable development by supporting small and medium businesses, and to financing SME and other dedicated projects, such as green buildings and renewable energy. The Bank's sustainability strategy is linked to Qatar's National Environment and Climate Change Strategy, which outlines a policy framework to protect the nation's environment.

The Bank's Sharia'h compliant Green Deposit is a unique alternative investment solution that allows riyal deposits and other major currencies to be deployed for funding green initiatives. This enables the Bank's clients to incorporate ESG goals in their business activities and participate in financing ESG projects.

In November 2022, we conducted a fully-fledged review of our governance system to comply with the new governance regulations issued by Qatar Central Bank under Circular No. (25) of 2022 on Governance of Banks. As a result, we held an Extraordinary General Assembly Meeting on 16 November 2022 to approve changes to our Articles of Association to comply with the new requirements.

The Board prepared the present Annual Corporate Governance Report (the "Report") in compliance with the Corporate Governance Instructions for Banks issued by Qatar Central Bank ("QCB") under Circular No. (25) of 2022 as amended by Circular No. (2) of 2023 ("QCB CG Rules"), the applicable legislations issued by the Qatar Financial Market Authority ("QFMA") including the Corporate Governance Code for Shareholding Companies Listed on the Primary Market issued by the Board of QFMA under the resolution No. (5) of 2016 ("QFMA Code") and the QFMA's Offering and Listing Regulation, the Qatar Stock Exchange rules, the Qatar's Commercial Companies Law No. (11) of 2015 as amended by law No. (8) of 2021, the Bank's Articles of Association and the best international and regional standards and practices on corporate governance (altogether hereinafter referred to as the "Governance Regulations").

The Report describes the measures and procedures taken by MAR to implement the Governance Regulations. It also includes all disclosures required under the Governance Regulations including the Board of Directors assessment of compliance of the Company with the Governance Regulations and the Board of Directors report on internal controls over financial reporting.

The Board is ultimately responsible for the Bank's corporate governance; this encompasses the entire Group including all controlled entities and subsidiaries. It is fully committed to maintaining the highest standards to ensure the directors discharge their fiduciary responsibilities with integrity.

Mohamed Bin Hamad Bin Qassim Al Thani
Chairman of the Board

4. Description of Implementation of Governance Regulations

4.1 At Overall Governance System Level

A comprehensive corporate governance (CG) framework/system is in place that focuses on the rights and equitable treatment of shareholders, disclosure and transparency, and the duties of the Board of Directors. It involves systems, policies and processes for ensuring proper accountability, probity and openness in the conduct of the Bank's business.

It defines the roles and responsibilities, separation of duty, transparency and disclosure requirements of the key participants and reports issued. This covers the Board itself, Board committees, Sharia Supervisory Board ("SSB"), executive management, internal and external audit, sharia audit, internal controls and interactions with supervisory and regulatory authorities.

The CG framework/system is fully described in the Bank's Group Corporate Governance Framework Policy and Manual (the "CG Charter") approved by the Board. This document is compliant with local and relevant overseas regulations while taking into consideration the requirements of the Bank's Articles of Association. It addresses all underlying principles, operating aspects and the composition of each body within the framework.

The CG Charter is freely accessible on the Bank's website (www.alrayan.com).

4.2 At Board Level

4.2.1 Eligibility conditions for Board Member

Article (20) of MAR's Articles of Association ("AoA") determines the eligibility terms and conditions to be met by a Board member as a minimum requirement. These are in line with the Governance Regulations. In addition, the Board of Directors developed a written Board Nomination and Election Policy that defines, amongst others, the procedures for Board nominations and election and sets further terms and conditions around Board nominees and eligibility criteria. The policy was prepared in accordance with the applicable laws and regulations and approved by the General Meeting on 16 November 2022. It is available on MAR's website www.alrayan.com.

Furthermore, the Bank requires all directors to make specific disclosures and sign an undertaking to provide the Bank with changes or updates to such disclosures as they occur. Disclosures are made through questionnaires designed to ensure a director provides all information necessary for the Bank, supported by proofs when need is being, to assess to which extent a director sitting on its Board is compliant with the eligibility conditions required under the applicable laws. The Bank requires all its directors to update such disclosures at least once a year. As at 31 December 2022, none of the directors on the Board breached the eligibility terms and conditions set forth under the applicable laws and regulations.

4.2.2 Board Composition

The Bank's Articles of Association, in particular, articles (19) and (29), determine the composition requirements of the Board and its committees in accordance with the Governance Regulations. As at 31 December 2022, MAR Board comprised 11 members the majority of which are Non-Executive Directors ("NEDs") (7 out of 11) including 4 Independent Directors ("INDs"). For further information about the Board composition, please refer to section 5.3 entitled "Board of Directors" under the "Corporate Governance Disclosures" section.

4.2.3 Prohibition of Combining Positions

As at 31 December 2022 none of the Board members combined positions the combination of which is prohibited under the Governance Regulations. All Board members renewed their annual acknowledgment for the fiscal year 2022 by virtue of which they confirmed that they do not combine and undertook in writing not to combine positions prohibited to be combined under the Governance Regulations. All acknowledgments and undertakings were maintained with the Company Secretary. In addition, Articles (11) and (12) of the Board Nomination and Election Policy approved by the General Meeting on 16 November 2022 require a Board candidate not to combine any position prohibited to be combined by law. Accordingly, a candidate must present an acknowledgement and undertaking in writing to that effect as a condition precedent for his/her application to be considered.

4.2.4 Main Functions and Tasks of the Board

The Board functions within written Terms of References ("TORs") developed and approved by the Board. The Board TORs are developed in accordance with the applicable laws, regulations, the Bank's Articles of Association and best practices. The Board TORs describe the composition and selection of the Board members and Chairman, the organization of the meetings, the training of the Board and Board Committees, the remuneration, and the responsibilities and functions of the Board. They equally comprise a broad description of matters required to be considered by the Board, including, but not limited to, setting-up strategies, defining risk levels, developing policies as well as matters that constitute events of conflict of interest and disqualifications for the Board. The Board TORs are available and accessible on MAR's website (www.alrayan.com)

Below are the matters considered and resolved by the Board and its committees in 2022. This gives further overview on the type of matters reserved for Board or Board committees' approval:

- Approval of quarterly, semiannually and end-of year financials for 2022
- Recommend Dividend Payouts for AGM approval
- Approval of the Group's Budget for 2023
- Recommend the 2023 external auditors for AGM approval
- Periodic review of Capital Plan and ICAAP and stress testing for 2022
- Approval of the Group's Balanced Scorecard for 2022
- Review and approve several appointments on Senior Management level and various remu-neration and HR policies for the Bank
- Assess performance of the Board, Sub-committees and the Management and recommend Board remunerations for AGM approval
- Review and approve MAR Organizational Chart
- Approve Succession Planning
- Approval of the Annual Corporate Governance Report
- Adopt and recommend for General Meeting's approval the Board Nomination and Election Policy
- Approval of the ICOFR Management Report
- Invite shareholder for General Meeting and set-up relevant agenda
- Approval of several items related to the Bank's regular activities including the approval of new or revised policies and frameworks to ensure they are maintained updated and in compliance with the applicable laws and regulations
- Adopt and recommend for General Meeting's approval the amendments to the Bank's Articles of Association to comply with new corporate governance requirements under Companies Law, QCB and QFMA regulations
- Follow-up and oversee the Bank's subsidiaries and associates
- Adopt and recommend for General Meeting's approval the Bank's ESG and Sustainable Fi-nancing framework
- Review and discuss the Bank's Business Continuity and risk reports and take necessary ac-tions, as applicable
- Review and discuss the internal audit and internal control reports including compliance and AML reports, and take necessary actions, as applicable
- Review and discuss the legal and litigation update reports and take necessary actions, as applicable
- Review and endorse Board committees' reports
- Open Board nominations for the new Board term (2023-2024-2025) and oversee the nomina-tions process
- Follow-up on the merger's goals and achievements

4.2.5 Main systems, policies and procedures set by the Board

MAR's Corporate Governance system comprises a number of strategic policies, procedures, systems, processes and mechanisms ("Policies") set by the Board of Directors or its committees that are key to the functioning of the Bank. The key Policies adopted in MAR as at 31 December 2022 are as follows:

1. Credit Policy
2. Risk Appetite Statement
3. Reputational Risk Management Policy
4. Expected Credit Loss Policy
5. Outsourcing Policy
6. ICAAP Policy
7. Liquidity Risk Management Policy
8. Market Risk Management Policy
9. Disaster Recovery Policy
10. Operational Risk Management Policy
11. Cyber-security Policy and Framework
12. Information Security Policy
13. Business Continuity Management Policy
14. Swift Framework Policy
15. Information Technology Policy
16. Infrastructure procedures and digital systems issuance
17. Management change standards
18. Application development standards
19. Digital Systems Testing Methodology
20. Code of Conduct Policy
21. HR Policy including staff and senior management remuneration methodologies, training and development policies

22. Board and Employee Induction programs
23. Liabilities, assets and treasury management policy
24. Internal Audit Policy and Procedures
25. Internal Audit Charter
26. Investment Policy
27. SSB Charter and Sharia Policy
28. Group Corporate Governance Framework/charter and Subsidiaries Governance policy
29. business strategy
30. Personal and Wholesale Banking policies
31. Branch Operations Policy
32. ESG and Sustainable Financing Framework
33. Various accounting and finance policies
34. Dividend Policy
35. Disclosure and Transparency Policy including policy on dealing with rumors
36. Investor Relations Policy
37. Related Party Transaction Policy and procedures
38. Legal Affairs Framework and Policy
39. Delegation of Authority matrix and Policy
40. Credit Approval Matrix and Policy
41. Board Nomination and Election Policy
42. Group Organizational Chart
43. Balanced Scorecard and Performance Assessment Methodology
44. Board and SSB Remuneration Policy
45. External Auditor Policy
46. Procurement Policy
47. Customer Complaints Policy and procedures
48. Board Charter/TORs
49. Company Secretary Charter
50. Board Committees Charters/TORs
51. Management Committees Charters/TORs
52. Social Media and Website Management Policy
53. Corporate Communications Policy

The Bank also developed and established a financial crimes prevention framework that has a number of dedicated policies as follows:

1. Group Compliance Policy
2. Group Financial Crime Compliance Policy
3. Financial Crime Framework
4. FCC Governance
5. Financial Crime Assurance and Monitoring Framework
6. AML Whole Firm Business Risk Assessment Methodology
7. Customer Risk Assessment Methodology
8. Customer Risk Assessment Scoring Model
9. Financial Crime Risk Appetite
10. Industry Risk Classification
11. Country Risk Classification
12. AML Whole Firm Inherent Risk Analysis
13. Whole Firm Top down Risk Analysis
14. Whole Firm Bottom up Risk Analysis
15. Financial Crime Prevention Policy
16. Customer Acceptance Policy
17. Politically Exposed Persons Policy
18. Sanctions Policy
19. Trade Finance Policy
20. Correspondent Banking Policy
21. Anti-Bribery Corruption Policy
22. Whistleblowing Policy
23. Anti-Fraud Policy
24. Dormant and Unclaimed Policy
25. New Product & Service Approval Policy
26. General Data Protection Policy
27. Electronic crime Policy
28. FATCA Transparency Policy
29. Conflict of Interest Management Policy
30. Risk Based Approach Guidelines
31. KYC/ On-Boarding, CDD and ECDD Guidelines
32. Beneficial Ownership Guidance
33. PEP Guidance
34. Vendor Management Guidance
35. Dealing with Precious Metals Dealers, Precious Stones and Gold Guideline
36. Large Cash Transaction Guidance
37. Sanctions Screening Guideline
38. SAR, STR and Reporting Guidance
39. AML Guidance in Trade Finance
40. Correspondent Banking Guidance
41. Customer Transaction Monitoring Guidance
42. Staff Transaction Monitoring Guidance
43. Adverse Media Discounting Guidance
44. Anti-Fraud, Bribery and Corruption Guidance
45. AML Sanctions Exits and Decline Guidance
46. Documents & Record Keeping Guidance
47. FCC Delegated Authority Matrix
48. FCC Vendor Management Guidance
49. Common Reporting Standards (CRS) requirements

The Board has set up a governance process for developing and adopting policies and procedures in the Bank. It requires a policy or procedure to be reviewed and signed-off by all stakeholders concerned with such policy or procedure together with all control functions including, at minimum level, the Operational Risk unit, Compliance and Legal departments, prior to present such policy or procedure document to the Board. This process ensures a policy or procedure document is in line with the applicable laws and regulations and aligned to appropriate operational practices before it is formally approved by the Board. In addition, the policies and procedures are subject to periodic reviews whereas amendments are recommended for Board approval to ensure they remain updated and relevant. Adherence to Board-approved Policies is monitored by the control functions whereas periodic reports are submitted to the Board regarding any breaches to the approved policies for appropriate action. A number of key Policies are published on the Bank's website. As at 31 December 2022, nil breach to the Board approved policies was reported. MAR continuously develops and updates its policies and procedures to document and ensure ongoing compliance with the relevant rules and regulations of QFMA and of any other regulator of the Bank.

4.2.6 Board Responsibilities and Directors' Obligations

The Board is responsible for the management of the Bank in accordance with the Bank's Articles of Association and the Board TORs. Through the regular meetings of the Board and the Board sub-committees, the Board oversees the Senior Management, considers and discusses with the Senior Management any topic presented to the Board for decision making. Periodic updates are requested by the Board on material decisions taken to ensure the Board is kept informed of any developments and to maintain accountability. In addition to Board meetings, the Chairman meets separately from management with individual directors and chairpersons of Board committees to discuss the performance of the management and other matters that need close oversight by the Board.

The Board always ensures adherence to the applicable laws and regulations and the Bank's Articles of Association. To this end, the Board set-up internal processes to ensure any topic or policies presented to the Board is reviewed and assessed from legal, statutory and regulatory perspectives. All Board-approved policies, including corporate governance policies, are subject to periodic reviews whereas amendments are recommended for Board approval to ensure they remain updated and relevant. In 2022, the Board reviewed and discussed several policies applicable to the Bank in light of the changes in the laws and regulations.

All Board members are prominent figures in Qatar and the region with track records and wide experience in all aspects of the Bank's activities. They allocate sufficient time to perform their duties and assume their role independently by providing guidance, objective criticism and constructive contribution. The NEDs and INDs are appointed as members on the Board committees, namely the Audit Committee and the Corporate Governance, Nomination and Remuneration Committee. They provide impartial and independent opinion on strategic and business matters presented to the Board and monitor the performance of the Bank and its compliance with the corporate governance standards and applicable laws and regulations.

All Board members put their skills and experiences at the disposal of the Bank and allocate sufficient time to perform their duties on the Board through committed attendance. Board members, including all Board sub-committees chairpersons, participate together with the Chairman in the General Meetings to consider and respond to the queries of the shareholders. For details, please refer to section 5.5 entitled "Meetings and Attendance" under the "Corporate Governance Disclosures" section below.

In addition to the Board TORs that define the functions and responsibilities of the Board, a Code of Conduct for the Board of Directors is developed to define and determine the professional and ethical duties of the directors. Each director has acknowledged and undertaken in writing to commit to his/her fiduciary duties and obligations and make necessary disclosures required under these documents. Under the Code of Conduct, the MAR Board of Directors has a fiduciary responsibility to perform its duties with loyalty and act in good faith for the best interest of the Bank and its shareholders. Each director assumes the duty of caring for the financial and legal requirements of the Bank. The directors ensure that they do not have any conflicts of interest and that the interests of the Bank take precedence over their personal interests. Internal procedures were developed to manage any potential conflict that may arise at Board level. The Board, through the Corporate Governance, Nomination and Remuneration Committee, evaluates the performance of the Board and the directors and the extent of their compliance with the afore-mentioned duties, obligations and undertakings.

The Board Nomination and Election Policy requires a Board candidate to present an undertaking in writing to adhere by the applicable laws and regulations and make necessary disclosures required by law or under QCB and QFMA's regulations as a condition precedent for his/her application to be considered.

As at 31 December 2022, all afore-mentioned Board obligations were fully met.

4.2.7 Senior Management and segregation of duties

The Board of Directors appoints the Group Chief Executive Officer ("GCEO") and his direct reports and approves the Bank' s organizational chart. The GCEO is accountable for executing the Bank's strategy and running the business on a day-to-day basis. The Group CEO reports directly to the Board and keeps the Board fully informed of all key aspects of business performance. The Group CEO is supported by a Management team with extensive background in banking and financial matters in addition to management committees with defined roles and responsibilities. For further information about the senior management, please refer to section 5.6 entitled "Senior Management and Management Committees".

Furthermore, the Board approved a written Delegation of Authority Policy and Matrix to manage the delegation of authorities and to ensure that the Board performs its functions in a neutral manner without influence by relations to the Executive Management. The said policy ensures the functions and authorities of MAR Board are separated from those of the Executive Management. It distributes the responsibilities and authorities based on hierarchical structure that ensures participation of all stakeholders in the decision making process within specific controls in accordance with the laws and the Bank's AoA.

As at 31 December 2022, the Board of Directors, upon recommendations of the Corporate Governance, Nominations and Remunerations Committee, considered and approved certain appointments at senior management level and changes to the Organizational Chart. Please refer to section 5.7 herein to check the Bank's current approved Organizational Chart.

4.2.8 Subsidiaries Governance Framework

The Board is responsible for the oversight of subsidiaries. To this end, the Board has developed a general policy for governance of subsidiaries within the Group Corporate Governance Framework based on legal and regulatory requirements applicable to the subsidiaries in the jurisdictions where they operate and in accordance with the relevant applicable laws and regulations in Qatar. According to the Framework, MAR must have a representation on the board of a subsidiary. The subsidiary's Board appoints a general manager/CEO with a direct reporting line to the subsidiary's Board and indirect reporting to the Group CEO. The Bank issues periodic consolidated reports on its activities, business and financial performance to ensure consolidated oversight and effective internal controls. The Qatar Board establishes clear, defined and written policies, strategies and budgets on Group level, in line with the objectives established for each subsidiary and the nature of the economic, market and legal environment where it is operating. The subsidiary should be at all times considered as a company having legal entity and independence from the Bank and that operates within its applicable laws and regulations and the rights of other minority shareholders should be taken into consideration.

As at 31 December 2022, MAR had a number of subsidiaries and associates and Special Purpose Vehicles (SPVs). For details, please refer to Section 9 in the Annual Report that form an integral part of this Annual Corporate Governance Report.

4.2.9 Succession Planning

MAR has in place a succession plan to ensure continuity at all times and under any circumstances. The Succession Plan is reviewed at least annually. The plan consists of analyzing and understanding MAR's human resources needs and developments, identifying key positions and possible successors and focusing on development of their skills and readiness to succeed to a position. The plan has high and medium focus levels. High focus level consists of the positions of GCEO and his direct reports or the direct reports to the Board, as applicable. Medium focus level consists of positions in business and operations. A principal is identified for each position or function within the high or medium focus level positions with one or two possible successors at least. Human Resources department ensures a special development program is in place for the persons identified as possible successors under the plan to ensure their readiness for movement. The plan focuses as well on development of Qatari talents towards occupying leadership positions. It also includes an emergency recruitment plan in certain circumstances.

4.2.10 Chairman of the Board

Pursuant to Article (24) of MAR's AoA, the Chairman of the Board is the president of the company and represents it before the courts and third parties. The Board TORs defines further the role and responsibilities of the Chairman of the Board in accordance with the applicable laws, regulations and the Bank's AoA.

HE Sheikh Mohamed Bin Hamad Bin Qassim Al Thani currently holds the position of Chairman of the Board in MAR. As at 31 December 2022, the Chairman conducted all his duties under the laws and regulations. He ensured each member receives all the necessary information and clear reports on all topics to be presented to the Board within sufficient time ahead of a Board meeting so the members can be well prepared for the meetings and are able to take informed decisions. The Chairman ensures each Board member receives the Board meeting invitation and agenda at least two weeks prior to a scheduled Board meeting to enable the members to review and request any item to be added to the agenda. At every Board meeting, the Chairman ensures that the members approve the agenda before proceeding in the meeting.

Article (24) of the Bank's AOA, the CG Charter and the Board TORs do not permit the Chairman to sit on any Board-subcommittee or to assume any executive role in the organization. Indeed, the Chairman of MAR is not part of any Board sub-committee and does not assume any executive role in the Bank. At shareholders level, the Chairman ensures permanent contacts are maintained with the shareholders particularly in the strategic matters.

For further information about the Chairman, please refer to section 5.3 entitled "Board of Directors" under the "Corporate Governance Disclosures" section below.

4.2.11 Board Committees and Delegation of Tasks

The Board delegated parts of its responsibilities to a number of sub-committees: the Executive Committee of the Board (EXCOB), the Audit Committee of the Board (ACB), the Compliance and Risk Committee (CRC), and the Corporate Governance, Nomination and Remuneration Committee (CGNRC). Board committees were established in accordance with the provisions of the Governance Regulations and specific banking requirements. All Board sub-committees function within defined and written Terms of Reference approved by the Board. Decisions taken at sub-committees' level are presented to the full Board for endorsement.

For details, please refer to section 5.4 entitled "Board Committees" under the "Corporate Governance Disclosures" section below.

4.2.12 Board Functioning Process

The Board functioning process in terms of invitation to meetings, number of meetings, decision making process and other procedural matters is defined in MAR's AoA, in particular, Articles (31) to (36), and the Board ToRs. As at 31 December 2022, there were no breaches to the Board functioning process as it is fully compliant with the Governance Regulations applicable in the State of Qatar. Below are the key features of the Board process:

- A corporate calendar is approved towards the end of each year. The corporate calendar de-termines the days for the Board and Board committees' activities and meetings in the next year;
- Invitation and agenda are sent to the Board members at least two weeks ahead of the meet-ing date followed by supporting documents and reports to enable directors to prepare for a discussion of each agenda item. Board members can request any relevant information through the Company Secretary at any time;
- Board meeting date and main agenda items are disclosed to the Qatar Stock Exchange ("QSE") at least two weeks ahead of each Board meeting;
- At each meeting, the Group CEO presents a periodic report to the Board on the Bank's major events, activities, projects and initiatives. Key matters related to each department of the Bank are also discussed and departmental heads are invited to join the meetings to enhance the Board's understanding of matters related to their respective business proposals;
- In addition to Board meetings, the Chairman meets separately from management with indi-vidual directors and chairpersons of Board committees to discuss the performance of the management and other matters that need close oversight by the Board;
- Board may seek advice from independent consultants at any time to enable the Board to dis-charge its duties and responsibilities;
- Directors are required to disclose any direct or indirect interests in any business item on the agenda to be considered by the Board. They are also

required not to participate in the discussions and not to vote on such items;

- Major resolutions passed by the Board are disclosed immediately after each Board meeting to the QSE and published on MAR's website and in local newspapers

4.2.13 Company/Board Secretary

Pursuant to Article (26) of MAR's AOA, the Board shall appoint a Board Secretary who shall be a holder of a university degree and has the appropriate expertise for the position. MAR Board Secretary is responsible for organizing the work of the Board, holding the General Meetings, draft and sign the minutes of the Board together with the Chairman and all Board members as well as other duties as determined by the Board. The Secretary, after the approval of the Chairman, may seek the assistance of the Bank's employees as he/she may deem appropriate to assist him/her to perform his/her duties. The Board Secretary shall only be appointed or dismissed by a Board resolution.

The Company Secretary role in MAR is currently assumed by Mr. Tony Merhej who was appointed by MAR Board under Board Resolution No. 4/6/2021 dated 12 December 2021 with a direct reporting line to the Board. The Board approved the Charter of the Company Secretary that defines the role and responsibilities of the Secretary in accordance with the applicable laws and regulations, Board requirements and the Bank's AOA. The Secretary works closely with the Chairman of the Board and the Chairpersons of the Board committees to arrange Board and Board Committees meetings. The Company Secretary plays a vital role in facilitating communication between the Board members and the Senior Management and supervises the implementation of the Group Corporate Governance framework. Mr. Merhej holds a Master Degree in Linguistics and Legal Translation including legal studies and has 16+ years of experience in corporate governance, compliance and legal affairs. As at 31 December 2022, the Company Secretary conducted all his duties set forth under the relevant laws and regulations. Mr. Merhej held zero shares in MAR as of 31 December 2022.

4.2.14 Performance Assessment

At Board level, an annual assessment exercise for the performance of the Board and its committees is conducted by the Board Corporate Governance, Nomination and Remuneration Committee (CGNRC) in accordance with a specific evaluation process that takes into consideration, amongst others, the attendance and participation levels of a director in the Board and committees' meetings. The outcome of the assessment together with recommendations for enhancement of the Board's efficiency and functions are then escalated by the CGNRC to the full Board of Directors to take the necessary actions. According to latest Board assessment made as at 31 December 2022, the results showed that the processes and dynamics of the Board and Board committees are functioning properly and there are no major areas of concern.

At Senior Management and employees' level, a system was established to measure the overall performance of the Bank through the Balanced Scorecard that defines the financial and non-financial goals and targets of the Group. The targets and goals within the Scorecard are presented to the Board for discussion and approval at the beginning of each financial year. Regular updates are presented to the Board on the progress made in achieving the Bank's agreed targets. The Balanced Scorecard methodology is used to distill the strategy, or long-term objectives, into measurable key performance indicators. The scorecard provides a unified practical view of the organization's financial and non-financial achievements in a structured format. The organization's compensation program is firmly linked to the scorecard. Individual awards are dependent on achievement of performance goals. At the end of each year, the final score achieved under the approved Balanced Scorecard is audited by the Internal Audit department and reports presented to the Board accordingly. As of 31 December 2022, the Bank achieved, in all materials aspects, the goals set under the approved Balanced Scorecard for 2022.

For further details, please refer to section 5.5 entitled "Meetings and Attendance" and to section 5.8 entitled "Incentives and Remunerations" under the "Corporate Governance Disclosures" section below.

4.2.15 Annual Assessment of Independent Directors

In addition to the annual Board evaluation, the Corporate Governance, Nominations and Remunerations Committee of the Board conducts and reports to the Board the outcome of the annual assessment of Independent directors in accordance with the applicable regulations. An assessment process was developed to evaluate the independency of the Independent directors. It requires each Independent director to make certain disclosures that allow the Bank to identify and verify whether any change occurred to the status of an Independent director throughout the year that might impact his/her independency. Based on the disclosures of the Independent directors, the annual assessment revealed that the status of the Independent directors on the Board remains unchanged as nothing has occurred that would impact their independency as at 31 December 2022.

4.2.16 Development, Learning and Awareness

At Board level, the Board TORs ensure ongoing development and learning courses are in place for the directors in order to enhance their skills and knowledge and to remain fully updated on legal and regulatory innovations and latest international practices in all domains related to the Bank's operations.

The Corporate Governance, Nominations and Remunerations Committee of the Board is in charge of organizing development programs and workshops for the Board as and when required. In this context, a number of workshops on corporate governance and AML/CFT were conducted by external consultants for MAR Board during the current Board mandate (2020-2021-2022).

Furthermore, the Board Election and Nomination Policy approved by the General Meeting requires the Bank to provide an induction program for new joiners on the Board. To this end, an Induction Program for directors was developed that allows new directors to avail of all information, documents and details about the functioning of the Board and its sub-committees, the Bank's overall activities and business and an overview of their duties and obligations under the applicable laws and regulations and the Bank's AOA. A "Board of Directors Manual" was also developed covering all the foregoing aspects.

At the Senior Management and employees' level, MAR established a dedicated Talent Management unit within the Human Resources department in charge of developing and implementing training and development plans and projects in line with MAR strategy and objectives upon obtaining necessary Board approval. The Bank has also developed an induction program for all new joiners to MAR family. As at 31 December 2022, Talent Management organized and completed ca. 9800 training hours. For more details, please refer to the section entitled "Group Human Resources" under "Internal Control and Support Functions" in the Annual Report that forms an integral part of this Corporate Governance Report.

4.3 At Control Level

4.3.1 Internal Control

A robust internal control system is in place that fulfill the requirements of the applicable local laws and regulations and the best international practices. For details, please refer to sections 5.9, 5.10, 5.11 and 5.12 of "Corporate Governance Disclosures" section below and the "Internal Control and Support Functions" section in the Annual Report that forms an integral part of this Corporate Governance Report.

4.3.2 Risk Management

The risk governance structure at MAR consists of five layers comprising of the following:

Level 1: Board of Directors

Level 2: Board Compliance and Risk Committee (Board CRC)

Level 3: Senior management committees: Group Risk Committee (GRC), Credit and Investment Committee (CIC), Group Asset, Liability and Capital Committee (GALCCO), Group Special Investigations Committee (GSIC), and Security Steering Committee (SSC)

Level 4: Group Risk Management: Enterprise Risk Management, Credit Risk Management including Credit Documentation, Remedial Management/Collections, Market Risk Management, Liquidity Risk Management, Operational Risk Management, Fraud Risk Management, Business Continuity Management, Insurance Management, and Security Risk Management

Level 5: Business Units

The overall responsibility for ensuring robust risk management rests with the Board of Directors (Level 1), while the execution of the oversight at Board level sits with the Board Compliance and Risk Committee (Level 2). The Board CRC has the overall responsibility of ensuring that adequate policies, procedures, and methodologies are in place for risk management, and that they are properly implemented.

Supporting the Board CRC are the senior management committees (Level 3) that cover the various aspects of risk management. For details, please refer to the Group Risk Management section under "Internal Control and Support Functions" in the Annual Report that forms an integral part of this Corporate Governance Report.

4.3.3 Business Continuity and Disaster Recovery
MAR has a Business Continuity Management policy describing the process whereby MAR ensures the maintenance or recovery of operations, including services to customers, when confronted with adverse events such as natural disasters, technological failures, human error, terrorism or pandemics. For further details, please refer to the section entitled "Group Risk Management" under "Internal Control and Support Functions" that form an integral part of this Annual Corporate Governance Report.

4.3.4 Compliance and AML
MAR has a dedicated Group Compliance and AML department that ensures compliance is embedded into every level of the organization and aligned with the Bank's business strategy. To ensure compliance activities retain their independent functioning, the Group Compliance and AML department reports directly to the Board Compliance and Risk Committee. Compliance/AML departments in the subsidiaries also report directly to their respective general managers and indirectly to the Group Compliance and AML department. For details, please refer to the Group Compliance and AML section under "Internal Control and Support Functions" in the Annual Report that forms an integral part of this Corporate Governance Report.

4.3.5 Internal Audit
The Group Internal Audit function (the "GIA") is an independent division within MAR reporting directly to the Audit Committee of the Board. The GIA provides an independent and objective assurance to the Board of Directors and the Management on the design and operating effectiveness of the Bank's corporate governance, risk management, and internal control frameworks. The GIA continuously promotes the awareness on risks and controls, provides advice on developing control solutions, and monitoring corrective actions, thereby safeguarding the assets of the Bank. For details, please refer to the Group Internal Audit section under "Internal Control and Support Functions" in the Annual Report that forms an integral part of this Corporate Governance Report.

4.3.6 Sharia Audit
Pursuant to Article (41) of MAR's AOA, the Bank must appoint a Shari'a Supervisory Board consisting of knowledgeable specialists in Shari'a rules related to islamic financial transactions to ensure all activities undertaken by the Bank complies with the rules of Islamic Shari'a. On 18 March 2020, the General Meeting of shareholders, upon the Board recommendation, appointed the SSB's three members for the period (2020-2021-2022). Internally, MAR has established a Sharia Audit unit with direct reporting line to the SSB to be the link between the Senior Management and the SSB. For details, please refer to sections (10) and (6.6) respectively in the Annual Report that forms an integral part of this Corporate Governance Report.

4.3.7 External Control
Chapter VII of the Bank's AoA sets out the external control requirements for the Bank including, but not limited to, appointing an independent external auditor and determining its role and responsibilities. All these statutory requirements are in line with the local applicable Governance Regulations. In addition, MAR has in place an External Auditor Policy that defines the responsibilities of external auditors and determines the basis on which an external auditor would be selected. The Audit Committee is mandated by the Board under the said policy to review and consider external auditors proposals and engagement letters and to deal with all matters related to external auditing.

In its meeting of 27 April 2022, the Annual General Meeting ("AGM") approved the Board/Audit Committee's recommendation to appoint Deloitte and Touche, for the fifth and final year in a row, as external auditors of the Bank for the fiscal year ended 31 December 2022. The AGM approved Deloitte's QAR 7,200,0000 as total remuneration for auditing services and regulatory engagements on Group level. The AGM also authorized the Board and/or the Audit Committee of the Board to approve any additional fees, if applicable, that might be incurred during the year because of contingent regulatory requirements provided that such fees are disclosed in the Annual Report. In 2022, there was nil extra fees paid to the external auditors exceeding the above fees approved by the AGM.

The external auditor conducts the review and the audit works and issues its reports in accordance with the applicable laws and regulations and relevant international standards. The external auditor attends the General Assembly meetings to present their report and answer the shareholder's questions. As of 31 December 2022, no qualified reports were issued by the external auditors. For details or to check the external auditors' reports, please refer to the relevant AGM/EGM minutes of meetings and the audited financial statements freely accessible on MAR's website.

4.4 At Transparency and Disclosure Level

4.4.1 Disclosure
MAR discloses its quarterly and end-of-year financial results in accordance with the applicable laws and regulations. Furthermore, all information about the Chairman, the Board members and the members of the Senior Management as well as their other positions held and their respective stakes in the Bank's share capital, and the major shareholders who own 5% or more of the Bank's capital are disclosed and updated regularly on the Bank's website and in the Annual Corporate Governance Report.

Furthermore, the Board of Directors has adopted a Disclosure and Transparency Policy that complies with the Qatar Stock Exchange ("QSE") rules and ensures disclosure of sensitive information to the market in a timely, accurate and transparent manner. The policy also sets the framework for dealing with rumors. MAR discloses the agenda of its Board meetings and all resolutions of a sensitive nature to the QSE before and after each Board meeting. In addition, MAR keeps its shareholders, investors and customers informed of all new products and business through periodic press releases published in the local newspapers and on MAR website and notifies QSE and relevant regulators of the same beforehand. During General Meetings, the shareholders enjoy their rights to ask any questions about MAR position and business. The Disclosure and Transparency Policy is available and accessible on MAR's website.

The Board discloses the quarterly and yearly financial statements only after making the necessary reviews and audits based on the independent report of the external auditors and the recommendations of the Audit Committee and the Senior Management that all disclosed information are accurate, correct and not misleading in all material aspects. Any other non-financial disclosures made are subject to the Disclosure and Transparency Policy approved by the Board that sets a process for the review of accuracy and appropriateness of any information or press releases before they are made public including a multilayer approval process of the Compliance department, Legal department, the GCEO and/or the Chairman of the Board, as the case may be.

The audited financial statements are distributed to all shareholders with the Annual Report during the Annual General Meetings. They are also published in the local newspapers and are freely and permanently accessible on MAR and QSE's websites. The Bank also discloses the annual remunerations of the members of the Board and Senior Management in its audited annual reports. Main activities and achievements of the Board are disclosed in the annual Board of Directors report submitted to the Annual General Meeting. Main activities and achievements of the Senior Management are disclosed also as part of the Bank's departmental overviews in the Annual Report distributed to the shareholders in each Annual General Meeting.

As at 31 December 2022, MAR made all disclosures required under the applicable laws and regulations on its website, press and social media platforms and in its annual reports. For details, please refer to the section 5 below entitled "Corporate Governance Disclosures" and MAR's website (www.alrayan.com).

4.4.2 Conflict of Interest, Transparency and Related Party Transactions
The General Meeting of shareholders adopted the conflict of interest management and the related party transactions frameworks under Articles (25) and (36) of the Bank's AoA.

Article (25) of the Bank's AOA prohibits the Chairman of the Board, any Board member or any member of the senior executive management to perform or engage, whether in his/her personal capacity or through any of his/her first degree relatives, directly or indirectly, in any activities that would be similar to or competitive with the activities of the Bank, or take advantage of the Bank's activities to achieve or promote his/her own interests or to achieve any commercial or personal interests. The same Article also prohibits the Chairman, Board members and members of executive management from having, whether in their personal capacity or through any of their first degree relatives, directly or indirectly, any interest in the contracts, projects and engagements entered into by the Bank or in which the Bank is a party, without any exceptions whatsoever, except for the credit facility agreements made between the Bank and any of them in accordance with the limits and controls set forth under QCB rules and regulations.

In addition, the MAR Board TORs and Corporate Governance Framework set out the general rules governing the related party transactions. The Board also approved the Group Conflict of Interest Management Policy that sets the operating procedures on dealing with the conflict of interests and related parties matters.

Any Related Party Transaction must be approved at Board/Board sub-committee level and, at the General Assembly of

Shareholders level for major transactions, as applicable, after producing the justifications for entering into such transactions depending on its type and ensuring it has followed the approved process for the management of conflict of interest. In the event where a transaction involves a potential conflict with a Board member, a member from the senior management or a third party, such transaction shall be discussed in the absence of the conflicted party who must not have the right to participate in the discussions and the voting on such transaction. In all events, all related party transactions, if any, must be on arms' length basis with no preferential terms at the Bank's expense.

Pursuant to the said policy, each Board member is required to declare his/her direct or indirect interests in any of the transactions and agenda items presented to the Board. Any conflicted member must not have the right to participate in the discussions and the voting on such transaction and items. Also, each Board member and member of the senior management must disclose and update, at least annually, his/her financial interest or other interest in the Bank or its subsidiaries, or his/her connection with any of the Bank's connected persons and related parties, if any. Each director has signed a written statement regarding his/her compliance with the regulatory conflict of interest requirements. As at 31 December 2022, each director has updated his annual disclosures.

The Conflict of Interest Management Policy also sets a framework for insider trading which prohibits trading based on material, non-public information regarding MAR. It covers all stakeholders of MAR who have or may have access to inside information. A list of insiders is developed and updated regularly by the Corporate Governance, Nomination and Remuneration Committee of the Board and presented to the Qatar Financial Market Authority and QSE/QCSD. A copy of the afore-mentioned policy is delivered to the Board members, senior management, all new employees, vendors and consultants upon the commencement of their relationships with MAR. Under this framework, MAR monitors the trading activities related to MAR shares by its directors and senior management. A monthly report on those activities is prepared by the Investor Relations unit and shared with the Group Head of Compliance and the Company Secretary. Furthermore, at the end of each quarter, the Bank publishes the QFMA's Financial Information Disclosure Form on its website and QSE's website. This form contains disclosures on trading in MAR shares by Board members and senior management, if any. Also, at the end of each quarter and 15 days prior to the Board meeting scheduled to approve quarterly financial statements, a circular on the start of the Closed Period during which trading in MAR shares by Board members, senior management and other insiders is issued to all concerned parties to remind them of their obligations in this respect. As at 31 December 2022, no trading occurs during the Closed Period within the meaning of Article 173 of the Internal Regulation of Qatar Stock Exchange.

As of 31 December 2022, there were no major related party transactions in the Bank's book that require shareholders' approval. There were, however, credit facilities granted to related parties. These facilities were granted at arm's length basis in accordance with Qatar Central Bank relevant rules and regulations with no preferential terms and conditions. They were approved by the concerned credit committees at the Bank in the absence of the relevant conflicted parties who did not participate in any negotiations, discussions or decisions related to such transactions.

In all events, all related parties' transactions, whether major transactions or otherwise, are disclosed in the Director Fees Report prepared in accordance with Article (122) of Qatar's Commercial Companies Law No (11) of 2015 as amended by Law No (8) of 2021 and Article (39) of the Bank's AoA and Article (26) of QFMA Code. They are also presented as part of note no. (38) of the audited EOY financials to the General Meeting for endorsement. For details, please refer to the EOY Financial Statements as of 31 December 2022 at the end of the Annual Report which forms an integral part of this Corporate Governance Report. The Director Fees Report will be available for the shareholders review one week before the Annual General Meeting in the Corporate Secretariat office on the 23rd floor of MAR head office in MAR Tower, 69 Al Add Al Sharqi Street, Marina 40, Lusail City, Doha, Qatar. In order to be able to check the Director Fees Report, shareholders must produce an updated account statement of their shares from Qatar Stock Exchange/ Qatar Central Securities Depository dated no more than one week together with a copy of their IDs (in case the shareholder is a natural person) or copy of the Commercial Registration (CR), Corporate Card and an authorization letter signed by an authorized signatory on the CR and on the Corporate Card (in case the shareholder is a legal person).

4.5 At Stakeholders' Rights Level

MAR Articles of Association guarantee respect of shareholders rights and principles. In particular, Chapter Sixth of the AoA and Articles (12), (38), (39), (40), (67), (68) and (72) guarantee all the rights of the shareholders set forth under the applicable laws and regulations particularly the stipulations of Chapter Six of the QFMA Code.

Below is an overview on the actions taken by MAR to put the rights of shareholders into effect:

4.5.1 Communication with Shareholders and Investors

MAR values open and transparent dialogue with its shareholders as well as institutional and private investors. An independent Investor Relations department is dedicated to serve as the primary contact with shareholders, investors and financial analysts. Furthermore, upon disclosure of quarterly results, the Bank organizes a conference call with investors and financial analysts on quarterly basis that includes members from Senior Management to provide further clarifications and explanations about the financial results achieved and to respond to all queries of the investors. The Investor Relations Department is contactable at +97444940674 or +97444940673 or by email at IR@alrayan.com. As at 31 December 2022, MAR conducted 4 conference calls with investors and analysts upon disclosure of its interim financials at the end of each quarter.

4.5.2 Shareholders Right to Information

Article (12) of MAR AOA guarantees access by shareholders to information that allow them to exercise their full rights without prejudice to other shareholders' rights and the Bank's interests. To this end, MAR created a dedicated website www.alrayan.com as the main platform to publish and disclose all necessary information required under the local laws and regulations and information that are of interest to the shareholders. The website is subject to the Disclosure and Transparency Policy approved by the Board. In addition, shareholders get free access to the information they are entitled to obtain under the applicable laws and regulations by contacting the Company Secretariat Office or the Investor Relations department. The details of the members of the Board and Senior Management as well as the Bank's constitutional documents including the Memorandum and Articles of Association, the Commercial Register, the QCB License, the minutes of General Meetings are freely accessible on the Bank's website. For further details, please refer to section 4.4.1 above entitled "Disclosure".

4.5.3 Right to General Meetings and Equitable Treatment of Shareholders

The Bank's AOA affirms the right of shareholders to call ordinary or extraordinary general meetings and the right to add, discuss, decide and raise questions with respect to any items on the agenda of the general meetings. According to the AOA, a shareholder who attends the general meetings has the right to discuss the agenda items and question the external auditors, the Board of Directors, the senior management and the SSB who shall respond to the shareholders to the extent it does not put the Bank's own interests at risk. In the event a shareholder is not satisfied with the answers, such shareholder shall refer the subject matter to the general meeting of shareholders whose decision in such respect is deemed final and binding. Article (12) of MAR's AOA also ensures the fair and equitable treatment of all shareholders. It sets out that each shareholder must have a number of votes that equals his/her number of shares and that all shareholders are equal in rights and obligations related to the share in accordance with the relevant laws, regulations and resolutions. It also affirms shareholder's right to dispose of his/her share without any restrictions unless such disposal is in breach to applicable laws or regulations and that each share entitles its owner to a share equal to that of other shares without discrimination in the ownership of the assets of the Bank and the profits divided in the manner provided in the Bank's AOA. Furthermore, Articles (54), (39) and (72) of MAR's AOA respectively affirm the shareholders' rights to (i) dismiss Board members in accordance with the law; (ii) receive clarifications and reports decided under the law for general meetings; and (iii) initiate the civil and criminal liability case against Board members;

In 2022, MAR held two meetings for the ordinary and extraordinary general assembly of shareholders on 27 April 2022 and 16 November 2022. The full minutes of the general meetings are published on MAR website (www.alrayan.com).

4.5.4 Shareholders Right to Board Elections

The Bank's AoA, in particular, Article (19) sets out the main terms for directorship. In addition, the General Meeting held on 16 November 2022 adopted the Board Nomination and Election Policy upon a recommendation from the Board and the Board Corporate Governance, Nomination and Remuneration Committee. The policy ensures the shareholders get access to all information required about Board candidates prior to the elections, including but not limited to, the professional and education background and work experiences. Such information would be announced on MAR website. The Board Nomination and Election Policy is accessible on the Bank's website www.alrayan.com.

4.5.5 Shareholders Right to Dividends

The Bank's AoA sets out the terms and conditions for the distribution of profits in accordance with the law. The audited financial statements presented to the Annual General Meeting for endorsement determines how the profits will be distributed. Dividend payout proposals, if applicable, are also presented for shareholders' approval in every Annual General Meeting. Dividend is fully linked to the results achieved by the Bank at year-end and is subject to the applicable laws and regulations, in particular, QCB instructions. As per Article (68) of MAR's AOA, dividends must be paid to shareholders within 30 days from the date of General Assembly meeting that approves such dividends.

In addition, MAR has established a Shareholders Affairs unit fully dedicated for dividend payments and queries of shareholders related to their dividends. The unit is contactable by email shareholdersaffairs@alrayan.com or Tel +97444253215. Various payment options are offered by MAR in-cluding direct transfer to shareholders' bank accounts registered at QCSD, cash or cheque collection at MAR branches or bank transfers to local or international banks upon completing the required sup-porting documents.

On 27 April 2022, the Annual General Meeting decided to distribute cash dividends in the rate of 17% of the nominal share value (QAR 0.17 per share) for the year ended 31 December 2021. In 2022, the Bank continued the payment of all dividends through the various means mentioned above.

In 2022, for the first time since its inception, MAR published the list of its shareholders with uncollected dividends since more than 10 years on its website in compliance with Qatar Central Bank instructions. Upon QCB and QFMA approval, the shareholders were granted a grace period of 6 months to collect their 10+ year's unclaimed dividends before transferring such amounts to the General Authority for Minors Affairs in accordance with QCB regulations.

4.5.6 Capital Structure and Shareholders' Rights in Major Transactions

Article (50) of the Bank's AoA guarantees the rights of the shareholders, in particular, the minorities, to object and cancel major transactions that he/she may deem against his/her own interests in accordance with the law. Details on capital structure and shareholders' base structure and evolution are disclosed in the Bank's annual report. Major shareholders that own 5% or more of the Bank's share capital are disclosed and updated regularly on the Bank's website. For details, please check section 5.1 entitled "Our Shareholders" under the "Corporate Governance Disclosures" section below.

4.5.7 Shareholders Register

MAR maintains the Shareholders Register as received on a monthly basis from Qatar Central Securities Depository Company (QCSD). MAR also requests copies of these registers as and when needed. The Shareholder Register is adopted for quorum in general meetings and for dividend distribution.

4.5.8 Stakeholders Rights other than the shareholders

MAR has in place various policies related to different categories of stakeholders namely the HR Policy and Code of Conduct which both ensure all stakeholders are treated according to the principles of fairness and equity without any discrimination whatsoever and all their rights stipulated under the applicable laws and regulations are respected and protected at all time. Furthermore, MAR has a set of various policies to deal with certain stakeholders, in particular, the Procurement and Vendors Policy, the External Auditors and Financial Evaluators Policy and the Investor Relations Policy. All these policies ensure the rights of all stakeholders are protected and all departments, units and functions in the Bank operate under the rule of the law when dealing with various stakeholders. MAR continuously aims at enhancing its policies and will consider combining the various stakeholders' policies into one policy document, to the extent practical, to ensure the ongoing compliance with the relevant rules and regulations of QFMA and other regulators of the Bank.

Furthermore, the Bank encourages its employees and stakeholders to speak up and share incidents suspected to be in violations to MAR values, policies and procedures. To this end, a whistleblower policy and hotline service were established to enable stakeholders to make reports in good faith and confidence directly to the Group Head of Compliance who independently investigates these incidents and reports to the Board of Directors and Executive Management on the results and actions taken. To further strengthen controls, the Group Head of Internal Audit has access to the reports and independently verifies the actions taken by the management. To ensure the effectiveness of the hotline service, the Board granted protection to stakeholders who report, in good faith, of any suspected practice or transaction by appointing an independent third party to receive such reports. The whistleblower program is implemented in all jurisdictions where the Bank operates and in accordance with local legal requirements. A monthly reminder is sent to all employees on the program and the hotline service. In 2022, 9 incidents were reported. Investigations conducted for each incident and no major issues were found.

On customer level, Customer Complaint and Compliment procedures are in place and managed by a dedicated Customer Care Unit. Additionally, our 24/7 Contact Center is available to receive and process any query or complaint escalated by the customers. The Customer Care Unit is part of the Service Quality Department that aims at improving Service Level, Customer Experience, through Complaint Management, Quality Assurance and standardization of processes. The Contact Center is reachable at +974 44253333 or at info@alrayan.com. As at 31 December 2022, all reports were processed and solved to the satisfaction of the customers. No complaint or report was filed with high-risk profile that would affect the financial position of the Bank or would require escalation to the Senior Management including the GCEO or to the Board.

4.5.9 Community Rights and ESG Initiatives

Please refer to section (7) of the Annual Report that form an integral part of this Annual Corporate Governance Report.

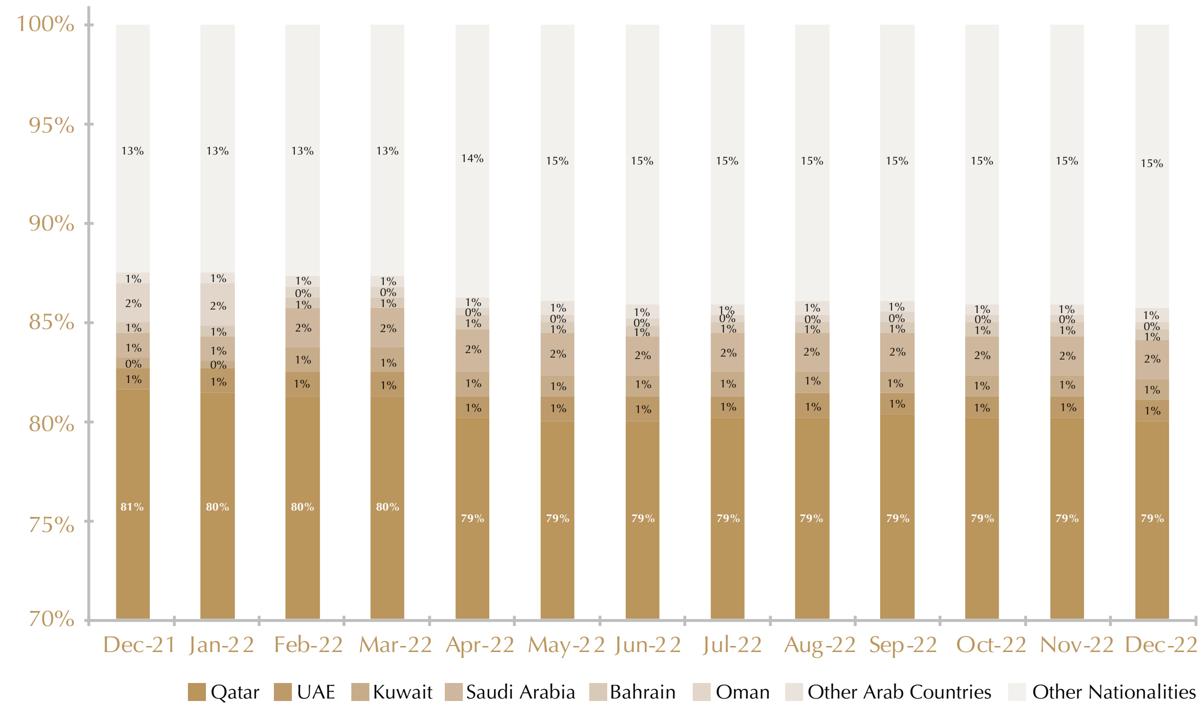
5. Corporate Governance Disclosures

5.1 Our Shareholders

As at 31 December 2022, MAR had 185,769 shareholders, comprising pension funds, banks, mutual funds, insurers, sovereign wealth funds, corporations, small and medium enterprises, and retail investors from Qatar, Oman, Bahrain, UAE, Saudi Arabia, Kuwait and other Arab and foreign countries.

5.1.1 Evolution of Shareholder Base

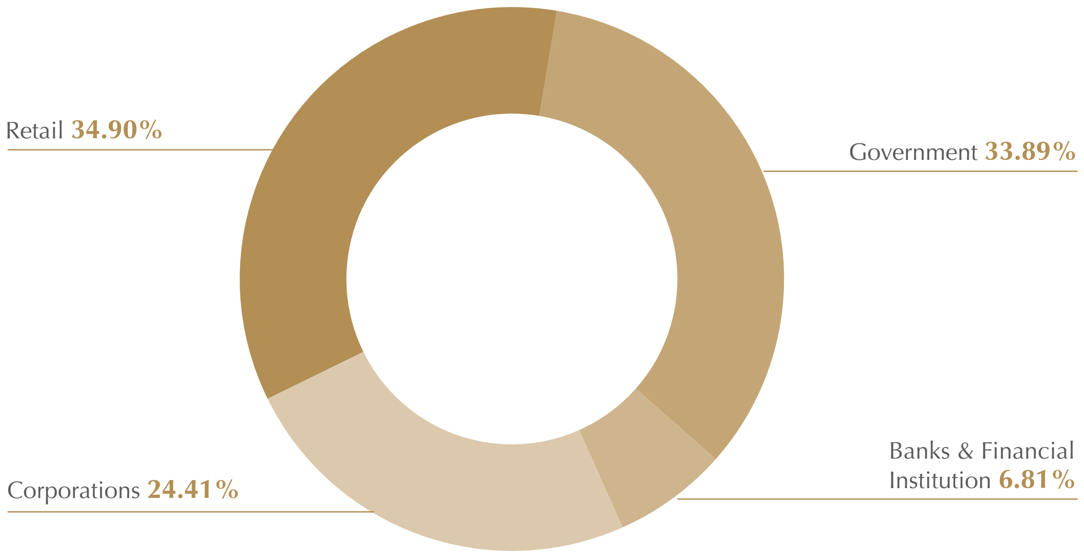
As at 31 December 2022, the percentage of Qatari ownership decreased to 79% of the Bank's share capital and shares owned by shareholders from other countries increased to 21% of the Bank's share capital, compared to 81% and 19% respectively as at the end of 2021.



Graph (1): Evolution of shareholder base by nationality

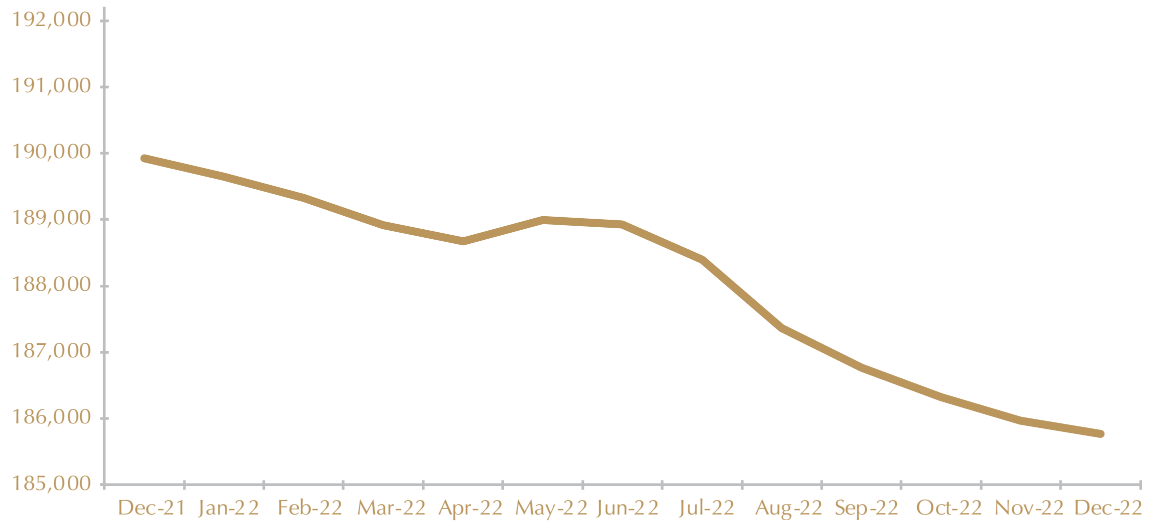
(Analysis of our share registers with the Qatar Central Securities Depository)

In 2022, the total shares' percentage of Qatar government entities slightly decreased from 34.45% to 33.89% of the Bank's share capital as at 31 December 2022. The percentage of capital retained by other sectors increased from 22.13% to 24.41% for corporations; decreased from 8.87% to 6.81% for banks/financial institutions (banks, funds, insurers, pension etc.) and slightly increased for retail investors from 34.55% to 34.90% as at 31 December 2022.



Graph (2): Evolution of shareholder base by category
(Analysis of our share registers with the Qatar Central Securities Depository)

While the percentage of shares retained by retail investors slightly increased, the total number of shareholders continued to decrease in 2022.



Graph (3): Number of shareholders
(Analysis of our share registers with the Qatar Central Securities Depository)

5.1.2 Major Shareholders

As at 31 December 2022, MAR had 3 major shareholders who own 5% or more of the Bank's share capital. Qatar Investment Authority (QIA), our largest shareholder, remained unchanged at 20.60% as at 31 December 2022. It holds the shares indirectly through its fully owned company, Qatar Holding LLC, and other related government entities. Armed Forces Investment Portfolio in the Bank's share capital slightly decreased YOY from 7.55% as at end of 2021 to 7.51% as at 31 December 2022. It remained our second largest shareholder. The Pension Fund, General Retirement and Social Insurance Authority (including civil and military funds) holds 5.61% of the Bank's share capital as at 31 December 2022.

MAR's major shareholders held 33.71% of MAR capital as at 31 December 2022.

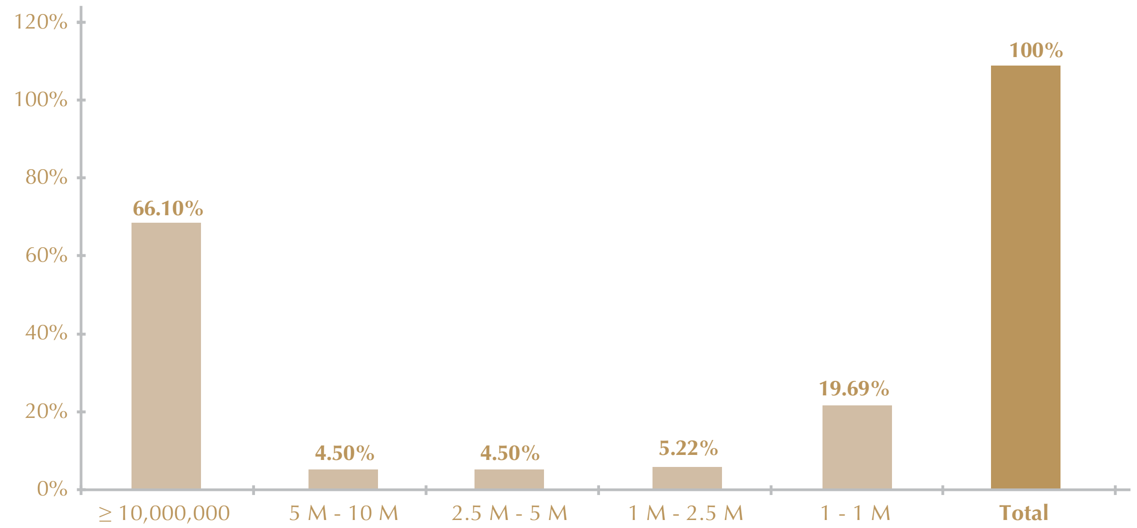
Major Shareholders	Category	Domicile	Shares	Percent
Qatar Investment Authority (QIA)*	Government	Qatar	1,915,632,215	20.60%
Armed Forces Investment Portfolio through Barzan Holding	Government	Qatar	698,574,780	7.51%
Pension Fund-General Retirement and Social Insurance Authority (civil and military funds)	Government	Qatar	521,281,268	5.61%
		Total	**3,135,488,263**	**33.71%**

Table (1): MAR major shareholders as at 31 December 2022
(Extract from our share register with the Qatar Central Securities Depository)

5.1.3 Shareholders' Concentration

On 31 December 2022, 99 investors (holding each 10 million and more of shares) – owned 66.10% of MAR's shares. Out of these 99 shareholders, 37 are private investors, 17 are banks or financial institutions, 38 are corporations, and 7 are Qatar Government entities.

The majority of shareholders are retail investors, holding less than 1,000,000 shares each.



Graph (4): Shareholder concentration per number of shares
(Analysis of our share register with the Qatar Central Securities Depository)

MAR Shareholders			Breakdown							
			Retail		Banks & FIs		Corporations		Qatar Government	
Shares Number	Investors	%	Investors	%	Investors	%	Investors	%	Investors	%
≥ 10,000,000	99	66.10%	37	9.07%	17	5.79%	38	17.44%	7	33.80%
5 M – 10 M	63	4.50%	31	2.09%	7	0.46%	25	1.94%	0	0.00%
2,5 M – 5 M	121	4.50%	59	2.11%	4	0.15%	57	2.18%	1	0.05%
1 M - 2.5 M	324	5.22%	217	3.40%	9	0.16%	96	1.62%	2	0.03%
1 – 1 M	185,162	19.69%	184,624	18.22%	68	0.24%	469	1.23%	1	0.01%
Total	185,769	100%	184,968	34.90%*	105	6.8%*	685	24.41%	11	33.89%

*rounded figures

Table (2): Shareholder concentration per category
(Analysis of our share register with the Qatar Central Securities Depository)

5.1.4 Trading Activity

The monthly average number of transactions on MAR decreased by 25 % in the second half of 2022 (H2 2022) compared to the first half of 2022 (H1 2022). The market/Qatar Stock Exchange monthly average number of transactions decreased by 7% in H2 2022 compared to H1 2022.

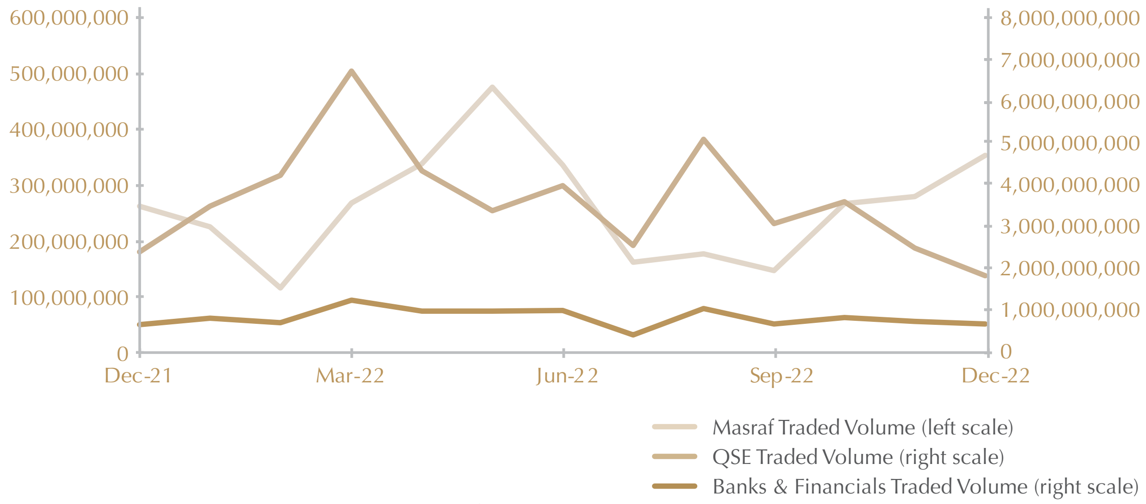
For the Banks and FIs sector, the monthly average number of transactions decreased by 17% in H2 2022 compared to H1 2022.

Average number of transactions during:	Qatar Stock Exchange	Banks & FIs	MAR
H1 2022	357,517	170,167	34,803
H2 2022	330,963	141,252	26,108

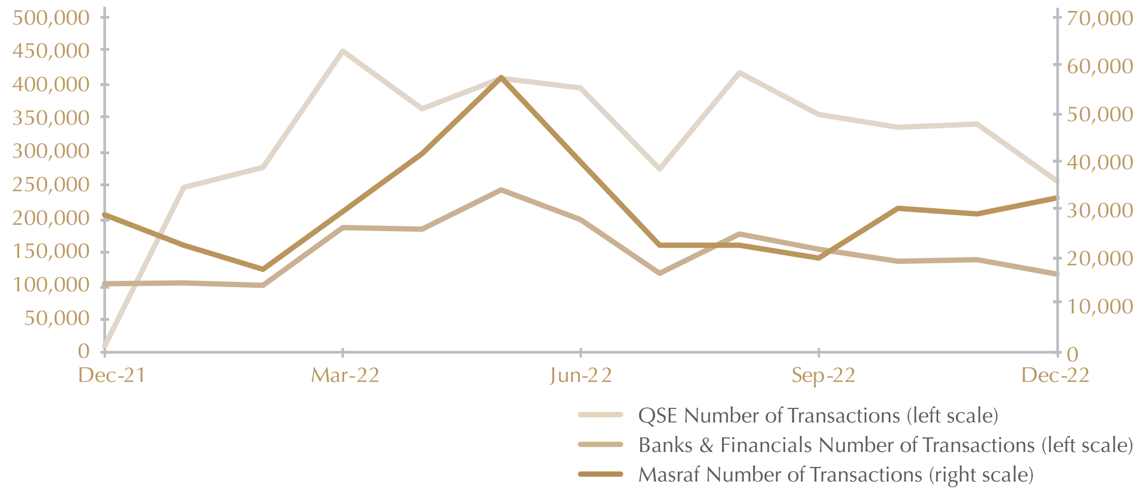
Table (3): Average number of transactions (H1 versus H2 2022)
(Analysis of information provided by the Qatar Stock Exchange)

5.1.5 Trading Volumes

In general, the monthly average of MAR traded volumes increased in H1 especially May 2022 .This trend was similar for the average of QSE and Banks and FIs in March 2022.



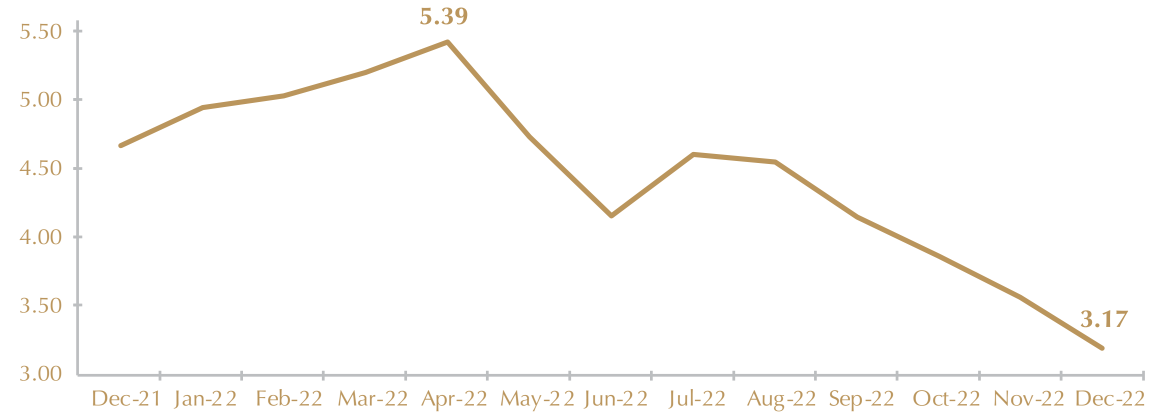
Graph (5): Traded volumes (in number of shares)
(Analysis of information provided by the Qatar Stock Exchange)



Graph (6): Number of transactions
(Analysis of information provided by the Qatar Stock Exchange)

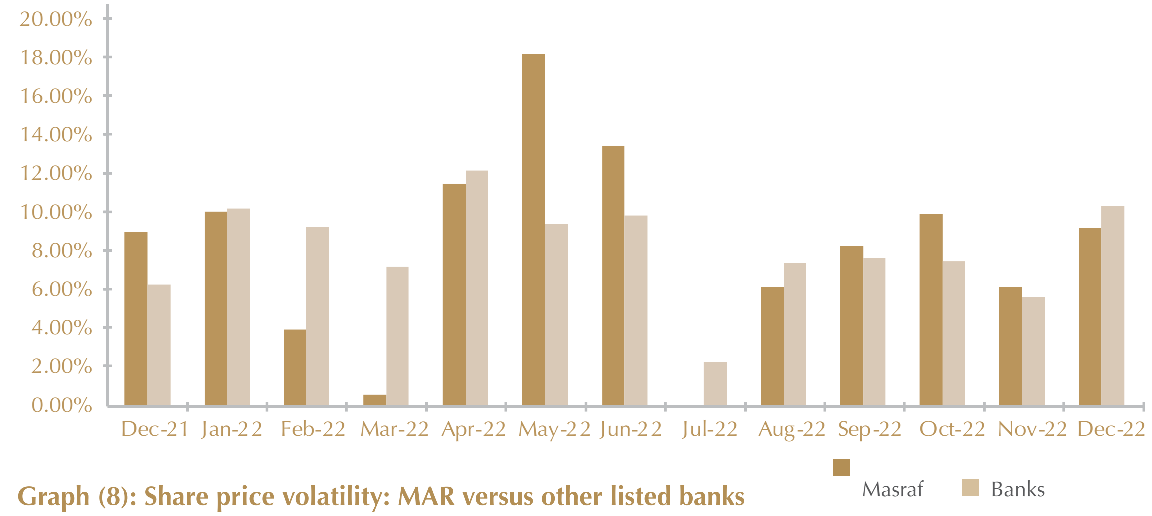
5.1.6 Share Price and Volatility

In 2022, MAR's share price decreased by 31.6% (from QAR 4.64 at end-2021 to QAR 3.17 at end-2022), compared to 6.7% decrease for the QSE Index and 10.7% decrease for the Banks and FIs Index.



Graph (7): MAR share price (December 2021 – December 2022)

Throughout 2022, MAR share price's volatility was inconsistent – in contrary to the average volatility of other banks as in March and July 2022 it was lower than its peers while in May, June and October 2022 it was slightly higher than its peers were.



Graph (8): Share price volatility: MAR versus other listed banks

5.2 Credit Ratings

As per latest rating in 2022, Moody's have affirmed MAR's long term rating as 'A1' and short term rating as P1 with a "stable" outlook.
(1) Strong Government related franchise which provides a solid domestic asset base .
(2) High capitalization .
(3) Solid and stable profitability

However, the above mentioned strengths could be impacted by:
(1) High concentration in assets and liabilities
(2) High reliance on market funds
(3) Weakening in asset quality

5.3 Board of Directors

Below is the composition of the Board for the current mandate (2020-2021-2022) and the statement of shares owned by the directors or by the corporate entities they represent on the Board of MAR as at 31 December 2022:

H.E. Sheikh Mohamed Bin Hamad Bin Qassim Al Thani
Chairman of the Board – Qatari

- Non-Executive and Non-Independent Member*
- Appointed on MAR Board by QIA/Qatar Holding LLC ("QH") on 17 November 2021
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 10,060
- Number of shares held by QIA/QH and its related entities as of 31-Dec-2022: 1,915,632,215 shares

Other positions currently held:

- Minister of Commerce and Industry – State of Qatar
- Board Member of the Supreme Council for Economic Affairs and Investment
- Chairman of the Board of Directors of Qatar Stock Exchange
- Chairman of the Board of Directors of the Advisory Board of the Investment Promotion Agency
- Chairman of the Board of Directors of the Qatar Financial Center Authority
- Board Member, Qatar Investment Authority
- Board Member, Qatar Energy

H.E. Sheikh Hamad Bin Faisal Bin Thani Al Thani
Vice Chairman and Chairman of Board Executive Committee - Qatari

- Executive and Non-Independent Member*
- Represent QIA/Qatar Holding LLC ("QH") on MAR Board since 1 December 2021
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 11,804,051 shares
- Number of shares held by QIA/QH and its related entities as of 31-Dec-2022: 1,915,632,215 shares

Other positions currently held:

- Vice Chairman, Qatari Investors Group
- Board Member, Qatari Businessmen Association
- Board member, Free Zone Authority
- Board Member, Vodafone Qatar

Abdullah Nasser Al Misnad
Board Member – Qatari

- Non-Executive and Independent Member*
- Joined MAR Board on 1 December 2021
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 504,700 shares

Other positions currently held:

- Chairman, Qatari Investors Group
- Chairman, Vodafone Qatar

Turki Mohamed Al-Khater
Board Member – Qatari

- Executive and Non-Independent Member*
- Appointed by General Retirement & Social Insurance Authority ("GRSIA") on MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 436,760 shares
- Number of shares held by GRSIA as of 31-Dec-2022: 457,292,819 shares

Other positions currently held:

- Chairman, General Retirement & Social Insurance Authority, State of Qatar
- Chairman, United Development Company
- Board Member, Ooredoo
- Board Member, Qatar Industries

Nasser Jarallah Saeed Jarallah Al Marri
Board Member - Qatari

- Non-Executive and Non-Independent Member*
- Appointed by Barzan Holding/Qatar's Ministry of Defense on MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 10,580 shares
- Number of shares held by Barzan Holding/Qatar's Ministry of Defense as of 31-Dec-2022: 698,574,780

Other positions currently held:

- Head of Finance Department at Ministry of Defense
- Board Member, United Development Company
- Board Member, Vodafone
- Chairman, Al Rayan Investment LLC

Sheikh Ali bin Jassim Al Thani
Board Member - Qatari

- Executive and Non-Independent Member*
- Elected to MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 83,985,286 shares

Other positions currently held:

- Board Member, Qatar General Insurance & Reinsurance Co.
- QIA, CEO advisor

Sheikh Nasser bin Hamad bin Nasser Al Thani
Board Member – Qatari

- Executive and Non-Independent Member*
- Elected to MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 1,000,000 shares

Other positions currently held:

- Board Member, Ooredoo Oman
- Chief Commercial Officer, Ooredoo

Abdulla Ahmad Al Malki Al Jehani
Board Member - Qatari

- Non-Executive and Non-Independent Member*
- Elected to MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 5,114,475 shares

Other positions currently held:

- Board Member, Qatar General Insurance & Reinsurance Co.

Tamy Ahmad Al-Binali
Board Member – Qatari

- Non-Executive and Independent Member*
- Elected to MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 476.830 shares

Other positions currently held:

- Assistant to the President for Support Services – State Audit Bureau (Assistant Undersecretary)

Mohammed Ibrahim Al-Abdullah
Board Member – Qatari

- Non-Executive and Independent Member*
- Elected to MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

Other positions currently held:

- Board Member/MD, Muntajat
- Board Member Muntajat Netherlands, China, India and Vietnam

Dr. Abdulrahman Mohammed Al-Khayarin
Board Member – Qatari

- Non-Executive and Independent Member*
- Elected to MAR Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-200: 1.008.240 shares

Other positions currently held:

- Board Member, Barwa Real Estate

** Note: Executive Directors are defined in accordance with QCB Corporate Governance Circular 25 of 2022. Independent and Non-Executive Directors are defined in accordance with QFMA Corporate Governance Code No. 5 of 2016 and QCB Corporate Governance regulations applicable at the last Board elections on 18 March 2020 when the IND were elected; In case of conflict, QCB regulations were implemented.*

5.4 Board Committees

The Board delegated part of its duties to a number of committees: Executive Committee (EXCOB), Audit Committee (ACB), Compliance and Risk Committee (CRC) as well as the Corporate Governance, Nomination and Remuneration Committee (CGNRC).

Executive Committee of the Board (EXCOB)
EXCOB is a major Committee of the Board and is in charge of:

- Reviewing the main functions of the Board of Directors and formulate recommendations to the Board, as necessary and applicable
- Reviewing the Bank's strategy and formulate recommendations to the Board, as necessary and applicable
- Overseeing the Bank's activities and formulate recommendations to the Board, as necessary and applicable
- Discussing and approving the issues that fall within the remit of the Board of Directors or those that arise between the Meetings of the Board
- Approving financings and investments within its delegated authorities
- Overseeing the Bank's investment portfolio and formulate and formulate recommendations to the Board, as necessary and applicable
- Approving new or revised policies that fall outside the remit of other Board committees

The Committee comprises 4 members chaired by HE Sheikh Hamad Bin Faisal Bin Thani Al Thani. The three other members are: HE Turki Al Khater, Sheikh Ali Bin Jassim Al Thani and Sheikh Nasser Bin Hamad Al Thani. The Chairperson and all members of the Committee are considered executive directors (EXDs) according to QCB definition of EXD. The Committee shall meet as and when required according to its TORs. In 2022, the Committee held 5 meetings and issued a number of resolutions by circulation.

To check the attendance records of the Committee's members, please refer to section 5.5 entitled "Meetings and Attendance" below. The Board has approved terms of reference (TORs) for the Committee which clearly defines its roles and responsibilities. Minutes of all meetings of the Committee are drafted and properly maintained in the company's records. The TORs are available and accessible on MAR website (www.alrayan.com).

In every Board meeting, the Chairperson of the Committee presents a summary report on the Committee's main activities and decisions to the full Board for endorsement. In 2022, the Board of Directors endorsed all resolutions and recommendations of the Committee.

Below are the main activities and decisions of the Committee in 2022:

- Discuss and approve or recommend for Board approval credits and financings
- Review various activities of the Bank and its business and make recommendations to the Board of Directors as appropriate
- Discuss and follow-up the Bank's legal cases initiated against defaulting customers and take necessary actions

Audit Committee (ACB)
The Audit Committee is delegated by the Board to review and monitor the integrity of the financial statements and financial reporting, the internal control systems and related risks, financial control and accounting systems, audit responsibilities and internal and external audit matters.

The Audit Committee comprises 3 members chaired by an Independent Non-executive director Mr. Tami Al Binali. The two other members are: Mr. Nasser Jarallah Al Marri (NED and Non IND) and Mr. Abdulla Al Malki (NED and Non IND). All members have extensive financial and audit experience. Upon the merger, the Board restructured all its committees including the Audit Committee whereas the Board made sure all ACB members are NEDs. The Board current term expires in 2022. In its new term of 2023-2024-2025, the Board will aim to form an Audit Committee with majority of its members from INDs to ensure ongoing compliance with the relevant laws and regulations of the QFMA and other regulators of the Bank.

The Committee shall hold at least 6 meetings a year as per its TOR. In 2022, the Committee held seven meetings.

To check the attendance records of the Committee's members, please refer to section 5.5 entitled "Meetings and Attendance" below. The Board has approved terms of reference (TORs) for the Audit Committee which clearly defines its roles and responsibilities. Minutes of all meetings of the Committee are drafted and properly maintained in the company's records. The TORs are available and accessible on MAR website (www.alrayan.com).

During its regular meetings in 2022, the Committee considered and discussed matters related to the internal control system and relevant risks with Senior Management and took appropriate actions towards enhancing the controls and addressing weaknesses, if any. The Committee also met with the external auditors to discuss the quarterly and end-of-year financials and with the internal auditors to discuss and consider the main topics related to internal control and relevant risks. On-going coordination takes place between Internal Audit and the Bank's External Auditors in all audit-related matters including, but not limited to, the coordination in preparing the External Auditor's Management Letter presented to the Board/Audit Committee. Coordination between ACB and CRC takes place amongst the members of both committees during the Board meetings or through communications between the chairpersons of both committees to cooperate in overseeing the risk and internal control management procedures.

In every Board meeting, the Chairperson of the Audit Committee presents a summary report on the Committee's main activities and decisions to the full Board for endorsement. In 2022, the Board of Directors endorsed all resolutions and recommendations of the Committee.

Below are the main activities and decisions of the Audit Committee in 2022:

- Review and discuss the External Auditor's reports on internal control, the quarterly and EOY financials for 2022 including the Management Letter
- Review and recommend for Board approval the quarterly and EOY consolidated financials for 2022
- Review and discuss Internal Control over Financial Reporting
- Review and adopt the Engagement Letter with External Auditors for 2022 based on the mandate from the General Meeting
- Review and approve the External Audit Plan for 2022
- Review and discuss the periodic and annual internal audit reports on internal control system and internal audit activities and take necessary remedial actions where applicable
- Review and approve the risk assessment methodology based on which the IA Plan 2022 is developed
- Approve the internal audit plan and strategy for 2022
- Review and discuss the proposals from external auditing firms and recommend to the Board the External Auditor for 2023
- Review and approve a number of accounting and auditing policies
- Review and recommend for Board approval certain Bank's policies other than accounting policies at the request of the Board
- Review the Purchase Price Allocation exercise and the goodwill resulting from the merger with Al Khaliji Commercial Bank (al khaliji) QPSC and make necessary recommendations to the Board
- Review the internal audit annual disclosures on conflict of interest
- Review and discuss the 2022 provisions and recoveries
- Conduct the independent annual performance review of the Group Head of Internal Audit
- Conduct the consolidated oversight over internal audit matters at subsidiaries' level

Compliance and Risk Committee (CRC)
The CRC is a committee of the Board formed for the purpose of assisting the Board in fulfilling its oversight responsibilities in assessing and managing the various types of risk to which the Bank is exposed as well as approving risk framework, risk appetite, risk strategies and risk policies of the organization.

The Committee also oversees compliance with all applicable regulatory and internal policy requirements, ensure that effective and appropriate measures are defined and implemented to promote good compliance culture, comply with regulatory requirements, prevent money laundering and financing of terrorism, prevent fraud and conflicts of interest, set forth a Group compliance framework and policies, criteria and control mechanisms.

The CRC is chaired by Mr. Turki Al Khater (EXD) and comprises 2 other Independent members of the Board: Mr. Mohamed Al Abdulla (IND) and Mr. Abdulrahman Al Khayareen (IND). The Committee shall hold at least 4 meetings a year as per its TOR. In 2022, the Committee held 4 meetings.

The Group CEO, Group Chief Risk Officer and the Group Head of Compliance regularly attend the Committee meetings and submit their periodic reports for review and discussion.

To check the attendance records of the Committee's members, please refer to section 5.5 entitled "Meetings and Attendance" below. The Board has approved terms of reference (TORs) for the Compliance and Risk Committee which clearly defines its roles and responsibilities. Minutes of all meetings of the Committee are drafted and properly maintained in the company's records. The TORs are available and accessible on MAR website (www. alrayan.com).

In every Board meeting, the Chairperson of the CRC presents a summary report on the Committee's main activities and decisions to the full Board for endorsement. In 2022, the Board of Directors endorsed all resolutions and recommendations of the CRC. Coordination between ACB and CRC takes place amongst the members of both committees during the Board meetings or through communications between the chairpersons of both committees to cooperate in overseeing the risk and internal control management procedures.

Below are the main activities and decisions of the CRC in 2022:

- Review and discuss the periodic and annual Compliance reports and take necessary remedial actions, where applicable
- Review and discuss the periodic and annual AML/CFT reports and take necessary remedial actions, where applicable
- Review and discuss regulatory ratios and breaches and take necessary remedial actions, where applicable
- Consider and approve the Annual Compliance and AML plan and strategy
- Endorse engagements with Politically Exposed Persons (PEPs)
- Review, discuss and endorse periodic risk reports including, but not limited to, risk appetite, credit portfolio developments, provisioning and ECLs, NPLs, operational risk, market risk, li-quidity risk, security risk, Business Continuity Management and take necessary remedial ac-tions where applicable
- Review and approve a number of write-offs as per its delegated authorities
- Review and approve the stress testing results for QCB submission
- Oversee the 2022 Capital Plan and ICAAP submissions exercise
- Review and endorse the annual review of the Group Country Limits
- Review and discuss all legal and regulatory developments and take necessary actions where applicable
- Review, update and approve risk policies and Compliance and AML policies
- Conduct the consolidated oversight over risk and compliance/AML matters at subsidiaries' level
- Conduct the independent annual performance review of the Group Chief Risk Officer and Group Head of Compliance

Corporate Governance, Nomination and Remuneration Committee (CGNRC)
The Board established the Corporate Governance, Nomination and Remuneration Committee to be in charge of all HR related matters including remuneration and incentives schemes and the Corporate Governance of the Bank. The Committee members are all INDs and NEDs and is chaired by HE Abdulla Al Misnad (IND) and comprises 2 other members: Mr. Mohamed Al Abdulla (NED & IND) and Mr. Abdulrahman Al Khayareen (IND & NED). The Committee shall hold 2 meetings at least a year as per its TORs. The CGNRC met twice in 2022.

To check the attendance records of the Committee's members, please refer to section 5.5 entitled "Meetings and Attendance" below. The Board has approved terms of reference (TORs) for the CGNRC which clearly defines its roles and responsibilities. Minutes of all meetings of the Committee are drafted and properly maintained in the company's records. The TORs are available and accessible on MAR website (www.alrayan.com).

In every Board meeting, the Chairperson of the CGNRC presents a summary report on the Committee's main activities and decisions to the full Board for endorsement. In 2022, the Board of Directors endorsed all resolutions and recommendations of the CGNRC.

Below are the main activities and decisions of the CGNRC in 2022:

- Review and confirm the annual Balanced Scorecard results
- Conduct the annual review of Group Incentives and Bonus Methodology for 2022 and rec-ommend the Group Annual Bonus pool for Board approval
- Review and approve various HR and governance policies
- Recommend appointments at Senior Management levels for Board approval
- Conduct the annual performance assessment of the Board and its committees
- Conduct the annual review of Independent directors
- Conduct the annual review of the Board Remuneration policy and recommend Board remu-nerations for Board to recommend the same to the General Meeting
- Recommend annual remuneration of SSB members for Board and General Meeting
- Develop and recommend the annual Corporate Governance Report for Board approval
- Review and adopt the list of insiders
- Review and approve the Staff Loan Policy
- Review and discuss the external Auditor's Independent Assurance report on MAR Corporate Governance and take necessary actions, as applicable
- Review and update the Board Election and Nomination Policy
- Open the Board nominations for the next mandate (2023-2024-2025) and the oversee the process
- Open the Sharia Supervisory Board nominations for the next mandate (2023-2024-2025), oversee the process and make necessary recommendations to the Board

5.5 Meetings and Attendance

All Board members put their knowledge and skills at the service of the Bank and dedicate sufficient time for their work in the Board. This is proven through the directors' regular attendance of the meetings.

Also, the Chairman and the directors including the chairpersons of the Board committees attend and participate in the General Meetings to consider and respond to the queries of the shareholders. In 2022, a total of 6 Board meetings were held within an average duration of 3 hours. Below are the details of the Board and committees' meetings held in 2022 and the attendance sheet:

Forum	Board of Directors	EXCOB	CGNRC	ACB	CRC
Number and date of Meeting / Attendance	**6 Meetings in 2022:** • 27 January 2022 • 27 April 2022 • 21 July 2022 • 19 September 2022 • 25 October 2022 • 11 December 2022	**5 Meetings in 2022** • 24 March 2022 • 10 April 2022 • 26 June 2022 • 9 October 2022 • 7 September 2022	**2 Meetings in 2022** • 26 January 2022 • 24 October 2022	**7 Meetings in 2022** • 27 January 2022 • 8 March 2022 • 27 April 2022 • 21 July 2022 • 19 September 2022 • 25 October 2022 • 11 December 2022	**4 Meetings in 2022** • 24 January 2022 • 24 April 2022 • 20 July 2022 • 24 October 2022
Sheikh Mohamed Bin Hamad Bin Qassim Al Thani - Chairman	5/6	N/A	N/A	N/A	N/A
Sheikh Hamad Bin Faisal Bin Thani Al Thani - Vice Chairman	6/6	5/5	N/A	N/A	N/A
Abdulla Bin Nasser Al Misnad	3/6	N/A	2/2	N/A	N/A
Turki Al Khater	5/6	3/5	N/A	N/A	4/4
Sheikh Ali Bin Jassim Al Thani	6/6	5/5	N/A	N/A	N/A
Abdulla Ahmed Al Malki Al Jehani	6/6	N/A	N/A	7/7	N/A
Nasser Jarallah AL Marri	6/6	N/A	N/A	7/7	N/A
Sheikh Nasser Bin Hamad Al Thani	5/6	5/5	N/A	N/A	N/A
Tami Al Binali	6/6	N/A	N/A	7/7	N/A
Mohamed Al Abdulla	6/6	N/A	2/2	N/A	4/4
Abdulrahman Al Khayareen	6/6	N/A	2/2	N/A	4/4

5.6 Senior Management and Management Committees

5.6.1 The Management Team

MAR Board appoints the Group Chief Executive Officer and all other members of senior management reporting directly to GCEO or to the Board, as applicable. The Group Chief Executive Officer is accountable for executing MAR strategy and running the business on a day-to-day basis. The Group CEO reports directly to the Board and keeps the Board fully informed of all key aspects of business performance. The Group CEO is supported by a Management team with extensive background in banking and financial matters in addition to management committees with defined roles and responsibilities. The main activities and achievements of the Management team in 2022 are disclosed under the respective sections of various departments and units of the Bank in the Annual Report that form an integral part of the Report herein.

Below are the members of MAR Senior Management as at 31 December 2022:

Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 56.060 shares

Other positions currently held:

- Board member, Al Rayan Bank UK
- Board member- Al Khaliji France
- Board Member, QFBA

Hamad Al Kubaisi
Group Chief Human Resources Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 4700 shares

Other positions currently held: None

Omar Al Emadi
Group Chief Risk Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

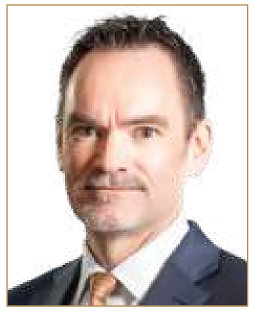
Other positions currently held: None

Mohammed Al Emadi
Group Chief Business Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 42.720 shares

Other positions currently held:

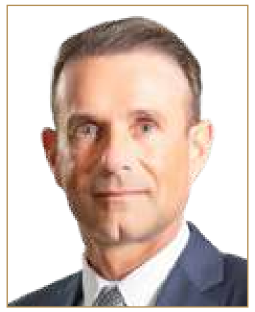
- Board member, Qatar Academy Doha (Qatar Foundation)
- Member, Qatar Chamber of Commerce – Banks and Investment Committee



Stuart Rennie
Group Chief Operating Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

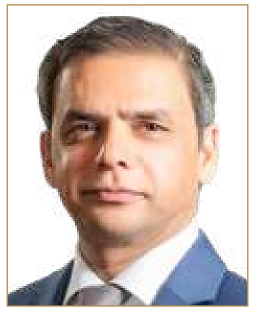
Other positions currently held: None



Ronan Dodgson
Acting Group Chief Finance Officer
AGM, Strategy and Projects

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

Other positions currently held: None



Tahir Pirzada
GM - Group Treasurer & Financial Institutions

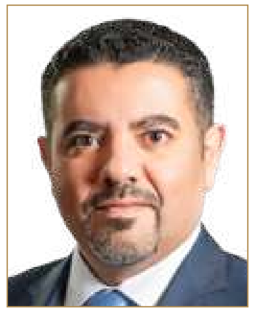
Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

Other positions currently held: None

Eman Al Naemi
AGM Corporate Communications

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 40,700 shares

Other positions currently held: None



Mutaz Dana
GM - Group Compliance and AML

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

Other positions currently held: None

Adel Ayad Fayez Attia
GM - Group Internal Audit

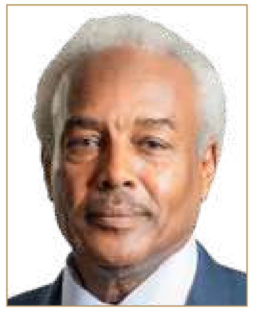
Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

Other positions currently held: None

Fawzi Siam
AGM - Sharia Audit

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

Other positions currently held: None



Abdelmonem El Hassan
GM - Group Legal Counsel

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2022: 0 shares

Other positions currently held: None

5.6.2 Management Committees

There are several management Committees as follows:

a) Senior Management Executive Committee (EXCOM): EXCOM supports the Group CEO and the Senior Management in decision-making, reviewing developments within the businesses, managing the day-to-day operations of the Bank, discussing matters of Group strategy and formulating recommendations for the Board or relevant Board committees.

b) Group Asset, Liability and Capital Committee (GALCCO): It supports the Group CEO and the Senior Management in managing and optimizing the asset, liability, and capital structure of Group within the approved risk and operational boundaries articulated in the group policies.

c) Credit and Investment Committee (CIC): It approves credits, investments and product pro-grams as per the credit approval authorities delegated by the Board or the relevant Board committees.

d) Group Risk Committee (GRC): in charge of maintaining effective governance and oversight of risk related developments and performance, monitoring the enforcement of the internal control framework, monitoring the implementation of the business continuity plan and making appropriate decisions and recommendations to help reduce operational risk, and enhance its value contribution.

e) Security Steering Committee (SSC): maintains effective governance and oversight of securi-ty related matters.

f) IT Steering Committee (ITSC): maintains effective governance and oversight of IT related matters.

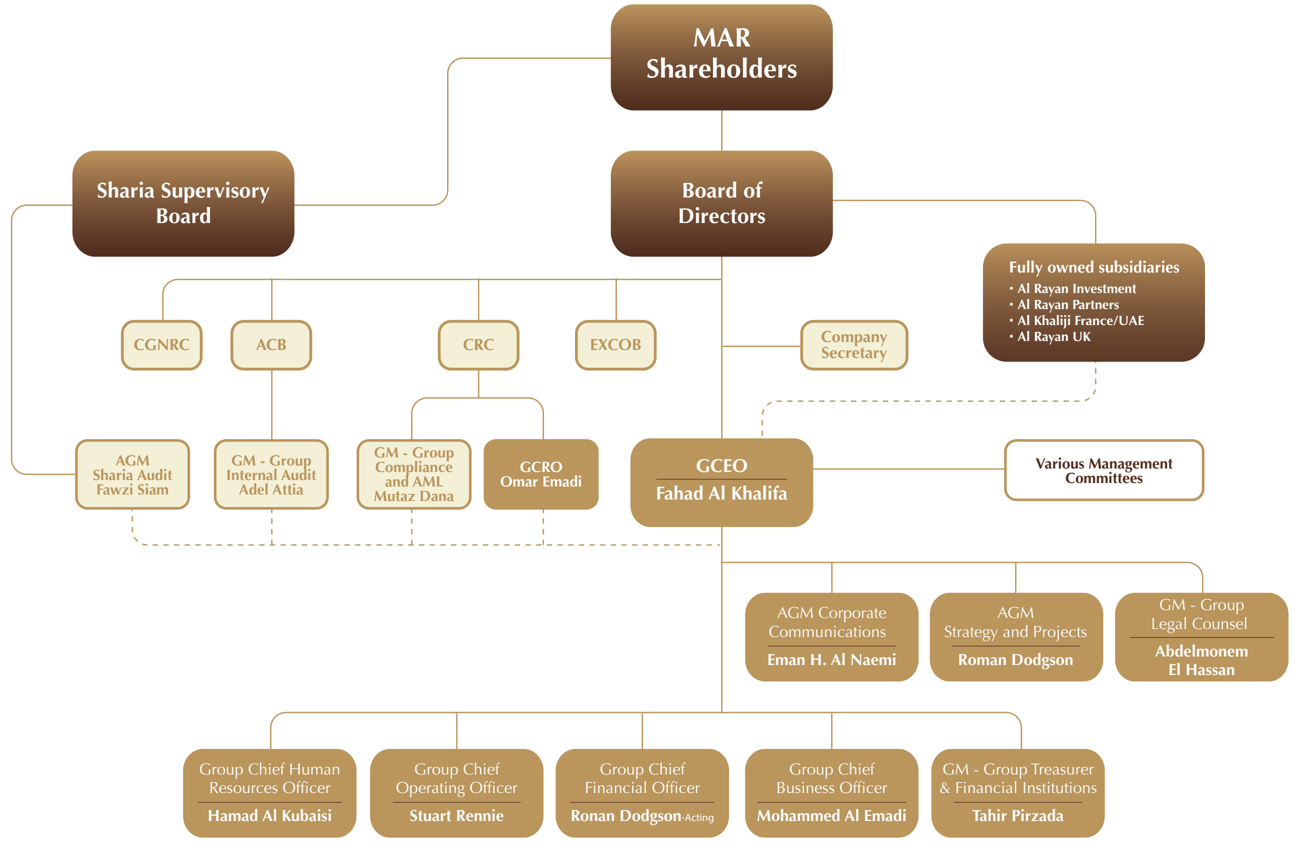
g) Group Special Investigation Committee (GSIC): created as an independent advisory and recommending body to assist GCEO/EXCOM in responding to events of impropriety and fraud incidents.

h) Group Tender Committee (GTC): oversee the procurement and tendering processes launched by the Bank

i) ESG Committee (ESGC): is a committee formed by GCEO for the purpose of managing the implementation of the ESG Framework

Full governance structure can be checked in the Group Organizational Chart below

5.7 Group Organizational Chart



5.8 Incentives and Remunerations

Board Remuneration Policy

Below is the policy that determines the basis and method of granting Board remunerations that we present herein for the General Meeting re-endorsement as part of this Report noting that no material changes occurred to the policy since last year's report:

1. Board remunerations shall conform with market practice, consider the long term objectives of the organization and be cognizant of risk;
2. Board remunerations must be based on the outcome of the Board performance assessment exercise without any kind of discrimination whatsoever vis-à-vis the race, religion, gender or otherwise;
3. Board remuneration comprises the annual bonus and the sitting fees of the Board and com-mittees' meetings. It must be compliant with all relevant applicable laws and regulations
4. The Board shall set a policy for attendance fees and expenses related to the Board. Attend-ance fees may be paid immediately upon the conclusion of each meeting subject to the thresholds set forth under point 5 below. No attendance fees shall be paid for Board mem-bers attending through proxies. The total of attendance fees paid to the Chairman and Board members during a fiscal year must be presented to the General Meeting for endorsement in accordance with point 7 below. In the event where the General Meeting does not endorse the attendance fees for the full Board or for a specific member, the full Board or that specific member, as applicable, shall be obliged to pay back to the Bank the attendance fees they received throughout the year;
5. The total amounts received by each director including annual bonus, sitting fees and ex-penses shall not exceed QAR 2 million per single director per year in accordance with the rel-evant regulations by QCB. In all events, the total remunerations for all Board members shall not exceed 5% of the Bank's net profit after deduction of depreciation, reserves, and distribu-tion of dividends of no less than 5% of the share capital;
6. The Corporate Governance, Nomination and Remuneration Committee shall conduct an an-nual performance assessment for the Board and its committees. Based on the assessment outcome, the Committee determines the remuneration amounts based on the principles of the said policy and recommend the same to the full Board. The Chairman of the Board shall have the casting vote in case of any dispute or conflict that may arise as a result of this exer-cise;
7. The total amount of Board remunerations including annual bonus and sitting fees determined in accordance with the afore-mentioned principles must be presented to the Annual General Meeting for approval;
8. Approved Board remunerations must only be disbursed upon obtaining QCB No Objection;
9. Payments to directors representing corporate entities on the Board will be made directly to the account of the corporate entity represented on the Board and not to its individual repre-sentative unless a No Objection Letter is received from that corporate entity;
10. Board remunerations must be disclosed in the audited financial statements. All amounts re-ceived by Board members, including, but not limited to, the proposed annual bonus, the sitting fees, the expenses or otherwise, must be disclosed in the Directors' Remuneration, Publicity Fees And Donations Report prepared in accordance with Article (122) of the Com-panies Law No (11) of 2015 as amended by Law No. (8) of 2021 and Article (39) of the Bank's AoA, signed by the Chairman, the Vice Chairman and the External Auditors, and ready for shareholders inspection at least one week prior to the scheduled date of the Annu-al General Meeting;
11. In the event where no sufficient profits are achieved in a specific year to distribute dividends or in case of loss, the General Meeting will decide whether or not to grant remunerations to the Board in accordance with the law and subject to necessary regulatory approvals; and
12. This policy must be presented on a yearly basis to the Annual General Meeting to be re-confirmed in its current form or to be amended where applicable

Proposed Board Remunerations for 2022

The Board made a proposal for Board annual remunerations based on the afore-mentioned policy. To check the total Board remunerations proposed for 2022, please refer to EY Financial Statements as of 31 December 2022 under note (38) entitled "remuneration to Board including meeting allowance" published at the very end of the Annual Report enclosed to the Report herein. Such financials are pending the endorsement of the Annual General Meeting to which the Report herein is addressed.

Shareholders may check the Director Fees Report detailing all amounts received by the directors including proposed 2022 remunerations prepared in accordance with Article (122) of the Commercial Companies Law and Article (39) of the Bank's Articles of Association one week before the Annual General Meeting in the Corporate Secretariat office on the 23rdfloor of MAR head office in MAR Tower, 69 Al Add Al Sharqi Street, Marina 40, Lusail City, Doha, Qatar. In order to be able to check the Director Fees Report, shareholders must produce an updated account statement of their shares from Qatar Stock Exchange/Qatar Central Securities Depository dated no more than one week together with a copy of their IDs (in case the shareholder is a natural person) or copy of the Commercial Registration (CR), Corporate Card and an authorization letter signed by an authorized signatory on the CR and on the Corporate Card (in case the shareholder is a legal person).

Senior Management and Employees Remuneration and Incentives Policy

Below is the policy that determines the basis and method of granting incentives and remunerations to the Senior Management and employees of MAR that we present herein for the General Meeting re-endorsement as part of this Report noting that no material changes occurred to the policy since last year's report:

1. MAR employee remuneration package is comprised of four primary elements viz. basic salary, allowances, benefits and a performance bonus;
2. The basic salary, allowances and benefits are determined in accordance with market practic-es to ensure they are fit for purpose, competitive and compliant with regulatory/legal devel-opments;
3. The performance bonus is discretionary and, if merited, is paid on an annual basis in arrears. It considers the long term objectives of the organization, is cognizant of risk and must be purely dependent on the collective and individual performance without any kind of discrimina-tion whatsoever vis-à-vis the race, religion, gender or otherwise;
4. The Performance Bonus, which is calendar based, is calculated with reference to a pre-scribed methodology based on principles set by the Corporate Governance, Nomination and Remuneration Committee of the Board as advised, when needed, by independent industry experts. The methodology sets a percentage between 1% to 6.5% of net income, depending on the final score achieved Bank-wise in the Balanced Scorecard, to be distributed as annual remunerations to the Banks employees and senior management members. The main princi-ple is a top down meritocracy-based model where the individual payout is determined by the employees' performance assessment, their Departmental contribution and the Bank's achievements during the year;
5. A Balanced Score Card (BSC) approach is utilized to gauge the achievement of the Bank and division. It sets goals and targets that must balance between projected revenues and the risks accompanying the revenues generated while maintaining compliance with internal controls and regulatory requirements;
6. At the start of each year the Board sets a series of financial and non-financial objectives for the organization which are outlined in a BSC. This forms the driver for department level scorecards, the goals of the GCEO, and each Senior

Management member and staff mem-ber in the Bank and distills such goals into measurable key performance indicators;

7. The Bank's BSC objectives are carefully tracked and progress reports are periodically submit-ted to the Board. At year-end the results are subject to verification by internal audit;
8. The audited results, and proposed bonus pool, are presented to the Corporate Governance, Nomination and Remuneration Committee (CGNRC) for consideration and recommendation for Board final approval;
9. Individual payouts are subject to review and approval of the Department Head, Group Chief HR Officer, GCEO and Chairman as appropriate;
10. An employee's bonus is pro-rated based on the duration of their employment during the cal-endar year. Claw-back provisions apply where an employee resigns, or ceases to be em-ployed by the company, before the period of bonus calculation and or within a specific time-period following the bonus payment;
11. The performance bonus for members of Senior Management must be disbursed upon obtain-ing QCB No Objection only;
12. The Bank's compensation philosophy, scheme design, and absolute outlay shall be evaluat-ed by the Board/CGNRC at each year-end or whenever needed to ensure it remains fit for purpose, competitive and compliant with regulatory/legal developments. The Committee may seek the assistance of an external consultant in this exercise;
13. Senior Management compensations must be disclosed in the audited financial statements; and
14. The policy herein must be presented on a yearly basis to the Annual General Meeting to be re-confirmed in its current form or to be amended where applicable

Proposed Senior Management Remunerations for 2022:
The Board approved remunerations for Senior Management members based on the afore-mentioned policy. To check the total Senior Management remunerations for 2022, please refer to EY Financial Statements as of 31 December 2022 under note (38) entitled "salaries and other benefits- key man-agement" published at the very end of the Annual Report enclosed to this report herein. Such finan-cials are pending the endorsement of the Annual General Meeting to which the Report herein is ad-dressed.

5.9 Internal Control and Risk Management

Internal controls form an integral part of MAR's business and support functions' processes. The Board of Directors has the overall and ultimate responsibility to maintain sound internal controls and to review their effectiveness. On an on-going basis, Internal Control is a critical responsibility undertaken by MAR management and staff, and includes the implementation of appropriate policies, procedures, segregation and delegation of duties, and the periodic assessment of controls to manage enterprise-wide risks. To this end, an internal control and risk management system has been established for the purpose of protecting MAR's business and operations against abusive conduct, fraud, and inefficiency; ensuring accuracy and reliability in accounting and operations; securing compliance with the regulations and MAR approved policies; and evaluating the level of performance in all functions and units of the Bank and its subsidiaries.

Key components of Internal Controls

1. Audit Committee of the Board fully independent from senior management
2. Sharia Supervisory Board (SSB) appointed by the General Meeting
3. An independent Internal Audit function which reports directly to the Audit Committee of the Board
4. Other internal control functions including: (1) The Compliance and Anti Money Laundering departments which report directly into the Compliance and Risk Committee of the Board; (2) the Group Risk department which report directly into the Compliance and Risk Committee of the Board; (3) the Legal department; and (4) the Sharia Audit department that reports directly to the SSB
5. An independent Assurance Report to the shareholders, as mandated by QFMA, on effec-tiveness of design and operation of internal controls over financial reporting and compliance with corporate governance regulations
6. A dedicated Financial Planning and Control unit
7. Periodic reports to the Audit Committee by Internal Audit of the status of audit matters
8. Periodic reports to the Compliance and Risk Committee of the Board by Compliance and Risk departments on risk and compliance matters
9. An independent report from SSB to General Meeting on compliance with Sharia principles
10. Bank's Policies approved by the Board of Directors
11. Monthly report to the Group CEO on the status of the internal control matters
12. Standard Operating Procedures approved by the Senior Management
13. Delegation of Authority Matrix and Policy approved by the Board of Directors
14. Dual signatories required for significant and critical transactions
15. Approved organization charts for each function and enforcement of appropriate segregation of duties
16. Centralized Core Banking System that enhances controls' environment
17. Identification of Key Risks Indicators (KRIs)
18. Business Continuity Plan and periodic testing of the Plan
19. Internal plans and policies for In-house Risk Management Function, Compliance Function, Legal Function and Governance Function
20. Proper mechanism for development and revision of policies pre Board approval that ensures policy documents are reviewed by all control functions and controls are embedded into the policies
21. Documented Job Descriptions for all employees

For more details on internal control and risk management, please check the section entitled "Internal Control and Support Functions" in the Annual Report which forms an integral part of this Corporate Governance Report.

5.10 Evaluation of Compliance with Internal Control and Risk Management Frameworks

MAR has an effective and robust Internal Control, Operational Risk Management (ORM) and Compliance Framework designed to identify and manage risk, primarily facilitated by an established and maturing bank-wide control foundation.

The establishment of effective internal controls and ORM to identify and manage risk is primarily the responsibility of management with responsibility of oversight with the Board. Internal Audit undertakes periodic independent assessments of risks and related controls that mitigate risks and submits reports to Management and Board for timely action to ensure mitigation.

The Board of Directors oversees the internal control framework through the Audit Committee, which in turn relies on the Internal Audit function to provide assurance.

A comprehensive internal control framework supports the Bank in achieving the organizational goals and its objectives. The framework ensures that the Bank is in compliance with applicable laws and regulations and that it complements internal strategy, policies and procedures. The existence of such an effective control framework mitigates the risk of potential financial losses or damage to the Bank's strategy and reputation.

The cornerstone of the internal control framework lies within the layered organization structure. Accountability (3 lines of defense) can be defined as such:

- 1st line of defense = Business and Operations – Identifies and reports risks
- 2nd line of defense = Risk Management, Legal and Compliance and Sharia Audit– reviews, assesses, tests and monitors risks
- 3rd line of defense = Internal Audit – scheduled annual evaluation of the corporate gov-ernance, risk management and internal control frameworks

Thus, the previously mentioned important combination of management control and Internal Audit ensures that MAR maintains prudent standards of corporate governance, risk management and internal controls at all times.

According to the evaluations conducted in internal control in 2022, the results show that the processes and mechanisms applicable at internal control and risk management levels are functioning properly and there are no major areas of concern.

5.11 Management's Report on Internal Controls over Financial Reporting

The Board of Directors of MAR and its consolidated subsidiaries (the «Group») is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group›s consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS).

We have conducted an assessment of the design and operating effectiveness of internal controls over financial reporting at the Group level, as of December 31, 2022, based on the framework and the criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission («COSO's Framework»), and the Group›s approved policy on ICOFR.

Deloitte & Touche M. E., an independent registered public accounting firm, has audited and issued a reasonable assurance report on our assessment of ICOFR as of December 31, 2022.

Risks in Financial Reporting
The main risks in financial reporting are that either financial statements do not present a true and fair view due to inadvertent or intentional errors (fraud) or the publication of financial statements is not done on a timely basis. A lack of fair presentation arises when one or more financial statement amounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the financial statements.

To confine those risks of financial reporting, the Group has established a system of ICOFR, based on the COSO Framework and the Group›s approved policy on ICOFR, with the aim of providing reasonable assurance against material misstatements.

COSO recommends the establishment of specific objectives to facilitate the design and evaluate adequacy of a control system.

The COSO Framework includes 17 basic principles, and five components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Key Controls related to ICOFR covering each of the 17 principles and five components have been identified and documented. As a result, the management has adopted the following financial statement objectives:

- Existence/ Occurrence - assets and liabilities exist and transactions have occurred.
- Completeness - all transactions are recorded, account balances are included in the financial statements.
- Valuation/ Measurement - assets, liabilities and transactions are recorded in the financial re-ports at the appropriate amounts.
- Rights and Obligations and ownership - rights and obligations are appropriately recorded as assets and liabilities.
- Presentation and disclosures - classification, disclosure and presentation of financial reporting is appropriate.

However, any internal control system including ICOFR, no matter how well conceived and operated, can provide only reasonable not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICOFR may not prevent all errors and fraud.

Functions Involved in the System of Internal Control over Financial Reporting
Key Controls within the system of ICOFR are performed by all business functions and infrastructure functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of ICOFR involves staff based in various functions across the organization.

Controls to Minimize the Risk of Financial Reporting Misstatement
The system of ICOFR consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and proce-dures or segregation of duties;
- operate on a periodic basis such as those which are performed as part of the annual financial statement preparation process;
- are preventive or detective in nature;
- have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include entity level controls and IT general con-trols such as system access and deployment controls whereas controls with a direct impact could be, for example, a reconciliation which directly support a balance sheet line item;
- feature automated and/or manual components. Automated controls are control functions em-bedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

Assessment of Design, Implementation and Operating Effectiveness of Internal Control
Management assessed the effectiveness of the Group›s internal control over financial reporting as of December 31, 2022, using criteria established in COSO's Framework. The evaluation has included an assessment of key controls within various processes including Treasury, Customer Deposits, Loans and advances, Commission Income and Financial Reporting, as well Entity-level controls, General IT and disclosure Controls.

Based on results of the assessment, the Management concluded that the Group maintained effective Internal Control over Financial Reporting as of December 31, 2022, based on the criteria established in COSO' Framework, and the Group's policy on ICOFR.

5.12 Procedures followed by MAR in addressing Internal Control failures:

The effectiveness and compliance to the control framework is managed through the following Control vehicles:

- RCSA = Risk and Control Self-Assessment (annual self-certification process)
- KRI = Key Risk Indicators (reported within the Quarterly Risk Review Process)
- Incident Management Process
- An independent Internal Audit process

The ongoing monitoring and effectiveness of controls is managed through Operational Risk and periodically and systematically audited by Internal Audit.

The Board of Directors is responsible for ensuring that there is an appropriate control culture bank-wide and oversees the adherence to the framework by all concerned through the regular reports submitted to the Board by the internal control functions (Compliance, Risk, Internal Audit and Sharia Audit).

Senior Management is responsible for coordinating and facilitating the implementation of the control framework and addressing risk related issues.

Senior Management ensures that all controls are functioning effectively at all times and coordinates with the Business, Operations, Support Services, Operational Risk, Compliance, Internal Audit and Sharia Audit, to resolve control weaknesses reported by the control functions in a timely manner.

Internal Audit has continuous involvement in the verification and reporting of the adequacy of the control framework. If Internal Audit identifies control weaknesses through the regular audit process or otherwise, Management will provide Internal Audit with its action plan for mitigation of identified deficiency. Each action plan will have a target due date for resolution and depending on the severity and potential impact of the risk to the organization, the remediation action is prioritized. The progress of the follow up is reported to the Group CEO in a monthly Status Report and the critical items to the Audit Committee bimonthly.

As at 31 December 2022, no failures or weaknesses in the internal control system and no emergencies occurred that had a material adverse impact on the financial position of the Bank.

For more details on internal control and risk management, please check the section entitled "Internal Control and Support Functions" in the Annual Report which forms an integral part of this Corporate Governance Report.

5.13 Violations and Penalties

No violations, breaches or penalties took place in MAR within the meaning of the provisions of Article (4)- clause (2) of the QFMA Code or that may impact the financial position of the Bank as at 31 December 2022.

5.14 Compliance with Listing and Disclosure Rules

In 2022, MAR was fully compliant with all listing and disclosure requirements set forth under the relevant laws and regulations. For details, please refer to section 4.4 entitled "At Transparency and Disclosure Level" above.

5.15 Litigation/Legal Cases

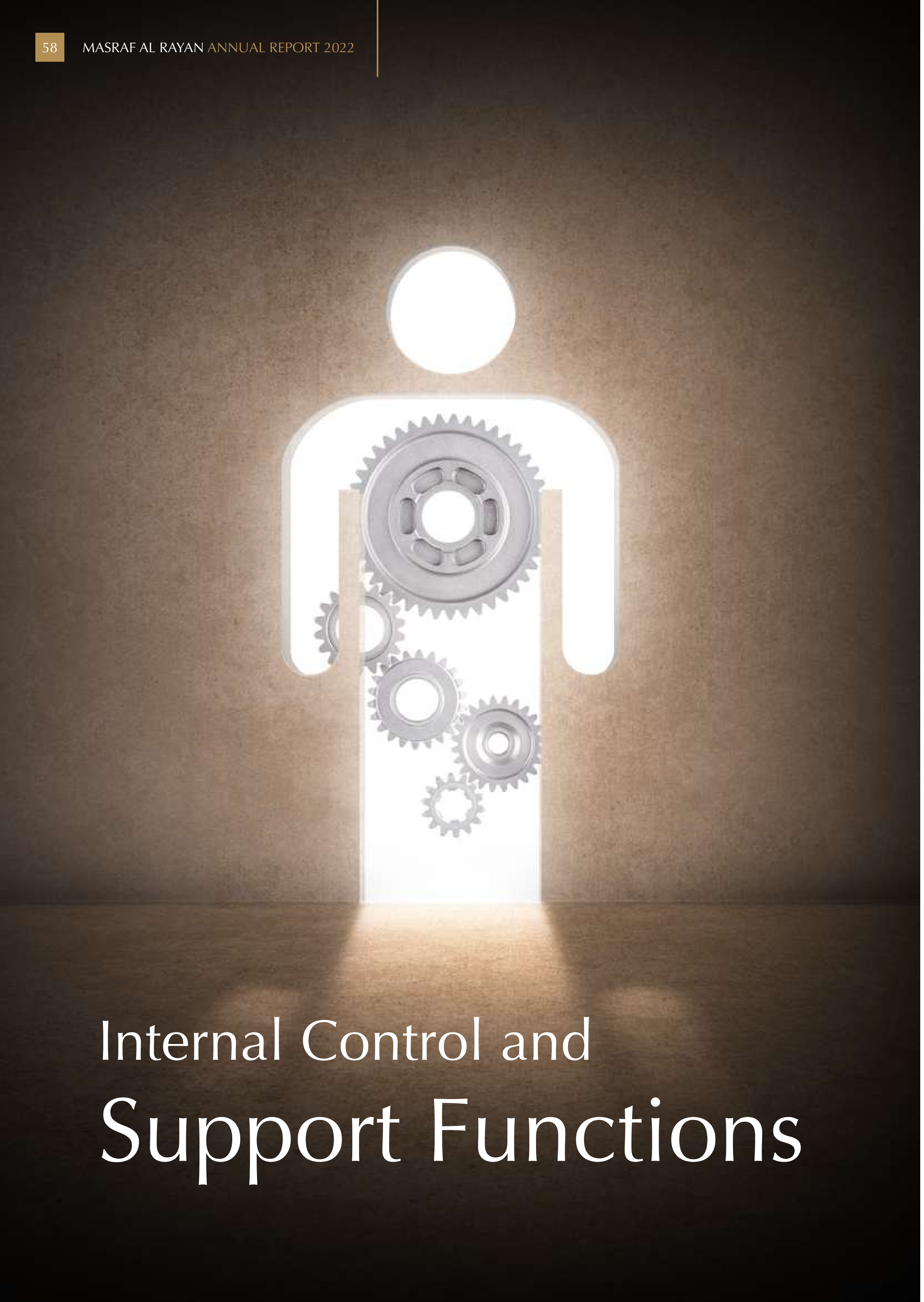
In 2022, no material litigation was initiated against MAR with merit that would impact the financial position of the Bank. However, the Bank has a number of legal cases against certain customers for defaulting on their loans and credit facilities in an attempt to recover its funds and protect its rights and the right of its shareholders and depositors. The said cases are still before the courts. They are dealt with in accordance with the banking secrecy regulations set forth by the Qatar Central Bank.

5.16 Related Party Transactions

Please refer to the paragraph entitled "Conflict of Interest, Transparency and Related Party Transactions" under section 4.4 "At Transparency and Disclosure Level" above.

5.17 Board of Directors Report on assessment of compliance with Governance Regulations

Based on the foregoing and the assessment procedures, the Board of Directors concludes that the Bank is compliant, in all material respects, with the Governance Regulations as at 31 December 2022.



Internal Control and Support Functions

1. Group Internal Audit

The Group Internal Audit (GIA) plays an essential role as a third line of desense in evaluating the effectiveness of risk, control and governance frameworks across the Group, by conducting risk-based audits by highly specialised internal audit teams. The GIA provides an independent and objective assurance to the Board of Directors and the Management on the design and operating effectiveness of the Group's corporate governance, risk management, and internal control frameworks. The GIA continuously promotes the awareness on risks and controls, provides advice on developing control solutions, and monitors corrective actions, thereby safeguarding the Group's assets.

Furthermore, GIA also advises on various business initiatives assumed by the Management. At the request of the Board or the Management, GIA also undertakes special audit engagements, including ad-hoc assignments and investigations. In order to ensure its independence and objectivity, the GIA routinely assesses impairment issues while providing advisory and consulting services to the Board and the Management.

The MAR GIA actively supervises the internal audit functions of all the subsidiaries within the Group. The oversight primarily entails approving the audit plans, reviewing audit works, and reviewing the audit reports before issuance through Internal Quality Assurance team in Qatar (IQA).

Assurance Services

GIA is responsible for independent audit and assurance engagements covering all of the Group's departments, branches, and subsidiaries in all jurisdictions.

Its purpose is to provide an independent assurance service to the Board of Directors through the Audit Committee on the effectiveness of the Group's governance, risk management and control processes.

In compliance with the Qatar Central Bank, Basel and Institute of Internal Audit guidelines, the GIA has developed a Risk-Based-Internal-Audit Approach (RBIA). The RBIA directs the GIA in prioritizing and allocating resources to business areas where they are most required.

The GIA process consists of eight main phases:

1. Annual risk assessment and the development of the annual audit plan.
2. Deliberation and approval of the audit plan by the Audit Committee of the Board.
3. Audit fieldwork.
4. Confirming the factual accuracies of audit deficiencies identified during the fieldwork.
5. Issuing the draft audit report and seeking the management action plans for audit deficiencies.
6. Issuing the final audit report.
7. Deficiency management process.
8. Comprehensive progress reports to the Audit Committee of the Board of Directors during its meetings (minimum six meetings per fiscal year).

Follow-up of audit findings as per the Management Implementation Agreement is a continuous and robust exercise, and an update is regularly communicated to the Audit Committee and the Group's Senior Management reflecting the latest information on open and overdue issues.

As part of the GIA's core process, an Internal Quality Assurance exercise is undertaken over the audit work performed, as well as prior to the issuance of each audit report.

As at 31 December 2022, GIA successfully completed all the audit engagements out of the approved audit plans for MAR Qatar, ARB UK, AKF (France) and AKF (UAE).

Consultancy Services

GIA's regular interaction with the Group Management and the extensive review of various areas across the Group puts us in a unique and valuable position and enables us to help the Group improve its systems and processes through consultancy services.

As at 31 December 2022, GIA provided consultancy services, including ad-hoc assignments and investigations as part of the Group Audit Charter. The nature of consultancy services varies, and the GIA has issued several recommendations to critical functions of the Group on areas and activities that require additional focus and attention ranging from addressing various incidents to covering emerging risks and its impact on the overall Group. As an independent reviewer, GIA also conducts reviews of new and amended policies in a consultant capacity.

When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.

GIA Team

As at 31 December 2022, GIA comprised four specialized audit units, each unit including subject-matter expert auditors with extensive experience in a variety of subjects, i.e., financial crime compliance, operations, and credit review, IT and cybersecurity, corporate governance including technical areas such as risk modelling (credit and market risks), financial reporting. GIA is fully committed on value creation and capacity building for the Group, whilst remaining independent.

GIA is headed by the Group Head of Internal Audit (GHIA), who reports to the Board of Directors through the Audit Committee, ensuring the independence of the audit function across the Group.

GIA Framework

The GIA's conduct and operation are in accordance with the:

- Laws and regulations and international practices including but not limited to, QCB, QFCRA and QFMA rules, Basel and IIA guideline.
- Terms of Reference of the Audit Committee of the Board of Directors.
- Internal Audit Charter approved by the Audit Committee of the Board of Directors.
- Internal Audit Policy and Instructions Manual approved by the Audit Committee of the Board of Directors.

When conducting audits and consultancy engagements in subsidiaries in foreign jurisdictions, GIA considers the rules, regulations and instructions as issued by the regulators of that jurisdictions.

As an independent function, the GIA has adequate authority within the Group, as stipulated by the Internal Audit Charter. The Internal Audit Charter grants the GIA unrestricted access to all records, data, systems, and personnel of the Group for audits and related assignments.

The Group fully adheres to the International Professional Practices Framework (IPPF) and the Code of Ethics issued by the Institute of Internal Auditors (IIA), as well as Basel Committee recommendations and other leading standards.

Future Outlook

Due to recent advancements in the technology, changing risks and increased transaction volume and more focus on customer experience, the GIA will be focusing on emerging and systemic risks that may have impact on the performance of the Group and keep the Board and Management informed and updated on a timely basis.

GIA will make better use of advancements in technologies as part of its audits. Moreover, GIA will further focus on areas that involve significant Management judgement and assumptions.

Culture

GIA enhances and promotes control awareness and risk culture across the Group. Building an informed risk culture and raising control awareness that will lead to a stronger control environment and less disturbance to the operations of the Group.

The department also believes that stronger transparency results in improved stakeholder confidence and actively encourage Management Self-Identified Issues (MSIIs) throughout all engagements.

In addition, GIA report to the Audit Committee on culture audits for any identified culture findings potentially caused by inadequate actions or behaviour of the management, employees, and audit observations.

GIA and Group Management

Design and implementation of internal control framework is the responsibility of the Management of the Group. GIA, acting as a third line of defence, provides an independent assurance on the effectiveness of the implemented internal control framework. This arrangement, of in-compatible responsibilities, ensures that the Group always remains in control.

2. Group Risk Management

Group Risk Management is fully independent from the commercial lines of business. The Group Chief Risk Officer reports directly to the Board Compliance and Risk Committee and indirectly the Group Chief Executive Officer.

The Group's risk management framework includes a robust set of policies approved by the Board CRC, procedures and supporting documents. The main responsibilities of Group Risk Management are to manage credit & counterparty risk (including credit documentation); market & liquidity risk; information, cyber & physical security risk; enterprise risk; operational risk, business continuity, and fraud risk; and to ensure compliance with risk-related central bank regulations.

Below is an overview of risk governance in MAR and the role of each component of the Group Risk Management.

Risk Management – Group entities

The risk strategies and policies are developed at Group level, and adopted by each Group entity taking local regulatory requirements into consideration. In addition, risk models and methodologies are rolled out on a Group basis to ensure consistent measurement and reporting of risk exposures.

The Heads of Risk at AKF and Al Rayan Bank have dual reporting lines, one to the General Manager and ARB CEO respectively, and an indirect reporting line to the Group Chief Risk Officer. AKF and Al Rayan Bank have local risk committees to oversee the monitoring and management of risks.

Enterprise Risk Management (ERM)

The Enterprise Risk Management function is primarily responsible for risk analytics and credit portfolio management of the Group, including matters related to IFRS 9, Basel II, Basel III and Basel IV requirements. This is done through the development of credit models including risk ratings (probabilities of default [PD] models), estimations of loss given default (LGD) and estimations of exposures at default (EAD). These inputs are used for the estimation of expected loss to ensure the ECL calculations are adequate, as well as for risk-adjusted performance measurement and stress testing purposes.

ERM also ensures that there is a robust Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP reviews the Bank's risk framework and governance, risk measurement tools and models, and capital adequacy by ensuring all the risks of the Bank are assessed adequately; and forms a key element of the Group's capital planning and recovery planning process. Risks are identified through a group-wide risk assessment. The risks considered include credit & counterparty risk, market risk, and operational risk, as well as liquidity risk, concentration risk, profit rate risk in the banking book, strategic and reputational risks. These risks are measured against the available capital of the Bank in normal and under stress conditions, facilitating a rapid response to any unexpected changes in the risk and capital position of the Bank. Both the ICAAP policy and the ICAAP submission to the Qatar Central Bank are approved by the Board CRC.

As part of the ICAAP, and an important part of overall risk management, ERM also developed and maintains the stress testing program to measure the impact of credit, market, and liquidity stresses on the capital, funding, and earnings positions of the Group. Stress testing includes both regulatory stress scenarios as well as stringent internal risk requirements which are run regularly, and monitored by the GRC and GALCCO.

Credit Risk Management

The Credit Risk Management function at MAR covers credit analysis and credit underwriting for Wholesale Banking and Personal Banking. The credit approval authorities are approved by the Board and/or Board CRC and delegated to different approval bodies starting from the Board itself, the Board Executive Committee, the management Credit and Investment Committee to lower credit committees at management level with lower levels of approval authorities. The banking subsidiaries of the Group adopts the same credit approval structure.

Credit Risk Management ensures the segregation of credit analysis and assessment from the business origination functions. The Group Credit Approval Authority Policy designates the appropriate level for the approval of credit and counterparty limits depending on the risks of an individual facility.

The Board CRC approves the Group Credit Risk Policy, which sets out the Group's credit risk appetite and creates a framework for the lending activities of the Group, particularly regarding underwriting credit and investment risk, assessing acceptable support and collateral, recognizing and treating non-performing loans, as well as outlining the requirements for portfolio management, product programs, and remedial/collections management.

The Group credit portfolio is monitored to ensure all aggregate exposures are in line with the Group's risk appetite and regulatory limits. This includes monitoring of portfolio characteristics such as portfolio risk ratings, country risks, and industry concentrations, which are reported to the GRC and the Board CRC.

Non-performing exposures are monitored on an on-going basis, and these, along with the IFRS 9 results, NPF ratios and coverage ratios for all Group entities and the Group as a whole are reported to the GRC and the Board CRC.

Remedial Management and Collections

The Bank has established a timely monitoring and efficient remedial management process from soft collections through to legal recovery. The collections process is performed by a specialized team to optimize cash collections and collection income. Collection results are reported to the senior management through GRC and to the Board CRC. The unit also handles and manages the process for criminal actions that are filed against delinquent clients.

Market Risk Management

The Market Risk Management function at MAR forms part of the Market and Liquidity Risk Department, which also incorporates the Liquidity Risk Management, Product Control, and Middle Office functions. These functions are independent of the Bank's business units, including Treasury, thus ensuring clear segregation of duties in order to avoid conflicts of interest.

The Board CRC approves the Group Market Risk Management policy in order to ensure transparency over its portfolios and to manage the Bank's exposure to market risk based on recommendations made by GALCCO. This policy sets out a market risk appetite and accompanying market risk limits, and defines processes for identifying, aggregating, managing, monitoring and communicating market risks on a timely basis.

The Market Risk Management function identifies existing and potential future market risks through active day-to-day portfolio monitoring and reporting, and through ongoing engagement with the business units. The function uses market standard valuation techniques, and dealer/counterparty monitoring, to provide GALCCO and the business units with independent valuation and attribution analysis of the Bank's financial instruments and investments.

Additionally Market Risk Management performs regular stress tests of the Bank's positions subject to profit rate and FX (Foreign Exchange) risks and reports the results to GALCCO. Furthermore, the Market Risk Management function supports the business units by providing analysis for new products and investment proposals, which includes identification of potential risk exposures, as well as suitable modeling and valuation techniques.

Liquidity Risk Management

The Board CRC at MAR approves the Group's Liquidity Risk Management Policy, including the Contingency Funding Plan, based on recommendations made by GALCCO. The Liquidity Risk Management function is independent of all business functions, including Treasury, and is responsible for the management of the Bank's liquidity risks and funding risks as defined in the Group Liquidity Risk Management policy.

Liquidity Risk Management is responsible for regular reporting, analyses and recommendations to GALCCO, and provides extensive analysis and reporting to the Treasury and other business units. This covers operational liquidity at an intraday level and tactical liquidity dealing with access to funding sources. An additional strategic perspective encompasses the maturity profile of all assets and liabilities. Stress tests based on internal and regulatory requirements are conducted to complement regular liquidity analysis and provide insight into the potential impact of a wide range of adverse scenarios.

MAR is aligned with QCB Basel III guidelines incorporating the calculation and reporting of the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) on a monthly basis at Bank and Group levels.

Operational Risk Management, BCM, and Insurance Management

Operational Risk Management (ORM), Business Continuity Management (BCM) and Insurance Management are managed by one department within Risk.

The Board Compliance and Risk Committee approves the Operational Risk Management Framework and policies based on recommendations made by Group Operational Risk. The ORM and BCM policies are reviewed annually as part of the Operational Risk Management framework.

Information on operational incidents and losses, key risk indicators (KRIs), risk and control self-assessments (RCSAs), and information on BCM and insurance management are reported to the GRC on a monthly basis.

Operational Risk Management (ORM)

ORM is responsible for the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes and systems, human factors, or external events. The ORM function uses a comprehensive operational risk management tool. The tool is intranet-based and work-flow driven, enabling the Group to proactively manage the measurement, monitoring and reporting of operational risks using the modules for Incident Management, Loss Data Collection, RCSAs, and KRIs.

Business Continuity Management (BCM)

BCM supports the Group in the event of an emergency or business disruption, and provides plans and procedures to recover key business processes in a well-structured manner. The BCM policy and processes are in compliance with Qatar Central Bank regulations.

The Group entities undertake an annual Business Impact Analysis to quantify the impact of disruption to the business. All businesses and functions within the Bank own a Business Continuity Plan, consisting of structured directive-based procedures for continuity of business during and following a disaster. The critical applications used by the Bank are covered by a Disaster Recovery Plan, which consists of procedures to undertake recovery of the Bank's critical applications and states the Recovery Time Objectives and Recovery Point Objectives of the Bank's critical applications and functions.

In the event of a disaster, the Group's operationally-critical staff move to alternate sites in order to support the expedient and efficient recovery of the Group's key business processes. The Group has established a "Crisis Management Team". The Bank's BCM plans and procedures are subject to rigorous periodic tests and exercises to ensure seamless execution, and are certified by Qatar Central Bank on an annual basis.

Insurance Management (Risk Transfer)

Insurance management plays a key role in operational risk management through risk transfer.

The Group has a portfolio of insurance policies, of which the Bankers Blanket Bond covers significant Group risk transfer requirements. Emerging risks are monitored and escalated to the GRC for their consideration and decision. Additionally, any new banking product, service or outsourcing of a process is analyzed for additional operational risk exposure and for potential transfer of such risks.

Fraud Risk Management (FRM)

The primary objective of Fraud Risk Management is to reduce the risk of fraud and misconduct occurring within the Group. It consists of an effective fraud risk management process and focuses on three major principles: fraud prevention, fraud detection, and fraud resolution.

Fraud Risk Management includes a comprehensive Group Fraud Risk Management Policy and standardized operating procedures. Operating procedures are categorized and cover four fraud elements: Internal Fraud, External Fraud, Documentary Fraud, and Card Fraud.

The Bank uses comprehensive card fraud monitoring tools driven by standard rules that enable card fraud detection and prevention.

A key responsibility of FRM is to facilitate Group-wide fraud awareness through online and in-person training.

Information, Cyber and Physical Security

The Information, Cyber and Physical Security Unit manages a complex ecosystem in which critical financial information resides and ensures there is the necessary protection applied for the growing number of security threats. In line with the regulatory requirements of QCB and industry best practice of maintaining independent Security Risk Management, this unit maintains independence from all operations including IT, Business and Facilities. The Information Security Management System adopted by MAR is benchmarked against the international standards and provides secured banking environment for MAR customers while balancing against customer convenience and functional requirements.

Some of the measures that MAR utilizes to ensure appropriate and continuous security management are:

- Physical Security Teams for day-to-day security operations
- Management of the Logical System and Physical Access
- Maintain Regulatory Compliance and Standards in accordance to requirements of QCB Technology Risk Circular, Qatar Cyber Security Framework and Industry Standards such as ISO 27001.
- Continuous monitoring for Cyber Security threats
- Third Party assessments
- Regular awareness sessions for staff
- Monitoring for online abuse of MAR Brand
- Penetration Testing
- Oversight of SWIFT Security controls and the Customer Security Program
- Forensic Analysis on any cyber security breach attempts

3. Group Compliance and AML

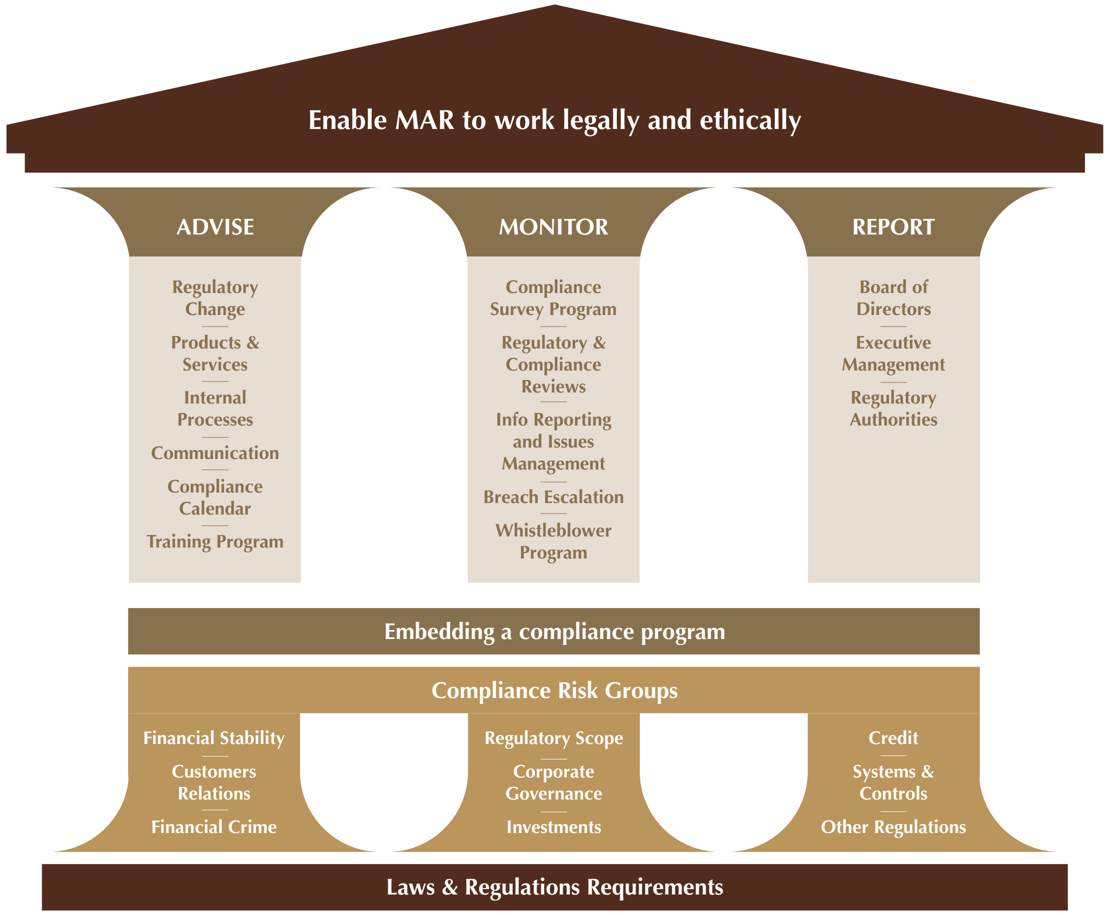
MAR has a dedicated Group Compliance and AML department that ensures compliance is embedded into every level of the organization and aligned with the Bank's business strategy. To ensure compliance activities retain their independent functioning, MAR Board made sure the Group Compliance and AML department reports directly to the Board Compliance and Risk Committee. For Group oversight purposes, Compliance/AML departments in the subsidiaries report directly to their respective general managers and indirectly to the Group Compliance and AML department.

The Group Compliance and AML department in MAR is responsible for recommending and implementing strategies, policies and procedures for compliance with regulations and combating financial crimes including AML/CFT. This consists of ongoing assessment of relevant risks, determining mitigation plans, monitoring transactions including electronic transactions and reporting to concerned bodies.

Compliance Culture

MAR have taken a number of measures to ensure compliance is embedded into every level of the organization and aligned with the Bank's business strategy. As MAR operates across multiple jurisdictions, we have assessed the regulatory requirements of the different local, regional and international regulatory authorities and incorporated any relevant requirements into the Bank's practices. As legislation continues to evolve, it is important to proactively monitor for any new regulations or amendments and mitigate any potential risks posed by regulatory changes as they emerge.

The process starts with us developing a strong understanding of the relevant compliance risks, based on an awareness of the regulatory environment in which we operate. From this starting point we create our risk-based priorities and then allocate resources and attention accordingly. Next, we divide our compliance program activities into three main pillars: advise, monitor and report.



These three pillars support the ability of MAR and its business functions to develop and grow both legally and ethically. By implementing a compliance culture across the organization, these pillars help us to earn the trust of regulators and key stakeholders.

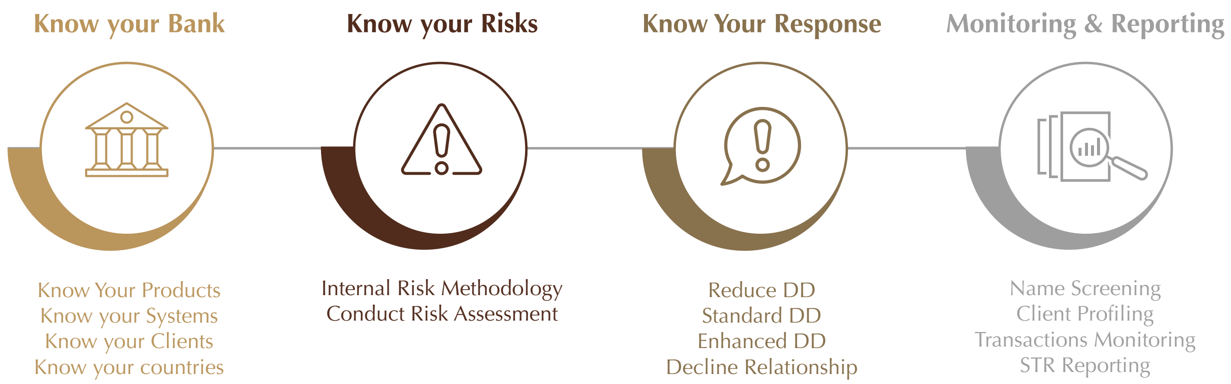
To ensure compliance activities retain their independent functioning, the group compliance department continues to report directly to the board compliance and risk committee. Compliance departments in the subsidiaries also report directly to the general manager and indirectly to the group compliance department. Internal auditing processes ensure that a robust compliance framework is being proactively implemented.

Anti-Money Laundering and Counter Terrorism Financing

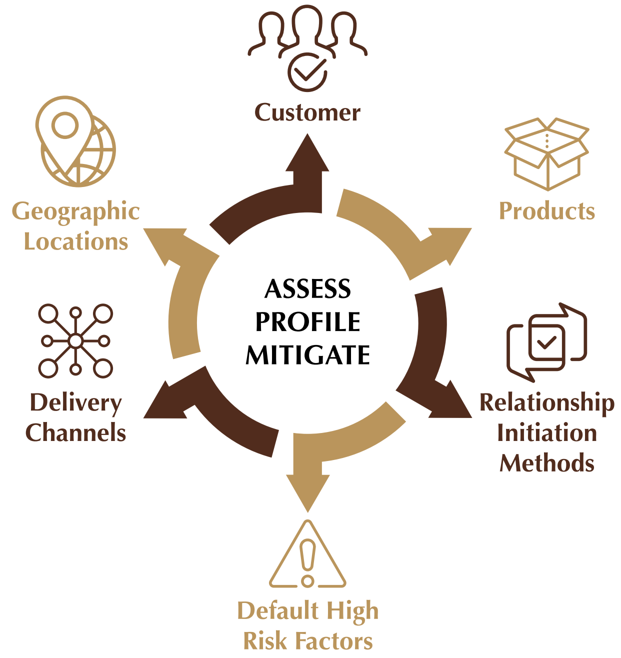
MAR compliance function is responsible for combatting money laundering and terrorism financing, as well as for performing ongoing risk assessments, defining mitigation strategies, monitoring transactions electronically, and reporting to different stakeholders.

MAR takes a serious approach to meeting the legal requirements for all the jurisdictions in which it operates. It also participates in global efforts to combat financial crimes and terrorist financing.

To do this we invest in the latest technologies, frameworks and qualified resources that enable us to develop and implement the best market practices and mitigation plans currently available. Our practices ensure that we prioritize all our activities and business relationships according to their associated risk levels, due diligence and monitoring procedures.



At MAR, every business relationship is assessed against defined risk parameters that comply with the relevant regulatory requirements for that jurisdiction. All our business relationships are subject to different 'Know-Your-Customer' procedures. They are then taken through a reduced, standard or enhanced due diligence exercise according to the level of risk they are judged to pose to the Bank. The applied risk model ensures that we focus our efforts and resources on mitigating potential high risk relationships and activities.



The Bank avoids establishing business relationships with any customer before due diligence measures are performed. This includes the potential customer's beneficial owner and business associates, which will need to be identified as part of the due diligence process.

4. Group Finance and Investor Relations

The Group's Finance and Investor Relations Department is a key pillar of the Group's support infrastructure, providing planning, annual budgeting day-to-day financial accounting services and a multitude of reporting to meet internal and external requirements and obligations.

It records financial transactions, performs analysis and prepares financial reports that inform the Groups board, executive management, regulators, shareholders and investors about the Group's financial position.

The department also ensures that internal policies and procedures comply with applicable regulatory requirements and acceptable industry practices.

The department is responsible for the design and implementation of a sound system of :

- Accounting, and Financial controls;
- External and regulatory reporting;
- Internal financial performance measurement and management information;
- Other analytics such as budgeting and scenario planning;
- Investor relations

External Reporting

- Audited annual consolidated financial statements, in addition to a three quarterly sets of externally reviewed financial statements.
- Monthly and other periodic reporting to regulators, in Qatar, United Kingdom, United Arab Emirates and France.

Internal Reporting and Management Information

- Develops and produces daily, weekly and monthly reporting to a variety of internal stakeholders that highlights key income movements and business drivers across busi-ness units, products, geographies and segments.
- Analyzes income performance and develops briefing packs for Senior Management and provides source data for presentations to management, rating agencies and in-vestors.
- The department looks to continuously improve the quality and detail of data capture to support value added performance management reporting.
- Monitor, identify and analyze trends across specific divisions in order to understand business drivers, working closely with internal stakeholders in providing directions on matters of financial planning and budgeting processes.

Group Asset, Liability and Capital Management Committee

GALCCO is Chaired by the Group Chief Financial Officer and is mandated to strategically guide the Group's asset, liability and capital structure taking into account prevailing and expected market and economic conditions within both external/regulatory and internal approved risk and operational boundaries, which includes supervisory oversight of the subsidiaries' meetings.

Other Analytics

Budgeting, forecasting and scenario planning to support planning and strategy for the Group and the subsidiaries is managed by the Group Finance unit.

Investor Relations

The Investor Relations (IR) function is mandated to integrate finance, public relations and communications, marketing and regulatory compliance to allow the most effective two-way communication between the Bank and its board members, the financial community, regulators, investors and shareholders. It also manages the relations with the Qatar Stock Exchange (QSE) where the shares of the Group are listed, and with Qatar Central Securities Depository (QCSD).

The IR function is one of the cornerstones in planning and organizing ordinary and extraordinary general assemblies, including regulatory disclosures, as well as securing the required quorum.

Once approved for distribution, IR coordinates the dividend distribution with Shareholders Affairs unit. The IR function participates in most of the investors' conferences held in Qatar, organizes investor meetings, earnings conference calls and road shows to increase the visibility of the Bank, enhancing its market profile and thus building its investment case. As at 31 December 2022, IR conducted 4 conference calls with investors and analysts upon disclosure of the Bank's interim financials at the end of each quarter.

The IR function is contactable by email IR@alrayan.com or by Tel +97444940673 or +97444940674.

5. Legal Department

The Legal Department is responsible for:

- Monitoring and mitigating legal, operational and reputational risk for the Group in conjunction with the control functions;
- Providing legal advice and recommendations to the Senior management and the Board as required;
- Providing legal support to all business and support functions;
- Managing and monitoring litigation matters for the Group; and
- Managing external lawyers appointed by the Group

The Legal Department enhances the Group's profile in the market and contributes to its profitability by ensuring that the business functions are conducted in the right legal manner. A matter which will ultimately offer customers (both locally and internationally) international standard transactional capabilities which conform to the appropriate legal documentation. The provision of efficient in-house legal services and control of legal, operational and reputational risk contributes directly to the Group's bottom line, and the market value of the brand.

During 2022, the Legal Department pursued its efforts to provide a timely and competent legal support to all departments of the Bank, including the Executive Management and the Board of Directors. It also monitored the litigation efforts of the Bank, particularly recovery litigation, in various jurisdictions.

Legal Department also supported the concerned departments and/or personnel involved in handling activities of wholly owned entities as well as subsidiaries of the Bank in foreign jurisdictions with the ultimate objective of providing sound and appropriate legal advice.

6. Sharia Audit

The Shari'a Audit Department reports directly to the Shari'a Supervisory Board. Sharia Audit's main responsibilities include acting as a link between the Senior Management and the Shari'a Supervisory Board by relaying the former's inquiries, clarifications, new products, contracts, agreements and investment funds to the Shari'a Supervisory Board to obtain approvals, instructions and fatwas, and run audits on the correct implementation according to the Shari'a Board's instructions and fatwas.

Its responsibilities also include holding training courses to qualify employees on how to deal with products and special contracts when receiving accounts from investment deposits and others, in addition to various financing tools that are compatible with the provisions of Islamic Shari'a.

7. Group Human Resources

The main responsibilities for HR include managing, assisting and dealing with all employee related matters, including such functions as policy administration, the recruitment process, compensation & benefits administration, employment and labor laws, new employee induction, training and development, personnel records retention, wage and salary administration, and employee assistance program. HR works closely with other departments to support them and fulfil their requirements.

In 2022, following the merger of MAR and al khaliji in December 2021, MAR succeeded in appointing number of Qatari Nationals to senior positions to reflect the Bank's commitment to nationalization and foster its ability to recruit, develop and maintain top qualified skills, in particular Qatari Nationals. MAR also continued the recruitment of a number of Qatari talents and successfully migrated al khaliji staff data to MAR including sponsorship transfer in MOI and Labor Department by issuing new labor contracts. We continued to enhance our common system of HR policies, titles, grades, and compensation and performance management. In addition, in line with our Qatarization strategy, we have promoted a number of Qatari employees into leadership role during 2022.

The combination of MAR's current and future HR plans together with active management commitment, a highly competitive compensation package and a very efficient recruitment process, ensures that MAR is exceptionally well placed to deliver meaningful career.

Talent Acquisition, Learning & Development Programs serves MAR's strategic objectives of ensuring an adequate succession planning is in place at all levels.

Through classroom-based training and online training, we successfully achieved our goal of supporting the merger project by delivering training programs on Islamic Banking, Products, Systems, Policies, and Procedures.

Technical training and professional development workshops were organized to unify and raise the service level of our front-line staff and to enhance technical competencies. We have successfully achieved 9,800 employees' total training hours. Regulators› mandatory trainings such as AML/CFT and Information Security Training were conducted for all MAR staff.

In line with MAR strategy, supporting Qataris› development was at the core of all ongoing projects initiated in 2022 including engaging Qatari staff in building their Career Development Plans, Sponsoring and participating in Kawader-Malia project conducted by QFBA, and Building comprehensive training rotational programs with the support of all Bank's management and departments.

In support of Qatar's National Vision for 2030 and in line with our Qatarization strategy, we continue our commitment to develop young Qatari individuals by offering Student Sponsorship program in collaboration with Qatar University, as well as internship training opportunities for Qatari students with Qatar Banking Studies and Business Administration and QFBA.

8. Group IT and Operations

MAR's Group IT and Operations functions continued to ensure the seamless and secure operations of the Bank's various business lines throughout 2022, demonstrating exceptional resilience in the face of the Bank's merger activities and various challenges facing the banking industry.

To that end, two key strategic decisions were taken and executed in 2022. The first ensured the energy, resources and focus were channeled for the merger to be as smooth and swift as possible in reaching an effective Customer Day One. Secondly, inject further resources to support MAR set the tone and outline the course for operations, IT and MAR's digital transformation journey.

The objectives remain customer satisfaction, adherence to Islamic banking rules and regulations, and a risk conscious approach to simplified digital procedures to make banking easier for customers that are efficiently delivered by our resources.

During the merger, MAR worked tirelessly to migrate all data, products, and services ensuring all customers from both entities remained well serviced. This involved working closely with regulators and consultants to pave a robust migration path. Despite many challenges, including quickly and carefully adjusting many conventional products and processes to match Islamic banking rules and practices, the transition was one of the quickest and seamless mergers the market has observed.

Significant progress has also been made in Straight Through Processing (STP) for many Trade Finance and Treasury processes. This was recognized during the year when MAR received a 'Straight-Through-Processing (STP) Excellence Award' for outstanding performance.

In addition, several new payment processes and technologies were introduced to support Qatar's hosting the of the FIFA World Cup, including Apple Pay, Google Pay, Himyan Pre-Paid Cards and Mobile Payments.

Following the merger, MAR has embarked on an ambitious digital transformation journey to uplift the quality of service delivery to match customer expectations, the Bank's growth strategy and industry digital trends, from 2023 and beyond. This journey will touch the entire technology stack and all processes as MAR seeks to utilize the latest secure and proven digital technologies.

9. Corporate Communications

Working closely with the business, the Corporate Communications team is responsible for brand management and corporate communications targeted at employees, customers, prospective customers, journalists, shareholders, regulators and analysts.

Corporate Communications department in MAR comprises several functions as follows:
Marketing and Branding: This includes brand and product promotion across all channels and media, consumer and market research, segmented customer communications (including acquisition and retention), branch marketing, design and collateral management as well as channel development in collaboration with the business as well as managing MAR's website and its social media platforms.

Public Relations and External Communications: This includes corporate press announcements, campaign driven public relations, speaking opportunities, corporate partner signings, appointment announcements, media monitoring and training, proactive interview placement and management, crisis communications, CEO/Chairman and top team profile management.

Events: This includes event activity for either employee events, product launches, sponsored events/seminars as well as ongoing customer management events, MAR events or sponsored third party events, as well as press events such as press conferences, journalist roundtables and shareholder events.

Internal Communications: A critical part of employee engagement, this includes the entire internal communications platform covering the intranet, the newsletter, ongoing CEO/Chairman and Senior Management communications, special projects, internal announcements as well as brand engagement and business activity announcements around key milestones such as product launches, new branch openings, event sponsorship etc.

Corporate Social Responsibility and ESG: This includes all activity related to ESG and Corporate Social Responsibility covering strategy development, community events, partner and activity selection, charity donations and promotional initiatives involving staff including volunteer days. For details, please refer to section 7 of Annual Report.

Department Communication Support: This includes any communication design support required by departments such as signage, Power Point presentation design and content guidance, program support for department initiatives such as Induction Programme, HR Employee Satisfaction surveys etc.

In 2022, Corporate Communications completed a major achievement with the launch of a completely new & User-Friendly Website. The new, easy to use and state-of-the-art website is another milestone in the Bank's strategic plan aiming at enhancing customers' digital banking experience. The new website was launched with innovative designs reflecting the Bank's core values centered on creativity and modernity and in line with its strategy of digital transformation, innovation, and progressive banking. In addition, the department worked hard to keep the Bank in the heart of major events. To this end, we succeeded in being a main sponsor of Lusail Winter Wonderland, which features an exciting list of specially developed branded amusements rides. Also, from our patriotism and loyalty to our beloved country, we collaborated with the National Day Committee and sponsored Qatar National Day– Al seeb package. During the historic event FIFA World Cup Qatar 2022, we were extremely active in promoting the Bank to new visitors and fans and have created and published videos; one in welcoming the World to Qatar and another one; Thank you Qatar for a successful completion of the FIFA World Cup.

ESG and CSR

CSR Report

MAR is guided by progressive CSR in conjunction with its vision for growth. The core of the Bank's CSR program is a conviction in its mission to drive sustainable economic, human, social and environmental development in line with the Qatar National Vision 2030. In this context, the Bank allocates 2.5% of its yearly net profits to the Sports and Social Activities Fund ("Fund") pursuant to the provisions of Qatar's Law No. (13) of 2008 amended by Law No. (8) of 2011. The Bank's contribution to the Fund for the year ended 31 December 2022 amounted to QAR 35,644,000.

2022 was a dynamic year for our corporate social responsibility (CSR) program. The year saw us support campaigns for inclusivity, healthy lifestyles, sporting endeavors and build awareness of protection techniques against online fraud.

Throughout 2022, we engaged with several non-profit and socially oriented organizations in Qatar, including Dreema Orphan Center, the Qatar Cancer Society and the Qatar Autism Center. We also made a sizeable donation to Ehsan to enable it to empower and care for the elderly in Qatar through the provision of day and psychological care, social support, and counselling as well as e-learning services.

Staff for their part, participated in a blood donation drive organized in collaboration with the Blood Donor Center of Hamad Medical Corporation and underwent sign language training in banking and finance terminology from the Qatar Society for Rehabilitation of Special Needs which enabled them to better communicate with hearing impaired customers.

Our efforts to support the building of a healthier society also led us to host a diabetes awareness campaign to coincide with World Diabetes Day, which is marked annually on November 14th. We teamed up with the Qatar Diabetes Association (QDA) and Doha's Lean N Fit Centre for the campaign. A QDA team of experts led a staff awareness session at our HQ on the need for early assessment of diabetes to help control or even avoid this life-time disease which can be managed with informed self-care. Our staff was briefed on how the body deals with high blood sugar levels, healthy lifestyles, the benefits of regular exercise and given tips on maintaining a healthy weight and general protection from the disease. A Lean N Fit Centre nutritionist also shared an overview of appropriate diet regimes and meal preparation before the entire staff shared a complimentary nutritious meal.

Later in the year, when Qatar was gripped by World Cup fever, we helped people stay safe online during the tournament – and beyond – by launching a powerful social media awareness campaign against online fraud and scams. A series of messages highlighted some of the pitfalls which make people vulnerable online and alerted the public on how to avoid them.

The year closed with an appropriate festive gesture when we sponsored the region's first open-air ice rink at the fun filled Lusail Winter Wonderland Park on Al Maha. Our sponsorship enabled us to pass on benefits to our clients including entry fast track upgrades and ticket price discounts for our premium clients and those paying by MAR credit card. Our ice rink sponsorship demonstrated our wider commitment to sport and its role in building a healthier nation.

Such engagements reflect our commitment to Sharia'h law tenets and to the promotion of an inclusive society. Rolling out such an extensive CSR program reiterates our commitment to upholding the human and social development pillars of the Qatar National Vision 2030, which look to ensure citizens can develop to their full potential and be active members of an inclusive society.

ESG Philosophy

MAR is focused heavily on meeting the 14 ESG principles, including Qatarization, female empowerment and sustainability, all of which are in line with Islamic principles and Qatar's National Vision 2030.
The Bank's sustainability leadership is evidenced by the launch of MAR Sustainable Finance Framework – Qatar's first Sharia'h compliant Green Deposit and Islamic sustainable financing framework which the S&P Global Ratings has confirmed as being aligned with the Social Bond Principles, Social Loan Principles, Green Bond Principles, Green Loan Principles, and Sustainability Bond Guidelines. The Bank's sustainability strategy is linked to Qatar's National Environment and Climate Change Strategy, which outlines a policy framework to protect the nation's environment.

The Bank's sustainability framework guides MAR's commitment to help Qatar establish advanced educational and health systems as well as a capable and motivated workforce, to participate in enhancing social care and protection, to enable private sector participation in sustainable development by supporting small and medium businesses, and to financing SME and other dedicated projects, such as green buildings and renewable energy.

The Bank's Sharia'h compliant Green Deposit is a unique alternative investment solution that allows riyal deposits and other major currencies to be deployed for funding green initiatives. This enables the Bank's clients to incorporate ESG goals in their business activities and participate in financing ESG projects.

Additionally, in pursuit of ESG excellence, the Bank has incorporated key sustainability features into its Head Quarters, such as energy efficient lighting, solar panels, sustainable water management systems and waste segregation for recycling. The Bank has also launched an internal campaign to transform its offices into 'Go Green' zones, virtually making them paper-free, digitally enhanced operations with minimal printing requirements.

Our ESG Strategy

MAR is proudly committed to become a key sustainability leader that will bring innovative and impactful financing to fully support Qatar in its transition story, as outlined in the Qatar's National Vision 2030. The four pillars included in Qatar's National Vision 2030 are focused on key environmental and social issues that MAR is committed to address as part of its sustainability strategy as outlined below:

Qatar's National Vision 2030 pillars	MAR's contribution via our lending program to help achieve these objectives
Human development	MAR is committed to helping Qatar in establishing advanced educational and health systems as well as a capable and motivated workforce. MAR is also committed to participating in enhancing social care and protection in the country.
Social development	
Economic development	MAR is committed to enabling the private sector in playing an essential role in achieving sustainable development, through its historic support to small and medium businesses.
Environmental development	MAR is committed to preserving and protecting the environment, including air, land, water and biological diversity.

MAR is committed to address Qatar's national environmental priorities through its activity. In particular, MAR is committed to increase the necessary financing to different economic sectors that will help Qatar contribute to climate change mitigation and reach their greenhouse gas (GHG) emissions reduction objectives.

MAR's SME strategy

MAR has developed an innovative and impactful SME strategy, in alignment with the aforementioned objectives of Qatar National Vision. MAR articulates the SME strategy around the below focal points:

- Financing Small and Medium Enterprises
- Entrepreneurs and talented Individuals
- Business innovations
- Future job Skills
- Start-ups aligned to UN SDGs
- Support social impact initiatives
- Projects articulated around Youth innovations and Youth development programs
- Women entrepreneurs and women empowerment in the society
- Businesses working on future skills programs

MAR's Sustainability Governance

MAR's Board, through its Corporate Governance, Nominations and Remunerations Committee ("CGNRC") oversees MAR's overall Corporate Governance system including development and approval of ESG-related frameworks and policies. An ESG Governance Committee ("Committee") at senior management level is set up to monitor implementation of the Framework. The Committee reports directly to the Group CEO. The Group CEO reports regularly to CGNRC on implementation of the Framework. The CGNRC updates the full Board on ESG including necessary actions.

MAR Sustainable Finance Framework

On April 13, 2022 MAR has obtained a second party opinion (SPO) on the Sustainable Finance Framework. The SPO provider's (S&P Global) view is MAR's Sustainable Finance Framework is aligned with:

- Social Bond Principles, ICMA, 2021
- Social Loan Principles, LMA/LSTA/APLMA, 2021
- Green Bond Principles, ICMA, 2021
- Green Loan Principles, LMA/LSTA/APLMA, 2021
- Sustainability Bond Guidelines ICMA, 2021

In order to meet MAR's mission, and finance projects that will deliver benefits to support MAR's business strategy and vision, MAR's has elected to create a Sustainable Finance Framework (the "Framework"), under which it can issue Green Bond(s)/Sukuk/Loan(s)/Financing(s) or Social Bond(s)/ Sukuk/Loan(s)/Financing(s) or Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s). The Framework is in accordance with the ICMA Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2021, Sustainability Bond Guidelines (SBG) 2021, LMA Green Loan Principles (GLP) 2021 and Social Loan Principles (SLP) 2021. The Framework is also aligned with the Qatar Financial Centre (QFC) Sustainable Sukuk and Bonds Framework, which was published in March 2022. It is the first in the GCC or Gulf Cooperation Council region, aimed at further developing the local debt market in the country.

The QFC's Sustainable Sukuk and Bonds Framework integrates local requirements and features with ICMA's globally accepted principles to create a harmonised financial market ecosystem locally, based on international standards.

In alignment with these Principles, for each Green, Social or Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s) issued, MAR asserts that it will adopt the following, as set out in the Framework:

1. Use of Proceeds:
An amount equivalent to the net proceeds raised from any MAR's Green, Social or Sustainability Bond/Sukuk/Loan/Financing issued under the Sustainable Finance Framework will be allocated, in part or in full, to finance or refinance sustainable projects which meet the eligibility criteria of the Eligible Green and/or Social Project categories ("Eligible Sustainable Projects")

2. Process for Project Evaluation and Selection
The eligible green and social projects will be subject to due diligence by the ESG Governance Committee, which ensures that they meet the criteria set out above in the 'Use of Proceeds' section.

The ESG Governance Committee ("ESGC") set up by MAR is made up of representatives from the following departments:

Treasury, Finance and Investor Relations, Wholesale Banking, Corporate Communications, GCEO Office-Strategy and Development, Corporate Governance-Company Secretary, Compliance, and Risk. Additional relevant departments may be added to the ESG depending on the projects selected.

The ESG is chaired by the Group Chief Financial Officer (GCFO) and will meet on a semi-annual basis to review, oversee the ESG related topics.

3. Management of Proceeds
The equivalent of the net proceeds of each MAR Green, Social or Sustainability Bond(s)/Sukuk/Loan(s)/Financing(s) will be earmarked towards eligible green and/or social projects as stated in the Framework, using MAR's Sustainable Financing Register. The Sustainable Financing Register will manage the allocation of proceeds of all Green, Social or Sustainable Bond(s)/Sukuk/Loan(s)/Financing(s) and will track at least the following information:

- Type of Sustainable Financing Transaction: principal amount of proceeds, transaction date, maturity date and repayment or amortisation profile.
- Allocation of Use of Proceeds: name and description of allocated and unallocated el-igible green and/or social projects, the allocated amount per green and/or social pro-ject, MAR's share of financing, maturity dates, and the remaining balance of unallo-cated proceeds, if any.

4. Reporting
On an annual basis, MAR will publish an allocation report and an impact report on its Green, Social or Sustainable Bond/Sukuk/Loan/Financing issued ("issuances") within one year from the date of Issuance in the Annual Report of the Bank until full allocation of the net proceeds of the issuances. As at 31 December 2022, the Bank has no outstanding issuance.

Core Banking Activites

1. Wholesale Banking

MAR is one of the region›s largest Shariah-compliant banks. With a strong capital base and ample liquidity, the Bank is well positioned to accelerate Qatar›s progress toward Vision 2030 by leveraging its increased scale, compelling product offering, and excellent talent pool.

Wholesale Banking is and has always been critical to the Bank's success. It has delivered superior performance year over year and it is a significant contributor to the Bank's bottom line. Wholesale Banking is comprised of Corporate Banking and Small Medium Enterprises (SME), both of which continue to focus on their respective areas of specialization and cross-selling other products offered by the Bank. Wholesale banking continues to be focused on serving our clients in Qatar and meeting their international requirements.

In 2022, Corporate Banking has maintained a close relationship and collaboration with clients in both the Government and private sectors. Corporate Banking successfully on-boarded new corporate clients to diversify the client base while maintaining a focus on business expansion. The Corporate Banking team has completed ground-breaking transactions in support of Government Related Entities› efforts to upgrade infrastructure and develop new projects in Qatar. The team has worked tirelessly with all customers throughout the year to ensure optimal utilization of working capital financing and support for their corporate financing needs.

In line with the goals of the 2030 National Vision, MAR continued to support local Qatari businesses and Small Medium Enterprises (SMEs) with tailor-made solutions. Throughout these trying times, our SME department has successfully collaborated with the government to implement the COVID-19 National Response Program, which aims to protect the economy and direct funds to the most deserving Small and Medium-Sized Enterprises. In addition, our SME team is contributing to the support of start-ups and young Qatari entrepreurs through its collaboration with QDB to provide customers financing under AL-Dhameen program.

MAR has introduced the country›s first Shariah-compliant Green Deposit, a unique alternative investment solution that permits Riyal deposits and other major currencies to be used for funding green activities. These deposits will finance environmental, social, and governance (ESG) projects. Clients wishing to incorporate environmental and sustainability objectives into their business objectives can participate in these deposits.

As part of our Cash Management offering, we provided automated dividend payment solutions to several corporate clients. Additionally, we processed end-to-end Rights Issue collection services for one of our corporate clients. In addition, we activated several critical services on our Corporate Net Banking to assist customers in processing bulk files via a straight-through process to perform instant domestic transfers and instant WPS salary payments.

In 2023, we will continue to provide our customers with innovative banking solutions and superior levels of service, with the goal of becoming one of the region›s leading Shariah-compliant banks.

2. Retail and Private Banking

In 2022, MAR has completed successfully the integration with Al Khalij Commercial Bank. Our primary focus remains on our customers, and we have completed successful the conversion of al khaliji›s conventional book into a Shariah-compliant financing and deposit portfolio.

With the growing demand for innovative solutions, the Retail and Private Banking Division focuses on providing convenient access to electronic banking services as well as delivering a premium banking experience through segment-specific products and services. Retail and Private Banking consists of two departments: Retail and Premium Banking and Private Banking.

Private Banking has consistently generated exceptional revenue; this is a result of our preferred clients receiving superior and personalized service. The strong performance has been attributed to the development and maintenance of strong relationships with existing clients, as well as a steady increase in the number of new client acquisitions. Additionally, the Private Banking team collaborates closely with MAR's overseas branch network to meet client needs and grow profitable business in branch territories.

Retail and Premier Banking performed commendably in 2022, generating sustainable revenue and expanding a profitable customer base. Consistent acquisition of Qatari Nationals and Premium customers, as well as collaboration with key employers, paid off, as our client portfolio remained robust throughout this trying period. Additionally, we launched many customer acquisition campaigns with the goal of acquiring profitable customers and securing the company›s success in 2022. We will continue to prioritize the development of new and innovative financial products and services in order to grow our preferred customer base.

This year, we launched a number of projects and promotions to mark the 2022 FIFA World Cup in Qatar. Together with Visa International, we›ve introduced special FIFA-branded Visa Platinum and Signature cards for our most valued customers. In addition, we launched a distinctively designed Visa Infinite Metal card for our private banking customers. In addition, our clients were thrilled to participate in a credit card usage promotion to win one of 56 packages to watch the opening match, group stage matches, quarterfinal matches, and final match of the FIFA World Cup Qatar 2022. We were delighted to offer unique editions of FIFA World Cup Qatar 2022-branded currency notes produced by the Qatar Central Bank to our customers, citizens and residents of Qatar, and visiting football fans.

As part of our commitment to provide cutting-edge digital solutions, we launched Apple Pay, Google Pay, Fitbit Pay, and Garmin Pay to enable our customers to use their mobile phones and wearable devices to make contactless card payments. In addition, we introduced the Al Rayan QMP Digital Wallet to enable cashless person-to-person transactions and in-store purchases via mobile devices.

Additionally, we introduced our flagship Al Thahabi High Profit Savings account for our customers. It allows customers to place their savings into this account and earn one of the highest expected profit rates in Qatar.

In accordance with our strategy, the merged entity›s footprint in Qatar now includes 13 Retail, 3 Corporate operational branches and 111 ATMs & Bulk Cash Deposit machines serving the corporate, commercial, and personal customer segments. Our branches and ATMs are strategically located throughout Qatar›s major cities, including malls, traditional souqs, and business districts.

The objective for 2023 is to continue serving our preferred customers with an exceptional level of service and to expand our digital banking franchise, all while aiming to become Qatar›s best Shariah-compliant premier and private Bank.

3. Treasury and Financial Institutions

An axiomatic imperative of any big bank is to have well-managed Treasury and Financial Institution (FI) departments, which serves as the nerve centre of the institution. It plays as the main artery of the bank, which branches into a large number of networks that extend throughout the institution. The Bank's Treasury and FI department equally facilitates the Bank's building of a strong franchise, which provides a solid asset base. For example, it helps the Bank remain strongly capitalised and profitable by securing reliable sources of funding. In the process, the Bank's Treasury and FI department fulfils the Board of Directors' strategic vision of the future for the Bank. The Treasury and FI department also helps the Executive Management team achieve its objectives with respect to growing the Bank's profitability, consistently maintaining high asset quality, mitigating risks and expanding the Bank's brand name.

By promoting Islamic banking principles and practices, the Bank's Treasury section is equipped with a full suite of Treasury & FI products and solutions designed to support the Bank's activities and fulfil the banking needs of the Bank's customers.

The Treasury & FI product suite includes a range of Sharia-compliant solutions. This include Wakala, foreign exchange spot transactions, Islamic FX forward and swap (wa'ad), Tawarruq, Islamic Fixed Income «Sukuk», commodity Murabaha, reverse Murabaha, cross currency swap, options, profit rate swap, special term deposits, structured deposits, hedging solutions, collateralised Murabaha (Repo), and bilateral and syndicated financing facilities.

Asset and Liability Management (ALM)

The ALM unit is responsible for ensuring the Bank has (i) ample liquidity at all times and (ii) a mechanism in place to manage cost of funding (iii) comply with regulatory and Basel III requirements. This is achieved by: (a) broadening the Bank's client base; (b) strengthening the Bank's existing local relationships and exploring new ones; (c) expanding the Bank's international network; (d) tapping into the capital markets for public/private securities issuances; and (e) enforcing internal monitoring measures and policies.

Foreign Exchange & Derivatives

Working alongside the ALM in managing and executing foreign exchange transactions while monitoring the comprehensive foreign exchange net open position of the Bank. Mitigating profit rate risk, and foreign exchange volatility and exposure through implementing robust mechanisms to cope with rapid market developments. In line with the department objective of enhancing the Bank's income, the unit continuously seek opportunities to enhance the income generated from the Bank's investment book and grasp FX proprietary opportunities in accordance with the Bank's risk appetite.

Treasury Sales

The unit has a well-defined purpose; where its divers' role is a fusion of liquidity solicitation and income generation. Via marketing the Bank's Sukuk MTN program, fostering the Bank local presence, and enriching its international relationships, the Treasury Sales has supported the Bank's liquidity pool. Promoting and selling treasury solutions have fulfilled our clients' requirements and been an income stream for the Bank. By capturing foreign exchange (FX) and derivative hedging business emanating from the local market, the team has built a strong reputation.

Investments and Capital Market

In line with the Bank's strategy, the treasury investments section is continuously looking for investment opportunities in Shari'a compliant assets, such as Sukuks and equities. Investments in those asset classes are executed in accordance with the Bank's risk parameters and guidance provided by the Executive Management and the Board of Directors through their strategy, policies and corporate governance. Consequently, this helps achieve a balanced, diversified, and robust position for the Bank and its liquidity. The investment book contributes significantly to the profitability of the Bank. The Bank has used its Sukuk Programme to raise term funding in public and private format in the capital markets. In addition to being a source of funding, this also creates visibility for the Bank amongst the regional and global capital markets investors and allows the Bank greater diversity in its sources of funding.

In parallel with Qatar's National Vision commitment towards the environment and the increasing demand for ESG solutions, MAR have established its sustainability financing framework. The Financing Framework received a second party opinion from top rating agency, i.e. S&P. The Sukuk MTN program is now geared up to accommodate public and private issuances in both vanilla &/or green format.

Financial Institutions

The Bank's Financial Institutions (FI) section also offers correspondent banking services and therefore acts as the gateway for the Bank to keep in close contact with its global network of banks and other financial entities. Relationships with over 200 financial institutions worldwide has already been developed by the Bank's Treasury & FI team in order to support corporate and retail clients within the Bank's network. The FI team also attends to the cross-border needs of the Bank's clients at any time. They do so by continuously providing a complete range of services that facilitate international cash management, cross-border payments, as well as trade finance products (letters of credit, guarantee, documentary collections). Moreover, the Bank's FI team actively seeks to secure funding from relationship banks, as well as participating in Murabaha financing facilities via bilateral/syndications through primary & secondary markets, providing strong profitability and diversification to the asset base.

Subsidiaries, Associates SPVs & Branches

1. Subsidiaries

Al Rayan Bank PLC

Al Rayan Bank PLC is a subsidiary of Al Rayan UK Limited, a majority owned subsidiary of MAR. Headquartered in London, Al Rayan Bank is the longest established and largest provider of Sharia compliant banking products in the United Kingdom.

The Bank was established in 2004 and provides residential and commercial property investment, and premier banking services to customers from the UK and GCC. The Bank also offers a competitive range of award-winning savings accounts principally through its Digital Banking platform, which is used by almost 40,000 of its customers.

Despite macro-economic challenges, Al Rayan Bank had the most successful financial year in its history in 2022, closing the year with a net after tax profit of £16.1m, making it the most profitable Sharia compliant bank in UK history.

In line with strategy and despite strong growth in its Commercial Property Finance business, the Bank's overall financing asset book remained relatively stable in 2022 at £1.89bn compared with £1.87bn in 2021.

Al Rayan Bank is an established part of the UK banking sector and is well known and respected by its stakeholders and the outlook for 2023 is very positive. In May 2023 the Bank will open its new London headquarters at 4 Stratford Place. The 9,818 sq ft (818 sqm) office space will house the Bank's Board, Executive, Commercial and Premier Banking divisions, as well as providing a new location for the Bank's Premier customer

Throughout 2023 the Bank will continue to enhance its Digital Banking platform, launching a series of initiatives to improve customer experience and thereby retention.

The Bank has stable Board and Executive teams with a good mix of experience and technical skills. Both Board and Executive are committed to taking the necessary actions to ensure long-term sustainable growth for Al Rayan Bank and deliver the best services for our customers, ensuring a supportive environment for colleagues and delivering sustained and long-term returns for our shareholders.

AL Rayan Investment LLC

Al Rayan Investment LLC (ARI) is the investment arm of MAR. It is a fully owned subsidiary of MAR incorporated and authorised by the Qatar Financial Centre, with capital of $100 million.

During 2022, building on the success of previous years, ARI managed to further strengthen its ties with its clients and expand its reach. This was achieved by building on the Bank's vision of being the region's leading Shari'a-compliant investment bank and asset manager. ARI remains committed to continue developing its product offering to link the real economy with Islamic finance and establish an investment-banking platform in Qatar and the neighbouring markets with more focus on asset management and advisory businesses.

Asset management delivered another year of exceptional growth through a combination of winning fresh mandates from new investors and achieving well above average investment returns. These efforts were again acknowledged by industry peers and ARI was recognised as 'Qatar Asset Manager of the Year' and 'ETF Provider of the Year' for the fourth consecutive year at Global Investor magazine's 2022 MENA awards ceremony. In addition, ARI was awarded 'Sharia Manager of the Year' for the second time in three years. Global Investor is a Euromoney publication focused on the asset management industry.

Asset Management Group

Launched in mid-2010, ARI's asset management franchise has crafted an enviable investment track record. While demand from individual high-net-worth investors continues to build each year, awareness of ARI's best-in-class capabilities among domestic institutional investors is very strong.

Investors find ARI's proposition compelling: experienced in-house research feeding into a robust investment process, helping to deliver superior security selection, generating consistently strong returns.

2022 Performance

After a strong start to 2022, Gulf equities were boosted by the Ukraine war, which led to soaring prices of commodities exported by the region. Over the first seven months of the year, four of the Gulf's equity markets were among the ten best performing in the world, supported by unprecedented buying from international investors (net buying over 2022 was in excess of $20 billion).

However, a reversal followed as Chinese economic growth dropped on renewed Covid-19 lock-downs and global sentiment soured on expectations of a recession in 2023. In the second half of 2022, the Saudi stock market dropped more than 9%.

Despite this volatility, ARI was awarded mandates by several new institutional clients and overall assets under management ended the year at approximately QAR 5.1 billion.

ARI's money market offering gained further traction with institutional investors. While local short-term debt instruments are scare, this product mimics a traditional money market fund by offering significantly higher returns relative to call deposits, while offering daily liquidity, and taking no market risk.

Global Sukuk

At the end of 2021, interest rates were at all-time lows, inflation was widely expected to be transitory and sukuk yields were extremely low. However, all that changed as global central banks reversed course, seeking to aggressively fight inflation; US interest rates rose from 0% to 4.25% and bond/sukuk prices plunged. While global sukuk benchmarks dropped 7-12% during 2022, global bond indices plunged 16-19%. Net of fees, ARI's actively managed US Dollar sukuk portfolios were 1-2% lower, over the year. In contrast to its regional peers, ARI saw virtually no redemptions in 2022, while winning numerous mandates.

In 2022, ARI enjoyed further growth in its sukuk execution offering, attracting new institutional and individual investors. Sukuk purchased for investors are held in custody by ARI. Investors frequently highlight the quality of ARI's execution, which is key to gaining new investors.

Listed equities

ARI's investment focus for public equities remains the Gulf. Equities' segregated mandates for institutional investors and family offices account for a large proportion of overall assets under management. Despite very significant market volatility, ARI generated record performance fees in 2022.

Funds

ARI has three regulated funds, of which the Al Rayan Qatar ETF and the Al Rayan GCC Fund are the largest.

- Listed on the Qatar Stock Exchange, Al Rayan Qatar ETF (QATR) tracks the performance of the QE Al Rayan Islamic index (an index of Sharia-compliant, Qatari equities). With assets of more than QAR 500 million at end-2022, QATR is one of the world's largest Sharia-compliant, equity exchange traded fund (ETF). A Total Expense Ratio (TER) of 0.50% makes QATR among the most cost efficient single-country ETFs across emerging markets. The ETF pays an annual cash dividend in the second quarter of each year. During 2022, the ETF's average daily trading volumes rose, helping to attract new institutional investors.
- The flagship Al Rayan GCC Fund invests in Gulf listed equities and sukuk, and with assets north of QAR 330 million, remains one of the largest regional, Sharia-compliant GCC funds. In 2022, this absolute-return fund delivered 11% total return, including a dividend of 3.8%. For context, Saudi Arabia, the region's largest equity market, fell more than 7% during 2022. At the discretion of the fund manager, the fund is expected to pay dividends semi-annually (January and July). The fund's very strong performance helped boost subscriptions in 2022, from individual and institutional investors.

Financial Advisory Group

The recovery from the pandemic continued in 2022 and a significant number of private companies sought to access the capital markets by listing, follow-on offering or through sukuk transactions. While certain parts of the economy may not have the rapid growth that was experienced for a few years leading up to the 2022 World Cup, the strength and bright prospects of Qatar economy are apparent by the demand for equity and fixed income securities of Qatari companies. Catering primarily to its Qatari client base, ARI was engaged in several transactions in 2022, including acting as financial advisor to Lesha Bank (formerly Qatar First Bank) on its successful follow-on offering. ARI made significant advancements in several other transactions that it is executing and it is expected that these listing, follow-on offering and sukuk transactions will be executed in first half of 2023.

We remain focused on assisting our Qatari clients with their local and cross border transactions and acting as their trusted advisor in their strategic initiatives. Driven by the LNG expansion and government-led tourism initiatives, sporting events and other initiatives, the economy of Qatar is expected to remain strong in the long term and we will remain very active in supporting our clients in their financial advisory needs.

Al Rayan Partners

Al Rayan Partners (ARP) WLL is a real estate subsidiary fully owned by MAR. Established in 2010, ARP aims to capture a market share in Qatar's robust real estate sector and to explore the possibility of establishing Joint Vehicles with multinational companies that can benefit MAR.

ARP's main activities include the following:

- Providing real estate advisory to both MAR and external clients throughout the real estate development cycle.
- Exploring the possibilities of investing in independent real estate related companies that can work with MAR to execute real estate projects as well as develop a profitable business in Qatar
- Undertaking project management services of the projects financed by MAR and external clients by providing technical and project management support to ensure timely completion of projects within budget while maintaining quality, thereby protecting the interest of MAR and its clients from delays and consequential damages
- Evaluating major real estate development projects both within Qatar and internationally
- Establishing strategic JV partnerships in Qatar with multinational companies with Linc Facilities being the first 3-way joint venture between ABM Industries, MAR and Qatar Airways. It is today one of the biggest facility management companies in the State of Qatar
- Taking initiative and playing major roles with Qatari Diar under a JV Company in the development of the Lusail Waterfront Project "Seef Lusail" initially, which was later fully sold to Qatari Diar with a high profit.

Al Khaliji France SA

Al Khaliji France S.A. (AKF) is an independent banking entity with a capital of EUR 104 million established under the laws and regulations of the Republic of France with headquarters in Paris and two branches in the United Arab Emirates (UAE). Following the merger, AKF is now part of MAR. AKF offers a diverse range of products and services to its customers including Corporate and Commercial Banking, Personal and Private Banking and Treasury. AKF deals also with Financial Institutions in funded and unfunded activities.

2022 has been a year for stabilization and the start of a new momentum for AKF, especially following the COVID-19 crisis which impacted the society and the broader economy for two years in a row. 2022 was also the beginning of a new era for AKF , with our new shareholder MAR officially approved by the local regulator on May 12th, 2022. In such context, AKF was nonetheless able to take advantage of market opportunities with new primary and secondary market transactions booked at Head Office but also at branch level, thereby securing profitability in a market where all currency interest rates increased gradually over the year.

Taking the above into consideration, AKF closed the year with a net profit after tax of EUR 9.0 million as of 31 December 2022. The capitalization of AKF is still maintained at good level with an equity of EUR 198.4 million at the end of December 2022. AKF continued to maintain strong capital, funding and liquidity position. As of 31 December 2022, AKF's CET1 ratio stood at 36.66% and the leverage ratio at 22.31%.

Notwithstanding the economic outlook in 2023 which remains uncertain with the ongoing war in Ukraine, inflation hitting hard all European economies and surging energy prices that will impact industrial production, AKF is confident that its inclusion in the MAR group will bring new opportunities to best serve its existing clients in France and UAE. It also presents a chance for AKF to respond more efficiently to the needs of the Qatar-based clients in the jurisdictions where it operates.

AKF remains confident that it can add value to its shareholders by maintaining a strong and efficient presence in its markets and by always maximizing customer satisfaction.

For further information about AKF in France and UAE, please visit www.alkhaliji.fr or www.alkhaliji.ae respectively.

2. Associates

As at 31 December 2022, the Group's associates were as follows:

Name of the Company	Country	Company's activities	Ownership % as at 31 Dec 2022
National Real Estate Development and Investment SAOC (formerly National Mass Housing Company SAOC)	Oman	Real estate services	20.00
Ci-San Trading W.L.L. ("Ci San")	Qatar	Investing and trading	50.00
Kirnaf Finance Company ("Kirnaf")	Saudi Arabia	Leasing	48.76
Damaan Islamic Insurance Company "Beema" (Q.P.S.C.) ("Daman")	Qatar	Insurance	15.00
Linc Facility Services W.L.L. ("Linc")	Qatar	Facility management	33.50

For further details, please refer to the audited financial statements as at 31 December 2022 that form an integral part of this Annual Report.

3. Funds and Special Purpose Vehicles (SPVs)

As at 31 December 2022, the principal SPVs of the Group were as follows:

Entity's name	Country of incorporation	Entity's capital	Entity's activities	Effective percentage of ownership as at 31 December 2022
Lusail Waterfront Investment Co.	Cayman Islands	USD 100	Investment activities	100.0%
MAR Sukuk Limited	Cayman Islands	USD 250	Sukuk issuance	100.0%
AKCB Finance Limited	Cayman Islands	USD 1	Debt Issuance	100.0%
AKCB Falcon Limited	Cayman Islands	USD 1	Debt Issuance	100.0%
AKCB Markets Limited	Cayman Islands	USD 1	Over-the-Counter Shari'a-compliant risk management instruments	100.0%
Lusail Limited	Cayman Islands	USD 1	Financing and investing activities	100.0%
MAR Finance LLC	Qatar	QAR 1,000	Sukuk Issuance	100.0%

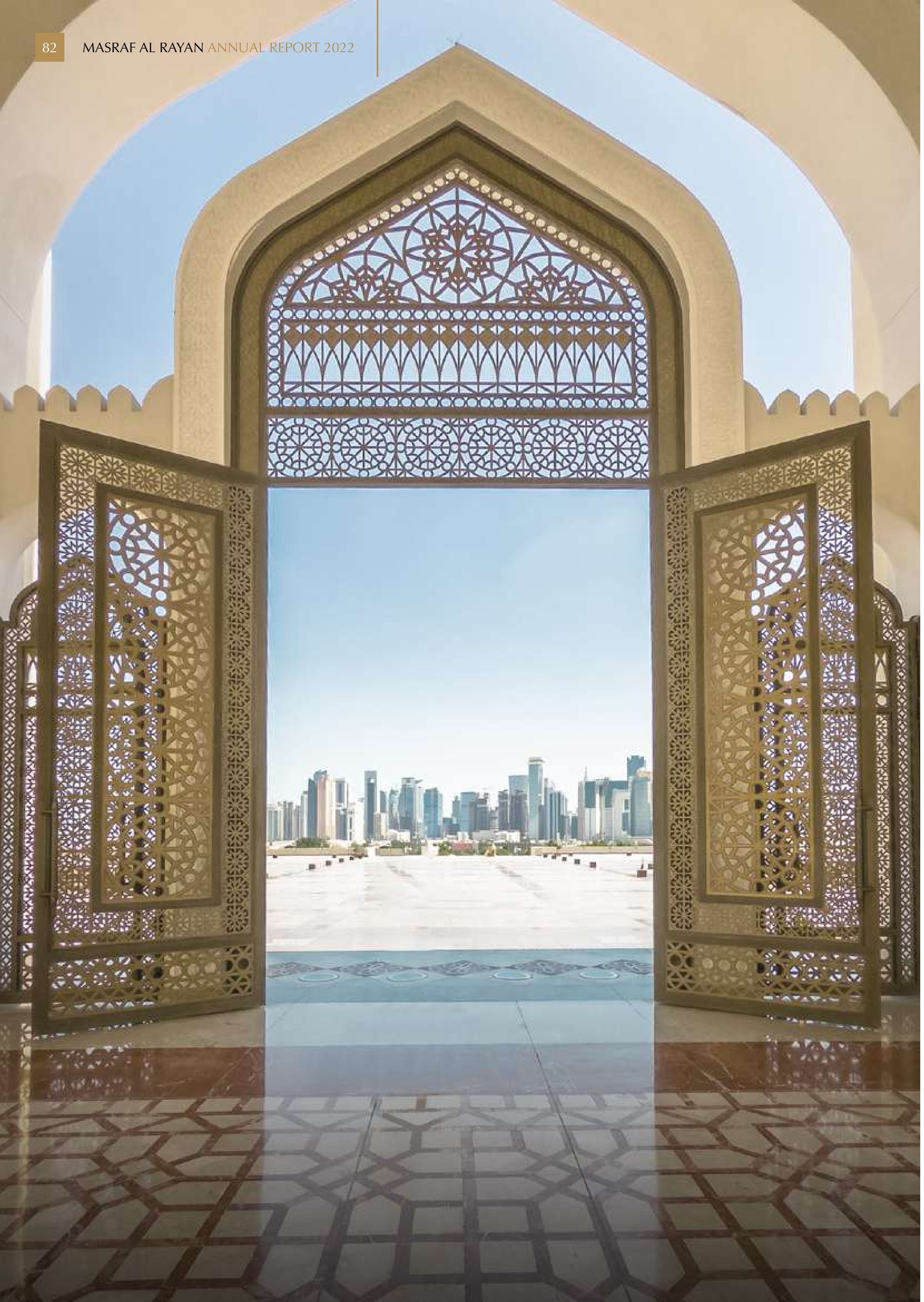
For further details, please refer to the audited financial statements as at 31 December 2022 that form an integral part of this Annual Report.

In addition, MAR is founder and owner of and administers a number of investment funds through its fully owned subsidiary Al Rayan Investment LLC. As at 31 December 2022, the funds were as follows:

Entity's name	Country of incorporation	Entity's authorized capital	Entity's activities	Effective percentage of ownership as at 31 December 2022
Al Rayan Qatar ETF	Qatar	QAR 2 billion	Investment fund	100.0%
Al Rayan GCC Fund	Qatar	QAR 1.5 billion	Investment fund	100.0%
Al Rayan GCC Fund (F) under liquidation	Qatar	QAR 2.555 billion	Investment fund	100.0%
Gold Fund	Qatar	QAR 2 billion	Investment fund	100.0%

4. Branches

Corporate Branches	**Location**	**Contact**
Grand Hamad	Building No 78 , Zone No 05-Street 119	+974-44253333
Salwa Road	Salwa Road	+974 44253200 / 44253201
C Ring Road	The Financial Square	+974 44253243
Retail Branches		
Al Hilal Branch	AlSharq Plaza Building-D Ring Road	+974 44253344
Al Shafi Branch	Al Rayyan-Al Shafi Street	+974 44253162
City Center Branch	Al Dafna-Al Safeer Street	+974 44253171 / 44253177
Lusail Branch (Head Office)	Building No 6 , Zone No 69-Street 325	+974-44940000
Royal Plaza Branch	Royal Plaza Mall-Ground floor-Al Sadd	+974 44253314 – 44253313
Wathnan Mall Branch	Muaither-North Muaither	+974 44233300
Al Khor Branch	St. 396, Building no: 97, Zone: 74	+974 44253465
Al Wakra Branch	Al Wakra-Al Wakra Main Road	+974 44253286
DFC Branch	Doha Festival City-Ground Floor	+974 44253354
Msheireb Branch	Beside Sheikh Suhaim Bin Hamad Al Thani's Palace-Al Kahraba St., Doha	+974-44940000
Al Sadd Branch	Al Sadd-Al Sadd Street	+974 44253135
Qatar Olympic Committee Branch	West-Bay-Majlis Al Taawon	+974 44253271
Umm Lukhba Branch	Building No 406 , Zone No 31-Street 380	+974-44940000



Shari'a Supervisory Board

As at 31 December 2022, the Sharia Supervisory Board (SSB) consists of the following scholars:	
His Eminence Sheikh Dr. Walid bin Hadi	**Chairman**
His Eminence Sheikh Dr. Sultan Ibrahim Sultan Khalifa Al Hashemi	**Member**
His Eminence Sheikh Dr. Mohamed Ahmaine	**Member**

SSB current mandate is for three years (2020 to 2022). The Board of Directors will recommend ap-pointment of SSB members for the next three years (2023-2025) in the next general assembly meeting to which this Annual Report is addressed.

The work of MAR SSB includes reviewing contracts, answering Shari'a questions, and developing solutions to challenges that may appear upon implementation. The SSB also directly supervises MAR activities and business and ensures the correct implementation of SSB decisions, as well as ensuring the correct implementation of banking operations in accordance with Shari'a provisions.

The SSB carries out its operations and submits an annual report for each financial year to the General Assembly at its annual meeting.

Shari'a Supervisory Board Report

on Financial Statements

for the year ended on 31 December 2022

All praise be to Allah, and His peace and blessings be upon His prophet, his family, his companions and those who followed him.

MAR Shari'a Supervisory Board has reviewed the products and operational activities presented to it as well as the 2022 Statement of Financial Position and Income Statement and are of the opinion that the latter do not contra-vene with Shari'a rulings.

May Allah grant success and accomplishment to all towards whatever he likes and pleases Him.

His Eminence
Sheikh Dr. Waleed Bin Hadi
Chairman of Shari'a Supervisory

His Eminence
Sheikh Dr. Mohamed Ahmaine
Shari'a Board Member

His Eminence
Sheikh Dr. Sultan Al Hashimi
Shari'a Board Member

Independent Auditor's Report

To the Shareholders
Masraf Al Rayan (Q.P.S.C.)
Doha – Qatar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of sources and uses of charity fund for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Finalisation of purchase price allocation for the merger with Al Khalij Commercial Bank P.Q.S.C.	
The Bank acquired Al Khalij Commercial Bank ("Al Khaliji") P.Q.S.C. with effect from 30 November 2021 and accounted for this business combination using the acquisition method of accounting in accordance with the requirements of IFRS 3 Business Combinations in the absence of specific guidance in FAS. The initial accounting for the business combination remained incomplete as at 31 December 2021 and the provisional values of the acquired assets and liabilities were reported. The initial purchase price allocation also resulted in recognition of preliminary goodwill and intangible assets of QAR 1.76 billion as at the date of acquisition. During the year ended 31 December 2022, the purchase price allocation was finalised, and the fair values of the assets and liabilities acquired were adjusted on a retrospective basis. This resulted in goodwill being restated to QAR 0.88 billion and intangible assets being restated to QAR 0.92 billion. Management employed external valuers to assist the Bank in determining the values of assets acquired and liabilities assumed as a result of the business combination. We considered this as a key audit matter because of the size of the purchase price and the significant judgements applied and estimates made by management in determining the fair values of acquired assets and liabilities. Auditing these complex judgements and assumptions involves, inter alia, challenging management's judgements to assess the fair value of different types of assets, due to the nature and extent of audit evidence and effort required to address these matters. Refer to the following notes of the consolidated financial statements for more details on this key audit matter: Note 3 (c) (ii) – Business combinations Note 14 – Intangible assets Note 45 – Business combination	We performed the following procedures on purchase price allocation, which included, but was not limited, to the following: - We assessed the design and implementation of controls over the processes of accounting for the business combination and the determination of the values of assets acquired and liabilities assumed. - We assessed the skills, competence, qualifications and objectivity of the external valuers and assessed their terms of engagement with the Bank to determine if the scope of their work was sufficient for audit purposes. - We utilized our internal specialists to assess the estimates made, the judgements applied and valuation techniques used in the purchase price allocation. - We tested, on a sample basis, the accuracy of the standing data provided by the Bank to the valuers. - We evaluated the approach and key assumptions used in the Bank's fair value adjustments relative to the acquired portfolio of financial assets at amortized cost, in particular, financing assets, and challenged management judgments on specific customer or market-related factors, such as expected default rates. - We agreed to the results of the purchase price allocation performed by the valuers to the amount reported in the consolidated financial statements. - We assessed the identification and valuation of intangible assets based on our understanding of the business of the acquired entity. - We reperformed the mathematical accuracy of the valuations performed. - We assessed the adequacy of the disclosures in the consolidated financial statements relating to this matter against the relevant IFRS disclosure requirements.
Impairment of financial assets	
The Group's financial assets, both on and off-balance sheet, amount to QAR 179.70 billion as at 31 December 2022 (2021: QAR 193.69 billion). The expected credit loss (ECL) allowance as at 31 December 2022 was QAR 4.11 billion (2021: QAR 2.01 billion). FAS 30 Impairment, Credit Losses and Onerous Commitments is a complex accounting standard that requires considerable judgements, which were key in the development of models to measure expected credit losses on financial assets, carried either at amortised cost or at FVTE (debt instruments). There is a risk that financial assets might be inaccurate due to: - The methodologies used to develop probability of default (PD); loss given default (LGD); and (exposure at default EAD) being inappropriate. - Inappropriate segmentation of portfolios used to develop risk parameters. - The input and range of forward-looking scenarios not being representative of an appropriate range of possible outcomes. - Extrapolation techniques used to project scenarios and parameters (PD, LGD, and EAD) in future periods being inappropriate. - The methodology used to allocate a probability to each scenario being inappropriate or unsupported. - Significant increases (or reductions) in credit risk (movements between Stage 1, Stage 2 and Stage 3) not completely or accurately being identified on a timely basis.	We updated our understanding of the business process related to impairment of financial assets and assessed and tested the design and operating effectiveness of the relevant controls over data governance, methodologies, inputs and assumptions used by the Group in the ECL model. In addition, our work performed included the below procedures, among others, on the Group's FAS 30 ECL model: - For a selection of exposures, we performed a detailed credit review and challenged the Group's staging and impairment allowance calculation. - We involved our internal specialists to review and assess the assumptions and methodologies used within the Bank's FAS 30 ECL model and customer internal rating systems and methodology. - Review and assessment of the data, assumptions and methodologies used within the Bank's FAS 30 ECL model (PD, LGD, and EAD) and customer internal rating systems and methodology. - Assessment on whether significant increase in credit risk (SICR) indicators are present for the exposures subject to credit risks based on FAS 30 and Qatar Central Banks guidance and the possible implications on the ECL staging and expected provisioning. - Assessment of the ECL methodology, macroeconomic scenarios weightage, (model validation/testing, including post model adjustments on a sample basis.

Independent Auditor's Report

Impairment of financial assets (continued)	
Refer to the following notes of the consolidated financial statements for more details relating to this key audit matter: • Note 3 – Significant accounting policies on financial assets and financial liabilities • Note 4 – Financial risk management • Note 7 – Fair value and classification of financial instruments • Note 9 – Due from banks • Note 10 – Financing assets • Note 11 – Investment securities	We have assessed whether the related disclosures of this area are adequate in accordance with the requirements of Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank (QCB) and applicable provision of QCB regulations.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Bank's accounting and financial reporting systems are vitally dependent on complex technology. The extensive volume and variety of transactions processed daily raises a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. Particular areas of focus relate to logical access management and segregation of duties. The underlying principles are important because they ensure that changes to applications and data are appropriate, authorised and monitored. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls and therefore procedures were designed to test access and controls over IT systems. Our audit procedures included: - Obtaining an understanding on IT applications relevant to financial reporting including the Equation - core banking system, Opics - Treasury system, TI – Trade finance system, LOS – retail and corporate financing assets business and the Swift messaging and the infrastructure supporting these applications; - Testing the relevant automated input / processing and output controls relevant to business processes. - Testing the IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations; and - Assessing the accuracy and completeness of computer-generated information in which are relevant to the financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this auditor's report and other information included in the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI as modified by the QCB and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

We are also of the opinion that proper books of account were maintained by the Group. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the consolidated financial information included in the Board of Directors' report addressed to the General Assembly is in agreement with the books and records of the Group. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Qatar Commercial Companies Law and the Bank's Articles of Association were committed during the year which would materially affect the Group's financial position or its financial performance.

Doha – Qatar

For Deloitte & Touche
Qatar Branch

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

12 February, 2023

Consolidated Statement of Financial Position

as at 31 December

QAR '000s

	Notes	2022	2021 (Restated)	1 January 2021 (Restated)
ASSETS				
Cash and balances with central banks	8	5,088,200	5,220,712	7,070,507
Due from banks	9	6,108,768	9,155,812	6,307,575
Financing assets	10	117,859,281	120,880,202	85,983,437
Investment securities	11	31,476,658	32,752,667	20,585,834
Investment in associates	12	345,878	348,935	534,116
Fixed assets	13	901,888	714,680	271,406
Intangible assets	14	1,678,592	1,801,893	-
Other assets	15	4,073,948	3,279,815	362,005
TOTAL ASSETS		**167,533,213**	**174,154,716**	**121,114,880**
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	16	28,804,957	23,246,577	27,979,497
Customer current accounts	17	8,736,827	9,192,634	8,491,997
Sukuk and debt financing	18	7,682,176	7,735,618	6,023,180
Other borrowings	19	3,843,236	5,699,994	1,270,775
Other liabilities	20	5,629,198	5,849,975	2,331,558
TOTAL LIABILITIES		**54,696,394**	**51,724,798**	**46,097,007**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	21	**88,554,879**	**97,763,630**	**60,425,902**
EQUITY				
Share capital	22	9,300,000	9,300,000	7,500,000
Legal reserve	22	9,644,166	9,644,166	2,714,166
Risk reserve	22	2,398,543	2,282,824	1,796,600
Fair value reserve	22	32,844	36,125	25,204
Foreign currency translation reserve	22	(148,600)	(87,328)	(79,618)
Other reserves	22	140,512	127,274	126,222
Retained earnings		1,716,321	2,163,579	2,282,731
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**23,083,786**	**23,466,640**	**14,365,305**
Non-controlling interest	23	198,154	199,648	226,666
Instrument eligible as additional capital	24	1,000,000	1,000,000	-
TOTAL EQUITY		**24,281,940**	**24,666,288**	**14,591,971**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**167,533,213**	**174,154,716**	**121,114,880**

These consolidated financial statements were approved by the Board of Directors on 29 January 2023 and were signed on its behalf by:

Mohamed Bin Hamad Bin Qassim Al Thani
Chairman

Hamad Bin Faisal Bin Thani Al Thani
Vice Chairman

Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer

The attached notes 1 to 46 form part of, and should be read in conjunction with, these consolidated financial statements.

Consolidated Income Statement

for the year ended 31 December

QAR '000s

	Notes	2022	2021 (Restated)
Income from financing activities	25	5,243,862	3,710,612
Income from investing activities	26	1,251,217	884,589
Total income from financing and investing activities		**6,495,079**	**4,595,201**
Fee and commission income		435,536	329,260
Fee and commission expense		(4,021)	(5,537)
Net fee and commission income	27	**431,515**	**323,723**
Foreign exchange gain (net)	28	270,891	172,611
Share of results of associates	12	27,201	13,706
Other income	29	15,352	1,298
TOTAL INCOME		**7,240,038**	**5,106,539**
Staff costs	30	(521,851)	(427,950)
Depreciation and amortisation	13, 14	(178,052)	(68,097)
Other expenses	31	(559,648)	(300,385)
Finance expense		(1,030,862)	(529,103)
TOTAL EXPENSES		**(2,290,413)**	**(1,325,535)**
Net impairment losses on due from banks		(13,306)	(1,241)
Net impairment losses on financing assets		(1,556,455)	(910,340)
Net impairment losses on investments		(53,302)	(188,836)
Net impairment (losses) / reversals on other exposures subject to credit risk		(86,553)	3,733
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**3,240,009**	**2,684,320**
Less: Return to investment account holders	21(c)	(1,854,516)	(948,843)
PROFIT BEFORE TAX FOR THE YEAR		**1,385,493**	**1,735,477**
Tax expense	32	(22,242)	(4,772)
NET PROFIT FOR THE YEAR		**1,363,251**	**1,730,705**
Net profit for the year attributable to:			
Equity holders of the Bank		1,344,343	1,717,932
Non-controlling interest		18,908	12,773
		1,363,251	**1,730,705**
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	36	**0.140**	**0.218**

The attached notes 1 to 46 form part of, and should be read in conjunction with, these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December

QAR '000s

	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interest	Instrument eligible as additional capital	Total equity
Balance at 31 December 2021 (Restated)	9,300,000	9,644,166	2,282,824	36,125	(87,328)	127,274	2,163,579	23,466,640	199,648	1,000,000	24,666,288
Change in foreign currency translation reserve	-	-	-	-	(61,272)	-	-	(61,272)	-	-	(61,272)
Fair value reserve movement	-	-	-	(2,556)	-	-	-	(2,556)	-	-	(2,556)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(725)	-	-	-	(725)	-	-	(725)
Net profit for the year	-	-	-	-	-	-	1,344,343	1,344,343	18,908	-	1,363,251
Dividend declared and approved for 2021	-	-	-	-	-	-	(1,581,000)	(1,581,000)	-	-	(1,581,000)
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(46,000)	(46,000)	-	-	(46,000)
Transfer to risk reserve	-	-	115,719	-	-	-	(115,719)	-	-	-	-
Net movement in other reserves	-	-	-	-	-	13,238	(13,238)	-	-	-	-
Social and sports fund appropriation (Note 42)	-	-	-	-	-	-	(35,644)	(35,644)	-	-	(35,644)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(20,402)	-	(20,402)
Balance at 31 December 2022	9,300,000	9,644,166	2,398,543	32,844	(148,600)	140,512	1,716,321	23,083,786	198,154	1,000,000	24,281,940
Balance at 31 December 2020, as previously reported	**7,500,000**	**2,714,166**	**1,796,600**	**25,204**	**(3,618)**	**126,222**	**2,206,731**	**14,365,305**	**226,666**	**-**	**14,591,971**
Restatements (Note 46)	-	-	-	-	(76,000)	-	76,000	-	-	-	-
Balance at 31 December 2020, as restated	7,500,000	2,714,166	1,796,600	25,204	(79,618)	126,222	2,282,731	14,365,305	226,666	-	14,591,971
Change in foreign currency translation reserve	-	-	-	-	(7,710)	-	-	(7,710)	-	-	(7,710)
Fair value reserve movement	-	-	-	15,679	-	-	-	15,679	-	-	15,679
Effective portion of changes in fair value of cash flow hedges	-	-	-	725	-	-	-	725	-	-	725
Gain on sale of FVTE investments	-	-	-	(5,483)	-	-	5,483	-	-	-	-
Net profit for the year	-	-	-	-	-	-	1,717,932	1,717,932	12,773	-	1,730,705
Dividend declared and approved for 2020	-	-	-	-	-	-	(1,275,000)	(1,275,000)	-	-	(1,275,000)
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(48,195)	(48,195)			(48,195)
Transfer to risk reserve	-	-	486,224	-	-	-	(486,224)	-	-	-	-
Net movement in other reserves	-	-	-	-	-	1,052	(1,052)	-	-	-	-
Social and sports fund appropriation (Note 42)	-	-	-	-	-	-	(42,813)	(42,813)	-	-	(42,813)
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	-	10,717	10,717	(37,458)	-	(26,741)
Business combination transactions (Notes 24 & 45)	1,800,000	6,930,000	-	-	-	-	-	8,730,000	-	1,000,000	9,730,000
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(2,333)	-	(2,333)
Balance at 31 December 2021 (Restated)	**9,300,000**	**9,644,166**	**2,282,824**	**36,125**	**(87,328)**	**127,274**	**2,163,579**	**23,466,640**	**199,648**	**1,000,000**	**24,666,288**

The attached notes 1 to 46 form part of, and should be read in conjunction with, these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December

QAR '000s

	Notes	2022	2021 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		1,385,493	1,735,477
Adjustments for:			
Net impairment losses on financing assets		1,556,455	910,340
Net impairment losses on investments		53,302	188,836
Net impairment losses on due from banks		13,306	1,241
Net impairment losses / (reversals) on other exposures subject to credit risk		86,553	(3,733)
Fair value (gain) / loss on investment securities carried as fair value through income statement	26	(62)	81
Net unrealized (gain) / loss on revaluation of Shari'a compliant risk management instruments		(91,764)	167,027
Depreciation and amortisation	13, 14	178,052	68,097
Net amortisation of transaction costs and IFRS 3 adjustments on sukuk financing, other borrowings and due to banks		(55,980)	12,844
Net loss / (gain) on sale of debt-type investments	26	3,008	(137)
Dividend income	26	(8,969)	(3,911)
Share of results of associates	12	(27,201)	(13,706)
Loss on disposal of fixed assets and right-of-use assets reassessments		13,045	5,805
Net amortisation of premium and discount on investment securities		79,129	(5,716)
Employees' end of service benefit provisions	20(b)	9,664	10,486
Profit before changes in operating assets and liabilities		**3,194,031**	**3,073,031**
Change in reserve account with Qatar Central Bank		12,432	(1,630,241)
Change in due from banks		51,687	(942,275)
Change in financing assets		832,471	(113,318)
Change in other assets		(361,533)	(1,079,160)
Change in accrued profit from investment securities		1,515	17,753
Change in due to banks		5,558,380	(19,213,722)
Change in customer current accounts		(455,807)	(180,489)
Change in other liabilities		499,257	100,550
Change in profit payable on sukuk financing and other borrowings		26,052	54,856
		9,358,485	**(19,913,015)**
Dividend received		8,969	3,911
Employees' end of service benefits paid	20(b)	(53,472)	(3,610)
Social and sports fund contribution		(42,813)	(54,386)
Tax paid		(15,703)	(10,998)
Net cash from / (used in) operating activities		**9,255,466**	**(19,978,098)**

QAR '000s

	Notes	2022	2021 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(3,413,156)	(3,124,397)
Proceeds from sale / redemption of investment securities		4,139,376	1,847,393
Additions on business combination	45(i)	-	8,985,074
Acquisition of fixed assets		(250,853)	(50,993)
Dividend received from associates	12	10,700	10,700
Net cash from investing activities		**486,067**	**7,667,777**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		(9,208,569)	10,494,256
Net proceeds from sukuk financing and other borrowings		835,094	3,082,097
Repayment of sukuk financing and other borrowings		(2,677,837)	(1,564,573)
Profit paid on instrument eligible as additional capital		(48,195)	-
Net repayment of Ijarah liabilities		(37,040)	(42,562)
Dividends paid		(1,627,976)	(1,208,240)
Net movement in non-controlling interest		(20,402)	(29,074)
Net cash (used in) / from financing activities		**(12,784,925)**	**10,731,904**
Net decrease in cash and cash equivalents		(3,043,392)	(1,578,417)
Cash and cash equivalents at 1 January		9,140,950	10,713,783
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held		(58,739)	5,584
Cash and cash equivalents at 31 December	37	**6,038,819**	**9,140,950**

Refer to Note 37 for details of significant non-cash transactions.

Consolidated Statement of Sources and Uses of Charity Funds

for the year ended 31 December

QAR '000s

	2022	2021
Undistributed charity fund as at 1 January	9,927	2,472
Net earnings prohibited by Shari'a during the year	36,818	7,455
Total source of charity fund	**46,745**	**9,927**
Use of charity fund		
Researches, donations and other uses during the year	-	-
Undistributed charity fund as at 31 December	**46,745**	**9,927**

The attached notes 1 to 45 form part of, and should be read in conjunction with, these consolidated financial statements.

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2022

QAR '000s

1 REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies' Law No. 5 of 2002, as amended by Qatar Commercial Companies' Law No. 11 of 2015 under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Lusail Marina, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2022 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing and investing activities, and has 17 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") have entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by the shareholders of both banks at their respective Extra-Ordinary General Assemblies held on 5 October 2021 and 6 October 2021. On 2 November 2021, Qatar Central Bank ("QCB") approved the Bank's merger by way of absorption pursuant to Article 278 of the Commercial Companies Law Number 11 of 2015 (the "Commercial Companies Law") and Article 161(2) of Law Number 13 of 2012 issuing the Qatar Central Bank Law and Regulation of Financial Institutions (the "QCB Law") and the merger agreement (the "Merger").

The merger was effected in a share swap transaction through the issuance of 0.5 new Masraf share for every 1 share in Al Khaliji at the close of business on 30 November 2021 (the "effective date"), subsequent to which Al Khaliji shares were delisted from Qatar Stock Exchange. On the effective date, Al Khaliji has been dissolved and Masraf, which will be the remaining legal entity and will continue to conduct all operations in accordance with Shari'a principles, absorbed its assets and liabilities.

The principal subsidiaries of the Group are as follows:

Entity's name	Country of incorporation	Entity's capital	Entity's activities	Effective percentage of ownership	
				2022	2021
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan (UK) Limited [1]	UK	GBP 100,000,000	Investment activities	75.0%	75.0%
Al Rayan Partners L.L.C.	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD 100	Investment activities	100.0%	100.0%
MAR Sukuk Limited[2]	Cayman Islands	USD 250	Sukuk issuance	100.0%	100.0%
Al Khaliji France S.A.[3 & 5]	France	EUR104,000,000	Banking	100.0%	100.0%
AKCB Finance Limited[3]	Cayman Islands	USD 1	Debt Issuance	100.0%	100.0%
AKCB Falcon Limited [3 & 6]	Cayman Islands	USD 1	Debt Issuance	100.0%	100.0%
AKCB Markets Limited [3]	Cayman Islands	USD 1	Over-the-Counter Shari'a-compliant risk management instruments	100.0%	100.0%
Lusail Limited	Cayman Islands	USD 1	Financing and investing activities	100.0%	100.0%
MAR Finance L.L.C. [4]	Qatar	QAR 1,000	Sukuk issuance	100.0%	-

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2022

QAR '000s

1. REPORTING ENTITY (continued)

[1] On 14 July 2021, the Bank acquired additional 5% shares in Al Rayan (UK) Limited. Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 73.76% of Al Rayan Bank PLC.

[2] MAR Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.

[3] Subsidiaries of Al Khaliji that became subsidiaries of the Group upon completion of the merger between the Bank and Al Khaliji on 30 November 2021. Please refer to Note 45 for more details on the business combination.

[4] MAR Finance L.L.C. was incorporated in Qatar Financial Centre as a limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.

[5] In relation to the merger, Al Khaliji France S.A. continues to operate in its present status as a conventional bank. As of reporting date, there are no plans in place to convert the portfolio of the subsidiary into Shari'a-compliant products. Accordingly, the net profit earned by the subsidiary is not included in the consolidated income statement, and the subsidiary's assets and liabilities are presented under other assets and other liabilities in the consolidated statement of financial position.

[6] Pursuant to the final general meeting held by AKCB Falcon Limited (the "Company") on 10 January 2023, the Company is deemed to be dissolved after three months from the date of registration of the Company's final return. The liquidation procedures are ongoing as of reporting date.

The Group does not have any subsidiaries with material non-controlling interests.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FASs") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the QCB.

The consolidated income statement for the year ended 31 December 2021 includes the results for the one-month period ended 31 December 2021 of Al Khalij Commercial Bank P.Q.S.C.

QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at Fair Value Through Equity ("FVTE"). Further, QCB Circular 13/2020 also modifies the requirements of FAS 1 "General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions" in respect of retrospective adoption and disclosures related to the change in accounting policy. The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank.

For matters for which no AAOIFI standards or related guidance exist, the Group applies the relevant International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of financial investments classified as "investments at fair value through equity", "investments at fair value through income statement" and Shari'a-compliant risk management instruments.

(c) Functional and presentational currency

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

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FASs 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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 5.

(e) Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note no 4.4.2 and Note 35.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) New standards, amendments and interpretations

(i) New standard, amendment and interpretation effective from 1 January 2022

FAS 37 -Financial Reporting by Waqf Institutions

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

There was no material impact on the Group upon adoption of this standard.

FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

This standard classifies Wa'ad and Khiyar arrangements into two categories as follows:

a) "ancillary Wa'ad or Khiyar" which is related to a structure of transaction carried out using other products i.e.Murabaha, Ijarah Muntahia Bittamleek, etc.; and
b) "product Wa'ad and Khiyar" which is used as a stand-alone Shariah compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products and accounting for Tahawwut (hedging) arrangements based on a series of Wa'ad and Khiyar contracts.

There was no material impact on the Group upon adoption of this standard.

(ii) New standards, amendment and interpretation issued but not yet effective

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

FAS 39 – Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 "Zakah" issued previously. This standard aims at setting out the accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in the financial statements.

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

The Group is currently evaluating the impact of this standard.

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.

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2022

QAR '000s

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) New standards, amendment and interpretation issued but not yet effective (continued)

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

AAOIFI has issued FAS 1 (Revised) in 2021. The revised FAS 1 "General Presentation and Disclosures in the Financial Statements" describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. The objective of this standard is to align the accounting treatments and the reporting requirements for the Islamic financial institutions to the maximum possible extent with the generally accepted accounting principles without compromising the Shari'a requirements and nature of Islamic financial transactions and institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

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

a) Revised conceptual framework is now integral part of the AAOIFI FASs;
b) Definition of quasi-equity is introduced as a broader concept;
c) Definitions have been modified and improved;
d) Concept of comprehensive income has been introduced;
e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
f) Disclosure of Zakah and Charity have been relocated to the notes to the financial statements;
g) True and fair override has been introduced;
h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
i) Disclosures of related parties, subsequent events and going concern have been improved;
j) Improvement in reporting for foreign currency, segment reporting;
k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to Islamic banks and similar IFI's and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FASs; and
l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statements.

(b) Inter Bank Offered Rate (IBOR) transition

IBOR - Phase 2 amendments, effective from 1 January 2022, address issues that might affect financial reporting as result of the reform of the rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and hedge accounting.

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

The Group is in the process of establishing policies for amending the interbank offered rates that will be replaced as part of IBOR reforms. The Group has discussion with counterparties in relation to exposure to derivative and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2022. The Group has stablished the necessary system developments and updates to accommodate Risk Free Rates (RFRs) which will replace the IBOR rates.

The Group is in discussions with various stakeholders to amend the contractual terms in preparation for IBOR reform and assess preparedness for adopting alternate reference rates and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The Group scheduled the timeline for all product types and asset classes effected by IBOR reform to assure smooth transition.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved when the Bank:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss are attributed to the equity holders of the Parent of the Group and to the non-controlling interests. Profit or loss of the subsidiaries are attributed to the equity holders of the Parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Parent of the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting when applicable, or the cost on initial recognition of an investment in an associate or a joint arrangement.

Notes to the Consolidated Financial Statements

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(ii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree;
- Assets (or disposal groups) that are classified as held for sale.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated income statement as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in consolidated income statement.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in consolidated income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by: (a) accounting for financial assets and liabilities at their fair value at the acquisition date; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

(iii) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(iv) Non-controlling interest

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interest as transactions with equity holders of the Group. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to consolidated income statement where appropriate.

(v) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Associates (equity-accounted investees)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The results of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses in an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(vi) Associates (equity-accounted investees) (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FAS 30. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(vii) Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(d) Foreign currency

(i) Foreign currency transactions and balances

Foreign currency transactions are denominated, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(ii) Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

Exchange differences arising from the above process are reported in equity as 'foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the spot closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in equity, and presented in the foreign exchange translation reserve in equity.

(e) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

(i) Categorization and classification

FAS 33 – "Investment in sukuk, shares and similar instruments" contains classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics.

Under the standard, each investment is to be categorized as investment in:

(a) equity-type instruments;

(b) debt-type instruments (including monetary and non-monetary); and

(c) other investment instruments.

Unless irrevocable initial recognition choices provided in the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:

(a) the Group's business model for managing the investments; and

(b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Investment classification

Investments are classified based on the Group's assessment of the business model within which the investments are managed, and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

Amortised cost

An investment shall be measured at amortised cost if both of the following conditions are met:

(a) the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument; and

(b) the investment represents either a debt-type instrument or other investment instrument having reasonable determinable effective yield.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment securities (continued)

(i) Categorization and classification (continued)

Investment classification (continued)

Fair value through equity ("FVTE")

An investment shall be measured at FVTE if both of the following conditions are met:

(a) the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and

(b) the investment represents a non-monetary debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair value through income statement ("FVTIS")

An investment shall be measured at FVTIS unless it is measured at amortised cost or at FVTE or if irrevocable classification at initial recognition is applied.

Irrevocable classification at initial recognition

The Group may make an irrevocable election to designate a particular investment, at initial recognition, being:

(a) an equity-type instrument that would otherwise be measured at FVTIS, to present subsequent changes in fair value through equity; and

(b) a non-monetary debt-type instrument or other investment instrument, as measured at FVTIS if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different bases.

(ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at FVTIS which are charged to consolidated income statement.

Subsequent measurement

Investments at FVTIS are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated income statement in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

Fair value through equity ("FVTE")

Policy applicable up to the issuance of QCB circular 13/2020

Investments at FVTE are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated income statement.

Policy applicable after the issuance of QCB circular 13/2020

The Group has adopted QCB Circular 13/2020 dated 29 April 2020 (effective date), which modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IFRS 9 "Financial Instruments" in respect of equity-type investments carried at FVTE.

Investments at FVTE are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity.

The Group may elect to present in statement of changes in equity changes in the fair value of certain investments in equity-type instruments that are not held for trading. The election is made on an instrument by instrument basis on initial recognition and is irrevocable. Gains and losses on such equity-type instruments are never subsequently reclassified to consolidated income statement, including on disposal. However, cumulative gains and losses recognised in fair value reserve are transferred to retained earnings on disposal of an investment. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in consolidated income statement, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in consolidated statement of changes in equity.

For debt type investments classified as fair value through equity, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is transferred to the consolidated income statement.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

(iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

(f) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and does not enter into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Mudaraba

Mudaraba financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Musharaka

Musharaka financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financing assets (continued)

Ijarah
Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a
Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. the Group recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala
Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment. The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

(g) Other financial assets and liabilities

(i) Recognition and initial measurement
The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

(ii) De-recognition of financial assets and financial liabilities
The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is de-recognised if it meets the de-recognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting
Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Impairment of financial assets (other than equity type investments classified as fair value through equity)
The Group applies a three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL
Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk (i. local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB, ii. externally rated debt instruments of rating Aaa or Aa, iii. other financial assets which the Group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired
Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but profit is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD') as the weight.

Stage 3: Non performing - credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised and treated with the profit calculated on them, according to QCB's instructions as disclosed in most recent annual financial statements. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

The adoption of FAS 30 has fundamentally changed the Group's accounting for impairment loss on financing assets by replacing FAS 11's (IAS 39's) incurred loss approach with a forward-looking expected credit loss (ECL) approach. FAS 30 requires the Group to record an allowance for ECLs for all financing assets and other debt financial assets not held at FVPL, together with financing asset commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through income statement:
- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitments and Letter of credit: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The determination of the FAS 30 provision results from a two-step approach:

Step 1: The facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit impaired.

Step 2: The expected credit loss is calculated i.e., 12-month expected loss for all facilities in stage 1 and lifetime expected credit loss for all facilities in stage 2. The facilities in stage 3 are covered by specific provisions as per QCB regulations and FAS 30 requirements.

The Group has adopted QCB guidelines on staging and provisioning of certain exposures, which modifies the requirements of FAS 30 "Impairment, credit losses and onerous commitments".

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:
- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;

If the expected restructuring will result in derecognition of existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. The amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through equity are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a financing asset by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.
- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

Any credit exposures to the Government of Qatar, represented by the Ministry of Finance and QCB are exempted from the application of expected credit loss model as per QCB's Circular 9 / 2017.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:
- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing asset commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- Debt instruments measured at fair value through equity: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(i) Equity-type investments classified as fair value through equity

With effect from the issuance of QCB circular 13/2020, equity-type instruments classified as fair value through equity are not tested for impairment.

(j) Modification of financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit.

(k) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(l) Shari'a-compliant risk management instruments

Shari'a-compliant risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's Shari'a-compliant risk management instruments include unilateral promise to buy/sell currencies and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, Shari'a-compliant risk management instruments are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models, as appropriate. The resulting gains or losses are included in the consolidated income statement.

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as at and for the year ended 31 December 2022

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Shari'a-compliant risk management instruments (continued)

Derivatives held for risk management purposes and accounting for Tahawwut (hedging) arrangements
Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Group designates certain derivatives held for risk management as hedging instruments in qualifying Tahawwut (hedging) relationships. The Group accounts for Tahawwut (hedging) relationship when all of the following conditions are met:

- the hedging relationship is adequately documented, identifying the hedging instrument and the hedged item, the nature of the risk being hedged, and how the Group will assess the hedging instruments effectiveness;
- the hedge is expected to be effective in achieving its desired objectives that were originally documented in the risk management strategy for that particular hedging relationship by offsetting changes in fair value or cash flows attributable to the hedged risk;
- exposure to variations in cash flows is probable, in case of cash flow hedges, that may have impact on the consolidated income statement;
- the effectiveness of the hedge can be reliably measured; and
- the hedge is assessed on an ongoing basis and is determined to be highly effective throughout the financial reporting period.

These hedging relationships are discussed below:

Cash flow hedges – qualifying for hedge accounting
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the fair value reserve. The amount recognised in fair value reserve is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect consolidated income statement. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in consolidated income statement.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction, the cumulative amount recognised in the fair value reserve from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in the fair value reserve is reclassified immediately to the consolidated income statement as a reclassification adjustment.

Fair value hedges – qualifying for hedge accounting
When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in consolidated income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective profit method is used, is amortised to consolidated income statement as part of the recalculated effective profit rate of the item over its remaining life.

Hedging derivatives – not qualifying for hedge accounting
When a derivative is held for risk management purposes but, due to the characteristics of the derivative (e.g. where it includes embedded options), it does not qualify for hedge accounting, all changes in its fair value are recognised immediately in consolidated income statement. Also included in this category are foreign exchange derivatives (such as forward exchange contracts and cross currency swaps) that are used to hedge foreign currency risks arising between lending and funding activities and interest rate options.

Derivatives held for trading purposes
The Group's derivative trading instruments includes primarily forward foreign exchange contracts and profit rate swaps, which the Group sells to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes are recognised in the consolidated income statement.

Shari'a-compliant risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's Shari'a-compliant risk management instruments include unilateral promise to buy/sell currencies and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, Shari'a-compliant risk management instruments are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models, as appropriate. The resulting gains or losses are included in the consolidated income statement.

(m) Fixed assets

Recognition and initial measurement
Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land and work-in-progress are not depreciated.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The estimated useful lives for the current and comparative years are as follows:

Buildings	20 - 40 years
Leasehold improvements	5 - 10 years
Furniture, fixtures and office equipment	3 - 7 years
Motor vehicles	3 years
Computer equipment	2 -5 years

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

(n) Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately or in a business combination (other than goodwill) are measured on initial recognition at fair value and subsequently at cost less accumulated amortisation and impairment loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates and accounted for on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in consolidated income statement when the asset is derecognised.

A summary of the useful lives and amortisation methods of the Group's intangible assets are as follows:

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Intangible assets (continued)

	Goodwill	Customer relationships	Core deposits	License
Useful lives	Indefinite	Finite (8 years)	Finite (10 years)	Finite (5 years)
Amortisation method used	Tested for impairment either individually or at cash generating unit level	Amortised on a straight-line basis over the periods of availability	Amortised on a straight-line basis over the periods of availability	Amortised on a straight-line basis over the periods of availability
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

(o) Due from banks

Due from banks are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks are initially measured at cost, being the fair value of the consideration given. Following the initial recognition, due from banks are stated at amortised cost.

(p) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

(q) Customer current accounts

Balances in customer current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

(r) Equity of investment account holders

Equity of investment account holders are funds held by the Group, which it can invest at its own discretion. The investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges a management fee to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts.

Investment accounts are carried at their book values and include amounts retained towards the profit equalisation and investment risk reserves. The profit equalisation reserve is the amount appropriated by the

Group out of the Mudaraba income, before allocating the Mudarib's share, in order to maintain a certain level of return to the account holders on the investments. The investment risk reserve is the amount appropriated by the Group out of the income of investment account holders, after allocating the Mudarib's share, in order to cater against future losses for investment account holders.

(s) Distribution of profit between equity of investment account holders and shareholders

The Group complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and its equity holders.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba profit.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(t) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

(u) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears profit. Profits are recognised periodically until maturity. Sukuks are recognised at amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing"

(v) Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(w) Employees benefits

Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the personnel cost under general and administration expenses in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Group also provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other liabilities.

(x) Share capital and reserves

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's equity holders.

(y) Revenue recognition

Murabaha

Profit from Murabaha transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated income statement on declaration by the Mudarib.

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Revenue recognition (continued)

Istisna'a
Revenue and the associated profit margin are recognised in the Group's consolidated income statement according to the percentage of completion method or completed contract method.

Wakala
Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from asset management services
Income from asset management services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income
Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, feasibility study / management, arrangement and syndication fees, are recognised over time as the related services are performed. The performance, as well as the timing of their satisfaction, are identified and determined, at the inception of the contract.

The Bank has generally concluded that it is a principal in its revenue arrangements because it typically controls the services before transferring them to customer.

Dividend income
Dividend income is recognised when the right to receive the dividend is established.

(z) Income tax

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group's operations inside Qatar are not subject to tax, except Al Rayan Investment L.L.C. and Al Rayan Partners L.L.C. whose profits are subject to tax as per the relevant tax regulations.

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in the profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(aa) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(bb) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the consolidated statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated income statement. The amortisation of the premium received is recognised in the consolidated income statement under commission and fees income.

(cc) Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

(dd) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(ee) Collateral repossessed

The Bank acquires collaterals in settlement of certain financing assets. These collaterals are recognized at net realisable value on the date of acquisition and are classified as investment properties. Subsequently, the fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on these collaterals are included in the consolidated income statement in the period in which these gains or losses arise.

(ff) Contingent liabilities

Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these Shari'a-compliant risk management instruments.

(gg) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(hh) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(ii) Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities.

(jj) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

(kk) Ijarah

The Group has applied from 1 January 2021 FAS 32 – Ijarah which sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah-type transactions including their different forms entered into by Islamic financial institutions, in both the capacities of lessor and lessee. The Group adopted the following policies in line with FAS 32 and shall implement any subsequent guidelines or amendments to the standards that may be issued by the QCB.

The Group as lessee

Identifying an Ijarah

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

Classification and measurement

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

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

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

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

Right-of-use (usufruct) asset

Initial recognition and measurement

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

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

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

Recognition exemptions and simplified accounting for the lessee

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

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

Subsequent measurement

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

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

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

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

Net Ijarah liability

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

Ijarah contract modifications

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

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

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

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4 FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

Risk management and structure

Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks, investment securities, financing assets and certain other financial assets. Financial liabilities include customer deposits, due to banks, sukuk financing, other borrowings and certain other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-statement of financial position items.

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, market risk, liquidity risk and operating risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Board of Directors

The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function

The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

Assets and liabilities

The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

Internal audit

Risk management processes throughout the Group are audited annually by the Internal Audit Department that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Information compiled from all business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, risk unit, and the head of each business division.

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

4.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collaterals obtained are as follows:

- For securities financing: cash or securities.
- For commercial financing: mortgages over real estate properties, inventory, cash or securities.
- For retail financing: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

The Group also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 10. Also the details of geographical segments are set out in Note 34.

4.2.1 Credit risk measurement

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk type activities and the module makes use of probabilities derived from historical experience adjusted to reflect the economic environment.

4.2.2 Risk limit control and mitigation policies

Risk mitigation

As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	2022	2021(Restated)
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Cash and balances with central banks (excluding cash on hand)	4,547,003	4,582,462
Due from banks	6,108,768	9,155,812
Financing assets	117,859,281	120,880,202
Investment securities - debt	31,082,306	32,418,267
Other assets[1]	3,572,342	3,112,166
	163,169,700	**170,148,909**
Other credit risk exposures are as follows:		
Unutilised credit facilities	1,026,611	5,544,059
Guarantees	13,102,552	15,170,129
Letters of credit	1,461,838	3,399,486
Contingent liabilities of a non-Shari'a-compliant subsidiary (Note 33a)	502,707	682,218
	16,093,708	**24,795,892**

[1] Include assets of a non-Shari'a-compliant subsidiary

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The above tables represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

4.2.4 Concentration of risks of financial assets with credit risk exposure

(a) By Geographical Sector

	Qatar	Other GCC	Other Middle East	Others	Total
2022					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks (excluding cash on hand)	4,527,289	-	-	19,714	4,547,003
Due from banks	661,020	397,786	1,304	5,048,658	6,108,768
Financing assets	102,166,763	627,915	-	15,064,603	117,859,281
Investment securities - debt	29,003,182	1,408,765	12,415	657,944	31,082,306
Other assets[1]	248,713	1,003,623	-	2,320,006	3,572,342
	136,606,967	3,438,089	13,719	23,110,925	163,169,700

	Qatar	Other GCC	Other Middle East	Others	Total
2021 (Restated)					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks (excluding cash on hand)	4,559,950	-	-	22,512	4,582,462
Due from banks	3,987,419	1,131,696	365,086	3,671,611	9,155,812
Financing assets	103,411,959	1,343,848	5,106,422	11,017,973	120,880,202
Investment securities - debt	30,380,585	1,382,904	400,147	254,631	32,418,267
Other assets[1]	216,789	1,174,783	-	1,720,594	3,112,166
	142,556,702	**5,033,231**	**5,871,655**	**16,687,321**	**170,148,909**

[1] Include assets of a non-Shari'a-compliant subsidiary

	Qatar	Other GCC	Other Middle East	Others	Total
2022					
Unutilised credit facilities	911,783	-	-	114,828	1,026,611
Guarantees	10,178,666	158,086	-	2,765,800	13,102,552
Letters of credit	689,902	-	-	771,936	1,461,838
Contingent liabilities of a non-Shari'a-compliant subsidiary	17,726	300,265	-	184,716	502,707
	11,798,077	458,351	-	3,837,280	16,093,708

	Qatar	Other GCC	Other Middle East	Others	Total
2021 (Restated)					
Unutilised credit facilities	5,395,480	15,944	-	132,635	5,544,059
Guarantees	11,936,342	362,070	133,054	2,738,663	15,170,129
Letters of credit	1,006,995	320,645	296,807	1,775,039	3,399,486
Contingent liabilities of a non-Shari'a-compliant subsidiary	13,213	376,437	-	292,568	682,218
	18,352,030	**1,075,096**	**429,861**	**4,938,905**	**24,795,892**

(b) By Industry sector

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown net, before the effect of mitigation through the use of master netting and collateral agreements.

	Net exposure 2022	Net exposure 2021 (Restated)
Funded and unfunded		
Government	34,821,003	38,246,764
Government agencies	46,438,503	45,584,955
Industry	1,685,117	3,602,089
Commercial	7,680,084	8,362,275
Services	31,293,461	30,967,912
Contracting	3,433,963	2,597,170
Real estate	29,042,347	30,068,807
Personal	8,775,222	10,718,937
Contingent liabilities	15,591,001	24,113,674
Contingent liabilities of a non-Shari'a-compliant subsidiary	502,707	682,218
Total	179,263,408	**194,944,801**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 4- represents investment grade, ORR 5+ to 7 represents sub-investment grade and 7- represents watch list. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

The following table sets out information about the credit quality of financial assets, commitments and financial guarantees.

	2022			
	Stage 1	Stage 2	Stage 3	Total
Due from banks and balances with central banks				
Investment grade	9,899,035	-	-	9,899,035
Sub-investment grade	425,945	345,624	-	771,569
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	10,324,980	345,624	-	10,670,604
Loss allowance	(12,292)	(2,541)	-	(14,833)
Carrying amount	**10,312,688**	**343,083**	**-**	**10,655,771**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Due from banks and balances with central banks				
Investment grade	12,891,117	-	-	12,891,117
Sub-investment grade	363,236	485,448	-	848,684
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	13,254,353	485,448	-	13,739,801
Loss allowance	(1,087)	(440)	-	(1,527)
Carrying amount	**13,253,266**	**485,008**	**-**	**13,738,274**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Financing assets				
Investment grade	67,943,987	19,825,661	-	87,769,648
Sub-investment grade	16,777,243	9,861,605	-	26,638,848
Substandard	-	-	5,153,697	5,153,697
Doubtful	-	-	178,265	178,265
Loss	-	-	1,963,470	1,963,470
	84,721,230	29,687,266	7,295,432	121,703,928
Loss allowance	(64,157)	(392,046)	(3,388,444)	(3,844,647)*
Carrying amount	**84,657,073**	**29,295,220**	**3,906,988**	**117,859,281**

* Includes profit in suspense of QAR 463,648 thousand

	2021 (Restated)			
	Stage 1	Stage 2	Stage 3	Total
Financing assets				
Investment grade	81,007,013	7,187,165	-	88,194,178
Sub-investment grade	21,988,243	10,656,034	-	32,644,277
Substandard	-	-	993,890	993,890
Doubtful	-	-	178,218	178,218
Loss	-	-	749,498	749,498
	102,995,256	17,843,199	1,921,606	122,760,061
Loss allowance	(58,617)	(793,979)	(1,027,263)	(1,879,859)*
Carrying amount	**102,936,639**	**17,049,220**	**894,343**	**120,880,202**

* Includes profit in suspense of QAR 52,762 thousand

	2022			
	Stage 1	Stage 2	Stage 3	Total
Investment securities - debt				
Investment grade	29,613,834	-	-	29,613,834
Sub-investment grade	1,036,146	484,676	-	1,520,822
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	57,162	57,162
	30,649,980	484,676	57,162	31,191,818
Loss allowance	(30,025)	(22,325)	(57,162)	(109,512)
Carrying amount	**30,619,955**	**462,351**	**-**	**31,082,306**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

	2021 (Restated)			
	Stage 1	Stage 2	Stage 3	Total
Investment securities - debt				
Investment grade	30,677,336	-	-	30,677,336
Sub-investment grade	1,251,146	507,874	-	1,759,020
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	57,162	57,162
	31,928,482	507,874	57,162	32,493,518
Loss allowance	(11,729)	(6,360)	(57,162)	(75,251)
Carrying amount	**31,916,753**	**501,514**	**-**	**32,418,267**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Other credit risk exposures				
Investment grade	10,274,169	533,961	-	10,808,130
Sub-investment grade	2,957,618	1,614,985	-	4,572,603
Substandard	-	-	197,412	197,412
Doubtful	-	-	105	105
Loss	-	-	17,948	17,948
	13,231,787	2,148,946	215,465	15,596,198
Loss allowance	(25,507)	(33,204)	(79,384)	(138,095)
Carrying amoun	13,206,280	2,115,742	136,081	15,458,103

	2021			
	Stage 1	Stage 2	Stage 3	Total
Other credit risk exposures				
Investment grade	14,648,042	572,623	-	15,220,665
Sub-investment grade	5,376,869	3,470,958	-	8,847,827
Substandard	-	-	35,820	35,820
Doubtful	-	-	562	562
Loss	-	-	8,800	8,800
	20,024,911	4,043,581	45,182	24,113,674
Loss allowance	(15,110)	(34,513)	(2,019)	(51,642)
Carrying amount	**20,009,801**	**4,009,068**	**43,163**	**24,062,032**

4.2.6 Credit quality assessments

The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent).

Rating grade	Financing assets	Due from banks and central banks	Debt type investments carried at amortised cost	Other exposures subject to credit risk
AAA to AA-	63,372,387	6,787,980	28,082,674	1,691,320
A+ to A-	7,644,827	2,998,105	1,328,444	4,784,181
BBB+ to BBB-	16,752,448	112,950	202,715	4,332,628
BB+ to B-	14,058,506	425,945	1,275,135	3,539,358
Unrated	19,875,760	345,624	302,850	1,248,711
Totals as of 31 December 2022	121,703,928	10,670,604	31,191,818	15,596,198
AAA to AA-	53,516,332	8,446,198	25,553,027	2,616,593
A+ to A-	21,587,744	3,277,842	5,111,313	7,222,886
BBB+ to BBB-	13,085,052	1,164,819	12,999	5,348,109
BB+ to B-	20,164,641	498,369	1,532,248	7,866,704
Unrated	14,406,292	352,573	276,727	1,059,382
Totals as of 31 December 2021 (Restated)	**122,760,061**	**13,739,801**	**32,486,314**	**24,113,674**

4.2.7 Collateral

The Group seeks to use collateral, where possible, to mitigate its credit risks on financial assets. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, inventories and other non-financial assets. Collateral, unless repossessed, is not recorded in the Group's consolidated statement of financial position. Cash flows expected from credit enhancements which are not required to be recognized separately by the applicable standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

In its normal course of business, the Group engages external agents to recover funds from the repossessed assets, generally at auctions, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2022 is QAR 4,602 million (2021: QAR 1,870 million).

4.2.8 Renegotiated financing assets

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non-impaired. The carrying value of renegotiated financing assets as at 31 December 2022 was QAR 220 million (2021: QAR 435 million).

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2.9 Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2022 was QAR 704 thousand (2021: QAR 1,386 thousand).

4.2.10 Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria's are considered:

i. Two notches down for rating from Aaa to Baa or one notch down for ratings from Ba to Ca;
ii. Facilities restructured during previous twelve months; and
iii. Contractual payments overdue by more than 60 days as at the reporting date.

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Group employs Moody's Risk Analyst to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group has taken exposures.

Renegotiated financing assets

The contractual terms of a financing asset may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing asset whose terms have been modified may be derecognised and the renegotiated financing asset recognised as a new financing asset at fair value. Where possible, the Group seeks to restructure financing assets rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing asset conditions. Management continuously reviews renegotiated financing assets to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are restructured due to credit reasons in past 12 months will be classified under Stage 2.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is rated 9 or 10.

In assessing whether a borrower is in default, the Group also considers indicators that are:

- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macro – economic parameters are statistically significant or the results of forecasted PD's are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically. The impact of COVID-19 on forward-looking information is disclosed in Note 44.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.
2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.
3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- credit risk grading's;
- product type; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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 FAS 30.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.10 Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

Due from banks and balances with central banks	2022			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	1,087	440	-	1,527
Transfers to Stage 1	2	(2)	-	-
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	-	-	-	-
Charge / (reversal) (net)	11,204	2,102	-	13,306
Impairment allowance for the year, net	11,205	2,101	-	13,306
Amounts written off	-	-	-	-
Foreign currency translation	-	-	-	-
Balance at 31 December	**12,292**	**2,541**	**-**	**14,833**

Due from banks and balances with central banks	2021			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	224	62	-	286
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Charge / (reversal) (net)	863	378	-	1,241
Impairment allowance for the year, net	863	378	-	1,241
Amounts written off	-	-	-	-
Foreign currency translation	-	-	-	-
Balance at 31 December	**1,087**	**440**	**-**	**1,527**

Financing assets	2022			
	Stage 1	Stage 2	Stage 3	Total ECL*
Balance at 1 January	58,617	793,979	1,027,263	1,879,859
Transfers to Stage 1	2,565	(1,575)	(990)	-
Transfers to Stage 2	(2,932)	27,626	(24,694)	-
Transfers to Stage 3	(598)	(587,025)	587,623	-
Charge / (reversal) (net)	7,236	159,954	1,800,151	1,967,341
Impairment allowance for the year, net	6,271	(401,020)	2,362,090	1,967,341
Amounts written off	-	-	(704)	(704)
Foreign currency translation	(731)	(913)	(205)	(1,849)
Balance at 31 December	**64,157**	**392,046**	**3,388,444**	**3,844,647**

* Includes profit in suspense of QAR 52,762 thousand and QAR 463,648 thousand as of 1 January and 31 December, respectively, and net profit suspended during the year of QAR 410,886 thousand.

Financing assets	2021			
	Stage 1	Stage 2	Stage 3	Total ECL*
Balance at 1 January	66,810	342,620	548,505	957,935
Transfers to Stage 1	379	(379)	-	-
Transfers to Stage 2	(8,158)	8,158	-	-
Transfers to Stage 3	(222)	(14,778)	15,000	-
Charge / (reversal) (net)	(97)	458,550	465,179	923,632
Impairment allowance for the year, net	(8,098)	451,551	480,179	923,632
Amounts written off	-	-	(1,386)	(1,386)
Foreign currency translation	(95)	(192)	(35)	(322)
Balance at 31 December	**58,617**	**793,979**	**1,027,263**	**1,879,859**

* Includes profit in suspense of QAR 39,470 thousand and QAR 52,762 thousand as of 1 January and 31 December, respectively, and net profit suspended during the year of QAR 13,292 thousand.

Investment securities – debt	2022			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	11,729	6,360	57,162	75,251
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(645)	645	-	-
Transfers to Stage 3	-	-	-	-
Charge / (reversal) (net)	18,949	15,320	-	34,269
Impairment allowance for the year, net	18,304	15,965	-	34,269
Amounts written off	-	-	-	-
Foreign currency translation	(8)	-	-	(8)
Balance at 31 December	**30,025**	**22,325**	**57,162**	**109,512**

Investment securities – debt	2021			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	16,571	2,683	57,162	76,416
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Charge / (reversal) (net)	(4,841)	3,677	-	(1,164)
Impairment allowance for the year, net	(4,841)	3,677	-	(1,164)
Amounts written off	-	-	-	-
Foreign currency translation	(1)	-	-	(1)
Balance at 31 December	**11,729**	**6,360**	**57,162**	**75,251**

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4. **FINANCIAL RISK MANAGEMENT (continued)**

4.2 Credit risk (continued)

4.2.10 Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

Other credit risk exposures	2022			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	15,110	34,513	2,019	51,642
Assumed on business combination	-	-	-	-
Transfers to Stage 1	70	(70)	-	-
Transfers to Stage 2	(945)	945	-	-
Transfers to Stage 3	(6)	(6,584)	6,590	-
Charge / (reversal) (net)	11,278	4,400	70,875	86,553
Impairment allowance for the year, net	10,397	(1,309)	77,465	86,553
Amounts written off	-	-	(100)	(100)
Foreign currency translation	-	-	-	-
Balance at 31 December	**25,507**	**33,204**	**79,384**	**138,095**

	2021			
Other credit risk exposures	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	22,168	8,452	-	30,620
Assumed on business combination	2,553	20,183	2,019	24,755
Transfers to Stage 1	31	(31)	-	-
Transfers to Stage 2	(2,595)	2,595	-	-
Transfers to Stage 3	-	-	-	-
Charge / (reversal) (net)	(7,047)	3,314	-	(3,733)
Impairment allowance for the year, net	(7,058)	26,061	2,019	21,022
Amounts written off	-	-	-	-
Foreign currency translation	-	-	-	-
Balance at 31 December	**15,110**	**34,513**	**2,019**	**51,642**

4.2.11 Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

4.2.12 Credit risk grading

The Group uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

4.3 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in profit rate, currency, and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group's Market Risk Department on daily basis. Regular reports are submitted to the Group Asset, Liability and Capital Management Committee ("GALCCO").

4.3.1 Management of market risk

Overall authority for market risk is vested in GALCCO. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by GALCCO/ Board of Directors) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification, and management of market risk in a prudent way to ensure safeguarding interests of all shareholders.

The Group views market risk management as a core competency and its purpose is not to neutralize market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

4.3.2 Exposure to profit rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. GALCCO is the monitoring body for compliance with these limits and is assisted by Group Market Risk in its day-to-day monitoring activities.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non–trading portfolios (continued)

A summary of the Group's profit rate gap position on non–trading portfolios is as follows:

		Re–pricing in:					
	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non–profit sensitive	Effective profit rate
2022							
Cash and balances with central banks	5,088,200	-	-	-	-	5,088,200	
Due from banks	6,108,768	3,846,538	98,294	160,000	-	2,003,936	0.85%
Financing assets	117,859,281	89,608,696	9,114,806	9,998,726	3,794,264	5,342,789	4.14%
Investment securities	31,082,306	2,059,798	2,316,784	22,773,604	3,067,927	864,193	3.46%
Assets held by non-Shari'a-compliant subsidiary	2,977,578	1,581,288	464,086	674,115	195,267	62,822	
	163,116,133	**97,096,320**	**11,993,970**	**33,606,445**	**7,057,458**	**13,361,940**	
Due to banks	(28,804,957)	(28,368,570)	(204,282)	(19,455)	(22,074)	(190,576)	2.53%
Customer current accounts	(8,736,827)	-	-	-	-	(8,736,827)	
Sukuk financing	(7,682,176)	(1,016,763)	(1,960,121)	(4,651,094)	-	(54,198)	2.98%
Other borrowings	(3,843,236)	(3,815,034)	-	-	-	(28,202)	2.65%
Liabilities of a non-Shari'a-compliant subsidiary	(2,040,814)	(1,459,842)	(62,953)	(484)	-	(517,535)	
	(51,108,010)	**(34,660,209)**	**(2,227,356)**	**(4,671,033)**	**(22,074)**	**(9,527,338)**	
Equity of investment account holders	(88,554,879)	(61,247,925)	(16,691,555)	(10,143,886)	-	(471,513)	1.92%
Consolidated statement of financial position items	23,453,244	1,188,186	(6,924,941)	18,791,526	7,035,384	3,363,089	
Off consolidated statement of financial position items	-	3,787,239	(236,506)	(2,021,570)	(1,529,163)	-	
Profit Rate Sensitivity Gap	**23,453,244**	**4,975,425**	**(7,161,447)**	**16,769,956**	**5,506,221**	**3,363,089**	
Cumulative Profit Rate Sensitivity Gap	**23,453,244**	**4,975,425**	**(2,186,022)**	**14,583,934**	**20,090,155**	**23,453,244**	

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non–trading portfolios (continued)

		Re–pricing in:					
	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non–profit sensitive	Effective profit rate
2021 (Restated)							
Cash and balances with central banks	5,220,712	-	-	-	-	5,220,712	
Due from banks	9,155,812	5,141,068	160,794	-	-	3,853,950	0.75%
Financing assets	120,880,202	78,719,673	9,734,033	19,541,921	11,938,079	946,496	4.03%
Investment securities	32,411,063	706,003	2,884,136	18,023,502	9,943,297	854,125	4.10%
Assets held by non-Shari'a-compliant subsidiary	2,968,605	1,038,277	722,233	706,227	246,139	255,729	
	170,636,394	**85,605,021**	**13,501,196**	**38,271,650**	**22,127,515**	**11,131,012**	
Due to banks	(23,246,577)	(20,723,967)	(2,255,850)	(159,831)	-	(106,929)	1.70%
Customer current accounts	(9,192,634)	-	-	-	-	(9,192,634)	
Sukuk financing	(7,735,618)	(837,315)	(63,250)	(6,785,194)	-	(49,859)	2.46%
Other borrowings	(5,699,994)	(5,334,696)	(362,570)	-	-	(2,728)	1.54%
Liabilities of a non-Shari'a-compliant subsidiary	(2,250,792)	(758,242)	(238,758)	(218)	-	(1,253,574)	
	(48,125,615)	**(27,654,220)**	**(2,920,428)**	**(6,945,243)**	**-**	**(10,605,724)**	
Equity of investment account holders	**(97,763,630)**	**(61,153,060)**	**(23,740,061)**	**(9,782,164)**	**-**	**(3,088,345)**	1.57%
Consolidated statement of financial position items	24,747,149	(3,202,259)	(13,159,293)	21,544,243	22,127,515	(2,563,057)	
Off consolidated statement of financial position items	-	5,370,830	(977,772)	(2,478,155)	(1,914,903)	-	
Profit Rate Sensitivity Gap	**24,747,149**	**2,168,571**	**(14,137,065)**	**19,066,088**	**20,212,612**	**(2,563,057)**	
Cumulative Profit Rate Sensitivity Gap	**24,747,149**	**2,168,571**	**(11,968,494)**	**7,097,594**	**27,310,206**	**24,747,149**	

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non–trading portfolios (continued)

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	100 bp parallel increase	100 bp parallel decrease
2022		
At 31 December	16,680	(16,680)
2021		
At 31 December	(34,043)	34,043

Overall non-trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and Shari'a-compliant risk management instruments to manage the overall position arising from the Group's non-trading activities.

4.3.3 Exposure to other market risks – non–trading portfolios

Foreign currency transactions

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Group is exposed to the risk from fluctuation in prevailing foreign currency exchange rates on its financial position.

	2022	2021
Net foreign currency exposure:		
EUR	(1,824)	1,512
GBP	(465)	800
Others	3,001	8,164

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the consolidated income statement, with all other variables held constant:

	Increase / (decrease) in profit or loss	
	2022	2021
5% increase / (decrease) in currency exchange rate		
EUR	(91)	76
GBP	(23)	40
Others	150	408

The table above does not include currencies that are pegged against the QAR.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as investments at fair value through equity.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2022	2021
5% increase / (decrease) in Qatar Exchange		
Increase / (decrease) in equity	6,293	6,298

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for Shari'a-compliant risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.4.1 Management of liquidity risk

The Group maintains a portfolio of high-quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB and other regulators. The Market Risk Department monitors the liquidity risk of the Bank on daily basis and is responsible for the development of detailed liquidity risk management policies (subject to review and approval by GALCCO/Board of Directors).

4.4.2 Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

The Liquidity Ratio computed as per QCB guidelines is 107% (2021: 110%).

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Carrying amount	Less than one month	One to 3 months	3 months to 1 Year	1 to 5 Years	More than 5 years
2022						
Cash and balances with central banks	5,088,200	805,806	-	-	-	4,282,394
Due from banks	6,108,768	5,456,139	29,815	98,793	524,021	-
Financing assets	117,859,281	10,416,611	4,586,341	10,278,858	44,213,317	48,364,154
Investment securities	31,476,658	1,868,655	434,093	2,427,895	23,449,771	3,296,244
Other assets	2,982,799	1,371,204	68,894	460,568	825,258	256,875
Total financial assets	**163,515,706**	**19,918,415**	**5,119,143**	**13,266,114**	**69,012,367**	**56,199,667**
Due to banks	28,804,957	11,934,091	16,621,024	207,204	20,574	22,064
Customer current accounts	8,736,827	8,736,827	-	-	-	-
Sukuk financing	7,682,176	1,362	350,911	2,678,808	4,651,095	-
Other borrowings	3,843,236	24,163	367,870	363,711	3,087,492	-
Financial liabilities of a non-Shari'a-compliant subsidiary	2,040,814	833,746	1,045,326	63,669	486	97,587
Total financial liabilities	51,108,010	21,530,189	18,385,131	3,313,392	7,759,647	119,651
Equity of investment account holders	88,554,879	42,368,102	18,870,835	17,150,527	10,165,413	2
Total financial liabilities and equity of investment account holders	**139,662,889**	**63,898,291**	**37,255,966**	**20,463,919**	**17,925,060**	**119,653**
Difference	**23,852,817**	**(43,979,876)**	**(32,136,823)**	**(7,197,805)**	**51,087,307**	**56,080,014**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (continued)

	Carrying amount	Less than one month	One to 3 months	3 months to 1 Year	1 to 5 Years	More than 5 years
2021 (Restated)						
Cash and balances with central banks	5,220,712	925,886	-	-	-	4,294,826
Due from banks	9,155,812	8,236,695	268,219	490,906	159,992	-
Financing assets	120,880,202	12,696,078	2,822,343	5,687,236	48,832,351	50,842,194
Investment securities	32,752,667	631,129	232,310	2,979,152	18,743,255	10,166,821
Other assets	2,976,037	1,181,911	71,446	700,022	778,989	243,669
Total financial assets	**170,985,430**	**23,671,699**	**3,394,318**	**9,857,316**	**68,514,587**	**65,547,510**
Due to banks	23,246,577	17,280,025	1,753,949	2,255,847	1,956,756	-
Customer current accounts	9,192,634	9,192,634	-	-	-	-
Sukuk financing	7,735,618	28,490	-	63,283	7,643,845	-
Other borrowings	5,699,994	746,129	527,274	1,161,226	3,265,365	-
Financial liabilities of a non-Shari'a-compliant subsidiary	2,250,792	1,298,939	605,058	239,592	218	106,985
Total financial liabilities	48,125,615	28,546,217	2,886,281	3,719,948	12,866,184	106,985
Equity of investment account holders	**97,763,630**	**36,406,250**	**27,699,557**	**23,855,829**	**9,801,994**	**-**
Total financial liabilities and equity of investment account holders	**145,889,245**	**64,952,467**	**30,585,838**	**27,575,777**	**22,668,178**	**106,985**
Difference	**25,096,185**	**(41,280,768)**	**(27,191,520)**	**(17,718,461)**	**45,846,409**	**65,440,525**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.4 Maturity analysis (Financial liabilities and Shari'a-compliant risk management instruments)

The table below summarises the maturity profile of the Group's financial liabilities based on remaining contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable, diverse and liquid assets in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with QCB. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2022							
Non-derivative liabilities							
Due to banks	28,804,957	28,927,221	11,998,970	16,630,699	219,557	54,023	23,972
Customer current accounts	8,736,827	8,736,827	8,736,827	-	-	-	-
Sukuk financing	7,682,176	8,073,133	24,167	393,847	2,847,844	4,807,275	-
Other borrowings	3,843,236	4,176,831	41,453	399,002	491,060	3,245,316	-
Other liabilities	5,629,198	5,629,437	4,388,844	1,065,354	63,935	8,119	103,185
Total liabilities	**54,696,394**	**55,543,449**	**25,190,261**	**18,488,902**	**3,622,396**	**8,114,733**	**127,157**
Equity of investment account holders	88,554,879	90,019,316	42,421,602	18,964,990	17,614,488	11,018,124	112
Shari'a-compliant risk management instruments							
Risk management:							
Outflow		(16,629,846)	(3,234,570)	(4,790,841)	(1,952,808)	(2,522,484)	(4,129,143)
Inflow		16,629,846	3,234,570	4,790,841	1,952,808	2,522,484	4,129,143
	143,251,273	**145,562,765**	**67,611,863**	**37,453,892**	**21,236,884**	**19,132,857**	**127,269**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.4 Maturity analysis (Financial liabilities and Shari'a-compliant risk management instruments) (continued)

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2021(Restated)							
Non-derivative liabilities							
Due to banks	23,246,577	23,304,588	17,285,044	1,755,429	2,258,265	2,005,850	-
Customer current accounts	9,192,634	9,192,634	9,192,634	-	-	-	-
Sukuk financing	7,735,618	8,578,666	28,490	9,414	134,326	8,406,436	-
Other borrowings	5,699,994	5,799,189	747,619	530,014	1,207,495	3,314,061	-
Other liabilities	5,849,975	5,849,975	4,365,977	789,897	319,516	129,658	244,927
Total liabilities	**51,724,798**	**52,725,052**	**31,619,764**	**3,084,754**	**3,919,602**	**13,856,005**	**244,927**
Equity of investment account holders	97,763,630	98,603,626	36,430,847	27,774,208	24,136,370	10,260,417	1,784
Shari'a-compliant risk management instruments							
Risk management:							
Outflow		(21,903,868)	(4,557,373)	(4,049,073)	(4,513,454)	(3,957,375)	(4,826,593)
Inflow		21,903,868	4,557,373	4,049,073	4,513,454	3,957,375	4,826,593
	149,488,428	**151,328,678**	**68,050,611**	**30,858,962**	**28,055,972**	**24,116,422**	**246,711**

4.5 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, human behaviour, systems or from external events and other risks having an operational risk impact which includes but is not limited to, legal risk and Shari'ah and compliance risk. The Group seeks to minimise actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Operational risks are managed at Group level through a Board approved Operational Risk Management Framework ("ORMF" or the "Framework") in accordance with QCB instructions and Basel III guidelines.

The Framework articulates clearly defined roles and responsibilities of individuals / units and committees across the Group involved in the management of various operational risk elements. The ORMF ensures that operational risks within the Group are properly identified, monitored, reported and actively managed. Key elements of the Framework include Risk Reviews, "Risk & Control self-Assessment", Loss Data Management, key risk indicators, controls testing, and Issues & Actions Management and Reporting. The Framework also fully encompasses and integrates elements of Fraud Risk Prevention.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk (continued)

Business and support units are responsible for managing operational risks within their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being pro-actively identified, monitored, reported and managed within their scope of work. The day-to-day operational risks are also managed through the adoption of a comprehensive system of internal control with multi-layers of defense and dedicated systems and procedures to monitor transactions, positions and documentation, as well as maintenance of key backup procedures and business contingency plan which are regularly assessed and tested, monitoring and analyzing the Bank's security position on an ongoing basis.

4.6 Capital management

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on equity holders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

The Group's regulatory capital position under Basel III and QCB regulations at 31 December was as follows:

	2022 Basel III	2021 Basel III Restated
Common Equity Tier 1 (CET 1) capital	20,644,439	20,269,765
Additional Tier 1 capital	1,000,000	1,000,000
Tier 2 capital	896,189	911,323
Total regulatory capital	**22,540,628**	**22,181,088**
Risk weighted assets		
Risk weighted assets for credit risk	103,470,735	98,131,045
Risk weighted assets for market risk	643,630	541,778
Risk weighted assets for operational risk	6,964,249	6,068,338
Total risk weighted assets	**111,078,614**	**104,741,161**

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB[1] buffer	Total capital including conservation buffer, DSIB[1] buffer and ICAAP Pillar II capital charge
2022						
Actual	18.59%	18.59%	19.49%	20.29%	20.29%	20.29%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.38%
2021						
Actual	19.35%	19.35%	20.31%	21.18%	21.18%	21.18%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%

[1] Domestic Systemically Important Bank

5. USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on financial assets:

The measurement of impairment losses under FAS 30 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies (financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument).

(iii) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

(iv) Financial asset and liability classification

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

	Level 1	Level 2	Level 3	Total
2022				
Financial assets				
Shari'a-compliant risk management instruments	-	611,882	-	611,882
Investment securities	291,536	102,816	-	394,352
Assets held by non-Shari'a-compliant subsidiary	71,085	4,386	-	75,471
	362,621	**719,084**	**-**	**1,081,705**
Financial liabilities				
Shari'a-compliant risk management instruments	-	229,383	-	229,383
	-	**229,383**	**-**	**229,383**

	Level 1	Level 2	Level 3	Total
2021				
Financial assets				
Shari'a-compliant risk management instruments	-	169,877	-	169,877
Investment securities	244,033	97,571	-	341,604
Assets held by non-Shari'a-compliant subsidiary	76,357	30	-	76,387
	320,390	**267,478**	**-**	**587,868**
Financial liabilities				
Shari'a-compliant risk management instruments	-	272,722	-	272,722
Liabilities of a non-Shari'a-compliant subsidiary	-	1,999	-	1,999
	-	**274,721**	**-**	**274,721**

The fair values of financial assets and financial liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for certain investment securities for which the fair value amounts to QAR 7,518 million (2021: QAR 8,825 million), which is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 7.

(iv) Financial asset and liability classification (continued)

During the reporting periods 31 December 2022 and 2021, there were no transfers among Levels 1, 2 and 3 fair value measurements.

(v) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

(vi) FAS 32 – Determination of Ijarah term in Ijarah contracts with the renewal and termination option (Bank as a lessee)

In determining the Ijarah term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the Ijarah term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(vii) Provisions and other contingent liabilities

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

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

For further details on provisions and other contingencies see Note 33.

6. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Treasury and Financial Institutions undertake the Group's funding and centralised risk management activities through borrowings, sukuk and debt financing, use of Shari'a compliant instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes financing assets, deposits and other products and services with corporate and individual customers in the Group's international locations.

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

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

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6. OPERATING SEGMENTS (continued)

Information about operating segments

2022	Corporate Banking	Retail Banking	Treasury and Financial Institutions	Asset Management	International Operations	Central Function	Total
External revenue:							
Total income from financing and investing activities	3,536,839	1,351,265	1,217,325	9,895	379,755	-	6,495,079
Net fee and commission income	125,820	192,660	56,323.	57,340	(628)	-	431,515
Foreign exchange gain / (loss)	-	-	268,406	(5)	2,490	-	270,891
Share of results of associates	-	-	-	-	-	27,201	27,201
Other income	-	-	-	-	-	15,352	15,352
Total segment revenue	**3,662,659**	**1,543,925**	**1,542,054**	**67,230**	**381,617**	**42,553**	**7,240,038**
Finance expense	-	-	(1,025,504)	(145)	(5,213)	-	(1,030,862)
Return to investment account holders	(1,361,773)	(377,368)	-	-	(115,375)	-	(1,854,516)
Net impairment losses on financing assets	(1,556,222)	-	-	-	(233)	-	(1,556,455)
Net impairment losses on investments	-	-	(32,920)	(1,349)	-	(19,033)	(53,302)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	(85,588)		(13,305)	(966)	-	-	(99,859)
Reportable segment profit before tax	**647,507**	**1,166,557**	**449,130**	**47,367**	**104,910**	**(1,029,978)**	**1,385,493**
Reportable segment assets	**79,652,471**	**28,369,584**	**42,041,202**	**184,929**	**13,469,098**	**3,815,929**	**167,533,213**
Reportable segment liabilities	**5,247,917**	**2,468,184**	**39,813,956**	**13,613**	**3,768,817**	**3,383,907**	**54,696,394**
Reportable segment equity of investment account holders	**55,267,385**	**20,051,295**	**5,182,712**	**-**	**8,053,487**	**-**	**88,554,879**

6. OPERATING SEGMENTS (continued)

2021 (Restated)	Corporate Banking	Retail Banking	Treasury and Financial Institutions	Asset Management	International Operations	Central Function	Total
External revenue:							
Total income from financing and investing activities	2,141,807	1,241,007	868,471	15,273	328,643	-	4,595,201
Net fee and commission income	151,305	121,713	16,863	33,023	819	-	323,723
Foreign exchange gain / (loss)	-	-	172,048	(1)	564	-	172,611
Share of results of associates	-	-	-	-	-	13,706	13,706
Other income	-	-	-	-	-	1,298	1,298
Total segment revenue	**2,293,112**	**1,362,720**	**1,057,382**	**48,295**	**330,026**	**15,004**	**5,106,539**
Finance expense	-	-	(510,629)	(961)	(17,513)	-	(529,103)
Return to investment account holders	(548,009)	(305,997)	-	-	(94,837)	-	(948,843)
Net impairment losses on financing assets	(161,661)	(750,310)	-	-	1,631	-	(910,340)
Net impairment losses on investments	-	-	(327)	1,491	-	(190,000)	(188,836)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	(3,031)	(5)	5,271	257	-	-	2,492
Reportable segment profit before tax	**1,572,164**	**320,362**	**508,567**	**29,166**	**45,778**	**(740,560)**	**1,735,477**
Reportable segment assets	**81,609,515**	**30,544,778**	**44,755,640**	**237,409**	**13,963,986**	**3,043,388**	**174,154,716**
Reportable segment liabilities	**4,880,247**	**2,814,198**	**35,988,083**	**123,188**	**4,518,202**	**3,400,880**	**51,724,798**
Reportable segment equity of investment account holders	**57,772,998**	**18,133,799**	**13,693,422**	**-**	**8,163,411**	**-**	**97,763,630**

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7. 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:

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2022					
Cash and balances with central banks	-	-	5,088,200	5,088,200	5,088,200
Due from banks	-	-	6,108,768	6,108,768	6,108,768
Financing assets	-	-	117,859,281	117,859,281	117,859,281
Investment securities:					
- Measured at fair value	-	394,352	-	394,352	394,352
- Measured at amortised cost	-	-	31,082,306	31,082,306	31,153,108
Financial assets held by a non-Shari'a-compliant subsidiary	4,386	71,085	2,879,908	2,955,379	2,950,202
Other assets	-	-	5,197	5,197	5,197
Shari'a-compliant risk management instruments	611,882	-	-	611,882	611,882
	616,268	465,437	163,023,660	164,105,365	164,170,990
Due to banks	-	-	28,804,957	28,804,957	28,804,957
Customer current accounts	-	-	8,736,827	8,736,827	8,736,827
Sukuk financing	-	-	7,682,176	7,682,176	7,355,921
Other borrowings	-	-	3,843,236	3,843,236	3,843,236
Financial liabilities of a non-Shari'a-compliant subsidiary	-	-	2,084,789	2,084,789	2,084,789
Other liabilities	-	-	1,449,644	1,449,644	1,449,644
Equity of investment account holders	-	-	88,554,879	88,554,879	88,554,879
Shari'a-compliant risk management instruments	229,383	-	-	229,383	229,383
	229,383	-	141,156,508	141,385,891	141,059,636
2021 (Restated)					
Cash and balances with central banks	-	-	5,220,712	5,220,712	5,220,712
Due from banks	-	-	9,155,812	9,155,812	9,155,812
Financing assets	-	-	120,880,202	120,880,202	120,880,202
Investment securities:					
- Measured at fair value	7,204	334,400	-	341,604	341,604
- Measured at amortised cost	-	-	32,411,063	32,411,063	32,551,098
Financial assets held by a non-Shari'a-compliant subsidiary	30	76,357	2,892,251	2,968,638	3,081,324
Other assets	-	-	7,429	7,429	7,429
Shari'a-compliant risk management instruments	169,877	-	-	169,877	169,877
	177,111	**410,757**	**170,567,469**	**171,155,337**	**171,408,058**
Due to banks	-	-	23,246,577	23,246,577	23,246,577
Customer current accounts	-	-	9,192,634	9,192,634	9,192,634
Sukuk financing	-	-	7,735,618	7,735,618	7,735,618
Other borrowings	-	-	5,699,994	5,699,994	5,699,994
Financial liabilities of a non-Shari'a-compliant subsidiary	-		2,246,812	2,246,812	2,246,812
Other liabilities	-	-	2,170,886	2,170,886	2,170,886
Equity of investment account holders	-	-	97,763,630	97,763,630	97,763,630
Shari'a-compliant risk management instruments	272,722	-	-	272,722	272,722
	272,722	**-**	**148,056,151**	**148,328,873**	**148,328,873**

8. CASH AND BALANCES WITH CENTRAL BANKS

	2022	**2021**
Cash on hand	541,197	638,250
Cash reserve with QCB*	4,282,394	4,294,826
Current account with QCB and balances with other central banks	264,609	287,636
	5,088,200	5,220,712

** The cash reserve with QCB represents a mandatory reserve not available for the daily operations of the Group.*

9. DUE FROM BANKS

	2022	**2021**
Current accounts	2,269,254	2,856,924
Wakala placements with banks	1,396,611	1,800,075
Commodity murabaha receivable	2,448,809	4,491,607
Accrued profit	8,927	8,733
Allowance for impairment*	(14,833)	(1,527)
	6,108,768	9,155,812

** For stage-wise exposure and allowance for impairment, refer to Note 4.2.10.*

10. FINANCING ASSETS

	2022	**2021** (Restated)
(a) By type		
Receivables and balances from financing activities:		
Murabaha	80,136,882	103,469,208
Ijarah	43,974,590	17,168,271
Istisna'a	356,111	814,576
Musharaka	5,178,141	6,117,880
Others	956,165	1,001,666
Accrued profit	1,123,612	569,892
Total receivables and balances from financing activities	131,725,501	129,141,493
Deferred profit	(10,021,573)	(6,381,432)
Allowance for impairment - Performing (Stages 1 and 2)*	(445,960)	(842,084)
Allowance for impairment - Non-performing (Stage3)*	(2,935,039)	(985,013)
Profit in suspense*	(463,648)	(52,762)
Net financing assets	117,859,281	120,880,202

** For stage-wise exposure and allowance for impairment, refer to Note 4.2.10.*

The total non-performing financing assets net of deferred profit at 31 December 2022 amounted to QAR 7,295 million representing 5.99% of the gross financing assets net of deferred profit (2021: QAR 1,922 million, representing 1.57% of the gross financing assets net of deferred profit).

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10 FINANCING ASSETS (continued)

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

	2022	Profit in suspense	Total 2022
Balance as at 1 January	1,827,097	52,762	1,879,859
Charge for the year	1,749,740	416,928	2,166,668
Recoveries / reversals during the year	(193,285)	(6,042)	(199,327)
Write-off during the year	(704)	-	(704)
Effect of foreign currency movement	(1,849)	-	(1,849)
Balance at 31 December	**3,380,999**	**463,648**	**3,844,647**

	2021	Profit in suspense	Total 2021
Balance as at 1 January	918,465	39,470	957,935
Charge for the year	1,015,578	26,797	1,042,375
Recoveries / reversals during the year	(105,238)	(13,505)	(118,743)
Write-off during the year	(1,386)	-	(1,386)
Effect of foreign currency movement	(322)	-	(322)
Balance at 31 December	**1,827,097**	**52,762**	**1,879,859**

10. FINANCING ASSETS (continued)

c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector–wise

	Corporate			SME			Retail			Real estate			Total 2022		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2022	15,082	51,061	399,857	160	7,496	210,044	26,699	51,740	103,314	16,676	683,682	314,048	58,617	793,979	1,027,263
Net Charge / (reversal) for the year	(2,157)	207,845	565,785	1,239	1,015	8,136	1,540	(20,917)	22,707	5,649	(588,963)	1,765,462	6,271	(401,020)	2,362,090
Write-off during the year	-	-	(324)	-	-	-	-	-	(235)	-	-	(145)	-	-	(704)
Effect of foreign currency movement	-	-	-	-	-	-	(731)	(913)	(205)	-	-	-	(731)	(913)	(205)
Balance as at 31 December 2022	**12,925**	**258,906**	**965,318**	**1,399**	**8,511**	**218,180**	**27,508**	**29,910**	**125,581**	**22,325**	**94,719**	**2,079,365**	**64,157**	**392,046**	**3,388,444**

	Corporate			SME			Retail			Real estate			Total 2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2021	20,878	40,755	301,913	1,379	6,653	128,636	12,530	29,600	58,550	32,023	265,612	59,406	66,810	342,620	548,505
Charge for the year	5,683	31,698	101,687	237	10,354	82,873	21,978	30,194	51,771	5,704	437,616	262,580	33,602	509,862	498,911
Recoveries/reversals during the year	(11,479)	(21,392)	(3,017)	(1,456)	(9,511)	(1,449)	(7,714)	(7,862)	(6,328)	(21,051)	(19,546)	(7,938)	(41,700)	(58,311)	(18,732)
Write-off during the year	-	-	(726)	-	-	-	-	-	(660)	-	-	-	-	-	(1,386)
Effect of foreign currency movement	-	-	-	-	-	(16)	(95)	(192)	(19)	-	-	-	(95)	(192)	(35)
Balance as at 31 December 2021	**15,082**	**51,061**	**399,857**	**160**	**7,496**	**210,044**	**26,699**	**51,740**	**103,314**	**16,676**	**683,682**	**314,048**	**58,617**	**793,979**	**1,027,263**

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10. FINANCING ASSETS (continued)

d) By sector

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2022
Government and related agencies	48,238,232	11,439,673	-	-	42,942	59,720,847
Non-banking financial institutions	337,936	894,969	-	-	500	1,233,405
Industry	209,168	1,234,624	-	-	3,302	1,447,094
Commercial	6,669,008	1,499,847	-	18,270	90,544	8,277,669
Services	10,265,101	6,558,407	5,940	-	52,565	16,882,013
Contracting	3,432,999	574,319	-	-	56,252	4,063,570
Real estate	7,777,446	22,258,749	351,662	416,675	1,608	30,806,140
Personal	4,004,001	387,881	-	4,743,550	159,331	9,294,763
	80,933,891	**44,848,469**	**357,602**	**5,178,495**	**407,044**	**131,725,501**
Less: Deferred profit						(10,021,573)
Allowance for impairment - Performing (Stages 1 and 2)						(445,960)
Allowance for impairment - Non-performing (Stage 3)						(2,935,039)
Profit in suspense						(463,648)
						117,859,281

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2021 (Restated)
Government and related agencies	56,300,317	1,117,976	-	-	61,294	57,479,587
Non-banking financial institutions	1,459,640	-	-	-	182	1,459,822
Industry	2,090,525	-	-	-	2,349	2,092,874
Commercial	8,023,532	124,217	-	25,793	658,299	8,831,841
Services	13,746,213	1,093,847	-	-	56,349	14,896,409
Contracting	2,732,020	7,590	-	-	56,802	2,796,412
Real estate	14,094,425	14,990,019	816,057	371,336	6,026	30,277,863
Personal	5,271,971	182,799	-	5,721,285	130,630	11,306,685
	103,718,643	**17,516,448**	**816,057**	**6,118,414**	**971,931**	**129,141,493**
Less: Deferred profit						(6,381,432)
Allowance for impairment - Performing (Stages 1 and 2)						(842,084)
Allowance for impairment - Non-performing (Stage 3)						(985,013)
Profit in suspense						(52,762)
						120,880,202

11. INVESTMENT SECURITIES

	2022			2021 (Restated)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Debt-type investments - Fixed profit rate	-	-	-	7,119	-	7,119
Accrued profit	-	-	-	85	-	85
	-	-	-	7,204	-	7,204
Debt-type investments classified at amortised cost						
Fixed profit rate	3,401,458	57,162	3,458,620	3,846,593	57,162	3,903,755
Floating profit rate	77,459	-	77,459	27,948	-	27,948
Government of Qatar	3,944,120	23,365,000	27,309,120	4,739,945	23,465,000	28,204,945
Accrued profit	76,948	269,671	346,619	88,632	261,034	349,666
Allowance for impairment*	(52,350)	(57,162)	(109,512)	(18,089)	(57,162)	(75,251)
	7,447,635	**23,634,671**	**31,082,306**	8,685,029	23,726,034	32,411,063
Investments classified as fair value through equity						
•Equity-type investments	289,451	102,816	392,267	235,087	97,571	332,658
Accrued profit	2,085	-	2,085	1,742	-	1,742
	291,536	**102,816**	**394,352**	236,829	97,571	334,400
	7,739,171	**23,737,487**	**31,476,658**	8,929,062	23,823,605	32,752,667

1 Investments in debt-type instruments classified as amortised cost include bonds portfolio acquired by the Bank in a business combination (Note 45).

2 For stage-wise exposure and allowance for impairment, refer to Note 4.2.10.

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11. INVESTMENT SECURITIES (continued)

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

	2022			2021		
	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Balance at 1 January	36,125	-	36125	25,239	(35)	25,204
Net change in fair value	10,199	(12,230)	(2,031)	13,831	35	13,866
Transferred to retained earnings on sale of FVTE investments	-	-	-	(5,483)	-	(5,483)
Effective portion of cash flow hedge	(725)	-	(725)	725	-	725
Share of other comprehensive income of associates	(525)	-	(525)	1,813	-	1,813
Net fair value movement	8,949	(12,230)	(3,281)	10,886	35	10,921
Balance at 31 December	45,074	(12,230)	32,844	36,125	-	36,125

12. INVESTMENT IN ASSOCIATES

Movement in investment in associates during the year is as follows:

	2022	2021
Balance at 1 January	348,935	534,116
Share of results	27,201	13,706
Cash dividend received	(10,700)	(10,700)
Share of other comprehensive income	(525)	1,813
Impairment loss	(19,033)	(190,000)
Balance at 31 December	**345,878**	**348,935**

Name of the Company	Country	Company's activities	Ownership % 2022	Ownership % 2021
National Real Estate Development and Investment SAOC ("NREDI") (formerly National Mass Housing Company SAOC)	Oman	Real estate services	20.00	20.00
Ci-San Trading W.L.L. ("Ci San")	Qatar	Investing and trading	50.00	50.00
Kirnaf Finance Company ("Kirnaf")	Saudi Arabia	Leasing	48.76	48.76
Damaan Islamic Insurance Company "Beema" (Q.P.S.C.) ("Daman")	Qatar	Insurance	20.00	20.00
Linc Facility Services W.L.L. ("Linc")	Qatar	Facility management	33.50	33.50

12. INVESTMENT IN ASSOCIATES (continued)

The financial position, revenue and results of associates are as follows:

2022	NREDI	Ci San	Kirnaf	Beema	Linc
Total assets	123,296	157,557	326,422	1,437,099	154,831
Total liabilities and non-controlling interests	679	79,742	5,022	990,613	34,155
Total revenue	9,587	91,612	-	91,681	176,263
Net profit	304	14,020	-	50,838	29,744
Share of profit recognised	61	7,009	-	10,167	9,964

2021	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	122,864	128,883	1,065,476	1,406,862	134,136
Total liabilities and non-controlling interests	551	65,088	294,870	905,336	23,203
Total revenue	7,102	46,078	-	80,396	130,236
Net (loss) / profit	(12,151)	(1,910)	-	45,148	25,832
Share of (loss) / profit recognised	(2,430)	(955)	-	8,438	8,653

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13. FIXED ASSETS

	Land and buildings	Leasehold improvemens	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Right–of–use assets ('ROUA")	Work in progress	Total
Cost:								
Balance at 1 January 2022	436,909	161,888	229,779	228,227	1,466	81,145	189,139	1,328,553
Additions	119,904	313	10,664	6,810	15	7,797	113,147	258,650
Disposals, write-offs and ROUA re-assessments	-	(3,381)	-	(14,724)	-	(30,412)	(1,271)	(49,788)
Reclassifications	914	(34,106)	(75,617)	108,809	-	-	-	-
Transfers	-	-	1,690	3,448	-	-	(5,138)	-
Effect of foreign currency movement	(1,847)	(1,957)	(577)	(1,942)	-	(2,789)	-	(9,112)
Balance at 31 December 2022	**555,880**	**122,757**	**165,939**	**330,628**	**1,481**	**55,741**	**295,877**	**1,528,303**
Accumulated depreciation:								
Balance at 1 January 2022	36,041	123,896	201,358	212,754	1,466	38,353	5	613,873
Depreciation for the year	9,766	4,466	12,521	11,371	-	16,627	-	54,751
Relating to disposals and write-offs	-	(3,381)	-	(14,724)	-	(18,638)	-	(36,743)
Reclassifications	(2,064)	(11,165)	(91,610)	104,844	-	-	(5)	-
Effect of foreign currency movement	(390)	(1,606)	(512)	(1,887)	-	(1,071)	-	(5,466)
Balance at 31 December 2022	43,353	112,210	121,757	312,358	1,466	35,271	-	626,415
Carrying amount:								
At 31 December 2022	**512,527**	**10,547**	**44,182**	**18,270**	**15**	**20,470**	**295,877**	**901,888**

13. FIXED ASSETS

	Land and buildings	Leasehold improvemens	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Right–of–use assets ('ROUA")	Work in progress	Total
Cost:								
Balance at 1 January 2021	97,108	55,900	54,405	100,025	-	-	137,666	445,104
Impact of FAS 32 adoption	-	-	-	-	-	81,257	-	81,257
Acquired on business combination (Note 45)	340,089	114,979	174,406	120,478	1,466	5,015	12,193	768,626
Additions and Ijarah modifications	-	280	1,483	7,894	-	14,895	41,336	65,888
Disposals and reclassifications	(16)	(10,572)	(763)	92	-	(9,814)	-	(21,073)
Transfers	-	1,689	346	21	-	-	(2,056)	-
Write-offs	-	-	-	-	-	(9,254)	-	(9,254)
Effect of foreign currency movement	(272)	(388)	(98)	(283)	-	(954)	-	(1,995)
Balance at 31 December 2021	**436,909**	**161,888**	**229,779**	**228,227**	**1,466**	**81,145**	**189,139**	**1,328,553**
Accumulated depreciation:								
Balance at 1 January 2021	8,150	36,362	41,316	87,870	-	-	-	173,698
Acquired on business combination (Note 45)	26,223	91,603	156,021	117,631	1,466	4,634	-	397,578
Depreciation for the year	1,740	4,758	4,825	7,499	-	49,275	-	68,097
Disposals and reclassifications	(12)	(8,488)	(715)	36	-	(6,271)	-	(15,450)
Write-off	-	-	-	-	-	(9,072)	-	(9,072)
Effect of foreign currency movement	(60)	(339)	(89)	(282)	-	(213)	5	(978)
Balance at 31 December 2021	36,041	123,896	201,358	212,754	1,466	38,353	5	613,873
Carrying amount:								
At 31 December 2021	**400,868**	**37,992**	**28,421**	**15,473**	**-**	**42,792**	**189,134**	**714,680**

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14. INTANGIBLE ASSET

	Goodwill	Other intangible assets: Customer relationships	Core deposits	License	Total
Cost or valuation:					
Balance at 1 January 2021	-	-	-	-	-
Goodwill arising on business combination	1,758,698	-	-	-	1,758,698
Balance as at 31 December 2021 (as previously reported)	1,758,698	-	-	-	1,758,698
Effect of IFRS 3 adjustments (Note 45)	(881,212)	649,567	223,471	51,369	43,195
Balance as at 31 December 2021 (as restated)	877,486	649,567	223,471	51,369	1,801,893
Balance as at 31 December 2022	877,486	649,567	223,471	51,369	1,801,893
Accumulated amortisation:					
Balance at 1 January 2022	-	-	-	-	-
Amortisation for the year	-	87,962	24,209	11,130	123,301
Balance at 31 December 2022	-	87,962	24,209	11,130	123,301
Carrying amount:					
At 31 December 2021 (as restated)	**877,486**	**649,567**	**223,471**	**51,369**	**1,801,893**
At 31 December 2022	**877,486**	**561,605**	**199,262**	**40,239**	**1,678,592**

Goodwill arising on the acquisition of Al Khalij's net assets
The goodwill arose on the Group's acquisition of Al Khaliji's net assets (Note 45). Based on the Purchase Price Allocation ("PPA") exercise performed by an external consultant following the merger, the Group recognised QAR 924,407 thousand as intangible assets and QAR 877,486 thousand as goodwill. Refer note 45 for details.

Impairment assessment of goodwill
For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

The Group performed its annual impairment test in accordance with its accounting policy and performed a sensitivity analysis of the underlying assumptions used in the fair value less cost of disposal "FVLCOD" and value-in-use calculations. The recoverable amounts of the CGU were higher than the carrying amounts. Consequently, no impairment was considered necessary as at the end of the reporting period.

Other intangible assets

Customer relationships 8 years	Customer relationship intangible assets represent the value attributable to the business expected to be generated from customers that existed as at the acquisition date. The intangible asset was valued using the multi-period excess earnings method, a commonly applied methodology for valuing customer relationships.
Customer deposit 10 years	Core deposits acquired from Al Khaliji were identified as those customers holding current and savings accounts ("CASA"). The value of core deposit intangible asset arises from the fact that the deposit base of the Group represents a cheaper source of funding than wholesale or money market funding (alternative cost of funding). The present value of future savings that are expected to be generated over its remaining useful economic life represents the value of the core deposit intangible asset.
License 5 years	License intangible assets represent the value attributable from operating profit expected to be generated by the Group's subsidiary, Al Khaliji France S.A. from its operations in France and United Arab Emirates. The intangible asset was valued using the multi-period excess earnings method, a commonly applied methodology for valuing operating license.

15. OTHER ASSETS

	2022	2021 Restated
Assets held by non-Shari'a-compliant subsidiary[2]	3,002,532	2,991,094
Positive fair value of Shari'a-compliant risk management instruments	611,882	169,877
Deferred tax asset (Note 32)	26,567	35,654
Prepayments and other advances	24,087	26,938
Accrued profit	5,197	7,429
Others[3]	404,549	48,823
Allowance for impairment[1]	(866)	-
	4,073,948	**3,279,815**

[1] For stage-wise exposure and allowance for impairment, refer to Note 4.2.10.
[2] Assets held by non-Shari'a-compliant subsidiary consist of the following asset portfolio acquired by the Bank in a business combination (Note 45):

	2022	2021 Restated
Cash and balances with central banks	877,162	806,001
Due from banks	848,352	676,216
Loans and advances to customers	1,085,550	1,243,826
Investment securities	166,515	245,721
Fixed assets	9,878	11,955
Other assets	15,075	7,375
	3,002,532	**2,991,094**

[3] Include cash collateral paid on repurchase agreements and margin calls on swap agreements as at 31 December 2022 of QAR 181,418 thousand and QAR 9,538 thousand, respectively.
[4] The outstanding amount of Hamish Jiddiyyah paid by the Group to the lessor as at 31 December 2022 amounted to QAR 1,108 thousand (2021: QAR 841 thousand).

16. DUE TO BANKS

	2022	2021
Current and short-term investment accounts	99,849	151,114
Wakala payable	24,631,941	12,636,928
Repurchase agreements	3,139,915	3,416,392
Commodity murabaha payable	846,312	497,247
Short-term Murabaha facilities from banks	-	6,515,284
Profit payable to banks	86,940	29,612
	28,804,957	**23,246,577**

Wakala payable includes various facilities with maturities of less than one year and carries profit rates of 2.1% to 5.75% (2021: maturities up to twelve months and carries a profit rate of 0.15% to 1.5%).

The market value of securities given as collateral against the repurchase agreements are QAR 3,347 million (2021: QAR 3,960 million).

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17. CUSTOMER CURRENT ACCOUNTS

	2022	2021
By sector:		
Government	1,264,347	890,677
Non-banking financial institutions	50,860	40,928
Corporate	4,339,862	4,689,298
Individuals	3,081,758	3,571,731
	8,736,827	9,192,634

18. SUKUK AND DEBT FINANCING

The Group has issued the following debt securities:

Instrument	Issuer	Currency	Due Date	2022
Sukuk	MAR Finance L.L.C.	USD	3-Nov-24	110,117
Sukuk	MAR Sukuk Limited	USD	20-Nov-23	366,576
Sukuk	MAR Sukuk Limited	USD	21-Nov-23	329,935
Sukuk	MAR Sukuk Limited	USD	13-Nov-24	1,804,132
Sukuk	MAR Sukuk Limited	USD	12-Mar-23	146,074
Sukuk	MAR Sukuk Limited	USD	2-Sep-25	2,710,320
Debt securities[2]	AKCB Finance Limited	USD	9-Oct-23	1,887,451
Debt securities[2]	AKCB Finance Limited	USD	10-Jul-23	93,189
Debt securities[2]	AKCB Finance Limited	JPY	6-Feb-25	27,280
Debt securities[2]	AKCB Finance Limited	JPY	25-Jan-24	27,277
Debt securities[2]	AKCB Finance Limited	JPY	16-Mar-23	136,239
Debt securities[2]	AKCB Finance Limited	JPY	27-Mar-23	43,586
				7,682,176

Instrument	Issuer	Currency	Due Date	2021 (Restated)
Sukuk	MAR Sukuk Limited	USD	20-Nov-23	364,571
Sukuk	MAR Sukuk Limited	USD	21-Nov-23	328,131
Sukuk	MAR Sukuk Limited	USD	13-Nov-24	1,803,472
Sukuk	MAR Sukuk Limited	USD	12-Mar-23	145,628
Sukuk	MAR Sukuk Limited	USD	2-Sep-25	2,709,073
Debt securities[2]	AKCB Finance Limited	USD	9-Oct-23	1,954,188
Debt securities[2]	AKCB Finance Limited	USD	10-Jul-23	94,960
Debt securities[2]	AKCB Finance Limited	JPY	6-Feb-25	31,695
Debt securities[2]	AKCB Finance Limited	JPY	19-May-22	31,653
Debt securities[2]	AKCB Finance Limited	JPY	15-Dec-22	31,630
Debt securities[2]	AKCB Finance Limited	JPY	25-Jan-24	31,691
Debt securities[2]	AKCB Finance Limited	JPY	27-Mar-23	50,640
Debt securities[2]	AKCB Finance Limited	JPY	16-Mar-23	158,286
				7,735,618

[1] The profit rates range from 0.3% to 4.75% for the current year.

[2] Upon merger with Al Khaliji (Note 45) and pursuant to the Extra-Ordinary General Assembly held by the Group on 5 October 2021, the Group assumed the QAR 2,384 million debt securities issued by Al Khaliji under its USD 2.5 billion Euro Medium Term Note ("EMTN") programme.

At 31 December	2022	2021 Restated
Face value of sukuk and debt financing	7,584,261	7,576,151
Less: Unamortised transaction costs	(6,476)	(11,248)
Add: Net IFRS 3 adjustments (Note 45(f))	50,547	120,856
Profit payable	53,844	49,859
	7,682,176	7,735,618

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

	2022	2021 Restated
Balance at 1 January	7,735,618	6,023,180
Assumed on business combination (restated) (Note 45)	-	2,383,726
Net issuances during the year	109,184	-
Repayments during the year	(293,660)	(806,193)
Amortisation of transaction costs	4,477	2,369
Amortisation of IFRS 3 adjustments	(70,309)	-
Effect of foreign currency movement	(37,884)	(5,261)
Finance expense for the year	234,750	137,797
Balance at 31 December	7,682,176	7,735,618

19. OTHER BORROWINGS

Instrument	Currency	Due Date	2021
Bilateral borrowing	USD	28-Feb-23	365,262
Bilateral borrowing	USD	15-Oct-24	2,383,575
Bilateral borrowing	USD	12-Jul-23	183,490
Bilateral borrowing	USD	20-Feb-25	364,637
Bilateral borrowing	USD	26-Nov-25	363,951
Bilateral borrowing	USD	23-Jun-23	182,321
			3,843,236

Instrument	Currency	Due Date	2021 (Restated)
Bilateral borrowing	USD	15-Oct-24	2,362,257
Bilateral borrowing	USD	23-Jun-23	182,085
Bilateral borrowing	USD	12-Jul-23	181,427
Bilateral borrowing	USD	28-Feb-23	362,793
Bilateral borrowing	USD	28-Sep-23	181,799
Bilateral borrowing[1]	USD	1-Dec-22	434,167
Bilateral borrowing[1]	USD	6-Oct-22	363,704
Certificate of deposit[1]	EUR	14-Jan-22	247,047
Certificate of deposit[1]	EUR	12-Jan-22	247,042
Certificate of deposit[1]	USD	24-Feb-22	163,710
Certificate of deposit[1]	EUR	13-Jan-22	247,044
Certificate of deposit[1]	USD	14-Mar-22	363,564
Certificate of deposit[1]	USD	11-Apr-22	363,355
			5,699,994

[1] Bilateral borrowings and certificate of deposits were originally issued by Al Khaliji and assumed by the Bank upon merger (Note 45).

[2] The movement in other borrowings issued by the Group during the year is as follows:

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	2022	2021 Restated
Balance at 1 January	5,699,994	1,270,775
Assumed on business combination (Note 45)	-	3,270,966
Net issuances during the year	725,910	3,082,097
Repayments during the year	(2,620,722)	(839,845)
Amortisation of transaction costs	9,852	2,217
Reclassified as Due to banks	-	(1,086,803)
Profit payable on borrowings	28,202	4,997
Other movements	-	(4,410)
Balance at 31 December	**3,843,236**	**5,699,994**

20. OTHER LIABILITIES

	2022	2021
Liabilities of a non-Shari'a-compliant subsidiary (c)	2,152,896	2,360,977
Dividend payable	934,980	981,956
Acceptances	207,556	841,400
Negative fair value of Shari'a-compliant risk management instruments	229,383	272,722
Manager's cheque and prepaid cards	201,117	202,932
Accrued expenses	158,971	162,356
Unearned commission	209,818	150,867
Funds received against dividend payment on behalf of customers	147,653	123,110
Other staff provisions	172,867	109,288
Provision for employees' end of service benefits (b)	49,792	93,600
Profit payable on instrument eligible as additional capital	46,000	48,195
Net Ijarah liabilities (a)	24,347	53,590
Allowance for impairment for off balance sheet exposures subject to credit risk	137,229	51,642
Social and sports fund (Note 42)	35,644	42,813
Others[1]	920,945	354,527
	5,629,198	**5,849,975**

[1] Include margin calls on swap agreements as at 31 December 2022 of QAR 511,466 thousand.

(a) Net Ijarah liabilities

	2022	2021
Gross Ijarah liabilities	25,192	57,169
Less: Deferred Ijarah cost	(845)	(3,579)
Net Ijarah liabilities	**24,347**	**53,590**

The table below shows the maturity profile of gross and net Ijarah liabilities:

	2022			2021
	Gross Ijarah liabilities	Deferred Ijarah cost	Net Ijarah liabilities	Net Ijarah liabilities
Up to 12 months	11,316	(300)	11,016	19,996
Between 1 to 5 years	13,876	(545)	13,331	27,892
Over 5 years	-	-	-	5,702
	25,192	**(845)**	**24,347**	**53,590**

(b) Provision for employees' end of service benefits

	2022	2021
Balance at 1 January	93,600	51,116
Assumed on business combination	-	35,608
Provisions made during the year	9,664	10,486
Paid during the year	(53,472)	(3,610)
Balance at 31 December	**49,792**	**93,600**

(c) Liabilities of a non-Shari'a-compliant subsidiary

	2022	2021
Due to banks	61,388	418,442
Customer deposits	1,881,839	1,724,454
Subordinated debt1	97,588	103,005
Other liabilities	112,081	115,076
	2,152,896	**2,360,977**

[1] Subordinated debt was assumed by the Bank upon merger with Al Khaliji (Note 45) and consists of a debt amounting to EUR 25 million for an undetermined maturity period, and carries profit at EONIA monthly rate (Euro Overnight Index Average) payable in arrears on a quarterly basis. This debt will, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

21. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2022	2021
(a) By type		
Saving accounts	8,395,652	7,239,306
Term accounts	75,167,905	83,029,234
Short-term investment accounts	4,541,090	7,002,452
Profit payable to equity of investment account holders	448,846	491,070
Share in the fair value reserve	1,386	1,568
	88,554,879	**97,763,630**

	2022	2021
(b) By sector		
Government	43,910,800	41,628,864
Non-banking financial institutions	5,338,623	13,655,741
Individuals	27,016,965	25,246,206
Corporate	11,838,259	16,740,181
Profit payable to equity of investment account holders	448,846	491,070
Share in the fair value reserve	1,386	1,568
	88,554,879	**97,763,630**

In accordance with QCB circular No. 87/2008, no risk reserve is deducted from the profit related to the equity of investment account holders and the total risk reserve is transferred from the shareholders' profit as an appropriation.

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21. EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(c) Share of equity of investment account holders in the net profit

	2022	2021
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	2,422,949	2,038,332
Masraf's Mudaraba income	(2,291,547)	(1,926,310)
Return on investment account holders	131,402	112,022
Support provided by Masraf	1,723,114	836,821
Return on investment account holders after Masraf's support	**1,854,516**	**948,843**

22. EQUITY

(a) Share capital

	2022	2021
Authorised, issued and paid up 9,300,000,000 shares at QAR 1 each	9,300,000	9,300,000

(i) The merger between the Bank and Al Khaliji was effected by a capital issuance of 1,800 million shares of QAR 1 each by the Bank to the shareholders of Al Khaliji, in a share swap transaction at the exchange rate of 0.5 new Masraf share for each share of Al Khaliji. Pursuant to the transaction, the shares of Al Khaliji were delisted from Qatar Stock Exchange and replaced with the newly issued share capital. The newly issued share capital added to the outstanding shares of Masraf already in issue (being the share capital of the surviving legal entity at the time of merger) to constitute the share capital of the merged entity. For details of the business combination, refer to Note 45.

(b) Legal reserve

	2022	2021
Balance at 1 January	9,644,166	2,714,166
Share premium on issuance of shares on business combination (Note 45)	-	6,930,000
Transfer from retained earnings (i)	-	-
Balance at 31 December	**9,644,166**	**9,644,166**

(i) According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. Accordingly, no transfer has been made for the year ended 31 December 2022, as the legal reserve reached 100% of the paid up capital prior to transfer from retained earnings for the current year (2021: Nil).

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions.

In accordance with QCB approval, only 50% of the required amount of risk reserve for 2021 was appropriated from retained earnings. The remaining unappropriated risk reserve amounting to QAR 486 million will be rebuilt within a period of 5 years through annual transfers of QAR 97 million from retained earnings. The first of such annual transfers was done during the year and was included in the total risk reserve transfer of QAR 116 million for the year 2022.

(d) Fair value reserve

	2022	2021
Balance at the 1 January	36,125	25,204
Net unrealised gains / (losses)	(645)	15,434
Transferred to retained earnings on sale of FVTE investments	-	(5,483)
Effective portion of cash flow hedge	(725)	725
Share of other comprehensive income of associates	(525)	1,813
Share of equity of investment account holders in the fair value reserve	(1,386)	(1,568)
Net fair value movement	(3,281)	10,921
Balance at 31 December (shareholders' share)	**32,844**	**36,125**

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

(e) Foreign currency translation reserve

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

(f) Other reserves

This represents the Group's share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2022	2021
Balance at 1 January	127,274	126,222
Share of results of associates	27,201	13,706
Dividend from associates transferred to retained earnings	(10,700)	(10,700)
Other movement	(3,263)	(1,954)
Balance at 31 December	**140,512**	**127,274**

(g) Proposed dividend

The Board of Directors in its meeting held on 29 January 2023 proposed a cash dividend of 10% (2021: 17%) of the share capital amounting to QAR 930 million (2021: QAR 1,581 million). This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

23. NON-CONTROLLING INTEREST

This represents the Group's non-controlling interest in Al Rayan (UK) Limited (25%) and Al Rayan Bank PLC (26.24%) (31 December 2021: Al Rayan (UK) Limited - 25% and Al Rayan Bank PLC – 26.24%).

24. INSTRUMENT ELIGIBLE AS ADDITIONAL CAPITAL

Upon merger with Al Khaliji (Note 45), the Group assumed the QAR 1 billion Tier 1 capital notes (the "Notes") that was originally issued by Al Khaliji in March 2016. The Notes are perpetual, subordinated, unsecured and has been issued at a fixed profit rate for the first five years and re-priced in 2021. The coupon is discretionary and the event of non-payment is not considered as an event of default. The Notes carry no maturity date and have been classified under Tier 1 capital.

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25. INCOME FROM FINANCING ACTIVITIES

	2022	2021
Income from Murabaha	3,162,959	2,512,330
Income from Ijarah	1,816,700	933,157
Income from Musharaka	223,184	210,067
Income from Istisna'a	41,019	55,058
	5,243,862	3,710,612

26. INCOME FROM INVESTING ACTIVITIES

	2022	2021
Income from investment in debt-type instruments	1,173,090	846,887
Income from inter-bank placements with Islamic banks	74,938	33,450
Net (loss) / gain on sale of debt-type investments	(3,008)	137
Dividend income	8,969	3,911
Fair value gain / (loss) on investment securities carried as fair value through income statement	62	(81)
Net (loss) / gain on derivatives	(2,834)	285
	1,251,217	884,589

27. NET FEE AND COMMISSION INCOME

	2022	2021
Commission on financing activities	260,703	177,940
Commission on trade finance activities	98,350	99,470
Commission on banking services	76,483	51,850
	435,536	329,260
Fee and commission expenses	(4,021)	(5,537)
	431,515	323,723

28. FOREIGN EXCHANGE GAIN (NET)

	2022	2021 Restated
Dealing in foreign currencies and revaluation of assets and liabilities	270,891	172,611

29. OTHER INCOME

	2022	2021
Rental income	702	794
Miscellaneous	14,650	504
	15,352	1,298

30. STAFF COSTS

	2022	2021
Salaries, allowances and other staff costs	501,755	406,769
Employees' end of service benefits	9,664	10,486
Staff pension fund costs	10,432	10,695
	521,851	427,950

31. OTHER EXPENSES

	2022	2021
Legal, professional and consulting fees	98,952	49,003
Information technology	43,161	41,929
Rent and maintenance	114,358	40,538
Advertising expenses	99,543	32,376
Board of Directors' remuneration (Note 38b)	18,532	15,670
Shari'a Board compensation	1,866	1,708
Other operating expenses	183,236	119,161
	559,648	300,385

32. TAX EXPENSE

	2022	2021
Current tax expense	15,133	8,613
Adjustments in respect of prior years	1,523	941
Deferred tax expense (benefit)	5,586	(4,782)
	22,242	4,772

Movement of deferred tax asset is as follows:

	2022	2021
Balance at 1 January	35,654	31,515
Adjustments in respect of prior years	55	(890)
Deferred tax expense / (benefit) during the year	(5,641)	5,672
Effect of foreign currency movement	(3,501)	(643)
Balance at 31 December	26,567	35,654

33. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	2022	2021
Unutilised credit facilities	1,026,611	5,544,059
Guarantees	13,102,552	15,170,129
Letters of credit	1,461,838	3,399,486
	15,591,001	24,113,674
Contingent liabilities of a non-Shari'a-compliant subsidiary[1]	502,707	682,218

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

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33. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(a) Contingent liabilities (continued)

	2022	2021
Unutilised credit facilities	242,400	346,957
Guarantees	254,074	327,620
Letters of credit	6,233	7,641
	502,707	682,218

(b) Other undertakings and commitments

	2022	2021
Profit rate swap	7,957,104	11,113,336
Unilateral promise to buy/sell currencies	8,604,329	10,727,282
Currency swap	68,413	63,250
	16,629,846	21,903,868
Other undertakings and commitments of a non-Shari'a-compliant subsidiary[2]	-	218,299

[2] Other undertakings and commitments of a non-Shari'a-compliant subsidiary consist of the following:

	2022	2021
Unilateral promise to buy/sell currencies	-	218,299
Capital commitments in respect of Head Office building under construction	187,926	290,509

34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	Other GCC	Europe	North America	Others	Total
2022						
Cash and balances with central banks	5,063,049	-	25,151	-	-	5,088,200
Due from banks	661,020	397,786	2,799,487	1,766,876	483,599	6,108,768
Financing assets	102,166,763	627,915	9,966,988	-	5,097,615	117,859,281
Investment securities	29,397,534	1,408,765	206,962	-	463,397	31,476,658
Investment in associates	164,641	181,237	-	-	-	345,878
Fixed assets	755,873	-	146,015	-	-	901,888
Intangible assets	1,678,592	-	-	-	-	1,678,592
Other assets	1,369,617	1,021,142	891,584	53,913	737,692	4,073,948
TOTAL ASSETS	**141,257,089**	**3,636,845**	**14,036,187**	**1,820,789**	**6,782,303**	**167,533,213**
Due to banks	23,493,100	2,787,787	2,069,172	-	454,898	28,804,957
Customer current accounts	7,993,990	56,428	678,251	2,460	5,698	8,736,827
Sukuk financing	7,682,176	-	-	-	-	7,682,176
Other borrowings	-	728,588	2,931,158	-	183,490	3,843,236
Other liabilities	3,866,429	742,350	701,435	3,232	315,752	5,629,198
Total liabilities	43,035,695	4,315,153	6,380,016	5,692	959,838	54,696,394
Equity of investment account holders	67,951,987	11,380,487	7,990,466	4,617	1,227,322	88,554,879
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**110,987,682**	**15,695,640**	**14,370,482**	**10,309**	**2,187,160**	**143,251,273**

	Qatar	Other GCC	Europe	North America	Others	Total
2021 (Restated)						
Cash and balances with central banks	5,189,034	-	31,678	-		5,220,712
Due from banks	3,987,360	1,131,696	1,822,596	1,388,388	825,772	9,155,812
Financing assets	103,411,961	1,343,848	9,587,902	-	6,536,491	120,880,202
Investment securities	30,714,983	1,382,904	191,715	-	463,065	32,752,667
Investment in associates	148,725	200,210	-	-	-	348,935
Fixed assets	677,224	-	37,456	-	-	714,680
Intangible assets	1,801,893	-	-	-	-	1,801,893
Other assets	436,904	1,195,168	857,466	91,037	699,240	3,279,815
TOTAL ASSETS	**146,368,084**	**5,253,826**	**12,528,813**	**1,479,425**	**8,524,568**	**174,154,716**
Due to banks	13,608,116	3,263,811	5,789,049	53	585,548	23,246,577
Customer current accounts	8,029,759	69,406	1,080,017	7,112	6,340	9,192,634
Sukuk financing	7,735,618	-	-	-	-	7,735,618
Other borrowings	434,578	182,025	4,901,366	-	182,025	5,699,994
Other liabilities	3,903,999	859,218	588,684	3,078	494,996	5,849,975
Total liabilities	33,712,070	4,374,460	12,359,116	10,243	1,268,909	51,724,798
Equity of investment account holders	74,205,417	9,189,932	8,694,785	6,700	5,666,796	97,763,630
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**107,917,487**	**13,564,392**	**21,053,901**	**16,943**	**6,935,705**	**149,488,428**

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34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Industrial sector

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2022							
Cash and balances with central banks	-	-	-	5,088,200	-	-	5,088,200
Due from banks	-	-	-	6,108,768	-	-	6,108,768
Financing assets	36,422,207	9,319,651	1,029,138	1,161,797	8,145,329	61,781,159	117,859,281
Investment securities	9,776	23,389	10,232	2,496,511	-	28,936,750	31,476,658
Investment in associates	24,523	-	-	242,011	-	79,344	345,878
Fixed assets	-	-	-	-	-	901,888	901,888
Intangible assets	-	-	-	-	-	1,678,592	1,678,592
Other assets	586,349	21,278	-	1,943,081	4,925	1,518,315	4,073,948
TOTAL ASSETS	**37,042,855**	**9,364,318**	**1,039,370**	**17,040,368**	**8,150,254**	**94,896,048**	**167,533,213**
Due to banks	-	-	-	28,804,957	-	-	28,804,957
Customer current accounts	132,113	712,157	35,165	50,860	3,081,758	4,724,774	8,736,827
Sukuk financing	-	-	-	7,682,176	-	-	7,682,176
Other borrowings	-	-	-	3,843,236	-	-	3,843,236
Other liabilities	40,839	126,734	87	1,040,290	599,866	3,821,382	5,629,198
Total liabilities	172,952	838,891	35,252	41,421,519	3,681,624	8,546,156	54,696,394
Equity of investment account holders	5,942	103,428	582,323	4,916,835	27,094,291	55,852,060	88,554,879
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**178,894**	**942,319**	**617,575**	**46,338,354**	**30,775,915**	**64,398,216**	**143,251,273**

34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector (continued)

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2021 (Restated)							
Cash and balances with central banks	-	-	-	5,220,712	-	-	5,220,712
Due from banks	-	-	-	9,155,812	-	-	9,155,812
Financing assets	30,681,792	5,768,724	889,378	1,076,902	11,997,348	70,466,058	120,880,202
Investment securities	275,441	23,962	10,420	2,459,600	-	29,983,244	32,752,667
Investment in associates	24,463	-	-	255,403	-	69,069	348,935
Intangible assets						1,801,893	1,801,893
Fixed assets	-	-	-	-	-	714,680	714,680
Other assets	710,911	19,749	-	1,684,705	17,861	846,589	3,279,815
TOTAL ASSETS	**31,692,607**	**5,812,435**	**899,798**	**19,853,134**	**12,015,209**	**103,881,533**	**174,154,716**
Due to banks	-	-	-	23,246,577	-	-	23,246,577
Customer current accounts	93,926	670,010	15,497	40,928	3,618,298	4,753,975	9,192,634
Sukuk financing	-	-	-	7,735,618	-	-	7,735,618
Other borrowings	-	-	-	5,699,994	-	-	5,699,994
Other liabilities	60,984	121,598	312	744,250	-	4,922,831	5,849,975
Total liabilities	154,910	791,608	15,809	37,467,367	3,618,298	9,676,806	51,724,798
Equity of investment account holders	57,884	1,019,848	458,789	13,693,422	25,251,782	57,281,905	97,763,630
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**212,794**	**1,811,456**	**474,598**	**51,160,789**	**28,870,080**	**66,958,711**	**149,488,428**

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35. MATURITY PROFILE

	Up to 3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Total
2022						
Cash and balances with central banks	805,806	-	-	-	4,282,394	5,088,200
Due from banks	5,485,954	499	98,294	524,021	-	6,108,768
Financing assets	15,002,952	6,829,651	3,449,207	44,213,317	48,364,154	117,859,281
Investment securities	2,302,748	1,326,398	1,101,497	23,449,771	3,296,244	31,476,658
Investment in associates	-	-	-	-	345,878	345,878
Fixed assets	-	-	-	-	901,888	901,888
Intangible assets	-	-	-	-	1,678,592	1,678,592
Other assets	2,492,387	282,321	178,613	853,874	266,753	4,073,948
TOTAL ASSETS	**26,089,847**	**8,438,869**	**4,827,611**	**69,040,983**	**59,135,903**	**167,533,213**
Due to banks	28,555,115	206,865	339	20,574	22,064	28,804,957
Customer current accounts	8,736,827	-	-	-	-	8,736,827
Sukuk financing	352,273	27,182	2,651,626	4,651,095	-	7,682,176
Other borrowings	392,033	182,025	181,686	3,087,492	-	3,843,236
Other liabilities	5,454,035	29,863	33,996	8,119	103,185	5,629,198
Total liabilities	43,490,283	445,935	2,867,647	7,767,280	125,249	54,696,394
Equity of investment account holders	61,238,937	6,987,346	10,163,181	10,165,413	2	88,554,879
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**104,729,220**	**7,433,281**	**13,030,828**	**17,932,693**	**125,251**	**143,251,273**
MATURITY GAP	**(78,639,373)**	**1,005,588**	**(8,203,217)**	**51,108,290**	**59,010,652**	**24,281,940**

35. MATURITY PROFILE

	Up to 3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Total
2021 (Restated)						
Cash and balances with central banks	925,886	-	-	-	4,294,826	5,220,712
Due from banks	8,504,914	490,906	-	159,992	-	9,155,812
Financing assets	15,518,421	4,075,639	1,611,597	48,832,351	50,842,194	120,880,202
Investment securities	863,439	542,140	2,437,012	18,743,255	10,166,821	32,752,667
Investment in associates	-	-	-	-	348,935	348,935
Fixed assets	-	-	-	-	714,680	714,680
Intangible assets	-	-	-	-	1,801,893	1,801,893
Other assets	1,402,528	286,127	418,866	807,025	365,269	3,279,815
TOTAL ASSETS	**27,215,188**	**5,394,812**	**4,467,475**	**68,542,623**	**68,534,618**	**174,154,716**
Due to banks	19,033,974	1,057,468	1,198,379	1,956,756	-	23,246,577
Customer current accounts	9,192,634	-	-	-	-	9,192,634
Sukuk financing	28,490	63,283	-	7,643,845	-	7,735,618
Other borrowings	1,273,403	1,161,226	-	3,265,365	-	5,699,994
Other liabilities	5,155,874	204,800	114,716	129,658	244,927	5,849,975
Total liabilities	34,684,375	2,486,777	1,313,095	12,995,624	244,927	51,724,798
Equity of investment account holders	64,105,807	13,851,326	10,004,503	9,801,994	-	97,763,630
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**98,790,182**	**16,338,103**	**11,317,598**	**22,797,618**	**244,927**	**149,488,428**
MATURITY GAP	**(71,574,994)**	**(10,943,291)**	**(6,850,123)**	**45,745,005**	**68,289,691**	**24,666,288**

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36. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2022	2021 Restated
Profit for the year attributable to equity holders of the Bank	1,344,343	1,717,932
Less: Distribution for Tier 1 Capital notes	(46,000)	(48,195)
Profit for earnings per share computation	1,298,343	1,669,737
Weighted average number of shares outstanding during the year (thousand)[1]	9,300,000	7,652,877
Basic earnings per share (QAR)	0.140	0.218

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

[1] *Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share has been calculated as follows:*

	2022	2021
Weighted average number of shares at 1 January	9,300,000	7,500,000
Effect of the shares issued on business combination	-	152,877
Weighted average number of shares at 31 December	9,300,000	7,652,877

37. CASH AND CASH EQUIVALENTS

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

	2022	2021
Cash on hand and balances with central banks excluding cash reserve with QCB	805,806	925,886
Due from banks	5,232,866	8,215,051
Add: Allowance for impairment	147	13
	6,038,819	9,140,950

Significant non-cash transactions

The following non-cash investing and financing activities entered into by the Group are not reflected in the consolidated statement of cash flows:

- The Bank issued 1,800 million new shares to the shareholders of Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") on the effective date of its merger with Al Khaliji which was effected through a share swap transaction (Note 45).
- During 2021, the Group recognized right-of-use assets amounting to QAR 81,257 thousand resulting from the adoption of FAS 32. The Group also recognized during the year Ijarah contract additions and modifications resulting to increase in right-of-use assets amounting to QAR 7,797 thousand (2021: to QAR 14,895 thousand) (Note 13).

38. RELATED PARTIES

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

(a) Transactions and balances

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

	2022			2021		
	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Shareholders
Consolidated statement of financial position items:						
Financing assets	-	670,327	-	-	775,119	-
Customer current accounts	76,233	172,495	-	80,169	54,644	-
Equity of investment account holders	75,700	252,190	5,737,145	5,863	538,837	3,212,842
Other assets	1,000	-	-	1,000		-
Other liabilities	-	-	97,588	-	-	103,005
Consolidated income statement items:						
Income from financing activities	-	30,825	-	-	3,341	-
Return on equity of investment account holders	473	5,100	111,727	197	3,049	32,142
Operating expenses	23,430	-	-	15,826	-	-
Contingent liabilities:						
Letters of credit	-	3,327	-	-	5,056	-
Guarantees	107,326	110,845	-	96,757	144,703	-

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in Notes 10, 17 and 21.

All the transactions with the related parties are substantially on the same terms, including profit rates and collateral, as those prevailing in comparable transactions with unrelated parties.

(b) Transactions with key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	2022	2021
Remuneration to Board of Directors including meeting allowance (Note 31)	18,532	15,670
Salaries and other benefits - Key management	18,212	12,438

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39. SHARI'A-COMPLIANT RISK MANAGEMENT INSTRUMENTS

(a) Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

(b) Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of Shari'a-compliant risk management instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the fair value of Shari'a-compliant risk management instruments.

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years
2022							
Shari'a-compliant risk management instruments							
Profit rate swaps	603,918	173,100	7,957,104	571,933	801,956	2,454,225	4,128,990
Unilateral promise to buy/sell currencies	6,650	56,283	8,604,329	7,453,477	1,150,852	-	-
Currency swaps	1,314	-	68,413	-	-	68,413	-
	611,882	229,383	16,629,846	8,025,410	1,952,808	2,522,638	4,128,990

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years
2021							
Shari'a–compliant risk management instruments							
Profit rate swaps	159,154	167,040	11,113,336	649,009	1,652,846	3,978,318	4,833,163
Unilateral promise to buy/sell currencies	10,723	99,967	10,727,282	7,533,829	2,941,903	251,550	-
Currency swaps	-	5,715	63,250	-	-	63,250	-
	169,877	**272,722**	**21,903,868**	**8,182,838**	**4,594,749**	**4,293,118**	**4,833,163**

40. ZAKAT

Zakat is directly borne by the equity holders. The Group does not collect or pay Zakat on behalf of its equity holders in accordance with the Articles of Association.

41. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

42. SOCIAL RESPONSIBILITY

Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 35.6 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2022 (2021: QAR 42.8 million) for the support of sports, cultural and charitable activities.

43. ASSETS UNDER MANAGEMENT

The Group's authorized activities include dealing in investments as an agent, arranging the provision of custody services, managing investments and advising on investments.

At the reporting date, the Group held Assets under Management of QAR 4,846 million (31 December 2021: QAR 4,831 million), which include among others, discretionary portfolios and funds under management. These Assets under Management are not consolidated with the financial statements of the Group.

44. IMPACT OF COVID 19

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

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

The observed performance of COVID period has been adjusted and considered accordingly as per the Credit Risk Modelling policy of the Group.

i. Expected credit losses

The macro-economic variables have been updated as at 31 December 2022 and re-aligned with the economy. ECLs were estimated based on a range of forecast economic conditions. The Group has considered the impact of higher volatility in the forward-looking macro-economic factors when determining the economic scenarios for ECL estimation.

The volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (Credit Index or "CI") used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Group. The forward looking PDs have been arrived based on the economic outlook on the country/region and based on the macro-economic factors such as GDP, Oil price, LNG, CPI (inflation), Real Estate Sector Concentration and Growth Rate in Financing Assets. These variables were selected based on three criteria: Correlation (degree and direction) of the variable with the segment, Correlation (degree and direction) of the variable with the AQR (Asset Quality Ratio of Qatar) and the relevance of the variable with respect to the segment.

The Group has incorporated different forward-looking economic scenarios into the measurement of expected credit losses by applying conservative weightings of 70%, 15% and 15% for base, improved and stressed scenarios, respectively, for the wholesale banking portfolio and conservative weightings of 70%, 19% and 11 % for base, improved and stressed scenarios, respectively, for the retail banking portfolio. The situation is fast evolving and, accordingly, any downside scenarios will be reassessed if adverse conditions continue.

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

Sensitivity of impairment assessment	2022 Impact on ECL	**2021 Impact on ECL**
Simulations:		
Base case - 100% weighted, loss allowance would be higher/(lower) by	77,319	(106,283)
Upside case - 100% weighted, loss allowance would be higher/(lower) by	(49,614)	(345,440)
Downside case - 100% weighted, loss allowance would be higher/(lower) by	693,241	457,155

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44. IMPACT OF COVID 19 (continued)

ii. Valuation estimates and judgements

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

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors via circular number 15/2022, pursuant to which the Group has delayed repayments for certain customers for a period of six months. In light of the gradual, continuous recovery of the economy from the effects of the COVID-19 pandemic, QCB decided to gradually stop these repayment deferral measures to the affected sectors.

iv. Accounting for zero rate repo facility

The QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from the QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The Group has no outstanding zero-rate repos as at 31 December 2022.

v. Major events

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

45. BUSINESS COMBINATION

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") have entered into a merger agreement (the "Merger") as approved by the Board of Directors of both banks, which was subsequently approved by the shareholders of both the Bank and Al Khalij at their respective Extra-Ordinary General Assemblies held on 5 October 2021 and 6 October 2021, respectively.

On 2 November 2021, the QCB approved the Bank's merger with Al Khalij by way of absorption pursuant to Article 278 of the Commercial Companies Law Number 11 of 2015 and Article 161(2) of Law Number 13 of 2012 issuing the Qatar Central Bank Law and Regulation of Financial Institutions and the merger agreement.

The Merger was effected through a share swap transaction at an exchange ratio of 0.5 Masraf share for every one share of Al Khaliji, corresponding to 1,800 million new shares issued to the shareholders of Al Khaliji at the close of business on 30 November 2021 (the "effective date").

Al Khaliji shares were delisted from the Qatar Stock Exchange and the Bank issued 1,800 million new shares to the shareholders of Al Khaliji. Following the completion of the merger, Masraf shareholders owned approximately 81 percent of the combined bank and Al Khaliji shareholders owned approximately 19 percent. The merger transaction is accounted for in accordance with IFRS 3 - Business Combinations. IFRS 3 requires that an acquirer be identified in a business combination and acquisition accounting principles be applied. Masraf was identified as the "accounting acquirer" in this transaction.

The merger was effected to create a new Bank with the financial strength, expertise and global network that will become one of Qatar's and the region's leading Shari'a-compliant banks which will bolster Qatar's economic growth and finance development initiatives.

45. BUSINESS COMBINATION (continued)

(a) Share capital – issuance of new shares

Outstanding number of shares of Al Khaliji (Units '000)	3,600,000
Exchange ratio	0.5
Number of shares of the Bank issued to Al Khaliji shareholders (Units '000)	1,800,000
Par value of shares issued by the Bank to Al Khaiji shareholders (QAR 1 each) (QAR '000)	1,800,000
Outstanding share capital of the Bank (QAR '000)	7,500,000
Total share capital post acquisition (QAR '000)	**9,300,000**

(b) Purchase consideration

Outstanding number of shares of the Bank (Units '000)	7,500,000
Divided by the Bank's percentage of ownership in the Group	80.65%
Total number of shares of the Group (Units '000)	**9,300,000**
Multiplied by Al Khaliji's percentage of ownership in the Group	19.35%
Total number of shares issued by the Bank to Al Khaliji	1,800,000
Multiplied by the Bank's share price on the effective date (QAR)	4.85
Total purchase consideration (QAR '000)	**8,730,000**

(c) Share premium

In accordance with Qatar Commercial Companies' Law, any share premium on issuance of new shares will form part of the legal reserve.

Total purchase consideration	8,730,000
Par value of shares issued by the Bank to Al Khaiji shareholders	(1,800,000)
Share premium	**6,930,000**
Legal reserve	
Al Khalij Commercial Bank (al khaliji) P.Q.S.C	1,532,395
Masraf Al Rayan (Q.P.S.C.)	2,714,166
Total	**4,246,561**
Less: pre-acquisition legal reserve	(1,532,395)
Add: share premium on issuance of new shares	6,930,000
Closing balance post business combination[1]	**9,644,166**
Risk reserve	
Al Khalij Commercial Bank (al khaliji) P.Q.S.C	495,195
Masraf Al Rayan (Q.P.S.C.)	1,796,600
Total	**2,291,795**
Less: pre-acquisition risk reserve	(495,195)
Closing balance post business combination1	**1,796,600**

[1] Prior to transfers from retained earnings for the current year

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(d) Post-merger integrations costs

The Group incurred integration-related costs of QAR 134 million relating to consultant and external professional fees during the current year (2021: QAR 16.4 million). These costs have been included in 'Other expenses' in the consolidated income statement.

(e) Identifiable assets acquired and liabilities assumed

The purchase consideration (also referred to as "purchase price") of the merger has been allocated to the assets acquired and liabilities assumed using their fair values at the acquisition date.

	30 November 2021
Assets	
Cash and balances with central banks	1,433,464
Due from banks	6,216,979
Financing assets	35,434,561
Investment securities	10,924,453
Fixed assets	371,048
Assets of a non-Shari'a-compliant subsidiary and Other assets	3,059,353
Intangible asset – Customer relationships	649,567
Intangible asset – Core deposits	223,471
Intangible asset – License	51,369
Total assets	**58,364,265**
Liabilities	
Due to banks	13,385,586
Customer current accounts	881,126
Equity of investment account holders	26,843,045
Debt securities	2,383,726
Other borrowings	3,270,966
Liabilities of a non-Shari'a-compliant subsidiary and Other liabilities	2,747,302
	49,511,751
Instrument eligible for additional capital	1,000,000
Total liabilities	**50,511,751**
Al Khaliji net assets as at acquisition date attributable to its equity holders	**7,852,514**

The net assets recognised in the consolidated financial statements for the year ended 31 December 2021 were based on a provisional assessment of their fair value while the Group continued its PPA exercise. The PPA exercise was not completed by the date when the 31 December 2021 financial statements were approved for issue.

During the year, the Group has completed the Purchase Price Allocation ("PPA") exercise within twelve months from the acquisition date and the following items were covered:
- valuation of intangible assets including license, core deposits and other customer relationships;
- valuation adjustments to the fair value of financing assets;
- valuation adjustments to the fair value of investment securities;
- valuation adjustments to the fair value of assets held by a non-Shari'a-compliant subsidiary; and
- valuation adjustments to the fair value of sukuk and debt financing.

45. BUSINESS COMBINATION (continued)

(f) Restatement of the consolidated statement of financial position as at 31 December 2021

As stated above, the 2021 comparative information has been restated to reflect the adjustments to the provisional amounts.

	As at 31 December 2021 (as previously reported)	Restatement due to IFRS 3 adjustments	As at 31 December 2021 (as restated)
Financing assets	120,806,731	73,471	120,880,202
Investment securities	32,775,088	(22,421)	32,752,667
Other assets	3,253,204	26,611	3,279,815
Intangible assets, net	1,758,698	43,195	1,801,893
Sukuk and debt financing	7,614,762	120,856	7,735,618

(g) Goodwill and intangible assets

During the year, the Group has completed the PPA exercise of calculating the carrying value of Al Khaliji's assets and liabilities as at 30 November 2021, which is equal to fair value for the purpose of calculating goodwill. The goodwill is attributable to the synergies expected to be achieved from integrating Al Khaliji into the Group.

	30 November 2021
Total purchase consideration	8,730,000
Total fair value of identifiable net assets of Al Khaliji	(7,852,514)
Goodwill on business acquisition	**877,486**

(h) Valuation approach and methodologies

Customer relationship

- The income approach has been used in estimating the fair value of Al Khaliji's customer relationships as an intangible asset as at the effective date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life.
- Under the income approach, the Multi-period excess earnings method ("MPEEM") has been utilized which is a commonly accepted method for valuing customer relationships.
- MPEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental (after-tax) cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").
- The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets.
- Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value.

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Core deposits

- The incremental saving approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the effective date. Under this method, the economic benefits earned from the core deposits have been computed over the life of the core deposits considering an attrition rate. The incremental savings approach values the core deposits as the present value of the future savings that are expected to be generated over its remaining useful economic life. The incremental savings method utilized is a commonly accepted method for valuing core deposits.

License

- License intangible assets represent the value attributable from operating profit expected to be generated by the Group's subsidiary, Al Khaliji France S.A. from its operations in France and United Arab Emirates. The intangible asset was valued using the multi-period excess earnings method, a commonly applied methodology for valuing operating license.

(i) Purchase consideration – cash inflow

Cash and cash equivalents acquired	8,985,074
Purchase consideration paid in cash	-
Net cash inflows – investing activities	**8,985,074**

(j) Impact on Group's results

From the date of acquisition until 31 December 2021, Al Khaliji contributed total income of QAR 167 million and a net loss of QAR 32 million to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that the consolidated total income and net profit for that year would be QAR 6,962 million and QAR 2,242 million, respectively. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

46 RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS

During the year ended 31 December 2022, the following restatements have been incorporated by the Group on these financial statements relating to adjustments to the provisional amounts of identified assets and liabilities acquired, upon completion of the PPA exercise, and adjustment to foreign currency translation reserve to be consistent with IAS 21 - The Effects of Changes in Foreign Exchange Rates. Prior to the restatement, a non-monetary item in a foreign currency that should be measured in terms of historical cost was translated using the closing exchange rate, which resulted to foreign exchange revaluation gains / (losses) in previous reporting periods.

These restatements have been carried out in accordance with the requirements of IFRS 3 - Business Combinations and FAS 1 – General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions.

The effects of the restatements are summarised below:

As at 31 December 2021:

(a) Adjustments to provisional PPA amounts (Note 45)

Consolidated statement of financial position	*As previously reported*	*Restatements*	*As restated*
ASSETS			
Financing assets	120,806,731	73,471	120,880,202
Investment securities	32,775,088	(22,421)	32,752,667
Other assets	3,253,204	26,611	3,279,815
Intangible assets, net	1,758,698	43,195	1,801,893
Total assets	174,033,860	120,856	174,154,716
LIABILITIES			
Sukuk and debt financing	7,614,762	120,856	7,735,618
Total liabilities	51,603,942	120,856	51,724,798

46. RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS (continued)

(b) Adjustment to foreign currency translation reserve

Consolidated statement of financial position	*As previously reported*	*Restatements*	*As restated*
EQUITY			
Foreign currency translation reserve	(5,915)	(81,413)	(87,328)
Retained earnings	2,082,166	81,413	2,163,579
Total equity	24,666,288	-	24,666,288

Consolidated income statement	*As previously reported*	*Restatements*	*As restated*
TOTAL INCOME			
Foreign exchange gain (net)	167,198	5,413	172,611
Net profit for the year	1,725,292	5,413	1,730,705

Consolidated statement of cash flows	*As previously reported*	*Restatements*	*As restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash from used in operating activities	(19,983,511)	5,413	(19,978,098)
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held	10,997	(5,413)	5,584

As at 1 January 1 2021:

(a) Adjustment to foreign currency translation reserve

Consolidated statement of financial position	*As previously reported*	*Restatements*	*As restated*
EQUITY			
Foreign currency translation reserve	(3,618)	(76,000)	(79,618)
Retained earnings	2,206,731	76,000	2,282,731
Total equity	14,591,971	-	14,591,971

Supplementary Financial Information

at 31 December 2022

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FINANCIAL STATEMENTS OF THE PARENT BANK

(A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2022	2021 Restated
ASSETS		
Cash and balances with QCB	5,063,049	5,189,034
Due from banks	4,995,748	8,229,974
Financing assets	109,520,836	111,740,062
Investment securities	30,779,250	31,909,038
Investment in subsidiaries and associates	1,754,182	1,795,210
Fixed assets	760,495	681,391
Intangible asset	1,678,592	1,801,893
Other assets	1,009,531	218,265
TOTAL ASSETS	155,561,683	161,564,867
LIABILITIES		
Due to banks	28,411,491	22,899,631
Customer current accounts	7,775,560	7,737,269
Sukuk and debt financing	7,740,562	7,793,895
Other borrowings	3,843,236	5,699,994
Other liabilities	3,347,059	3,435,212
TOTAL LIABILITIES	51,117,908	47,566,001
EQUITY OF INVESTMENT ACCOUNT HOLDERS	81,011,818	90,117,637
EQUITY		
Share capital	9,300,000	9,300,000
Legal reserve	9,644,166	9,644,166
Risk reserve	2,398,543	2,282,824
Fair value reserves	45,734	47,142
Retained earnings	1,043,514	1,607,097
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	22,431,957	22,881,229
Instrument eligible as additional capital	1,000,000	1,000,000
TOTAL EQUITY	23,431,957	23,881,229
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY	155,561,683	161,564,867

Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned in Notes 3(c) for investment in subsidiaries and associates which are carried at cost, less impairment if any.

FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(B) INCOME STATEMENT OF THE PARENT BANK

	2022	2021
Net income from financing activities	4,881,216	3,389,541
Net income from investing activities	1,241,777	877,183
Total net income from financing and investing activities	6,122,993	4,266,724
Fee and commission income	375,482	293,256
Fee and commission expense	(679)	(3,375)
Net fee and commission income	374,803	289,881
Foreign exchange gain	268,406	172,048
Other income	19,355	5,659
TOTAL INCOME	6,785,557	4,734,312
Staff costs	(427,025)	(326,920)
Depreciation	(169,474)	(52,034)
Other expenses	(489,711)	(228,195)
Finance expense	(1,028,501)	(524,875)
TOTAL EXPENSES	(2,114,711)	(1,132,024)
Net impairment losses on due from banks	(13,306)	(1,241)
Net impairment losses on financing assets	(1,556,222)	(911,971)
Net impairment losses on investment securities	(51,953)	(190,327)
Net (impairment losses) / reversals on other exposures subject to credit risk	(85,587)	3,733
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	2,963,778	2,502,482
Less: Return to investment account holders	(1,750,709)	(862,219)
NET PROFIT FOR THE YEAR	1,213,069	1,640,263

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