مصرف الريان
MASRAF AL RAYAN

YOUR **PARTNER** IN **PROGRESS**

ANNUAL 2023 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

Contents

1. BOARD OF DIRECTORS' REPORT AND CHAIRMAN'S STATEMENT

Esteemed Shareholders,

With great pleasure, I present the Board of Directors' report for Masraf Al Rayan QPSC ("MAR," "Bank," and/or "Group") for the fiscal year concluding on December 31, 2023.

In 2023, the International Monetary Fund announced that Qatar's economic growth has normalized in 2023 following the World Cup-driven boom. Continued normalization is expected in the near term, with a favorable medium-term outlook supported by the LNG production expansion and intensifying reform efforts. The QCB's prudent policies have underpinned financial stability. Continued diligence is critical to maintain banking sector strength in a "higher-for-longer" interest rate environment; 2023 witnessed as well the launch of the Third National Development Strategy which provides an opportunity to accelerate economic transformation toward a knowledge-based and inclusive economy supported by private-sector led growth.

The Global rating agencies re-confirmed the country's robust credit rating with stable outlook. Qatar's banking sector remains healthy overall, reflecting high liquidity and strong capitalization while continuing in diversifying the funding resources and deposit structures and granting ongoing support to both the public and privates sectors.

In this strategic environment, MAR started the year 2023 with the election of a new Board of Directors. The Bank's support and continuous growth in a challenging environment were the core priorities of the new Board. This was reflected in an increase of 8% in our net profit and enhanced KPIs. A number of strategic initiatives were launched in line with Qatar national Vision 2023 and to ensure better and sustainable return for our shareholders on the long run. We launched a new IT strategy aiming at transforming the Bank into the digital economy era. We triggered the new Mid-term strategy exercise to embrace the goals and objectives of the Third National Development Strategy. We hope the years to come will bear the fruits of such initiatives.

Regarding the financial performance for the year concluding on December 31, 2023, we are pleased to report a net profit of QAR 1,452 million, showcasing a commendable increase of 8% from QAR 1,344 million in the preceding year. Our total income for 2023 reached QAR 9.56 billion compared to QAR 7.14 billion last year. Total Assets at QAR 164.2 billion, Financing Assets at QAR 108.2 billion, and Customer Deposits at QAR 93 billion as at 31 December 2023. Our Investments increased by 22% to QAR 39 Billion most of which are in sovereign debts. The Bank grew its stage 3 coverage ratio to 56.7% (up from 46.4% as at 31 Dec 2022). Net impairment charge

MAR is poised to lead Qatar's banking sector into the digital economy era by embracing technological advancements and remaining committed to continuing to introduce cutting-edge Fintech products that enhance customer convenience and elevate service excellence.

Total Income increased to QAR **9.56 billion**

A number of strategic initiatives were launched in line with Qatar national Vision 2023 and to ensure better and sustainable return for our shareholders on the long run. We launched a new IT strategy aiming at transforming the Bank into the digital economy era.

decreased by 32% to 1,164 million. The Bank managed to decrease its Non-performing loan (NPL) to 5.71% at the end of 2023. Earnings per share for 2023 is QAR 0.151, as compared to QAR 0.140 in 2022. The Bank's capital adequacy ratio also exceeded regulatory requirements, closing at 21.84%. The accounting and profit distribution policies adopted in 2023 remained steady, with the basis of evaluation and estimates being the same.

As previously, MAR prepared its financial statements following 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 0.10 per share.

Regarding our future plans and as we embark on the journey of 2024, MAR is poised to lead Qatar's banking sector into the digital economy era by embracing technological advancements and remaining committed to continuing to introduce cutting-edge Fintech products that enhance customer convenience and elevate service excellence. Our commitment to ESG principles remains steadfast in alignment with Qatar's National Environment and Climate Change Strategy. This represents a commitment characterized by deliberate decisions and focused efforts aimed at optimizing shareholder value.

MAR's commitment extends to fostering Qatar's human resource potential. Going further than just providing employment, we will continue to offer career opportunities and personal development training, empowering the next generation of industry leaders. This investment in human capital is a testament to our robust support for the people of Qatar, acknowledging them as the driving force behind our success.

As we stride into the promising year of 2024, our overarching strategy remains firmly anchored in the cultivation of robust relationships with targeted customer base in both private and public sector. This steadfast commitment is not merely a pursuit of financial success but a deliberate endeavor to position ourselves as the Islamic bank of choice, aligning seamlessly with the ambitious aspirations outlined in Qatar's national vision for 2030.

Last but not least, allow me to express my deepest appreciation, on behalf of MAR's Board of Directors, to His Highness Sheikh Tamim Bin Hamad bin Khalifa Al Thani, the Emir of the State of Qatar, His Highness the Father Emir Sheikh Hamad Bin Khalifa Al Thani, and His Excellency Sheikh Mohammed Bin Abdulrahman Bin Jassim Al Thani, the Prime Minister, and Minister of Foreign Affairs 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.

As I conclude, I wish to convey my profound gratitude to our dedicated employees, the Group Chief Executive Officer, and the Executive Team. Their unwavering commitment and industry-leading innovation serve as the driving forces behind our numerous accomplishments. Lastly, I extend heartfelt appreciation to our shareholders and investors for their invaluable trust in MAR and its team. Your confidence is not only highly appreciated but also acts as the catalyst propelling us forward on this ongoing journey of continuous growth and success.

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

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2. GROUP CEO FOREWORD

Our focus for 2023 was to effectively drive long term sustainable growth within a framework of sound governance and effective risk management. Coupled with this is to simplify our operating model in terms of technology, speed, and improved customer experience.

Financial performance for the year reflects a strengthened balance sheet, providing us with a good platform for future growth. Of note, was the strong performance of our overseas subsidiaries and solid contribution from each of our distinct business lines, in particular Masraf Al Rayan's Private and Premier divisions serving our high net worth and affluent client base. Net Operating Income reached QAR 3.6 billion and Net Profits to QAR 1,452 million, an increase of 8% year-on-year. Expense management and our strong desire to eliminate inefficiencies delivered a cost-income ratio of 25.6%. The bank has a strong capital base and liquidity position to support our future growth plans.

The bank has made progress in implementing its transformation program with the primary goal of modernizing and elevating the customer experience. We have entered a strategic partnership with a global industry leader to build a powerful digital banking platform, and are committed to delivering seamless, customer-first journeys through full digitization across web, mobile, and physical touch-points. We will optimize onboarding, expedite applications, and provide unparalleled support through AI-powered services. We expect to launch a totally new and future-ready mobile app in the later part of this year with innovative features and services that exceed current market offerings. Our clients will have the choice to engage with their preferred channel with fully integrated services. At the same time the bank is heavily investing in replacement of its core banking system, as we recognize that modernizing the core technology will support increasing the speed to market for new and more innovative products and services, streamline compliance, and enable us to operate with lower costs and greater efficiency. While we have delivered greater cost efficiency in 2023 there will be no easing off on all costs as we invest heavily in these new technologies for long term gains.

Masraf Al Rayan has a strong belief in being a responsible corporate citizen and appreciates that having regard to environmental, social and governance considerations generates long-term sustain-able stakeholder value.

Masraf Al Rayan will grow responsibly with a customer focused strategy in select segments, accelerate digitalization, while maintaining a strong risk and compliance culture.

The bank achieved a **net profit** of QAR
1,452
million

Total Assets reached QAR
164
billion

Our goal is to deliver exceptional service to our clients and create long-term value for all our stakeholders, and contribute positively to our employees, communities, and broader society.

We have entered a strategic partnership with a global industry leader to build a powerful digital banking platform, and are committed to delivering seamless, customer-first journeys through full digitization across web, mobile, and physical touch-points.

The bank demonstrated a strong commitment to sustainability through initiatives like the Masraf Al Rayan Green Deposit and the Green Vehicle Finance Campaign. These pro-grams emphasize our dedication to providing financial products that promote environmental responsibility. Our commitment to the community is demonstrated through impactful CSR initiatives, participation in culturally significant events, collaborations with charitable organizations, and engagements with educational institutions. Initiatives like the QFBA Future Asset Programs and partnerships with local Universities embody our dedication to nurturing talent and contributing to the banking sector's growth in Qatar. Active participation in Qatar Sustainability Week 2023 showcased our proactive involvement in promoting sustainability through various workshops, sustainable trips, and environmental initiatives.

In June 2023, Masraf Al Rayan launched Al Rayan Premier, to service affluent Qatari and Ex-Pat clients. Al Rayan Premier offers personalized access to products and services accompanied by exclusive privileges, reinforcing our commitment to providing a seamless and rewarding banking experience. The launch is in line with our aim to build a well-defined, value-adding business, focused on serving the needs of a select market niche.

Our steadfast commitment to refining products and processes, coupled with our relentless pursuit of customer service excellence, is mirrored in the industry awards bestowed upon the Bank throughout the year:

- Best Islamic Finance Products: Global Business Review Magazine
- Best Islamic Bank Qatar: Investor Awards
- Best ESG Bank of The Year: Investor Awards
- Excellence in Business Award

Our dedication to attracting, recruiting, developing, and retaining Qatari talent continues to be a cornerstone of our strategy. As of 2023, Qataris comprise 50% of our C-suite and 44% of our management structure, with an overall Qatarization rate of 34%. We will continue to invest significantly in the acquisition, training, and retention of exceptional local talent to contribute to the development of a robust national banking system. Strong corporate culture is a key differentiator for Masraf Al Rayan which fosters innovation, a keen sense of ownership, collaboration, ethical behavior and an unwavering dedication to our customers.

Looking ahead to 2024 and beyond, Masraf Al Rayan will grow responsibly with a customer focused strategy in select segments, accelerate digitalization to enhance the user experience and drive operational excellence, while maintaining a strong risk and compliance culture. Our goal is to deliver exceptional service to our clients and create long-term value for all our stakeholders, and contribute positively to our employees, communities, and broader society. Masraf Al Rayan thrives on change and will constantly adapt to be the most dynamic Islamic bank in Qatar and globally.

In conclusion, I extend my gratitude to our shareholders, customers, and the dedicated team at Masraf Al Rayan Group for their highly appreciated support. Together, we look forward to a future of continued growth, innovation, and positive impact.

Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer

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3. MASRAF AL RAYAN OVERVIEW

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 KHALIJI COMMERCIAL BANK P.Q.S.C

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 (31 % market share)*
- 3rd largest listed Qatari bank by total loans (9% market share)*

PUBLIC LISTING

- Ordinary shares listed on the Qatar Stock Exchange
- 3rd largest bank in Qatar by market capitalization (QAR 24.7 b)**
- Total ordinary shares issued 9.3 billion

*Source: Published Financial statement & QCB BS- latest available
**Source: Qatar exchange, closing price as at 31 December 2023

RATING

- MAR's credit rating re-affirmed at A1
- Negative 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. 34% of shares
- Qatari Institutional investors hold approx. 15.45% of shares. Rest of 50.55% is owned by Institutional & retail investor 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 (5.72%)

SHARE OVERVIEW

- MAR shares listed on the Qatar Stock Exchange
- Symbol: MARK
- ISIN: QA000A0M8VM3
- Market cap: QAR 24.7 bn
- Valuation multiples: P/E 17.0; P/B 1.05

4. KEY FINANCIAL HIGHLIGHTS

as at 31 December 2023

FINANCING ASSETS
108
QAR BILLION

NET PROFIT
1,452
QAR MILLION

CUSTOMER DEPOSITS
93
QAR BILLION

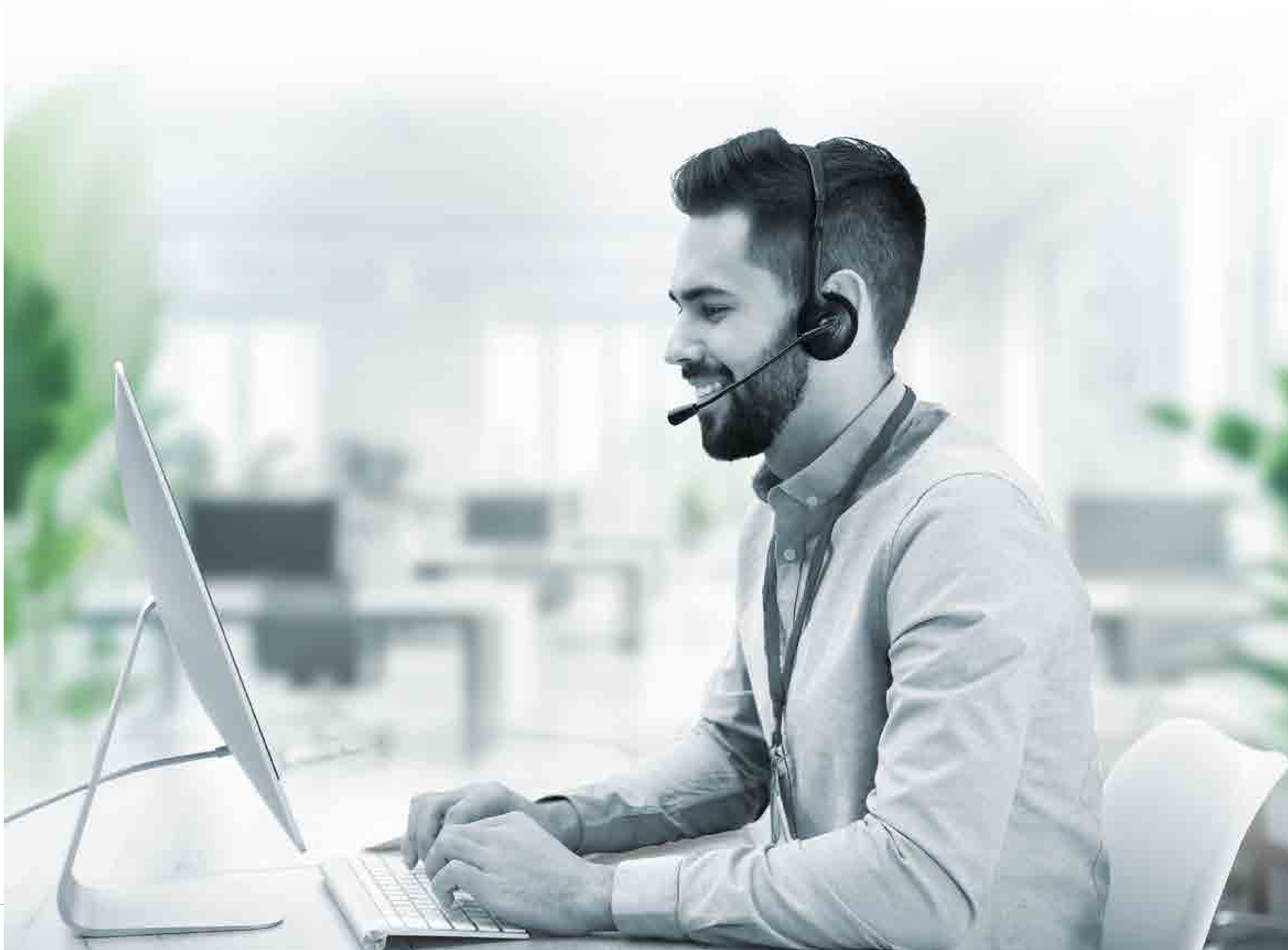
EARNINGS PER SHARE
0.15
QAR

SHAREHOLDERS' EQUITY
24
QAR BILLION

TOTAL ASSETS
164
QAR BILLION

CAR
21.84%

TOTAL INCOME
9,560
QAR MILLION



5. CORPORATE GOVERNANCE

1. Independent External Auditor Report on Corporate Governance

Independent Assurance Report to the Shareholders of Masraf Al Rayan Q.P.S.C.

Report on Compliance with Qatar Financial Markets Authority's (QFMA's) law and related legislation, including the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the QFMA's Board pursuant to the QFMA's Decision No. (5) of 2016 as at 31 December 2023 ("QFMA's Requirements")

Introduction

In accordance with the requirements of Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market (the "Governance Code" or the "Code") 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 accompanying Board of Directors' assessment of compliance with the QFMA's Requirements of Masraf Al Rayan Q.P.S.C. (the "Bank") as at 31 December 2023.

Responsibilities of the directors and those charged with governance

The Board of Directors of the Bank are responsizble for preparing the Board of Directors' assessment of compliance with the QFMA's Requirements -as included in the Annual Report- that covers at a minimum the requirements of Article 4 of the Code.

The Board of Directors are also responsible for ensuring the Bank's compliance with the QFMA's law and relevant legislations and the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016 and preparing the Board of Directors' assessment of compliance with QFMA's Requirements.

The Board of Directors are also responsible for identification of areas of non-compliance and related justifications, where mitigated.

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that if operating effectively would ensure the orderly and efficient conduct of its business, including compliance with applicable laws and regulations.

Responsibilities of the Assurance Practitioner

Our responsibilities are to issue a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the Board of Directors' assessment of compliance with the QFMA's Requirements – as included in the Annual Report – does not present fairly, in all material respects, the Bank's compliance with the QFMA's law and relevant legislations, including the Code, based on our limited assurance procedures.

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 limited assurance about whether anything has come to our attention that causes us to believe that the Board of Directors' assessment of compliance with the QFMA's Requirements, taken as a whole, is not prepared, in all material respects, in accordance with the QFMA's law and relevant legislations, including the Code.

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. We did not perform procedures to identify additional procedures that would have been performed if this were a reasonable assurance engagement.

A limited assurance engagement involves assessing the risks of material misstatement of the Board of Directors' assessment of compliance with the QFMA's Requirements, whether due to fraud or error and responding to the assessed risks as necessary in the circumstances. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Accordingly, we do not express a reasonable assurance conclusion about whether the Board of Directors' assessment of compliance with the QFMA's Requirements, taken as a whole has been prepared, in all material respects, in accordance with the QFMA's law and relevant legislations, including the Code.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of reporting policies for the Bank and agreeing with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of management to obtain an understanding of the processes followed to identify the requirements of the QFMA law and relevant legislations, including the Code; the procedures adopted by management to comply with these Requirements and the methodology adopted by management to assess compliance with these requirements;
- considered the disclosures by comparing the contents of the Board of Directors' assessment of compliance with the QFMA's Requirements against the requirements of Article 4 of the Code;
- agreed the relevant contents of the Board of Directors' assessment of compliance with the QFMA's Requirements to the underlying records maintained by the Bank; and
- performed limited substantive testing on a selective basis, when deemed necessary, to assess compliance with the QFMA's Requirements, and observed evidences gathered by management; and assessed whether violations of the QFMA's Requirements, if any, have been disclosed by the Board of Directors, in all material respects.

Our limited assurance procedures do not involve assessing the qualitative aspects or effectiveness of the procedures adopted by management to comply with the Requirements. Therefore, we do not provide any assurance as to whether the procedures adopted by management were functioning effectively to achieve the objectives of the QFMA's law and relevant legislations, including the Code.

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 ("IESBA"), 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.

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

Inherent limitations

Many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain audit trail. It is also noticeable that the design of compliance procedures would follow best practices that vary from one entity to another and from one country to another, which do not form a clear set of criteria to compare with.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the Board of Directors' assessment of compliance with the QFMA's Requirements and the methods used for determining such information.

Because of the inherent limitations of internal controls over compliance with relevant laws and regulations, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected.

Other information

The Board of Directors are responsible for the other information. The other information comprise the Annual Report (but does not include the "Board of Directors' assessment on compliance with QFMA's Requirements), which we obtained prior to the date of this assurance report.

Our conclusions on the "Board of Directors' assessment on compliance with QFMA's Requirements as included in the Annual Report do not cover the other information and we do not, and will not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the "Board of Directors' assessment on compliance with QFMA's Requirements" as included the Annual Report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If we conclude that there is a material distortion of the other information we obtained prior to the date of this report, based on our actions, we are required to prepare a report. We have nothing to report in this regard.

Conclusion

Based on our limited assurance procedures described in this report, nothing has come to our attention that causes us to believe that the Board of Directors' assessment on compliance with QFMA's Requirements does not present fairly, in all material respects, the Bank's compliance with the QFMA's law and relevant legislations, including the Code as at 31 December 2023.

Emphasis of matters

We draw attention to the matters highlighted in sections 5.3 within the Board of Directors' assessment of compliance with the QFMA's Requirements as included in the Corporate Governance Report which indicates that only two out of ten board members are independent as of 31 December 2023.

Our opinion is not modified in this report in respect of the matters mentioned in this section.

For and on behalf of
PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority
registration number 120155

Waleed Tahtamouni
Auditor's registration number 370
Doha, State of Qatar
8 February 2024

2. Independent External Auditor Report on ICOFAR

Independent Assurance Report to the Shareholders of Masraf Al Rayan Q.P.S.C.

Report on the suitability of design and operating effectiveness of internal controls over financial reporting of significant processes as at 31 December 2023.

Introduction

In accordance with the requirements of Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market (the "Governance Code" or the "Code") issued by the Qatar Financial Markets Authority (QFMA) Board, pursuant to decision No. (5) for 2016, we have carried out a reasonable assurance engagement over the accompanying "Board of Directors' Report on Internal Controls over Financial Reporting" of Masraf Al Rayan Q.P.S.C. (the "Bank") as at 31 December 2023, based on the framework issued by the Committee Of Sponsoring Organisations of the Treadway Commission ("COSO Framework").

Responsibilities of the directors and those charged with governance

The Board of Directors of the Bank are responsible for presenting the "Board of Directors' Report on Internal Controls over Financial Reporting" for the Bank on a standalone level, which includes:

- the Board of Directors' assessment of the suitability of design and operating effectiveness of internal controls over financial reporting for the Bank on a standalone level;
- description of the identification of significant processes and internal controls over financial re-porting for the Bank on a standalone level; and
- assessment of the severity of design and operating effectiveness of control deficiencies, if any noted, and not remediated at 31 December 2023.

The assessment presented in the Annual Report is based on the following elements included within the Risk Control Matrices provided by the Bank's management:

- the control objectives; including identifying the risks that threaten the achievement of the con-trol objectives; and
- designing and implementing controls to achieve the stated control objectives.

The Bank's Board of Directors are also responsible for establishing and maintaining internal financial controls based on "COSO framework".

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that if operating effectively would ensure the orderly and efficient conduct of its business, including:

- adherence to the Bank's policies;
- the safeguarding of its assets;
- the prevention and detection of fraud and errors;
- the accuracy and completeness of the accounting records;
- the timely preparation of reliable financial information; and
- compliance with applicable laws and regulations.

Responsibilities of the Assurance Practitioner

Our responsibilities are to express a reasonable assurance opinion based on our assurance procedures on the "Board of Directors' Report on Internal Controls over Financial Reporting" for the Bank on a standalone level, based on the COSO framework.

We have 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 on the Board of Directors' assessment of suitability of the design and operating effectiveness of the internal controls over financial reporting of significant processes, as presented in the "Board of Directors' Report on Internal Controls over Financial Reporting" for the Bank on a standalone level, presented in the Annual Report, in all material respects, to achieve the related control objectives stated in the description of the relevant processes by management, based on the COSO framework.

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statements amount would reasonably be expected to impact the decisions of the users of the financial statements. For the purpose of this engagement, the processes that were determined as significant are:

1. Entity level controls;
2. Corporate and retail financing;
3. Deposits (including Participatory investment accounts);
4. Procurement, payable and payments;
5. Treasury and investments;
6. Human resources and payroll;
7. Compliance;
8. Trade finance;
9. General ledger, financial reporting and disclosures;
10. Information technology general controls

An assurance engagement to express a reasonable assurance opinion on the "Board of Directors' Report on Internal Controls over Financial Reporting" for the Bank on a standalone level based on the COSO framework and as presented in the Annual Report involves performing procedures to obtain evidence about the fairness of the presentation of the report. Our procedures on internal controls over financial reporting included:

- obtaining an understanding of internal controls over financial reporting for significant pro-cesses;
- assessing the risk that a material weakness exists; and
- testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

In carrying out our engagement, we obtained an understanding of the following components of the control system:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the suitability of design and operation, whether due to fraud or error. Our procedures also included assessing the risks that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the "Board of Directors' Report on Internal Controls over Financial Reporting" for the Bank on a standalone level.

Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives were achieved.

An assurance engagement of this type also includes evaluating the Board of Directors' assessment of the suitability of the design and the operating effectiveness of the controls over the control objectives stated therein. It further includes performing such other procedures as considered necessary in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the "Board of Directors' Report on Internal Controls over Financial Reporting".

Our independence and quality control

In carrying out our work, we have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), 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.

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

Concept of internal controls 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 the Financial Accounting Standards (FAS) issued by the 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 Bank;
2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of the management of the entity; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the "Board of Directors' Report on Internal Controls over Financial Reporting" for the bank on a standalone level and the methods used for determining such information.

Because of the inherent limitations of internal controls 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. Also, projections of any evaluation of the internal controls 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.

Furthermore, the control activities designed and operated as of 31 December 2023 covered by our assurance report will not have retrospectively remedied any weaknesses or deficiencies that existed in relation to the internal controls over the financial reporting for significant processes prior to the date those controls were placed in operation.

Other information

The Board of Directors are responsible for the other information. The other information comprises the Annual Report (but does not include the "Board of Directors Report on Internal Controls over Financial Reporting") for the bank on a standalone level, which we obtained prior to the date of this assurance report.

Our opinion on the "Board of Directors' Report on Internal Controls over Financial Reporting" for the bank on a standalone level does not cover the other information and we do not, and will not express any form of assurance opinion thereon.

In connection with our assurance engagement on the "Board of Directors' Report on Internal Controls over Financial Reporting", our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If we conclude that there is a material distortion of the other information we obtained prior to the date of this report, based on our actions, we are required to prepare a report. We have nothing to report in this regard.

Emphasis of matter

We draw attention to the fact that this assurance report does not extend to any subsidiaries of the Bank. Our report is not modified in this respect.

Opinion

In our opinion, based on the results of our reasonable assurance procedures, the Board of Directors' assessment of the suitability of the design and the operating effectiveness of the Bank's internal controls over financial reporting of significant processes, based on the COSO framework is presented fairly, in all material respects, as at 31 December 2023.

For and on behalf of
PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority
registration number 120155

Waleed Tahtamouni
Auditor's registration number 370
Doha, State of Qatar
8 February 2024

3. Corporate Governance Report 2023

The present Annual Corporate Governance Report covers the fiscal year from 1 January to 31 December 2023.

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 (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.

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 2023, 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. Pursuant to the Bank's Articles of Association, MAR's Board of Directors consists of 11 members. In 2023, Mr. Abdulla Bin Nasser Al Misnad tendered his resignation as independent member of the Board. The Board continued with the remaining ten members. The Board, however, opened the nomination door to fill-in the vacancy in the independent seat. A new independent director will be selected by the General Meeting of Shareholders to which this report is addressed. As at 31 December 2023, MAR Board comprised 10 members the majority of which are Non-Executive Directors ("NEDs") (7 out of 10) including 2 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 2023 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 2023 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 2023. 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 2023
- Recommend Dividend Payouts for AGM approval
- Approval of the Group's Budget for 2024
- Recommend the 2024 external auditors for AGM approval
- Periodic review of Capital Plan and ICAAP and stress testing for 2023
- Approval of the Group's Balanced Scorecard for 2023
- Review and approve several appointments on Senior Management level and various remuneration 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
- 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
- Approval of MAR Subsidiaries Governance Framework
- Adopt and recommend for General Meeting's approval the amendments to the Bank's Articles of Association to comply with QCB's corporate governance regulations
- Recommend for AGA approval the members of the Sharia Supervisory Board for the period 2023-2024-2025 and delegate the Board to determine their fees
- Follow-up and oversee the Bank's subsidiaries and associates
- Approval of new MAR IT strategy and initiatives
- Review and discuss the Bank's Business Continuity and risk reports and take necessary actions, 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
- Accept the resignation of the Independent member Mr. Abdulla Bin Nasser Al Misnad, open the nomination door to fill-in the vacancy in the Independent seat and oversee the nominations process
- Endorse the appointment of Mr. Ahmed Ali Al Hamadi as new Board member representing the General Authority for Retirement and Social Insurance in replacement to Mr. Turki Al Khater
- Establish a Board Development and Training Program for the current Board term in cooperation with an independent consultancy firm

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 2023 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
29. Group Strategy and Business Policy and Service Quality Policy
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
54. Cloud Strategy Policy
55. Subsidiaries Governance Framework and 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 2023, 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 2023, 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 2023, 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 2023, 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 approved in 2023 a Subsidiaries Governance Framework based on legal and regulatory requirements applicable to the subsidiaries and associates 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 2023, 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. As at 31 December 2023, the Succession Plan was updated and presented to Qatar Central Bank.

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 2023, 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 2023, 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 initial agenda are sent to the Board members at least two weeks ahead of the meeting 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 individual 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 2023, 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 2023.

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 2023, 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 2023, the Bank achieved, in all materials aspects, the goals set under the approved Balanced Scorecard for 2023.

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 2023.

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 ("CGNRC") is in charge of organizing development programs and workshops for the Board as and when required. In 2023, the CGNRC approved a Board Development and Training Program for the current Board term 2023-2024-2025 in cooperation with an independent consultancy firm. The Program requires each Board member to conduct one compulsory training session in specific areas and another optional session to be determined by a director upon development needs. The sessions must be conducted within the first two years of a Board term. As at 31 December 2023, all Board members have completed the compulsory AML and CFT training session.

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. In 2023, upon the election of a new Board of Directors by the AGM held on 15 March 2023, an induction session was organized for newly elected and re-elected directors in accordance with the Program. It included individual meetings with Senior Management and introduction to the Bank's strategy, activities and business.

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 2023, Talent Management organized and completed ca. 15660 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 Group Security Steering Committee (GSSC)

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, 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 Resilience and Disaster Recovery

MAR has a Business Resilience 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 Group MAR reporting directly to the Group 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 across the Group. 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 15 March 2023, the General Meeting of shareholders, upon the Board recommendation, appointed the SSB's three members for the period (2023-2024-2025). 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 15 March 2023, the Annual General Meeting ("AGM") approved the Board/Audit Committee's recommendation to appoint Price Waterhouse Coopers- Qatar branch ("PWC") as external auditors of the Bank for the fiscal year ended 31 December 2023. Total statutory audit fees for the year amounted to QAR 5.029 million (2022:QAR 4.912 million), while other assurance services and other services amounted to QAR 0.973 million (2022: QAR 0.877 million) and QAR 1.819 million (2022: QAR 1.395 million), respectively. Total consideration for the services provided by auditors for the year 2023 amounted to QAR 7.821 million* (2022: QAR 7.184 million).

* Amounts cover auditors fees on Group level including overseas subsidiaries. Of which, consideration for the services provided by auditors for Qatar operation only for 2023 is QAR 3.95 million. On 15 March 2023, MAR AGM approved QAR 3.2 million as total auditing fees for PWC. 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 2023, the Board/Audit Committee approved an amount of QAR 0.776 million as extra fees paid to the external auditors based on the above mandate.

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 2023, 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 2023, 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 2023, 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 2023, 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 2023, 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 2023 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 2023, 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 2023, MAR held one annual general assembly meeting of shareholders on 15 March 2023. 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. Also, MAR ensures full compliance with QFMA rules on payment of cash divi-dends through Edaa. To this end, MAR is in the process of taking all necessary actions to implement such rules.

On 15 March 2023, the Annual General Meeting decided to distribute cash dividends in the rate of 10% of the nominal share value (QAR 0.10 per share) for the year ended 31 December 2022. In 2023, the Bank continued the payment of all dividends through the various means mentioned above.

MAR continues to publish the list of its shareholders with uncollected dividends since more than 10 years on its website in compliance with Qatar Central Bank instructions and facilitates relevant payments accordingly. Any dividend amounts that remain uncollected will be dealt with in accordance with the relevant regulatory instructions.

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.

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 2023, 7 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 2023, 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.

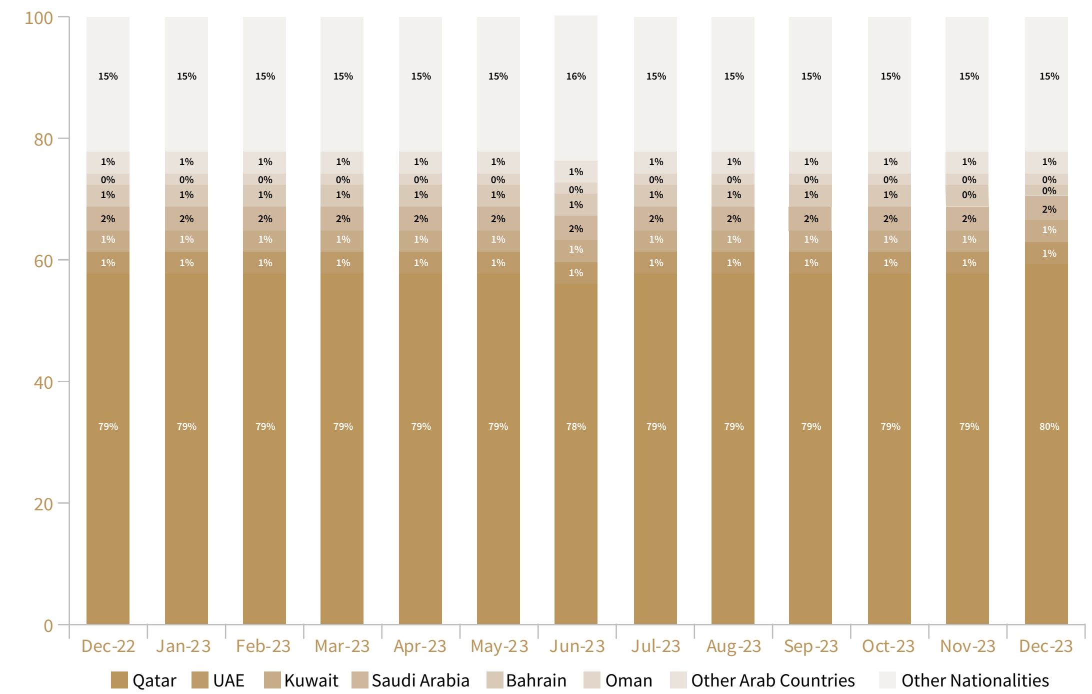
5. Corporate Governance Disclosures

5.1 Our Shareholders

As at 31 December 2023, MAR had 180,959 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.

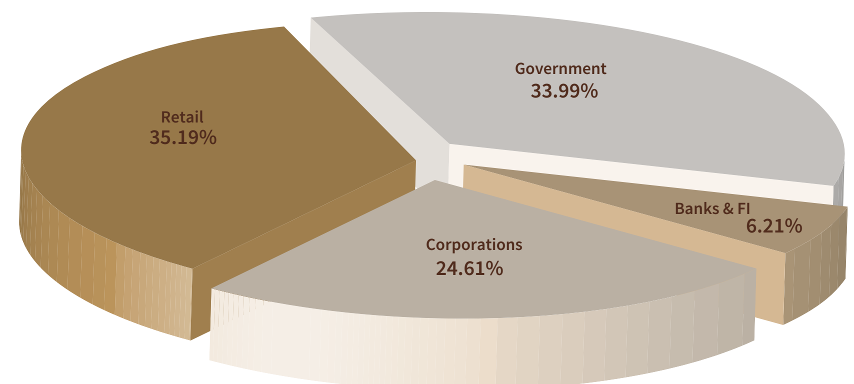
5.1.1 Evolution of Shareholder Base

As at 31 December 2023, the percentage of Qatari ownership slightly increased to 80% of the Bank's share capital and shares owned by shareholders from other countries was at 20% of the Bank's share capital, compared to 79% and 21% respectively as at the end of 2022.



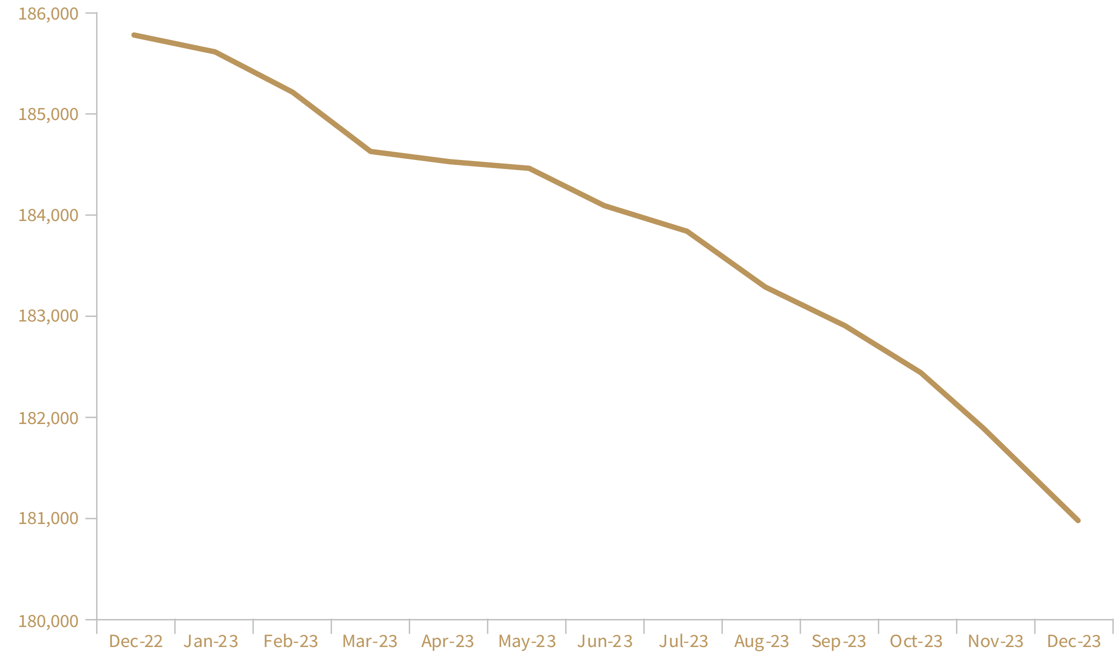
Graph (1): Evolution of shareholder base by nationality
(Analysis of our share registers with the Edaa)

In 2023, the total shares' percentage of Qatar government entities slightly increased from 33.89% to 33.99% of the Bank's share capital as at 31 December 2023. The percentage of capital retained by other sectors increased from 24.41% to 24.61% for corporations; decreased from 6.81% to 6.21% for banks/financial institutions (banks, funds, insurers, pension etc.) and increased for retail investors from 34.90% to 35.19% as at 31 December 2023.



Graph (2): Evolution of shareholder base by category
(Analysis of our share registers with the Edaa)

While the percentage of shares retained by retail investors slightly increased, the total number of shareholders continued to decrease in 2023.



Graph (3): Number of shareholders
(Analysis of our share registers with the Edaa)

5.1.2 Major Shareholders

As at 31 December 2023, 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 2023. 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 also remained unchanged at 7.51% as at 31 December 2023. It is our second largest shareholder. The Pension Fund, General Retirement and Social Insurance Authority (including civil and military funds) slightly increased YOY from 5.61% as at end of 2022 to 5.72% as at 31 December 2023.

MAR's major shareholders held 33.83% of MAR capital as at 31 December 2023.

Major Shareholders	Category	Domicile	Shares	Percent
Qatar Investment Authority (QIA)* Directly and indirectly through Qatar Holding, Diwan portfolio co. ltd	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	531,719,212	5.72%
Total			3,145,926,207	33.83%

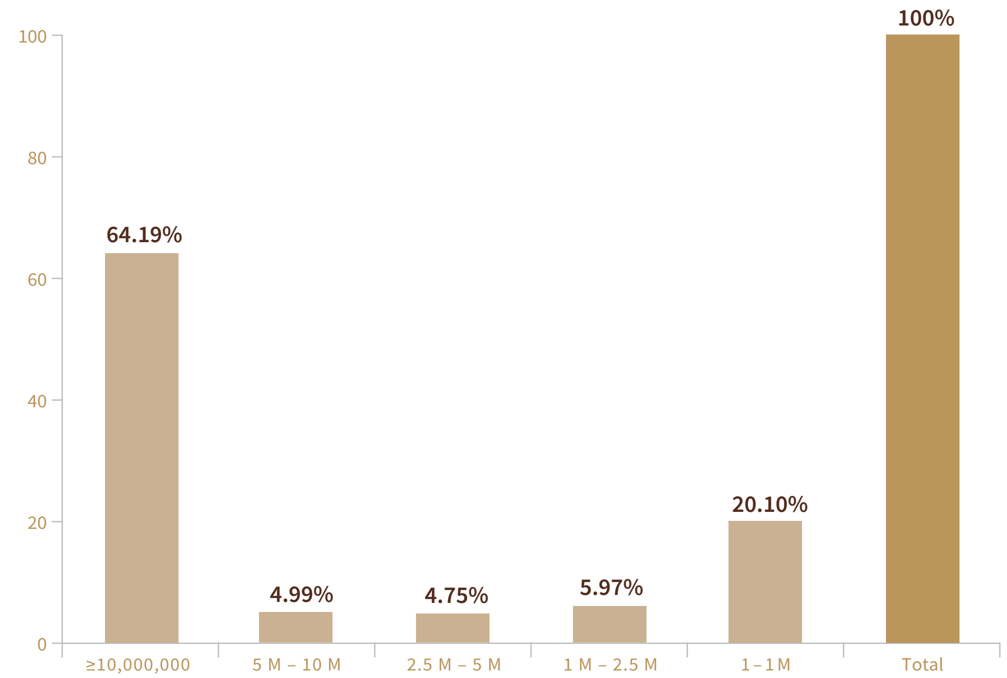
*Directly or indirectly through related parties

Table (1): MAR major shareholders as at 31 December 2023
(Extract from our share register with Edaa)

5.1.3 Shareholders' Concentration

On 31 December 2023, 101 investors (holding each 10 million and more of shares) – owned 64.19% of MAR's shares. Out of these 101 shareholders, 32 are private investors, 18 are banks or financial institutions, 44 are corporations, and 7 are Qatar Government entities.

The majority number 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 Edaa)

AR Shareholders			Breakdown							
			Retail		Banks & FIs		Corporations		Qatar Government	
Shares Number	Investors	%	Investors	%	Investors	%	Investors	%	Investors	%
≥ 10,000,000	101	64.19%	32	7.58%	18	5.29%	44	17.41%	7	33.91%
5 M – 10 M	68	4.99%	33	2.26%	2	0.15%	33	2.58%	0	0.00%
2,5 M – 5 M	128	4.75%	71	2.55%	9	0.37%	47	1.77%	1	0.05%
1 M - 2.5 M	367	5.97%	257	4.07%	12	0.22%	96	1.66%	2	0.02%
1 – 1 M	180,295	20.10%	179,797	18.72%	54	0.19%	443	1.18%	1	0.01%
Total	180,959	100%	180,190	35%	95	6%	663	25%	11	34%

*rounded figures

Table (2): Shareholder concentration per category
(Analysis of our share register with the Edaa)

5.1.4 Trading Activity

The monthly average number of transactions on MAR decreased by 4% in the second half of 2023 (H2 2023) compared to the first half of 2023 (H1 2023). The market/Qatar Stock Exchange monthly average number of transactions increased by 7% in H2 2023 compared to H1 2023.

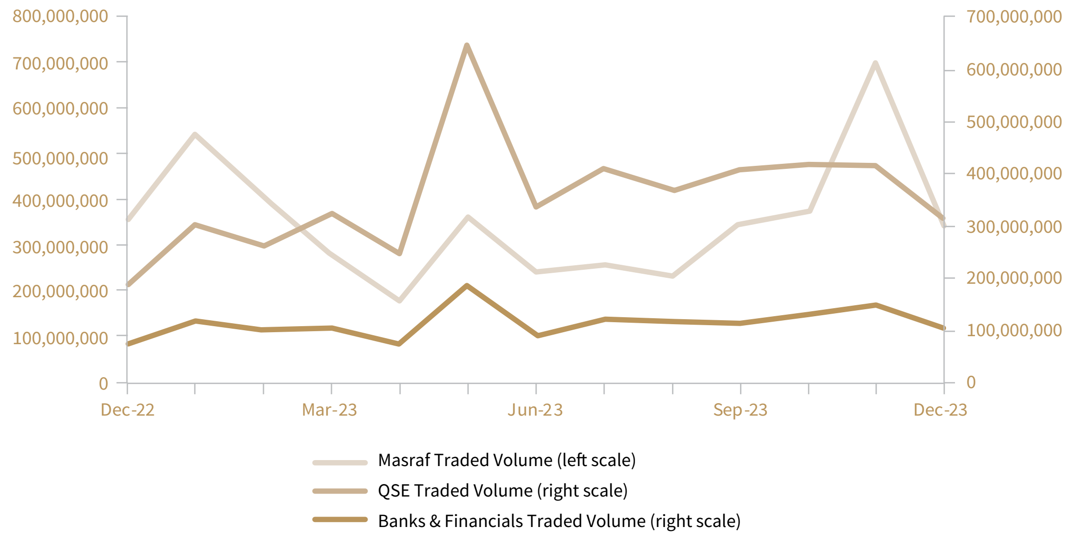
For the Banks and FIs sector, the monthly average number of transactions increased by 3% in H2 2023 compared to H1 2023.

Average number of transactions during:	Qatar Stock Exchange	Banks & FIs	MAR
H1 2023	342,775	148,455	27,328
H2 2023	367,839	152,956	26,185

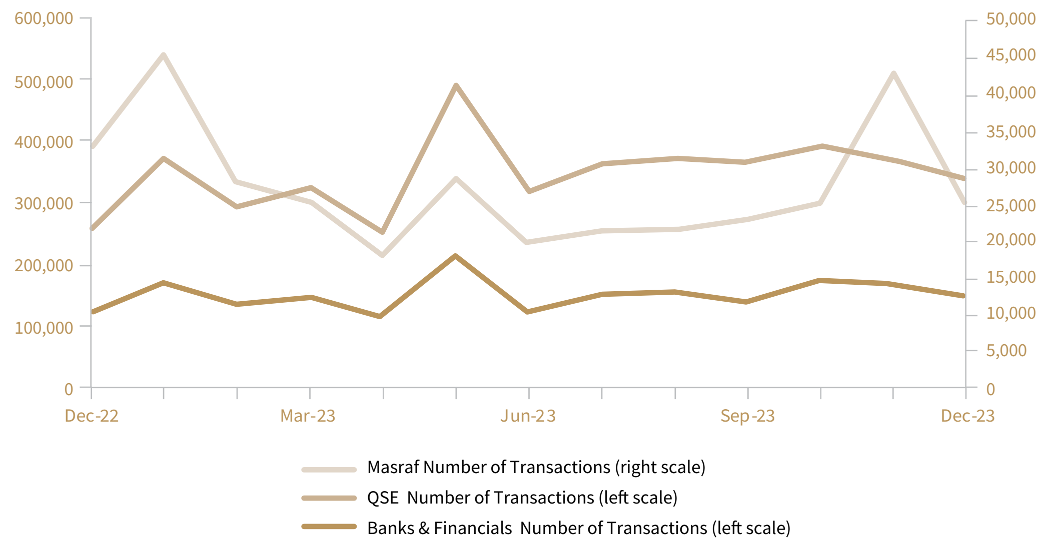
Table (3): Average number of transactions (H1 versus H2 2023)
(Analysis of information provided by the Qatar Stock Exchange)

5.1.5 Trading Volumes

The monthly average of MAR traded volumes increased overall in H2, especially in November 2023.In contrast to the QSE and Banks and FIs averages, which rose during H1, particularly in May 2023.



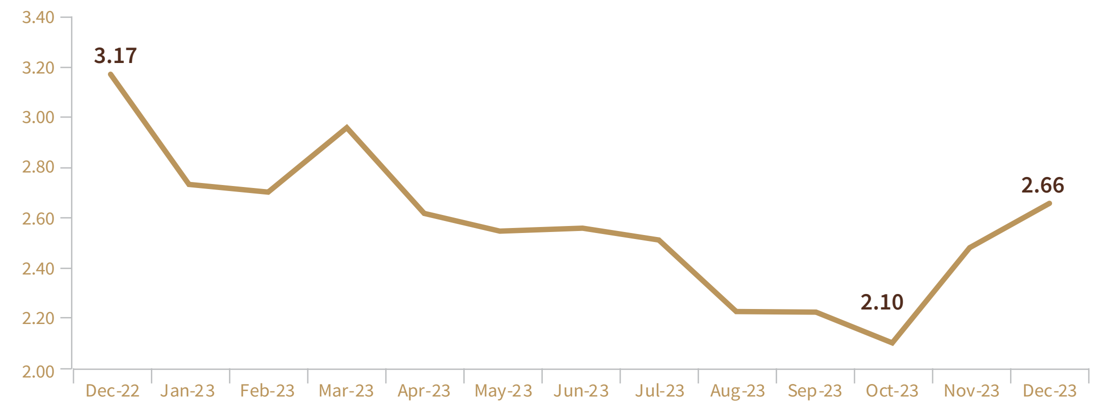
Graph (5): Traded volumes (in number of shares)
(Analysis of information provided by the Qatar Stock Exchange)



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

5.1.6 Share Price and Volatility

In 2023, MAR's share price decreased by 16.27% (from QAR 3.17 at end-2022 to QAR 2.66 at end-2023), compared to 5.19% increase for the QSE Index and 3.38% increase for the Banks and FIs Index.



Graph (7): MAR share price (December 2022 – December 2023)

5.2 Credit Ratings

As per latest rating in 2023, Moody's have affirmed MAR's long term rating as 'A1' and short term rating as P1 with a "negative" 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

MAR Board of Directors comprises 11 members of whom two (2) members shall be appointed by Qatar Holding/Qatar Investment Authority, one (1) member shall be appointed by Qatari General Retirement and Social Insurance Authority and one (1) member to represent Barzan Holding Company (owned by the Ministry of Defence). The other remaining members shall be elected by the General Meeting by secret ballot. The entities represented in the Board shall not be allowed to vote for candidates running for Board membership.

On 15 March 2023, the Annual General Meeting of Shareholders elected a new Board of directors for the sixth term 2023-2024-2025. During 2023, Mr. Abdulla Bin Nasser Al Misnad tendered his resignation as independent member of the Board. As at 31 December 2023 only two out of ten board members are independent. The Board, however, opened the nomination door to fill-in the vacancy in the independent seat. A new independent director will be selected by the General Meeting of Shareholders to which this report is addressed. Also in 2023, Mr. Ahmed Ali Al Hamadi was appointed as new Board member representing the General Authority for Retirement and Social Insurance in replacement to Mr. Turki Al Khater. Below is the composition of the Board for the current mandate (2023-2024-2025) 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 2023:

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. Re-appointed for the current Board term on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 10,060
- Number of shares held by QIA/QH and its related entities as of 31-Dec-2023: 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
- Appointed on MAR Board by QIA/Qatar Holding LLC ("QH") on 1 December 2021. Re-appointed for the current Board term on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 11,804,051 shares
- Number of shares held by QIA/QH and its related entities as of 31-Dec-2023: 1,915,632,215 shares

Other positions currently held:

- Chairman, Qatari Investors Group
- Chairman, Qatar Insurance Company
- Chairman, Al Khaliji France S.A. (France) – representing MAR interest
- Board member, Al Rayan Bank (UK) – representing MAR interest

Nasser Jarallah Saeed Jarallah Al Marri

Board Member – Qatari

Executive and Non-Independent Member

- Appointed by Barzan Holding/Qatar's Ministry of Defense on MAR Board in 2016. Re-appointed for the current Board term on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 10,580 shares
- Number of shares held by Barzan Holding/Qatar's Ministry of Defense as of 31-Dec-2023: 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- representing MAR interest

Ahmed Ali Al Hamadi

Board Member – Qatari

Executive and Non-Independent Member

- Appointed on MAR by the General Authority for Retirement and Social Insurance on 26 October 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 12,040 shares
- Number of shares held by GRSIA as of 31-Dec-2023: 531,719,212 shares

Other positions currently held:

- General Manager, General Retirement & Social Insurance Authority, State of Qatar
- Chairman, United Development Company
- Vice Chairman, Qatar General Electricity and Water Corporation
- Board member, Qatar Industries
- Chairman, Qatar Cool
- Board member, London Heathrow Airport
- Board member, SOFI Bank San Francisco
- Board member, Istanbul Stock Exchange, Turkey
- Board member, Dream International Co.
- Board member, Harrods

Sheikh Ali bin Jassim bin Mohamed Al Thani

Board Member – Qatari

- Non-Executive and Non-Independent Member
- Joined MAR Board since 2 April 2017. Re-elected for the current Board term on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 84,692,058 shares

Other positions currently held:

- Board Member, Qatar General Insurance & Reinsurance Co.
- QIA, CEO advisor
- Board member, Al Salam International for Investment
- Vice Chairman, Nuran Bank
- Board member, Al Khaliji France SA – representing MAR interest

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

- Non -Executive and Non-Independent Member
- Joined MAR Board since 5 April 2009. Re-elected for the current Board term on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 1,000,000 shares

Other positions currently held:
- Board Member, Ooredoo Oman
- Chief Commercial Officer, Ooredoo

Mohamed Al Saadi
Board Member – Qatari

- Independent and Non-Executive Member
- Elected for first time to MAR Board on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held: none

Dr. Abdulrahman Mohammed Al-Khayarin
Board Member – Qatari

- Non-Executive and Non-Independent Member
- Joined MAR Board since 18 March 2020. Re-elected for the current Board term on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 1.008.240 shares

Other positions currently held:
- Board Member, Barwa Real Estate

Mohammed Jaber Al Sulaiti
Board Member – Qatari

- Non-Executive and Non- Independent Member
- Elected for first time to MAR Board on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: 1,000,000 shares

Other positions currently held:
- CEO and Managing Director of Al Ahed Holding (petrol services and contracting)

Abdulla Hamad Al Misnad
Board Member – Qatari

- Independent and Non-Executive Member
- Elected for first time to MAR Board on 15 March 2023
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held:
- Head of Executive Office of HE Qatar's Prime Minister

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 3 members chaired by HE Sheikh Hamad Bin Faisal Bin Thani Al Thani. The two other members are: Mr. Ahmed Ali Al Hamadi, Mr. Nasser Jaralla Al Marri. 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 2023, the Committee held 9 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 2023, the Board of Directors endorsed all resolutions and recommendations of the Committee.

Below are the main activities and decisions of the Committee in 2023:
- 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. Mohamed Al Saadi. The two other members are: Mr. Mohamed Jaber Al Sulaiti (NED and Non IND) and Mr. Abdulla Hamad Al Misnad (NED and IND). Majority of the Committee's members are Independent and Non-Executive members. All members have extensive financial and audit experience. The Committee shall hold at least 6 meetings a year as per its TOR. In 2023, 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 2023, 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 2023, the Board of Directors endorsed all resolutions and recommendations of the Committee.

Below are the main activities and decisions of the Audit Committee in 2023:

- Review and discuss the External Auditor's reports on internal control, the quarterly and EOY financials for 2023 including the Management Letter
- Review and recommend for Board approval the quarterly and EOY consolidated financials for 2023
- Review and discuss Internal Control over Financial Reporting
- Review and adopt the Engagement Letter with External Auditors for 2023 based on the mandate from the General Meeting
- Review and approve the External Audit Plan for 2023
- 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 2023 is developed
- Approve the internal audit plan and strategy for 2023
- Review and discuss the proposals from external auditing firms and recommend to the Board the External Auditor for 2024
- Review and approve a number of accounting and auditing policies
- Review the internal audit annual disclosures on conflict of interest
- Review and discuss the 2023 provisions and recoveries
- Review the implementation of the new IT strategy project
- Review and consider certain accounts within the Bank's credit and investment portfolios and take the appropriate actions
- 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.

Majoriyt of CRC members are non-executive members. It CRC is chaired by Sheikh Ali Bin Jassim Al Thani and comprises 2 other I members of the Board: Mr. Nasser Jaralla Al Marri and Sheikh Nasser Bin Hamad Al Thani. The Committee shall hold at least 4 meetings a year as per its TOR. In 2023, 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 2023, 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 2023:

- 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 2023 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
- Consider and approve the Funding Concentration Submission reports to Qatar Central Bank

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 comprises three members majority of whom are non-executives. The CGNRC is chaired by Sheikh Nasser Bin Hamad Al Thani and comprises 2 other members: Mr. Ahmed Ali Al Hamadi and Mr. Abdulrahman Al Khayareen. The Committee held 5 meetings at in 2023.

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 2023, the Board of Directors endorsed all resolutions and recommendations of the CGNRC.

Below are the main activities and decisions of the CGNRC in 2023:

- Review and confirm the annual Balanced Scorecard results
- Consider the new regulations with respect to Board and Senior management remuneration and take appropriate actions to ensure compliance
- Recommend for Board approval the Long-Term Incentive Scheme for Senior management and employees
- Review and recommend for Board approval the Bank's revised Organizational Chart
- Conduct the annual review of Group Incentives and Bonus Methodology for 2023 and rec-ommend the Group Annual Bonus pool for Board approval
- Review and approve various HR and governance policies
- Review and recommend for Board approval the Bank's Subsidiaries Governance Framework and Policy
- Follow-up on HR developments at Group level and take necessary actions, as applicable
- Approval of updated Succession Planning
- 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 discuss the external Auditor's Independent Assurance report on MAR Corporate Governance and take necessary actions, as applicable
- Review and assess the board candidacy applications for the Board term 2023-2024-2025
- Open the Board nominations to fill-in the vacancy in the Independent seat and the and as-sess the relevant applications
- Establish Board Development and Training Program for the current Board term
- Recommend for Board approval the introduction of the End of Service Benefit Scheme for national employees
- Consider and recommend for Board approval the appointment of a new member to the Board who represent the interest of a major shareholder

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 2023, a total of 7 Board meetings were held within an average duration of 3 hours. Below are the details of the Board and committees' meetings held in 2023 and the attendance sheet:

Forum	Board of Directors	EXCOB	CGNRC	ACB	CRC
Number and date of Meeting	**7 Meetings in 2023**	**9 Meetings in 2023**	**5 Meetings in 2023**	**7 Meetings in 2023**	**4 Meetings in 2023**
Attendance	• 29 January 2023 • 21 March 2023 • 17 April 2023 • 20 June 2023 • 17 July 2023 • 26 October 2023 • 12 December 2023	• 30 January 2023 • 15 February 2023 • 28 March 2023 • 21 May 2023 • 24 June 2023 • 19 September 2023 • 28 September 2023 • 6 November 2023 • 20 December 2023	• 23 January 2023 • 26 January 2023 • 18 June 2023 • 19 October 2023 • 3 December 2023	• 26 January 2023 • 17 April 2023 • 20 June 2023 • 17 July 2023 • 28 August 2023 • 25 October 2023 • 10 December 2023	• 25 January 2023 • 16 April 2023 • 16 July 2023 • 25 October 2023
Sheikh Mohamed Bin Hamad Bin Qassim Al Thani Chairman	6/7	N/A	N/A	N/A	N/A
Sheikh Hamad Bin Faisal Bin Thani Al Thani Vice Chairman	7/7	9/9	N/A	N/A	N/A
Abdulla Bin Nasser Al Misnad (from 1 Jan 2023 to 20 June 2023)	2/7	N/A	2/5	1/7	N/A
Turki Al Khater (from 1 Jan 2023 to 25 October 2023)	4/7	2/9	N/A	N/A	1/4
Sheikh Ali Bin Jassim Al Thani	7/7	2/9	N/A	N/A	3/4
Mohamed Al Saadi	6/7	N/A	N/A	6/7	N/A
Nasser Jarallah Al Marri	6/7	7/9	N/A	N/A	3/4
Sheikh Nasser Bin Hamad Al Thani	7/7	2/9	3/5	N/A	1/4
Abdulla Hamad Al Misnad	6/7	N/A	N/A	3/7	2/4
Mohamed Jaber Al Sulaiti	6/7	N/A	N/A	6/7	N/A
Abdulrahman Al Khayareen	7/7	N/A	5/5	N/A	1/4
Ahmed Ali Al Hamadi (from 25 October 2023 to 31 December 2023)	1/7	1/9	1/5	N/A	N/A

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 2023 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 2023:

Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer

Fahad Al Khalifa is a seasoned banking professional with over 25 years of experience in leadership roles in financial services. He was appointed to the role of Group Chief Executive Officer (GCEO) of Masraf Al Rayan in 2021. Before joining Masraf Al Rayan, he was the GCEO of Al Khalij Commercial Bank since 2014, and successfully oversaw the merger of both institutions to result in one of the largest Shari'ah compliant banks with an international presence in the UK, France and the UAE. Throughout his career, he has held prominent positions in Qatar's leading financial institutions to include Qatar Central Bank and Qatar National Bank (QNB). Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: 56060 shares

Other positions currently held:

- Board member, Al Rayan Bank UK (representing MAR interest)
- Board member, Al Khaliji France (representing MAR interest)
- Board Member, QFBA

Hamad Al Kubaisi
Group Chief Human Resources Officer

Holder of bachelor's degree in Computer Science. Over than 22 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held:

- Director of Al Rayan Partners and Linc Facilities Co (representing MAR interest)

Omar Al Emadi
Group Chief Business Officer

Holder of BSc in Finance from California State University in USA. Over 20 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held:

- Board member, Al Rayan Bank UK (representing MAR interest)
- Vice Chairman, Sahb Financing KSA (representing MAR interest)

Alexis Patrick Neeson
Group Chief Risk Officer

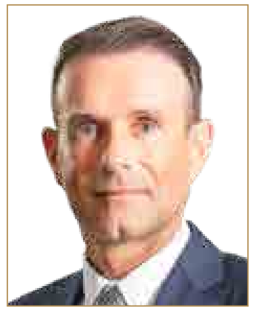
Bachelor's degree in European Studies from Trinity College Dublin. Masters in Business Administration from Smurfit Graduate School of Business, University College Dublin. Fellow of the Association of Chartered Certified Accountants (ACCA). Over 24 years of banking experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held: none

Stuart Rennie
Group Chief Operating Officer

Holder of Bachelor of Commerce and Administration (BCA), with Majors in Information Systems Management and Accountancy – Victoria University of Wellington, New Zealand. Master of Business & Administration (MBA) with Honors of Distinction from the College of Commerce and Kellstadt Graduate School of Business- DePaul University in Chicago, USA. Over 30 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held: None



Ronan Dodgson
Acting Group Chief Finance Officer

Chartered Accountant (ACCA), DBS Dublin Ireland. Member of the Association of Chartered Certified Accountants (ACCA). Over 30 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held: None

Eman Al Naemi
AGM, Corporate Communications

Bachelors' degree in Visual communication from Virginia Commonwealth University- Qatar. Over 17 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: 40700 shares

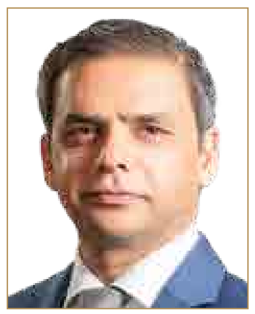
Other positions currently held: None

Rana Al Asaad
GM, Retail and Private Banking

Bachelors' degree in English literature from Qatar University. Diploma in Business Management from London Metropolitan University, UK. Over 26 years of banking experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: 599795 shares

Other positions currently held:

- Board member, Daman Islamic Insurance "Beema" (representing MAR interest)

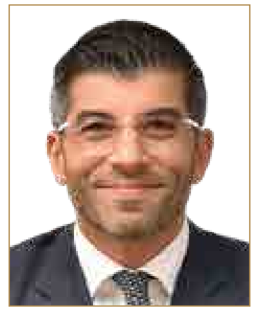


Tahir Pirzada
GM, Group Treasurer and FI

Holder of MBA (Finance) degree from Imperial College of Business Studies, Lahore-Pakistan. Over 30 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held:

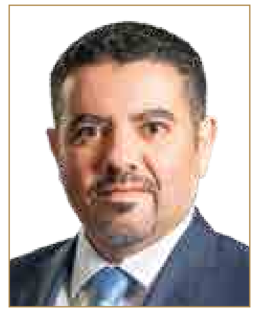
- Board member, Al Rayan Investment LLC (representing MAR interest)



Hussam Itani
Group Chief Transformation Officer

Bachelor of Art in Business Administration, Finance from American university of Beirut. IMD MBA, Lausanne, Switzerland. Future of Fintech & E-commerce Certificate from Massachusetts Institute of Technology. Over 20 years of consulting experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: None

Other positions currently held: None



Mutaz Dana
GM, Group Compliance and AML

Holder of master's degree in finance administration and bachelor's degree in accounting. Certified AML specialist. Over 20 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

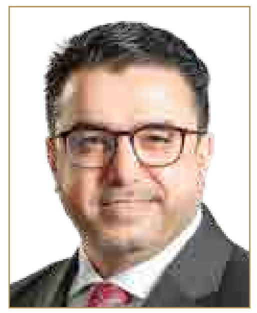
Other positions currently held:

- Board member, Sahb Financing KSA (representing MAR interest)

Adel Ayad Fayez Attia
GM, Group Internal Audit

Holder of bachelor degree of Management Sciences from Sadat Academy for Management Sciences- Egypt. Certified Anti-Money Laundering Specialist (CAMS) from ACAMS. Over 35 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

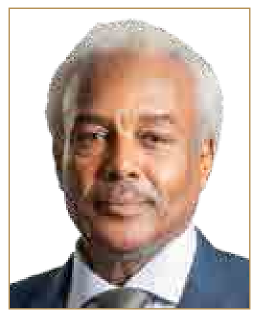
Other positions currently held: None



Fawzi Siam
AGM, Sharia Audit

Holder of Bachelor of Commerce – Nagpur University – India. Over 30 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

Other positions currently held: None



Abdelmonem El Hassan
GM, Group Legal Counsel

Holder of master's degree in law from University of Cambridge – UK. Over 40 years of experience. Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Dec-2023: none

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.

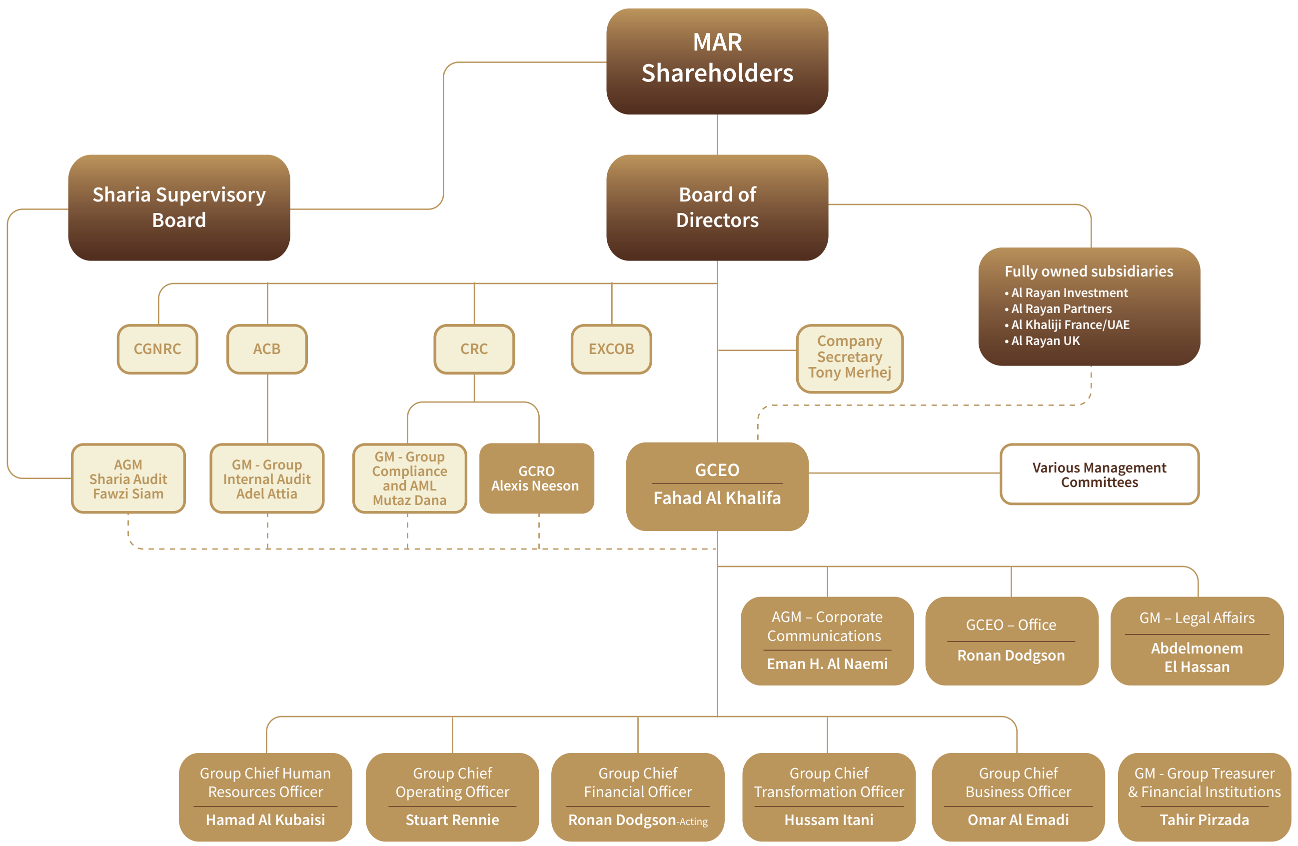
h) **Group Tender Committee (GTC):** oversee the procurement and tendering processes launched by the Bank.

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

j) **Transformation Working Group**: provides strategic direction, decision-making authority, and oversight for MAR transformation initiatives.

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 endorsement as part of this 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 remunerations must be linked to the Balanced Scorecard that sets the Compli-ance and Performance KPIs. The Balanced Scorecard/ Compliance and Performance KPIs is a system for measuring financial and non-financial performance including compliance with laws and regulations indices such as Liquidity Coverage Ratio, Loans to deposit Ratio, Capi-tal Adequacy ratio and others. The Bank shall set up goals and objectives and allocate weights for such indices for each fiscal year and get the final score audited by Internal Audit;
5. 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 6 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 9 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;
6. The total amounts received by the Chairman of the Board and each director including annual bonus, sitting fees and expenses shall not exceed QAR 2.5 million and QAR 2.3 million re-spectively per year in accordance with the relevant regulations by QCB. In all events, the total remunerations for all Board members shall not exceed 5% of the Bank's net profit after de-duction of depreciation, reserves, and distribution of dividends of no less than 5% of the share capital;
7. The above amounts are only the ceilings that the Board can approve as Board remuneration in a single year. The actual remuneration amounts are linked and depends on the actual goals achieved in a single year as per the Bank's Balanced Scorecard. The Corporate Gov-ernance, Nomination and Remuneration Committee shall conduct an annual performance as-sessment for the Board and its committees. Based on the assessment outcome, the Commit-tee determines the remuneration amounts based on the principles of the said policy and rec-ommend the same, together with a detailed assessment report to the full Board and to Qatar Central Bank. 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 exercise;
8. The remuneration pool is calculated based upon the final score achieved by the Bank ins the Balanced Scorecard in accordance with following formula: 50% of QCB total remuneration lim-it to be granted as Board remunerations if the Bank achieves 70% or less of the goals in the Balanced Scorecard; the full QCB total remuneration limit to be granted as remunerations if the Bank achieves 90% of above of the goals in the Balanced Scorecard. Any final score be-tween 70% to 90% will entitle the Board to a total remuneration that will calculated on prorate basis;
9. 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;
10. Approved Board remunerations must only be disbursed upon obtaining QCB No Objection and are subject to the Bank achieving annual profits and distributing dividends of no less than 5% of the share capital;
11. 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;
12. 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 which must be ready for shareholders inspection at least one week prior to the scheduled date of the Annual General Meeting;
13. 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
14. 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 2023:
The Board made a proposal for Board annual remunerations based on the afore-mentioned policy. To check the total Board remunerations proposed for 2023, please refer to EY Financial Statements as of 31 December 2023 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 2023 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 endorsement as part of this 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 2% to 7.5% 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. The performance bonus for members of Senior Management must be disbursed upon obtain-ing QCB No Objection only;
11. 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;
12. Senior Management compensations must be disclosed in the audited financial statements; and
13. 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 2023:
The Board approved remunerations for Senior Management members based on the afore-mentioned policy. To check the total Senior Management remunerations for 2023, please refer to EY Financial Statements as of 31 December 2023 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

In adherence to our commitment to sound corporate governance, the Bank has implemented and maintained a robust system of internal control. Internal controls form an integral part of our daily business and operations with our customers. The Board of Directors has the overall and ultimate responsibility to maintain sound internal controls and ensure their effectiveness. On an on-going basis, internal control is a critical responsibility undertaken by our management and staff, and includes the implementation of appropriate policies, procedures, segregation of duties, and the periodic assessment of controls to manage risks.

The internal controls and risk management were established for the purpose of protecting the Bank's business and operations against abusive conduct, fraud, and inefficiency, ensuring accuracy and reliability in operations and financial reporting; ensuring compliance with the regulations; and evaluating the level of performance on all functions and business units within the Group.

Key Components of Internal Controls
The Bank's key components of internal control are classified into five different elements which are aligned with COSO framework. Each component work together to achieve our objectives. The following components helps us implement and maintain an effective internal control system.

- **Control Environment** – Our board of directors and the management fosters a culture of integrity and ethical behaviour setting the tone at the top.
- **Risk Assessmen**t – Rigorous risk assessments are conducted regularly to identify and evaluate potential risks impacting the operations of the Bank.
- **Control activities** – Policies and procedures are in placed and regularly reviewed to mitigate identified risks, including segregation of duties and authorization controls.
- **Information and communication** – Transparent communication channels within the Bank are in placed to ensure timely dissemination of information, both internally and externally.
- **Monitoring** – Continuous monitoring mechanisms are utilized to assess the effectiveness of internal controls like internal and external audit.

Some of these controls currently implemented to address specific risks aligns with the above components.

1. The Bank's Board Group Audit Committee is fully independent from executive management.
2. The Bank has an independent Group internal audit function which reports directly to the Board Audit Committee.
3. Sharia Supervisory Board (SSB) is appointed by shareholders at the General Assembly Meet-ing.
4. The Bank keeps a separate internal control units such as (1) Compliance and AML units (2) the Operational Risk unit (3) Legal department; and (4) the Shari'a Audit department that re-ports directly to SSB.
5. Issuance of an independent assurance report to the shareholders, as mandated by QFMA, on effectiveness 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 Group Audit Committee by External and Internal Audit of the status of audit matters.
8. Periodic reports to the Group 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. The Bank's policies are 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 are approved by Senior Management.
13. The Bank maintains a Delegation of Authority Matrix approved by the Board of Directors.
14. Dual signatories are 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 and monitoring of Key Risks Indicators (KRIs).
18. Business Continuity Plan and periodic testing of the Plan.
19. 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.
20. 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

The Bank has an effective and robust internal control, Operational Risk 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 risk departments 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 Group Audit Committee, which in turn relies on the Group Internal Audit function to provide reasonable assurance across MAR Group.

A comprehensive internal control framework supports the Bank in achieving its goals and 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** = Operational 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 2023, 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 Board's Report on Internal Controls over Financial Reporting

The Board of Directors of Masraf Al Rayan Q.P.S.C. (the "Bank") has carried an assessment of internal control framework over financial reporting as at 31 December 2023 in accordance with the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority's (QFMA's) Board pursuant to Decision No. (5) of 2016 (the 'Code').

Responsibilities of the Board

The Board of Directors of the Bank is responsible for establishing and maintaining effective internal control over financial reporting.

Internal control over financial reporting is a process designed by, or under the supervision of, the Bank's Management, and affected by the Bank's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Bank's financial statements for external purposes in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions("AAOIFI"). It includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank.
- provide reasonable assurance that transactions are recorded as necessary to permit prepara-tion of financial statements in accordance with AAOIFI, and that receipts and expenditures of the Bank are being made only in accordance with the authorizations of management and Board of Directors of the Bank; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized ac-quisition, use or disposition of the Bank's assets that could have a material effect on the fi-nancial statements.

The Board of Directors of the Bank is responsible for design, and maintenance of adequate internal controls that when operating effectively would ensure the orderly and efficient conduct of its business, including

- adherence to Bank's policies;
- the safeguarding of its assets;
- the prevention and detection of frauds and errors;
- the accuracy and completeness of the accounting records;
- the timely preparation of reliable financial information; and
- compliance with applicable laws and regulations, including the QFMA's law and relevant legis-lations and the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016.

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 not be prevented or detected on a timely basis.

Further, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessment

In this section, we provide description of the scope covered by the assessment of the suitability of the Bank's internal control over financial reporting, including the Significant Processes addressed, control objectives and the approach followed by management to conclude its assessment.

The Bank is required to report on the suitability of the design and operating effectiveness of internal controls over financial reporting ("ICOFR") in connection with the Governance Code for Companies & Legal Entities Listed on the Main Market (the "Code") issued by the Qatar Financial Markets Authority's (QFMA's) Board pursuant to Decision No. (5) of 2016.

We have conducted an evaluation of the suitability of design and operating effectiveness of internal control over financial reporting, as of 31 December 2023, 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").

Scope of assessment

Our internal control framework over financial reporting is the process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Bank's financial statements on standalone basis for external reporting purposes in accordance with Accounting and Auditing Organization for Islamic Financial Institutions("AAOIFI"). ICOFR includes controls over disclosure in the financial statements and procedures designed to prevent misstatements.

In assessing suitability of design and operating effectiveness of ICOFR, the management has determined Significant Processes as those processes in respect of which misstatement in the stream of transactions or related financial statements amounts, including those caused by fraud or error would reasonably be expected to impact the decisions of the users of financial statements.

The Significant Processes of the Bank at 31 December 2023 are:

1. Entity Level Controls,
2. Compliance,
3. Corporate & Retail financing,
4. General Ledger, financial reporting, and Disclosures,
5. Information technology general controls,
6. Trade finance,
7. Deposits (Including Participatory Investment Accounts),
8. Procurement payables and payments,
9. Treasury & investments,
10. Human Resources and payroll.

External auditors

In accordance with the Code, PricewaterhouseCoopers Qatar Branch, the Bank's independent external audit firm has issued a reasonable assurance report on the management assessment and the suitability of design and operating effectiveness of the Bank's internal control framework over financial reporting.

Board of Directors' Conclusion

Based on management assessment, the Board of Directors concluded that, as at 31 December 2023, the Bank's internal control over financial reporting is appropriately designed and operating effectively to achieve relevant control objectives based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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 Bank, 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 Group Audit Committee bimonthly.

As at 31 December 2023, there were no material control deficiencies identified which could have had a material adverse impact on the financial statements.

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 2023.

5.14 Compliance with Listing and Disclosure Rules

In 2023, 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 2023, 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 2023.

Mohamed Bin Hamad Bin Qassim Al Thani
Chairman of the Board

6. INTERNAL CONTROL & SUPPORT FUNCTIONS

1. GROUP INTERNAL AUDIT

The Group Internal Audit (GIA) plays an essential role as third line of defense 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 work, 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. Engagement planning stage.
4. Engagement field work and testing stage.
5. Confirming the factual accuracies of the audit findings indentifed during the field work.
6. Issuing the draft audit report and seeking the management action plans for audit findings.
7. Issuing the final audit report.
8. Management audit follow-up process.
9. 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 2023, GIA successfully completed all the audit engagements out of the approved audit plans for MAR Qatar, ARB UK, AKF (France), AKF (UAE) and ARI.

Consultancy Services

GIA's regular interaction with the Group Board, 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 2023, 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 Structure

Across the Group there are four Internal Audit teams as follows:

- Masraf Al Rayan GIA based in Qatar;
- Al Rayan Bank IA based in the UK;
- Al Khaliji France IA that is comprised of two teams, one based in France and the other in the UAE; and
- Al Rayan Bank Investment LLC and Al Rayan Partners companies.

GIA is headed by the General Manager, Group Internal Audit (GMGIA), who reports functionally to the MAR Board of Directors through the Group Audit Committee, ensuring the independence of the audit function across the Group. Each of the other IA teams are led by a Country Head of Internal Audit (CHIA) with functional reporting lines to the GMGIA and will report into their local Audit Committee / Board.

As at 31 December 2023, GIA comprised four specialized audit units, each unit including Subject-Matter Expert auditors with extensive experience in a variety of subjects, including Financial Crime Compliance, Operations, Credit, IT and Cybersecurity, Corporate governance, Financials and Risk modelling.

Each of the Internal Audit teams is fully committed on value creation and capacity building for the Group, whilst remaining independent.

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, QFMA, Bank of England, Banque De France and UAE Central Bank rules, Basel and IIA guideline.
- Terms of Reference of the Group Audit Committee of the Board of Directors.
- Internal Audit Charter approved by the Group Audit Committee of the Board of Directors.
- Group Internal Audit Policy and Instructions Manual approved by the Group 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 and its enhancement in 2024.

Quality Assurance and Improvement Program (QAIP)

A QAIP has been adopted by Group Internal Audit (GIA) and Country Audit teams with an objective of continuous improvement and adoption of best practices, including quality of governance activities and structures, professional practices and communication process.

The QAIP enables continual evaluation of:

- Conformance with the Definition of Internal Auditing, the Code of Ethics (CoE) and the Standards;
- The adequacy of the GIA's charter, goals, objectives, policies and procedures;
- The contribution to MAR's governance, risk management and control processes;
- Completeness of coverage of the entire audit universe;
- Compliance with applicable laws, regulations and government or industry standards to which the GIA may be subject;
- The risks affecting the operation of the GIA / Country Audit itself;
- An appraisal of the efficiency and effectiveness of the IA activities within the Group as well as identification of opportunities for improvement;
- The effectiveness of continuous improvement activities and adoption of best practices;
- Whether the GIA and Country Audit teams adds value, improves MAR's and subsidiaries' operations and contributes to the attainment of objectives.

Audit Management Solution

The Audit Management System, TeamMate+, by Wolters Kluwer is the solution of choice for Group Internal Audit. TeamMate+ is used to record details of the audit universe / auditable entities, annual risk assessments, audit planning and scheduling, providing a paperless audit work paper environment, allows online internal quality assurance and enables the efficient sharing of best practices between the Internal Audit functions within the Group.

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 continue to make better use of advancements in technologies as part of its audits. Having successfully implemented an upgrade to the audit management software, TeamMate+, in Qatar, during 2024, will continue to expand usage of the functionality available within the system, as well as rolling out the system to include the subsidiary businesses.

The Institute of Internal Audits have established new Global Internal Audit Standards that will come into effect in January 2025. In preparation, the Standards have been released (9 January 2024), GIA are assessing the requirements as defined in the new Standards and update the GIA Methodology accordingly.

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 defense, 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, operational resilience, 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, as well as Credit Administration involving documentation, disbursement authorization, and collateral custody. 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 function 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, Operational Resilience, and Insurance Management

Operational Risk Management (ORM), Operational Resilience, 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 Operational Resilience 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 Operational Resilience 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 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. Operational risks are managed at Group level through a Board approved operational risk management framework in accordance with QCB instructions and Basel III guidelines. 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.

Operational Resilience

Operational Resilience 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 Operational Resilience 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. The unit also carries out periodic risk assessments for critical processes, critical third-party service providers, systems, and applications. This business continuity and IT DR exercise allows the Bank to implement measures to mitigate any possible risk identified during risk assessment against various threats.

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. In addition, the Bank is certified for the global ISO 22301 certification for business continuity by complying with best international practices.

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 mitigate the risk of fraud and misconduct occurring within the Group, as well as reducing fraud losses. It consists of an effective fraud risk management framework 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 two fraud elements:

- Internal Fraud, such as employee fraud, payment fraud, procurement fraud etc
- External Fraud, such as fake document scams, card fraud, POS fraud, phishing, fraudulent fund transfer etc

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

A key responsibility of FRM is to facilitate Group-wide fraud awareness through different channels, such as SMS, emails, social media, 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.

During 2023, the Bank made significant strides in adopting advanced technologies and cloud solutions. The Information and Cyber Security posture of the Bank has been strengthened through the implementation of advanced threat detection systems ensuring a proactive defense against evolving cyber threats. The Bank is committed to staying at the forefront of security technologies by making strategic investments in cutting-edge solutions aligning the banks strategy to robust defense. The Bank has upgraded the physical security infrastructure including surveillance systems and access control aligning with the commitment to safeguarding not only digital assets but also the physical premises and infrastructure.

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 PCI DSS and 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
- Policies to establish and maintain security standards

3. GROUP COMPLIANCE AND AML

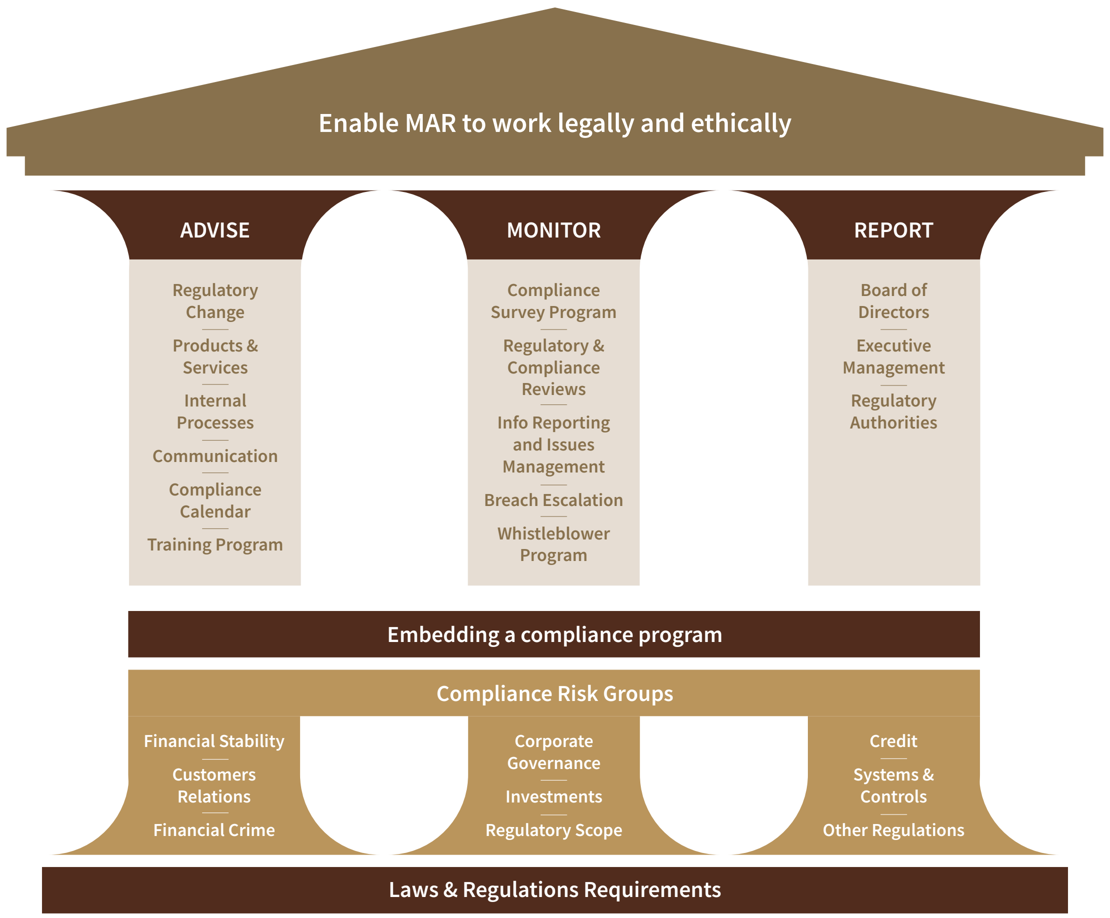
MAR has a dedicated Group Compliance and AML department that ensures compliance is embedded into every level of the organization and aligned with the Bank's business strategy. To ensure compliance activities retain their independent functioning, MAR Board made sure the Group Compliance and AML department 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.

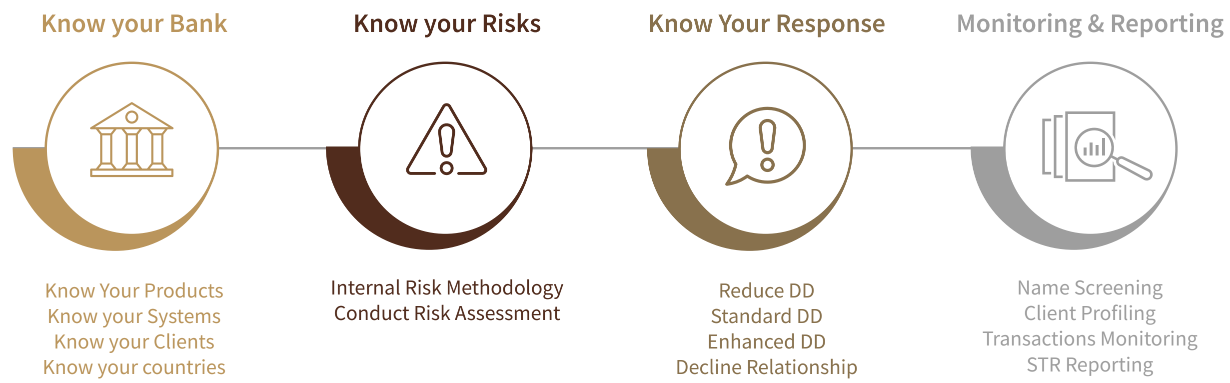
To ensure compliance activities retain their independent functioning, the group compliance department continues to report directly to the board compliance and risk committee. Compliance departments in the subsidiaries also report directly to the general manager and indirectly to the group compliance 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.

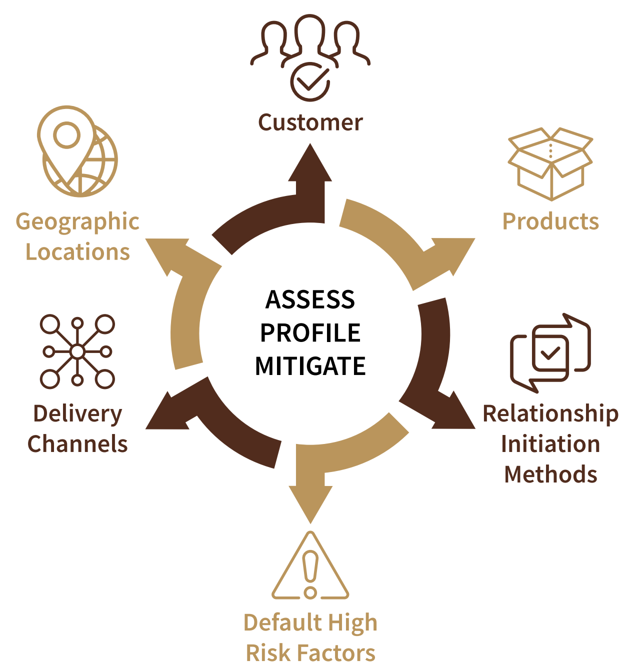
MAR takes a serious approach to meeting the legal requirements for all the jurisdictions in which it operates. It also participates in global efforts to combat financial crimes and terrorist financing.

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 2023, 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 2023, 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 line with our Qatarization strategy, MAR have promoted and appointed a number of Qatari Nationals into leadership role during 2023 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 Qatari talents in collaboration with Ministry of Labor.

We continued to enhance our systems, HR policies & practices and work culture to retain and attract talent and to make MAR as Employer of Choice.

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.

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 15,660 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 2023 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 and Internship programs in collaboration with Qatar University and other Universities, as well as sponsoring and "Future Asset Program" by delivering awareness sessions and offering an internship training opportunities for Qatari students with Qatar Banking Studies and Business Administration and QFBA. During 2023 "Masraf Al Rayan Career Fair" was organized to attract the potential graduated Qatari students, in addition of Masraf Al Rayan was keen to participate in several Career Fairs organized by Universities and Schools.

8. GROUP IT AND OPERATIONS

In the ever-evolving landscape of banking technology, Masraf Al Rayan has made substantial strides in the past year as we look to position ourselves at the forefront of innovation in Qatar's financial sector. The digital transformation journey has been a focal point, with a robust commitment to leveraging cutting-edge technologies to enhance customer experiences and operational efficiency. Our IT and Operations function has played a pivotal role in this transformation, embracing a holistic approach towards resource optimization and technology integration.

To fortify our commitment to excellence, we have maintained uncompromised service levels throughout our operations. Automation has been a linchpin in achieving this goal, streamlining processes, minimizing errors, and ensuring a consistent and superior customer service experience. This focus on efficiency extends to our Know Your Customer (KYC) processes on our mobile and web channels, where technological advancements have been instrumental in enhancing compliance and security measures.

Trade Finance has witnessed noteworthy innovations, leveraging state-of-the-art technologies, we continue to seek and implement pioneering solutions that facilitate smoother and more transparent transactions for our clients. Straight Through Processing (STP) continues to be a game-changer, reducing manual intervention and accelerating transaction lifecycles, thereby fortifying our operational resilience across Trade, Financing, Treasury, Payments products and our banking services.

To further amplify our transformation efforts, we have established a dedicated Transformation Management Office (TMO). This centralized unit will drive strategic initiatives, ensuring alignment with organizational objectives and effective implementation of transformative projects.

In tandem with this, we are excited to announce the selection of a new cutting-edge digital channels platform, marking a significant step towards enhancing the overall customer experience. Additionally, we have made strategic decisions in selecting a new core banking system and embracing cloud technologies. These initiatives underscore our commitment to staying agile and future-proofing our technological infrastructure, ensuring that we continue to provide secure, efficient, and innovative financial services to our valued clients.

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.

Throughout 2023, Masraf Al Rayan continued its relentless pursuit of excellence by safeguarding the values deeply embedded in Islamic banking while upholding the pinnacle of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) standards. Navigating through a global landscape fraught with challenges and transformative shifts, the bank remained resolute in its dedication to fostering positive change, steering towards a future of sustainability, inclusivity, and prosperity meticulously envisioned in Qatar's transformative framework – Vision 2030.

Masraf Al Rayan's steadfast commitment to the community manifested through various impactful CSR initiatives. The bank's active participation in culturally significant events, such as Sidra Medicine's Garangao Festival, radiated joy among children and fostered an atmosphere of inclusivity. Collaborations with Qatar Charity and the Blood Donor Center of Hamad Medical Corporation reflected the deep-seated commitment to alleviating economic burdens and supporting vital healthcare initiatives within society. Further, the bank's engagement with Dreema Center further enriched lives through educational and recreational activities.

Masraf Al Rayan demonstrated a strong commitment to sustainability through initiatives like the Masraf Al Rayan Green Deposit and the Green Vehicle Finance Campaign. Additionally, the efforts put into energy conservation and recycling within the bank's facilities show a genuine commitment to reducing the environmental impact. Finally, Participating actively in Qatar Sustainability Week 2023, Masraf Al Rayan showcased its proactive involvement in promoting sustainability. Through a range of initiatives such as the Greenery Workshop, Sustainability in the Corporate World workshop, "Going to Work" Metro Trip, Beach Cleaning Expedition, planting activities, and On-Site Lecture, the bank engaged in activities aimed at raising awareness and advocating for environmentally responsible practices. These efforts contribute to creating a more sustainable future for Qatar by educating and encouraging the adoption of sustainable practices across various sectors.

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IN
PROGRESS

7. ESG AND CSR

Throughout 2023, Masraf Al Rayan continued its relentless pursuit of excellence by safeguarding the values deeply embedded in Islamic banking while upholding the pinnacle of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) standards.

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 2023 amounted to QAR 36,3 million.

Throughout 2023, Masraf Al Rayan continued its relentless pursuit of excellence by safeguarding the values deeply embedded in Islamic banking while upholding the pinnacle of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) standards. Navigating through a global landscape fraught with challenges and transformative shifts, the bank remained resolute in its dedication to fostering positive change, steering towards a future of sustainability, inclusivity, and prosperity meticulously envisioned in Qatar's transformative framework - Vision 2030.

Aligned with the core principles of Islamic finance, Masraf Al Rayan's unwavering commitment stems from the belief that economic success must harmonize with ethical responsibility, societal impact, and environmental stewardship. This steadfast adherence to Shariah-compliant banking principles drives the bank's multifaceted initiatives that transcend mere financial success, aiming to actualize a more equitable, sustainable, and socially responsible future for Qatar and beyond.

Central to Masraf Al Rayan's ethos is an acknowledgment of the interdependence between responsible financial practices, positive societal impact, and environmental guardianship. The pursuit of sustainable growth isn't merely a strategic objective but a moral obligation deeply embedded in the bank's foundational values, echoing the spirit and vision of Qatar's ambitious trajectory towards 2030.

The Islamic finance landscape, governed by the principles of equity, fairness, and social welfare, serves as the guiding compass for Masraf Al Rayan's CSR and ESG initiatives in continuously seeking to uplift communities, fortify societal bonds, and champion environmental preservation while ensuring financial prudence and ethical wealth distribution.

Pioneering CSR Initiatives: A Spectrum of Impactful Actions

Masraf Al Rayan's steadfast commitment to the community manifested through various impactful CSR initiatives. The bank's active participation in culturally significant events, such as Sidra Medicine's Garangao Festival, radiated joy among children and fostered an atmosphere of inclusivity. Collaborations with Qatar Charity and the Blood Donor Center of Hamad Medical Corporation reflected the deep-seated commitment to alleviating economic burdens and supporting vital healthcare initiatives within society. The bank's engagement with the Dreema Center further enriched lives through educational and recreational activities, emphasizing the holistic well-being of the community.

Empowering Future Generations: Education & Career Development

Education and career advancement initiatives were fundamental to Masraf Al Rayan's commitment to nurturing the potential of younger generations. By actively participating in the Qatar University Career Fair and sponsoring prizes at the "Meeting of the Minds Symposium," the bank aimed to provide Qatari students with opportunities and exposure in the fields of employment and education. The highly successful 2023 Summer Internship Program, involving twenty students from various universities, offered invaluable hands-on experience and mentorship, paving the way for a vibrant future in the banking industry. Initiatives such as the Future Asset Programs, collaborations between MAR, Qatar Finance Business Academy (QFBA), and Northumbria University, were designed to educate students about Islamic banking practices, nurturing talent and contributing to the banking sector's growth in Qatar.

Moreover, The bank's partnerships and knowledge-sharing efforts with IFN Qatar Dialogue 2023, Qatar Finance Business Academy, Qatar Banking Studies, and Business Administration Independent Secondary School showcased their commitment to advancing Islamic finance knowledge and engaging with the youth.

ESG Milestones in 2023: Championing Sustainability & Empowerment

Sustainability Initiatives

Masraf Al Rayan demonstrated a strong commitment to sustainability through initiatives like the Masraf Al Rayan Green Deposit and the Green Vehicle Finance Campaign. These programs emphasize the bank's dedication to providing financial products that promote environmental responsibility. Additionally, the efforts put into energy conservation and recycling within the bank's facilities show a genuine commitment to reducing the environmental impact, aligning with both the objectives of Qatar National Vision 2030 and the UN Sustainable Development Goals (SDGs).

The 'strong' rating received from Standard & Poor's for the Sustainable Financing Framework serves as external validation for the bank's adherence to ESG principles and its commitment to sustainable finance.

Qatar Sustainability Week Participation:

Participating actively in Qatar Sustainability Week 2023, Masraf Al Rayan showcased its proactive involvement in promoting sustainability. Through a range of initiatives such as the Greenery Workshop, Sustainability in the Corporate World workshop, "Going to Work" Metro Trip, Beach Cleaning Expedition, planting activities, and On-Site Lecture, the bank engaged in activities aimed at raising awareness and advocating for environmentally responsible practices. These efforts contribute to creating a more sustainable future for Qatar by educating and encouraging the adoption of sustainable practices across various sectors.

Employee Empowerment and Qatarization:

Recognizing the pivotal role of its employees as the most valuable assets, Masraf Al Rayan focused on empowering its workforce. The addition of talented Qatari professionals aligns with the bank's commitment to fostering local talent and meeting Qatarization quotas. Programs such as graduates from training programs, the Employee Recognition Program, and the annual Ramadan Staff Gabqa all contribute to creating a culture of excellence, unity, and appreciation within the organization. Moreover, highlighting that 100% of branch managers are Qataris, with 40% being women, underscores the bank's commitment to diversity, inclusivity, and empowering local talents within leadership roles.

Masraf Al Rayan's initiatives in 2023 reflected a holistic approach towards sustainability, encompassing environmental efforts, community engagement, and employee empowerment, contributing positively to both the banking sector and Qatar's broader societal goals.

Acknowledging Excellence: Honors and Accolades in 2023

Masraf Al Rayan's achievements in 2023, acknowledged through awards like ESG Bank of The Year Qatar, Best Islamic Bank Qatar, Excellence in Business Development Award from VISA, and the Best Islamic Finance products-Qatar 2023 Award from Global Finance Review Magazine, exemplified the bank's commitment to excellence.

In summary, Masraf Al Rayan's commitment to Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) standards has been steadfast. Through impactful CSR initiatives, dedication to sustainability, and a focus on employee empowerment, the bank has contributed significantly to societal welfare and environmental stewardship. Recognized with prestigious awards, Masraf Al Rayan's dedication to excellence underscores its role as a leader in ethical banking practices and positive societal impact. This commitment positions the bank at the forefront of fostering a more inclusive, sustainable, and prosperous future for Qatar and its communities.

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. The Bank has also launched Green Car Financing and has supported various Green Financing projects in Lusail and M'sherib area. Further, the Bank is in the process of finalizing a "Risk Policy for Climate Change" to embed ESG related metrics in that policy.

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. The Bank has taken initiative in offering various ESG related training/seminar to create further awareness amongst its staff. Additionally, the Bank has also been actively participating in ESG related seminars organized by diverse entities including Ministry of Environment and Climate Change, in the country

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, Human Resources 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 2023, the Bank has no outstanding issuance.

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.

8. CORE BANKING ACTIVITES

1. Wholesale Banking

MAR, one of the region's biggest Sharia-compliant banks, maintains a healthy capital foundation and abundant liquidity. These strengths place the Bank in an advantageous position to accelerate Qatar's journey towards Vision 2030 by leveraging its increased scale, attractive range of products, and highly skilled workforce.

Wholesale Banking has always been a pivotal factor in the Bank's prosperity, consistently delivering excellent performance and significantly contributing to the Bank's profitability. It encompasses Corporate Banking and Small and Medium Enterprises (SMEs), which persistently concentrate on their specializations and cross-selling the Bank's other offerings. Wholesale banking remains committed to catering to clients in Qatar and fulfilling their international needs. Beyond just maintaining company cash flow, MAR offers expert advice on optimal financial management strategies. We understand that each business or corporation has its unique needs, therefore, all our services and products are customized to meet the specific requirements of companies.

In 2023, our Corporate Banking division has fostered strong ties and cooperation with clients across Government and private sectors. We have successfully integrated new corporate clients and diversified our client base while keeping an eye on business growth. Our team has executed solid transactions to aid government-related entities in their pursuit of launching new projects in Qatar that align with the national vision. Throughout the year, our team has worked relentlessly with all our clients to ensure the best use of working capital financing and to cater to their corporate financing requirements.

In line with the objectives of the 2030 National Vision, MAR has persistently backed local Qatari businesses and Small and Medium Enterprises (SMEs) by providing bespoke solutions. Our SME division has partnered with the Qatar Development Bank to finance local entrepreneurs and start-ups. Through its SME strategy, MAR is committed to supporting local entrepreneurs and talented individuals, fostering business innovations, developing future job skills, and promoting start-ups aligned with UN SDGs. We also support social impact initiatives, projects centered around youth innovation and development programs, women entrepreneurs, and women's societal empowerment. Furthermore, we back businesses working on future skills programs.

Through Qatar's first Shariah-compliant Green Deposit, MAR offers a unique alternative investment solution that allows deposits in Riyals and other major currencies to finance green activities. MAR is committed to funding environmental, social, and governance (ESG) projects, and companies that aim to integrate environmental and sustainability goals into their business objectives are welcome to participate in these deposits and seek financing through our expert team.

To broaden our product offerings for businesses, we have launched the MAR Visa Corporate Prepaid Card and instant card issuance at our corporate branches. We have also introduced a Flexi Deposit specifically designed to meet the needs of corporate and public sector institutions.

As part of our Cash Management offering, which includes payables, receivables, and account management solutions, we have introduced new innovative features to our existing automated payment solutions and services. The Digital Payment Solution for SME and corporate merchants enables instant payments from their customers using QR codes, providing real-time transaction tracking and the ability to refund money to customers. Many other features are added, such as the Remote Desktop Capture Service for large corporations, the door step Salary Cards delivery process, and the automation of services such as Fixed Deposit Receipts, Debit Advice, Digital Stamps on Statements, and IBAN Certificates. These enhancements are part of our ongoing commitment to provide our corporate and SME clients with the best banking experience, focusing on digitalization and innovation.

Looking ahead to 2024, we remain committed to delivering innovative banking solutions and superior service to our customers. Our goal is to establish ourselves as one of the leading Shariah-compliant banks in the region.

2. Retail and Private Banking

In 2023, Retail and Private Banking remained focused on supporting our clients and continues to grow its contribution to profitability. We continued to acquire new clients throughout the year and remain committed to provide cutting-edge digital solutions.

MAR continue to offer Private banking customers a unique range of products and services which has allowed us to win quality business and acquisition of our preferred clients in 2023.

Retail and Premier Banking continue to offer innovative solutions and launched many successful customer acquisition campaigns. Through Al Rayan Premier, we provide a seamless banking experience by upgrading our unparalleled range of services that caters to customers' needs, offering personalized access to products and services accompanied by exclusive privileges.

Masraf Al Rayan and Qatar Airways together launched Co-branded Credit Cards, which have been tailored to offer an exceptional range of rewards and benefits. Additionally, our innovative Green Vehicle Finance Campaign promotes choosing electric and hybrid vehicles as a step towards a greener future and comes with a range of attractive benefits. MAR was also the first bank to launch the QCB mandated Himyan Card scheme.

In terms of physical footprint in Qatar, the Bank has 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.

In 2024, we will 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, diversified sources of funding and enhanced streams.. 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 assists the Executive Management achieving its objectives with respect to growing the Bank's profitability, maintaining good asset quality, 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 and FI products and solutions designed to support the Bank's activities and fulfil the banking needs of the Bank's customers.

The Treasury and FI product suite includes a range of Sharia-compliant solutions. This includes 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 offers correspondent banking services and acts as the gateway for the Bank with its global network of banks and other non-bank financial institutions. Relationships with over 200 financial institutions worldwide has already been developed by the Bank's Treasury & FI team in order to support Bank's client base' requirements primarily on 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 financings and syndications, providing strong profitability and diversification for the bank's balance sheet.

9. SUBSIDIARIES, ASSOCIATES, SPVS AND BRANCHES

1. Subsidiaries

Al Rayan Bank PLC

Al Rayan Bank PLC, a subsidiary of Al Rayan UK Limited and a majority-owned entity of Masraf Al Rayan, has enjoyed a year of substantial achievements and strategic advancements.

Headquartered in London, Al Rayan Bank is the United Kingdom's foremost and longest-established provider of Sharia-compliant banking products.

Since its inception in 2004, Al Rayan Bank has played a pivotal role in delivering residential and commercial property investment, along with premier banking services to clientele spanning the UK and the GCC. The Bank has also successfully positioned itself as a leader in the UK's Sharia-compliant banking market, offering a range of award-winning savings accounts, primarily through its Digital Banking platform, actively used by more than 30,000 of its customers.

In the face of ongoing macro-economic challenges, Al Rayan Bank has surpassed expectations by achieving the most successful financial year in its history. The bank closed the year with a pre-tax profit of £31.1 million*, reinforcing its financial strength and robust performance.

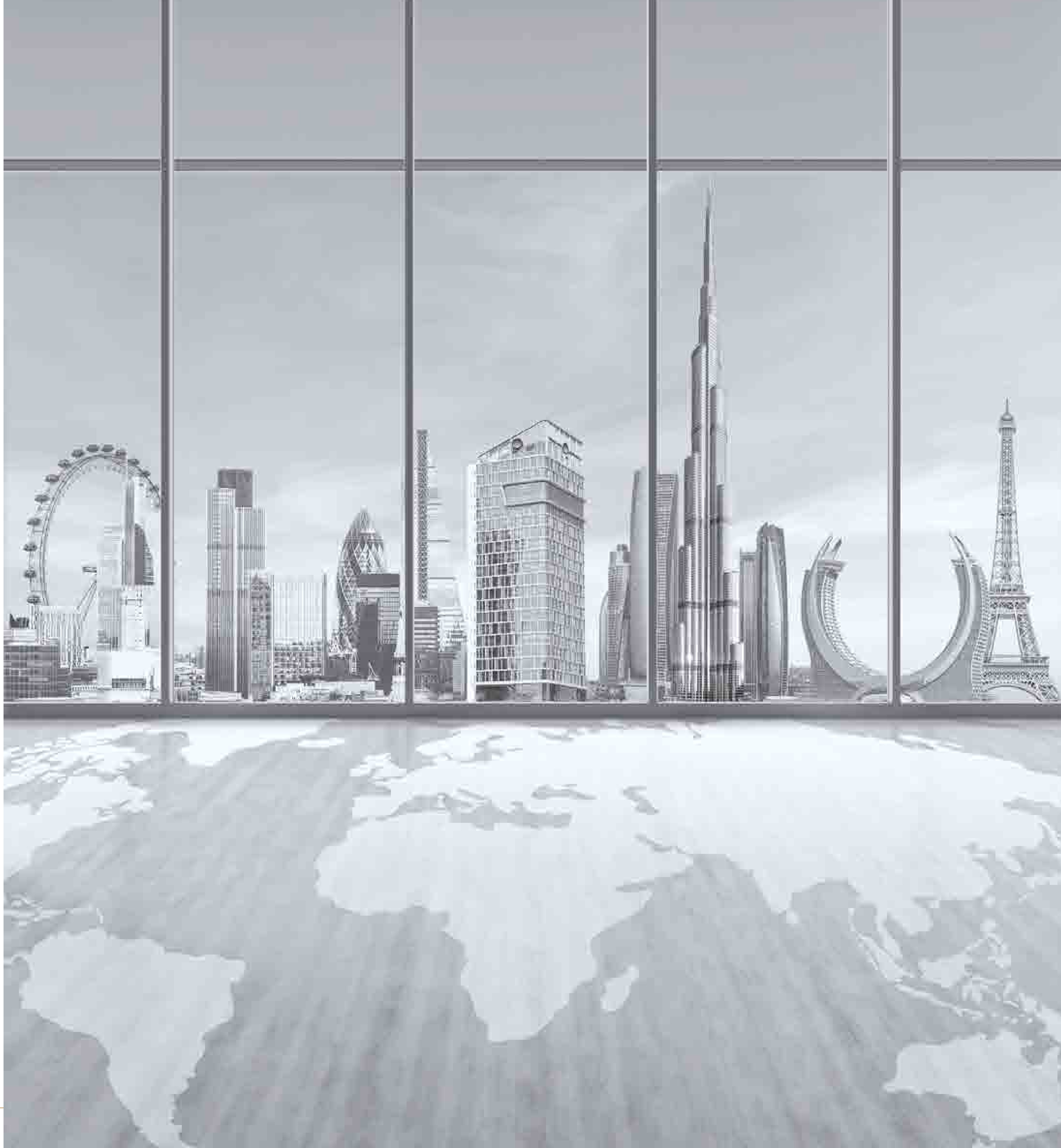
Strategically aligned with its vision, the bank's overall gross financing asset book remained relatively stable at £1.90 billion in 2023, compared to £1.89 billion in the previous year. The strong growth in Commercial Property Finance offsetting a planned reduction in the legacy retail portfolio.

A significant milestone in 2023 was the inauguration of Al Rayan Bank's new London headquarters at 4 Stratford Place in July. This Grade-A, 9,818 sq ft office space serves as the hub for the Bank's Board, Executive, Commercial, and Premier Banking divisions, while also providing a new location for the Bank's Premier customers. Additionally, the Bank addressed the operational needs of its Birmingham office by securing a five-year lease on new, modern premises in the city, catering to the evolving work patterns of its Birmingham team.

Beyond financial accomplishments, 2023 marked a pivotal year for Al Rayan Bank in terms of its commitment to environmental, social, and governance (ESG) issues. The Bank established its ESG Committee, demonstrating a proactive approach to sustainability. Notably, the committee oversaw the offset of 200% of the Bank's carbon emissions for the previous year, achieving operational carbon neutrality and a positive impact on climate.

The Bank's "TEAM" (trusted, empowered, able, motivated) values continue to shape the organisational culture. Initiatives focused on staff well-being and hybrid working contribute to consistently high staff engagement scores. The Bank's latest staff engagement survey, conducted in November 2023 and completed by 97% of employees, revealed an impressive 86% staff engagement, surpassing industry averages.

**Unaudited and subject to change*



Underpinning the Bank's success is its stable Board and Executive teams, featuring a blend of experience and technical expertise. Both teams are unwavering in their commitment to taking necessary actions that ensure long-term sustainable growth for Al Rayan Bank. This commitment extends to delivering first-class services to customers, creating a supportive and motivational environment for colleagues, and generating sustained and long-term returns for our shareholders.

Al Rayan Bank remains steadfast in its pursuit of excellence, navigating challenges with resilience, embracing strategic growth opportunities, and championing responsible banking practices to create enduring value for all stakeholders.

AL Rayan Investment LLC

The investment arm of Masraf Al Rayan, Al Rayan Investment LLC (ARI) was incorporated in 2007, and is a fully-owned subsidiary, focused on asset management and corporate financial advisory. ARI is authorised by the Qatar Financial Centre and regulated by the Qatar Financial Markets Authority. The firm had capital of $100 million at establishment.

After an impressive 2022, 2023 was another year of record profits. ARI built on successes of previous years, further strengthening ties with clients, and expanding its reach. Asset management was the key driver of the 2023 performance, through a combination of new client mandates, injections from existing investors and outstanding investment returns. The financial advisory practice jointly led US Dollar sukuk issuance from entities in Saudi Arabia and the USA. It also continued its work on numerous listings and IPOs to be executed on the Qatar Stock Exchange.

2023 was also significant as it marked the 15th year of operations for Al Rayan Investment. During this period, the firm has grown remarkably across both asset management and its advisory practice, and despite very material market volatility, has delivered profit growth almost every year. These results are testament to a world class team which look to serve clients with market leading professionalism. The results are clear, measured by the investment performance track record, growth in number of clients and assets under of management and the number of successful and ground-breaking advisory engagements in Qatar.

Asset Management

Launched in mid-2010, ARI's asset management franchise has crafted an enviable investment track record. While demand from 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.

2023 Performance

Amidst global head winds and heightened geopolitical risks in the region post the war on Gaza, regional equities markets delivered a mixed performance in 2023. Three markets ended in the green, Dubai (+22% during 2023), Saudi Arabia (+14%) and Qatar (+1%). Kuwait (-8%) and Abu Dhabi (-6%) were the laggards. Foreign investors continued to gain regional exposure, with net buying of more than $15 bn during the year, predominantly in the United Arab Emirates and Saudi Arabia.

Despite considerable volatility and uncertainty, ARI was able to further increase assets under management (AUM), both through new assets and the performance of existing assets. AUM, across money markets, public equities and sukuk, ended the year at QAR 5.4 billion.

ARI's money market offering gained further traction with institutional investors. While local short-term debt instruments are scarce, 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

During 2023, US interest rates were raised more than 1%, ending the year at 5.50%. Despite this, global and geo-political tensions along with extreme price volatility, ARI continued to grow its sukuk offering to investors, helping to navigate the challenging environment. Net of fees, ARI's actively-managed US Dollar sukuk portfolios returned more than 8% over the year. Furthermore, ARI saw no redemptions in 2023.

In 2023, ARI continued to enjoy 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 clients.

Listed equities

ARI's investment focus for public equities remains the Gulf. Equities' segregated portfolios for institutional investors and family offices account for a large proportion of overall assets under management.

Funds

In addition to these segregated portfolios, ARI manages three regulated funds, of which Al Rayan Qatar ETF and 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 market-capitalisation of QAR 480 million at end-2023, QATR is one of the world's largest Sharia-compliant, equity exchange traded funds (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, generally in the second quarter of each year.
- The flagship Al Rayan GCC Fund invests in Gulf listed equities and sukuk, and with assets north of QAR 400 million, remains the largest regional, Sharia-compliant GCC fund. In 2023, this absolute-return fund delivered almost 25% total return, including a dividend of 5.4%. 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 2023, from individual and institutional investors.

Financial Advisory

While economic and capital market activity was strong in 2022, driven by recovery from the pandemic and the FIFA World Cup 2022, 2023 saw a slowdown, especially for commencement of new transactions. In Qatar's public equity market, some of the listings which had begun in 2022 were completed during 2023. There were numerous sukuk issuances from the Gulf and beyond, and ARI's advisory team actively participated in these.

We expect the economy and capital market activity to recover in 2024. While some parts of the economy may not have the rapid growth experienced in the run up to the football world cup, over the next several years, significant expansion is expected. This will be driven by the LNG capacity expansion and tourism, leading to material growth for many private businesses which will seek funding through public equity or public debt markets. Several potential issuers were dissuaded from issuing sukuk in 2023 due to high profit-rate expectations from investors. Given declining Treasury yields in recent months, and expectations of interest rate cuts in 2024, the sukuk market is expected to have strong tailwinds during the year ahead.

Catering primarily to its Qatari client base, ARI had a very busy 2023, including several ongoing capital markets transactions, acting as Joint Lead Manager in international's US Dollar sukuk issuance. ARI also successfully advised a publicly listed-company in Qatar on a capital reduction exercise and made significant progress in several other transactions being executed. It is expected that these listing, follow-on offering and sukuk transactions will be executed during the first half of 2024.

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 possibilityy of establishing Joint Vehicles with multinational companies that can benefit MAR.

In 2023, as part of the Bank's new strategic directions to exit all non-core banking businesses and activities, MAR has started a liquidation process for the entity subject to regulatory approvals.

Al Khaliji France SA

Al Khaliji France S.A. (AKF) is an independent banking entity, fully owned by Masraf Al Rayan, established under the laws and regulations of the Republic of France with headquarters in Paris and with two branches in the United Arab Emirates (UAE). 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. As an independent French registered entity, AKF benefits from a 'European Passport' and can extend its activity throughout the European Union but also in the UAE via its branches in Dubai and Abu Dhabi.

2023 has been a year of consolidation and further integration within the Masraf Al Rayan group, with enhanced cooperation amongst all departments of the bank. 2023 was also the beginning of a new momentum for AKF, with an ambition to take advantage of market opportunities, with new primary and secondary market transactions booked at Head Office but also at branch level, with significant deposits placed by clients in both jurisdictions thereby securing liquidity and investment capacity of the entity in a market where all currency interest rates increased gradually over the year.

Al Khaliji France objectives throughout 2023 were to ensure a comfortable margin of safety in relation to all regulatory requirements. The Bank continues to maintain strong capital and liquidity position. As of 31 December 2023, the Bank's CET1 ratio stood at 32.58% and its leverage ratio at 23.28%.

Al Khaliji France continued to enhance its balance sheet structure by focusing on asset quality and on qualitative growth and profit generation. In an environment that remained highly competitive and marked by uncertainties, the NPL ratio of Al Khaliji France stands at a normalized level below 4% as at 31 December 2023 and with the usual conservative provisioning of our risk exposures.

Taking the above into consideration, AKF closed the year with a net profit after tax of EUR 21 million as of 31 December 2023, an historical high for the entity. The capitalization of AKF is still maintained at good level with an equity of EUR 215.25 million at the end of December 2023.

Notwithstanding the economic outlook in 2024 which remains uncertain, with ongoing conflicts in different parts of the world, with inflation slowing down but still affecting all European economies, energy prices that remain high and impacting 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 2023, the Group's associates were as follows:

Name of the Company	Country	Company's activities	Ownership % as at 31 Dec 2023
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
Sahb Finance Company ("Sahb") (formerly Kirnaf Financing Co)	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 2023 that form an integral part of this Annual Report.

3. Funds and Special Purpose Vehicles (SPVs)

As at 31 December 2023, 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 2023
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 Capital 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 2023 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 2023, 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 2023
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%
Gold Fund (not active)	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	**Location**	**Contact**
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

10. SHARIA SUPERVISORY BOARD

As at 31 December 2023, 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

On 15 March 2023 the General Meeting of Shareholders appointed the existing SSB members for three years (2023 to 2025).

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.

11. AUDITED FINANCIAL STATEMENTS

SHARI'A SUPERVISORY BOARD REPORT

on Financial Statements

for the year ended on 31 December 2023

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 2023 Statement of Financial Position and Income Statement and are of the opinion that the latter do not contravene 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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Masraf Al Rayan (Q.P.S.C.) ("MAR" or the "Bank") and its subsidiaries (together the "Group") as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as modified by the Qatar Central Bank (QCB).

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated income statement for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of income and attribution related to quasi–equity for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended;
- The consolidated statement of changes in off–balance sheet assets under management for the year then ended; and
- The notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements in the State of Qatar.

Our audit approach

Overview

Key audit matters

- Impairment of financing facilities
- Impairment of goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

<table>
<tr><th>KEY AUDIT MATTERS</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td colspan="2">IMPAIRMENT OF FINANCING FACILITIES</td></tr>
<tr><td>Impairment allowances represent the Directors' best estimate of the losses arising from credit risk and particularly from financing facilities (financing assets and off–balance sheet financing). As described in the summary of significant accounting policies to the consolidated financial statements, the impairment losses have been determined in accordance with FAS 30.

We focused on this area because the Directors make complex and subjective judgements over both the amount and the timing of recognition of impairment, such as:
• Determining criteria for significant increase in credit risk.
• Choosing appropriate models and assumptions for the measurement of Expected Credit Losses (ECL) including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).
• Establishing the relative weighting of forward–looking scenarios for each type of product/ market and the associated ECL.
• Establishing groups of similar assets for the purpose of measuring the ECL.
• Determining disclosure requirements in accordance with the FAS.

Further, financing assets and off–balance sheet financing are material within the overall context of the consolidated financial statements.

The Group's gross financing facilities that are subject to credit risk, include financing assets (net of deferred profit) amounting to QAR 112,510 million, and off– balance sheet finance amounting to QAR 12,264 million as at 31 December 2023, disclosed in note (10) and note (33) to the consolidated financial statements.

Information on the credit risk and the Group's credit risk management is provided in note 4 to the consolidated financial statements.</td><td>Our audit procedures in relation to this key audit matter included the following:
• Assessed and tested the design and operating effectiveness of the relevant key controls around origination and approval of financing facilities, monitoring of credit exposures, and impairment calculation.
• Evaluated the appropriateness of the Group's impairment provisioning policy in accordance with the requirements of FAS 30.
• Used our own internal experts to independently assess the reasonableness of the ECL methodology developed and applied by Directors including model risk parameters (PD, LGD, and EAD), forward–looking information, associated weighting, and staging analysis.
• Obtained an understanding of and tested the completeness and accuracy of the historical and current datasets used for the ECL calculation.
• Tested a sample of financing facilities to determine the appropriateness and application of staging criteria.
• Obtained an understanding of the methodology used to identify and calculate individual impairment allowance for stage 3 exposures and tested a sample of such exposures against the methodology.
• Obtained samples of the latest available credit reviews and checked that they include appropriate assessment and documentation of borrowers' ability to meet repayment obligations (principal, profit, and fees).
• Evaluated the adequacy of the consolidated financial statements disclosures to determine if they were in accordance with the requirements of FAS 30 and QCB regulations.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
IMPAIRMENT OF GOODWILL	
The Group's intangible assets include goodwill at 31 December 2023 with a carrying amount of QAR 877 million. International Accounting Standard (IAS) 36 'Impairment of Assets' requires goodwill acquired in a business combination to be tested for impairment at least annually. The assessment of the value in use ("ViU") for the Group's cash generating units ("CGUs") is a complex process involving subjective estimates. This assessment considers historical trends, future business strategy, and the overall growth of the banking industry. In particular, the determination of ViUs is highly sensitive to key assumptions such as terminal growth rates and discount rates. We considered the Group's impairment assessment to be a matter of significance to the current year audit due to the significant judgements and assumptions made by the Directors in performing the impairment assessments. Following the Directors' assessment, no impairment has been recognised for the year ended 31 December 2023. Information on the impairment of goodwill is provided in note 5 and 14 to the consolidated financial statements.	Our audit procedures in relation to this key audit matter included the following: • We obtained an understanding of the business process for the goodwill impairment assessment, identifying the relevant internal controls and testing their design, implementation, and operating effectiveness. • We assessed the reliability of the Group's budgets included in the business plans by comparing current period budgets to actual results and evaluating differences noted against underlying documentation and explanations obtained from the Directors. We also agreed the projections used to calculate cash flow forecasts to approved budgets and/or business plans. • We utilised our internal valuations experts to support us in assessing the assumptions and methodology used by the Directors for each significant cash generating unit. • We tested the mathematical accuracy of the valuation models used by the Directors. We also assessed the appropriateness of the valuation methodology applied by the Directors, with reference to market practice and the requirements of International Accounting Standard (IAS) 36 'Impairment of Assets'. • We performed sensitivity analyses to determine the changes in key assumptions, namely the discount rates and terminal growth rates, that would result in an impairment. We considered whether such changes were reasonably likely. • We also assessed the adequacy of the related disclosures provided in Note 14 to the consolidated financial statements, in particular the sensitivity disclosures in relation to reasonably possible changes in assumptions that could result in impairment.

Other information

The Directors are responsible for the other information. The other information comprises the Board of Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance 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.

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI as modified by QCB and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, as amended by Law number 8 of 2021, and QCB regulations, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are 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 the Directors either intend to liquidate the Group or to cease operations, or have 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users 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 scepticism throughout the audit. We also:

- Identify and assess the risks 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the 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 disclosures are 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 or regulation precludes 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 AND REGULATORY REQUIREMENTS

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, as amended by Law number 8 of 2021, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Group has maintained proper books of account and the consolidated financial statements are in agreement therewith;
- The financial information included in the Board of Directors' report is in agreement with the books and records of the Group; and
- Nothing has come to our attention, which causes us to believe that the Bank has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, as amended by Law number 8 of 2021, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2023.

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Waleed Tahtamouni
Auditor's registration number 370
Doha, State of Qatar
8 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

QAR '000s

	Notes	2023	2022
ASSETS			
Cash and balances with central banks	8	4,993,280	5,088,200
Due from banks	9	5,662,554	6,299,724
Financing assets	10	108,228,181	117,859,281
Investment securities	11	38,598,973	31,476,658
Investment in associates	12	348,556	345,878
Fixed assets	13	968,571	915,464
Intangible assets	14	1,564,774	1,678,592
Other assets	15	3,834,646	3,869,416
TOTAL ASSETS		**164,199,535**	167,533,213
LIABILITIES, QUASI–EQUITY AND EQUITY			
LIABILITIES			
Due to banks	16	32,204,024	29,316,423
Customer current accounts	17	7,924,383	8,736,827
Sukuk and debt financing	18	5,235,937	7,682,176
Other borrowings	19	4,585,513	3,843,236
Other liabilities	20	4,643,739	5,117,732
TOTAL LIABILITIES		**54,593,596**	54,696,394
QUASI–EQUITY			
Participatory investment accounts	21	84,799,440	88,554,879
EQUITY			
Share capital	22	9,300,000	9,300,000
Legal reserve	22	9,644,166	9,644,166
Risk reserve	22	2,661,613	2,398,543
Fair value reserve	22	41,439	32,844
Foreign currency translation reserve	22	(110,907)	(148,600)
Other reserves	22	152,632	140,512
Retained earnings		1,880,281	1,716,321
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**23,569,224**	23,083,786
Non–controlling interest	23	237,275	198,154
Instrument eligible as additional capital	24	1,000,000	1,000,000
TOTAL EQUITY		**24,806,499**	24,281,940
TOTAL LIABILITIES, QUASI–EQUITY AND EQUITY		**164,199,535**	167,533,213
Off–balance sheet assets under management		5,246,537	4,846,175
Contingent liabilities and commitments	33	**31,854,067**	32,911,480

These consolidated financial statements were approved by the Board of Directors on 23 January 2024 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

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 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	2023	2022
Income from financing activities	25	7,184,002	5,243,862
Income from investing activities	26	1,705,428	1,251,217
Total income from financing and investing activities		**8,889,430**	6,495,079
Fee and commission income		440,401	435,606
Fee and commission expense		(121,893)	(107,606)
Net fee and commission income	27	**318,508**	328,000
Foreign exchange gain (net)	28	197,114	270,891
Share of results of associates	12	50,856	27,201
Gain on sale of an associate		16,618	–
Other income	29	86,982	15,352
TOTAL INCOME		**9,559,508**	7,136,523
Staff costs	30	(433,161)	(521,851)
Depreciation and amortisation	13, 14	(174,081)	(186,983)
Other expenses	31	(267,035)	(447,202)
Finance expense		(2,273,714)	(1,030,862)
TOTAL EXPENSES		**(3,147,991)**	(2,186,898)
Net reversals / (impairment losses) on due from banks		14,051	(13,306)
Net impairment losses on financing assets		(1,270,186)	(1,556,455)
Net reversals / (impairment losses) on investments		21,062	(53,302)
Net reversals / (impairment losses) on other exposures subject to credit risk		70,442	(86,553)
PROFIT FOR THE YEAR BEFORE NET PROFIT ATTRIBUTABLE TO QUASI-EQUITY		**5,246,886**	3,240,009
Less: Net profit attributable to quasi-equity		(3,731,923)	(1,854,516)
PROFIT BEFORE TAX FOR THE YEAR		**1,514,963**	1,385,493
Tax expense	32	(34,968)	(22,242)
NET PROFIT FOR THE YEAR		**1,479,995**	1,363,251
Net profit for the year attributable to:			
Equity holders of the Bank		1,451,722	1,344,343
Non-controlling interest		28,273	18,908
		1,479,995	1,363,251
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	36	**0.151**	0.140

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

QAR '000s

	Notes	2023	2022
NET PROFIT FOR THE YEAR		**1,479,995**	1,363,251
OTHER COMPREHENSIVE INCOME			
Items that may not be subsequently classified to consolidated income statement			
Fair value changes of equity-type investments carried at fair value through other comprehensive income		14,076	(1,946)
Items that may be subsequently classified to consolidated income statement			
Exchange difference arising on translation of foreign operations		48,541	(82,589)
Net change in the share of other comprehensive income of investment in associates:			
Net change in fair value		(4,554)	(525)
Net amount transferred to consolidated income statement		951	–
Net movement in cash flow hedges			
– effective portion of changes in fair value		–	(725)
Fair value changes of debt-type investments carried at fair value through other comprehensive income		(1,758)	648
Share in the reserve attributable to quasi-equity	22(d)	(399)	182
Total other comprehensive income for the year		**56,857**	(84,955)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,536,852**	1,278,296
Attributable to:			
Equity holders of the Bank		1,497,731	1,279,790
Non-controlling interest		39,121	(1,494)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,536,852**	1,278,296

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI–EQUITY

For the year ended 31 December

QAR '000s

	Notes	2023	2022
Net profit for the year before net profit attributable to quasi–equity after tax		5,211,918	3,217,767
Less: Income not attributable to quasi–equity		(1,508,945)	(825,796)
Add: Expenses not attributable to quasi–equity		15,082	30,978
Net profit attributable to quasi–equity before Masraf's Mudaraba income		3,718,055	2,422,949
Less: Mudarib's share		(3,502,199)	(2,291,547)
Add: Support provided by Masraf		3,516,067	1,723,114
NET PROFIT ATTRIBUTABLE TO QUASI–EQUITY		**3,731,923**	1,854,516
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently classified to consolidated income statement			
Share in the reserve attributable to quasi–equity	22(d)	399	(182)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**399**	(182)
TOTAL PROFIT ATTRIBUTABLE TO QUASI–EQUITY		**3,732,322**	1,854,334

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 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 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**
Net profit for the year	–	–	–	–	–	–	1,451,722	1,451,722	28,273	–	1,479,995
Other comprehensive income	–	–	–	8,078	37,693	238	–	46,009	10,848	–	56,857
Total comprehensive income for the year	–	–	–	8,078	37,693	238	1,451,722	1,497,731	39,121	–	1,536,852
Transfer to retained earnings upon disposal of FVOCI equity investments	–	–	–	517	–	–	(517)	–	–	–	–
Transfer to risk reserve	–	–	263,070	–	–	–	(263,070)	–	–	–	–
Transfer to other reserves	–	–	–	–	–	11,882	(11,882)	–	–	–	–
Social and sports fund appropriation (Note 42)	–	–	–	–	–	–	(36,293)	(36,293)	–	–	(36,293)
Dividend declared and approved for 2022	–	–	–	–	–	–	(930,000)	(930,000)	–	–	(930,000)
Distribution for Tier 1 Capital notes	–	–	–	–	–	–	(46,000)	(46,000)	–	–	(46,000)
Balance at 31 December 2023	**9,300,000**	**9,644,166**	**2,661,613**	**41,439**	**(110,907)**	**152,632**	**1,880,281**	**23,569,224**	**237,275**	**1,000,000**	**24,806,499**
Balance at 31 December 2021	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
Net profit for the year	–	–	–	–	–	–	1,344,343	1,344,343	18,908	–	1,363,251
Other comprehensive income	–	–	–	(3,281)	(61,272)	–	–	(64,553)	(20,402)	–	(84,955)
Total comprehensive income for the year	–	–	–	(3,281)	(61,272)	–	1,344,343	1,279,790	(1,494)	–	1,278,296
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)
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)
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

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 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	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		1,514,963	1,385,493
Adjustments for:			
Net impairment losses on financing assets		1,270,186	1,556,455
Net (reversals) / impairment losses on investments		(21,062)	53,302
Net (reversals) / impairment losses on due from banks		(14,051)	13,306
Net (reversals) / impairment losses on other exposures subject to credit risk		(70,442)	86,553
Fair value gain on investment securities carried as fair value through income statement	26	–	(62)
Net unrealized gain on revaluation of Shari'a compliant risk management instruments		(54,993)	(91,764)
Depreciation and amortisation	13, 14	174,081	186,983
Net amortisation of transaction costs and IFRS 3 adjustments on sukuk and debt financing and other borrowings		(39,900)	(55,980)
Net loss on sale of debt–type investments	26	17,122	3,008
Dividend income	26	(10,809)	(8,969)
Share of results of associates	12	(50,856)	(27,201)
Gain on sale of an associate		(16,618)	
	–		
Loss on disposal of fixed assets and reassessment of right–of–use assets		515	14,120
Net amortisation of premium and discount on investment securities		(50,643)	79,129
Employees' end of service benefit provisions	20(b)	9,078	9,664
Profit before changes in operating assets and liabilities		**2,656,571**	3,204,037
Change in reserve account with Qatar Central Bank		27,402	12,432
Change in due from banks		517,259	51,687
Change in financing assets		8,282,539	832,471
Change in other assets		(144,580)	(177,127)
Change in accrued profit from investment securities		(18,435)	1,515
Change in due to banks		2,887,601	6,069,846
Change in customer current accounts		(812,444)	(455,807)
Change in other liabilities		(34,671)	(12,209)
Change in profit payable on sukuk financing and other borrowings		6,132	26,052
		13,367,374	9,552,897
Dividend received		10,809	8,969
Employees' end of service benefits paid	20(b)	(4,164)	(53,472)
Social and sports fund contribution		(35,644)	(42,813)
Tax paid		(31,888)	(15,703)
Net cash generated from operating activities		**13,306,487**	9,449,878

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 form part of, and should be read in conjunction with, these consolidated financial statements.

	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(14,684,481)	(3,413,156)
Proceeds from sale / redemption of investment securities		7,797,848	4,139,376
Proceeds from sale of an associate		40,622	–
Acquisition of fixed assets		(97,368)	(256,193)
Dividend received from associates	12	11,500	10,700
Net cash (used in) / generated from investing activities		**(6,931,879)**	480,727
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in participatory investment accounts		(3,755,838)	(9,208,569)
Proceeds from sukuk financing and other borrowings, net of transaction cost		1,988,896	835,094
Repayment of sukuk financing and other borrowings		(3,656,329)	(2,677,837)
Profit paid on instrument eligible as additional capital		(46,000)	(48,195)
Net repayment of Ijarah liabilities		(14,705)	(37,040)
Dividends paid		(1,124,064)	(1,627,976)
Net cash used in financing activities		**(6,608,040)**	(12,764,523)
Net decrease in cash and cash equivalents		(233,432)	(2,833,918)
Cash and cash equivalents at 1 January		6,229,775	9,140,950
Effects of exchange rate changes on cash and cash equivalents held		31,952	(77,257)
Cash and cash equivalents at 31 December	37	**6,028,295**	6,229,775

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OFF–BALANCE SHEET ASSETS UNDER MANAGEMENT

for the year ended 31 December

QAR '000s

			Movements during the year					
	1 January 2023	Additions	Withdrawals	Revaluations / Gross income	Assets transferred to liquidator	Net dividends paid	Mudarib's share	31 December 2023
2023								
Money market placements	156,771	1,387,505	(1,228,071)	16,551	–	–	–	332,756
Investments in sukuk, shares, mutual funds and other securities	4,689,404	150,256	(151,786	374,605	(5,191)	(108,515)	(34,992)	4,913,781
	4,846,175	**1,537,761**	**(1,379,857)**	**391,156**	**(5,191)**	**(108,515)**	**(34,992)**	**5,246,537**
2022								
Money market placements	146,769	1,736,094	(1,733,449)	7,357	–	–	–	156,771
Investments in sukuk, shares, mutual funds and other securities	4,684,310	416,890	(287,365)	50,961	–	(130,218)	(45,174)	4,689,404
	4,831,079	2,152,984	(2,020,814)	58,318	–	(130,218)	(45,174)	4,846,175

Independent auditor's report is set out on pages 92 to 96

The attached notes 1 to 43 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 2023

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's Commercial Companies' Law No. 11 of 2015, as amended by Law No. 8 of 2021. 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 2023 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 16 branches in Qatar. The Parent Company and 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 was dissolved and Masraf, which became the remaining legal entity, continued to conduct all operations in accordance with Shari'a principles and absorbed the assets and liabilities of Al Khaliji.

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	
				2023	**2022**
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	**100%**	100%
Al Rayan (UK) Limited [1]	UK	GBP 100,000,000	Investment activities	**75%**	75%
Al Rayan Partners L.L.C. [7]	Qatar	QAR 10,000,000	Real estate consulting	**100%**	100%
Lusail Waterfront Investment Co.	Cayman Islands	USD 100	Investment activities	**100%**	100%
MAR Sukuk Limited [2]	Cayman Islands	USD 250	Sukuk issuance	**100%**	100%
Al Khaliji France S.A. [3&5]	France	EUR 104,000,000	Banking	**100%**	100%
AKCB Finance Limited [3]	Cayman Islands	USD 1	Debt Issuance	**100%**	100%
AKCB Falcon Limited [3&6]	Cayman Islands	USD 1	Debt Issuance	**–**	100%
AKCB Markets Limited [3]	Cayman Islands	USD 1	Over–the–Counter Shari'a–compliant risk management instruments	**100%**	100%
Lusail Limited	Cayman Islands	USD 1	Financing and investing activities	**100%**	100%
MAR Finance L.L.C. [4]	Qatar	QAR 1,000	Sukuk issuance	**100%**	100%

1. REPORTING ENTITY (continued)

[1] 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 exempt 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.

[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] AKCB Falcon Limited has been dissolved effective 17 April 2023, pursuant to the certificate of dissolution obtained by the Company.

[7] In a meeting held on 26 October 2023, the Board of Directors of the Company decided to liquidate the Company. The liquidation is subject for approval by the QCB and the Ministry of Commerce and Industry as of the reporting date.

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

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issuance in accordance with a resolution by the Board of Directors on 23 January 2024.

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.

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

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 Other Comprehensive Income ("FVOCI"). The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank.

(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 other comprehensive income", "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, unless otherwise stated, in these consolidated financial statements and have been applied consistently by Group entities.

(a) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective from 1 January 2023

FAS 39 – Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 "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 is effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The adoption of this standard did not result in changes to previously reported net profit or equity of the Group.

FAS 41 – Interim Financial Reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institution in line with various financial accounting standards issued by AAOIFI. This standard also provides an option for the institution to prepare a complete set of financial statements at interim reporting dates in line with the respective FASs.

This standard is effective for financial statements for the period beginning on or after 1 January 2023.

The Group adopted this standard for the basis of preparation of its interim condensed consolidated financial statements for 2023. The adoption of this standard did not have any significant impact on the Group's interim condensed consolidated financial statements for such periods.

FAS 44 – Determining Control of Assets and Business

AAOIFI has issued FAS 44 in 2023. This standard prescribes the criteria of obtaining control of assets, i.e., having risks and rewards incidental to ownership of assets, including those related to underlying assets of instruments such as Sukuk, participatory arrangements such as Mudaraba, Musharaka and Wakala. Furthermore, the standard addresses circumstances when control is lost. This standard also sets out the principles for assessing the need to consolidate financial statements in case an institution controls a business, taking the form of an independent legal entity. The standard is effective at the time of issuance. The adoption of this standard did not result in changes to previously reported net profit or equity of the Group.

(ii) New standards, amendments and interpretations issued but not yet effective

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) New standards, amendments and interpretations issued but not yet effective (continued)

The Accounting Board ("AAB") of AAOIFI decided to defer the effective date of this standard from 1 January 2023 to 1 January 2024 with early adoption encouraged.

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

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

a) Revised conceptual framework is now an integral part of the AAOIFI FASs;

b) Definition of quasi–equity is introduced as a broader concept that will include the "unrestricted investment accounts" and other transactions under similar structures. Similarly, the wider term of "off–balance sheet assets under management" is now being used instead of "restricted investment accounts";

c) Definitions have been modified and improved;

d) Concept of comprehensive income has been introduced, with the option to prepare one statement that is a combination of statement of income and statement of other comprehensive income, or to prepare the two statements separately. The Group elected to prepare the two statements separately;

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 and segment reporting; and

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 IFIs and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FASs.

The Group has not yet applied the following new and revised FASs that have been issued but are not yet effective. These standards are currently in process of being assessed by the management of the Group to consider any implication in the current or future reporting periods and on foreseeable future transactions.

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 subject to simultaneous adoption of FAS 1 (Revised 2021).

FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions
AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies". The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari'a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 43 – Accounting for Takaful: Recognition and Measurement, provided that FAS 1 (Revised 2021) has already been adopted or is simultaneously adopted.

FAS 43 – Accounting for Takaful: Recognition and Measurement
AAOIFI has issued FAS 43 in 2022. The objective of this standard is to set out the principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. The standard should be read in conjunction with FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions.

FAS 45 – Quasi–Equity (Including Investment Accounts)
AAOIFI has issued FAS 45 in 2023. This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on–balance–sheet accounting and are reported as quasi–equity. This standard also provides the overall criteria for on–balance–sheet accounting for participatory investment instruments and quasi–equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi–equity. It further addresses financial reporting related to other quasi–equity instruments and certain specific issues. This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026.

The concept of quasi–equity has been introduced in FAS 1 – General Presentation and Disclosures in the Financial Statements (Revised 2021) which was early adopted by the Group. The Group shall address the requirements of FAS 45 – Quasi–Equity (Including Investment Accounts) on the effectivity date of the standard.

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

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Inter Bank Offered Rate (IBOR) transition (continued)

The Group has successfully transitioned the derivative & non–derivative transactions with most of the customers and banks to reflect new Risk–Free Rate ("RFR") based reference indices which replaces the existing IBOR. The Group has successfully upgraded the Bank's system to accommodate new RFRs across products.

(c) International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The Parent Bank's jurisdiction ("State of Qatar") is committed to adopting and implementing the Base Erosion and Profit Shifting (BEPS) Pillar Two Anti Global Base Erosion ("GloBE") Rules. These rules incorporate various mechanisms to ensure that large multinational enterprises pay a minimum tax of 15% on excess profits in each jurisdiction they operate in. Notably, Qatar operations of the Parent Bank are presently exempt from income tax, which may be impacted once the Pillar Two Rules are effective.

On 2 February 2023, Law No. 11 of 2022 was published, reaffirming the State of Qatar's commitment to combat international tax avoidance. The legislation also outlined that Executive Regulations, detailing the essential provisions to meet the state's obligations, including a minimum tax rate of not less than 15%, will be issued in due course.

The Group shall apply the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes.

(d) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) up to 31 December each year.

Control of business

The Bank controls a business if, and only if, the Bank has all the following:

- Power over the business;
- Exposure, or rights, to variable returns from the Group's involvement with the business; and
- The ability to use its power over the business to affect the amount of the Bank's returns.

There is a rebuttable presumption that the Bank has the ability to exercise power over (and govern) a business when the Bank:

- Directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights (when either the relevant activities are directed by a vote of the holder of the majority of the voting rights, or a majority of the members of the governing body that directs the relevant activities are appointed by a vote of the holder of the majority of the voting rights); or
- Has the rights to direct the activities of the business.

The Group reassesses whether or not it controls a business 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 a business are sufficient to give it power, including:

- Agreement with the business's other shareholders or the business itself;
- Rights arising from other contractual arrangements;
- The Bank's voting rights (de factor power). The Bank may have de facto power (resulting in de facto control, if variable returns condition is also met) over a business that gives the Bank the practical ability to direct the financial and operating policies of such business unilaterally including situations when the Bank holds significantly dominant voting rights, such as when there is widely dispersed shareholding patterns, significant dormant shareholding patterns or significant voting rights under management (through off–balance sheet assets under management);
- Potential voting rights held by the Group, other vote holders or other parties; or
- A combination thereof.

Any component of a business funded by the off–balance sheet under management (including restricted investment accounts) are classified as non–controlling interests.

Consolidation

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 in 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.

For subsidiaries not in compliance with Shari'a principles, their net profit is excluded from the consolidated income statement, and their assets and liabilities are separately disclosed under "Other Assets" and "Other Liabilities" in the consolidated statement of financial position.

(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:

- 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

Changes in ownership interests

The Group treats transactions with non–controlling interests that do not result in a loss of control 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 other comprehensive income 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 comprehensive income 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 other comprehensive income is reclassified to consolidated income statement where appropriate.

(iv) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

(iv) Associates (equity–accounted investees) (continued)

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.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated income statement.

The Group's share of the results of associates is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform to the accounting policies of the Group.

The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

(vi) Fund management

The Group manages and administers assets held on behalf of investors. These assets and income arising thereon are excluded from the consolidated statement of financial position and consolidated income statement, as they are not assets nor income of the Group.

(e) 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 other comprehensive income.

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 recognised in other comprehensive income. 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 other comprehensive income, and presented in the foreign exchange translation reserve in equity.

(f) Investment securities

(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.

The Group categorizes each investment as:

(a) equity–type instruments;

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

(c) other investment instruments.

Debt–type instruments are a type of investment instruments, whereby the transaction structure results in creation of a monetary or non–monetary liability. Equity–type instruments are the instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi–equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument. Other investment instruments are such investment instruments which do not meet the definition of either debt–type or equity–type 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 other comprehensive income 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.

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.

Investments in debt–type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through other comprehensive income.

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.

Fair value through other comprehensive income ("FVOCI")

An investment shall be measured at FVOCI 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment securities (continued)

(i) Categorization and classification (continued)

Fair value through income statement ("FVIS")
An investment shall be measured at FVIS unless it is measured at amortised cost or at FVOCI 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 FVIS, to present subsequent changes in other comprehensive income; and

(b) a non–monetary debt–type instrument or other investment instrument, as measured at FVIS 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 FVIS which are charged to consolidated income statement.

Subsequent measurement
Investments at FVIS 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 other comprehensive income ("FVOCI")
Policy applicable up to the issuance of QCB circular 13/2020
Investments at FVOCI 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 taken through other comprehensive income and presented in a separate fair value reserve within equity. When the investments classified as FVOCI 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 FVOCI.

Investments at FVOCI 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 taken through other comprehensive income and presented in a separate fair value reserve within equity.

The Group may elect to present in the 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 FVOCI, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is transferred to the consolidated income statement.

(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 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. 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 bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

(g) 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 Muntahia Bittamleek, 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 and work. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah Muntahia Bittamleek
Ijarah Muntahia Bittamleek 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financing assets (continued)

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 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 of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

(h) 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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income statement) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVIS are recognised immediately in consolidated income statement. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in consolidated income statement when an asset is newly originated.

(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.

(i) Impairment of financial assets (other than equity–type investments classified as FVOCI)

The Group records an allowance for ECL for all financing assets and other debt financial assets not held at FVIS, together with financing asset commitments and financial guarantee contracts. The allowance is based on the ECL 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.

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 the 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 Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVIS:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial assets (other than equity–type investments classified as FVOCI) (continued)

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 using the original effective profit rate of the existing financial asset.

Credit–impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI 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.

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 FVOCI: 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.

(j) Impairment of equity–type investments classified as FVOCI

With effect from the issuance of QCB circular 13/2020, equity–type instruments classified as FVOCI are not tested for impairment.

(k) 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, and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

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.

(l) 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.

(m) 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, profit rate and cross currency 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Shari'a–compliant risk management instruments (continued)

Wa'ad, Khiyar and Tahawwut

Wa'ad (promise) is a unilateral undertaking (constructive obligation) assumed by one party. The unilateral promise is understood to be binding in Shari'a on the individual who makes it, unless a legitimate excuse under Shari'a arises and prevents its fulfilment. Wa'ad may be classified as:

- Binding Wa'ad (promise) – is a Wa'ad which becomes binding on the promisor by virtue of juristic rules if it is pending on a cause and the promisee has incurred costs by reason of the promise, or by virtue of the promisor expressly making the same binding on itself; and
- Non–binding Wa'ad (promise) – is a Wa'ad other than a binding promise.

Khiyar (option) is an option (expressed or implied) that is contained within a sale, Ijarah or other contract, allowing one party to unilaterally nullify or revoke the contract or to unilaterally amend the contract in a manner that the subject matter is materially changed.

Tahawwut (hedging) arrangement – is a mechanism to mitigate the risk of unfavourable future fair value changes or cash flow differentials by way of entering into a Wa'ad or Khiyar (for a stipulated period of time) arrangement or a series thereof.

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.

(n) 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 cost of self–constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

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	the shorter of the useful life (5–10 years) or the lease term
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.

Subsequent costs

The cost of replacing a component of fixed assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day–to–day servicing of fixed assets are recognised in consolidated income statement as incurred.

Repairs and maintenance expenses are charged to the consolidated income statement when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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 in the expense category consistent with the nature of the intangible asset.

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.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis. Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Intangible assets other than goodwill are amortised over their useful lives and carried net of accumulated amortisation and impairment losses.

A summary of the useful lives and amortisation methods of the Group's intangible assets are as follows:

	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

(p) 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.

(q) Impairment of non–financial assets

The carrying amounts of the Group's non–financial assets, other than deferred tax assets (where applicable) 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

(r) Customer current accounts

Balances in customer current accounts do not carry any return and 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.

(s) Quasi–equity

Quasi–equity is an element of the financial statements that represents participatory contributions received by an institution on a profit sharing or participation basis. It has:

- primary characteristics of equity i.e., in case of loss (unless negligence / misconduct / breach of contractual terms is proved), the Group is not liable to return the lost funds to the fund providers and the fund providers share the residual interest in the underlying assets or business;
- certain characteristics of a liability i.e., it has a maturity or a put option of redemption / liquidation; and
- certain specific features i.e., the rights of the fund providers are limited only to the underlying assets or business and not on the whole of the institution, as well as, they do not have certain rights associated only with owners' equity.

All contributions of quasi–equity holders are measured by the amount received during the time of contracting. At the end of the financial period, the equity of quasi–equity holders is measured at the amount received plus accrued profit and related reserves less amounts settled.

Quasi–equity holders include participatory investment accounts (unrestricted investment accounts and other on–balance–sheet investment accounts).

Participatory investment accounts

Participatory investment accounts are funds held by the Group, which it can invest at its own discretion. The participatory 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Quasi–equity (continued)

Participatory investment accounts (continued)

The Group charges a management fee (Mudarib fees) to participatory investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to participatory investment accounts after setting aside provisions and deducting the Group's share of income as Mudarib. 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.

Up to 31 December 2022, participatory investment accounts were referred to as Equity of unrestricted investment account holders.

(t) Distribution of profit between participatory 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 participatory investment account holders and its equity holders.
- The share of profit of participatory 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 participatory 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.

All assets are jointly financed by participatory investment account holders and equity holders.

(u) Off–balance–sheet assets under management

Off–balance–sheet assets under management represents funds received by the Group from third parties for investment in specified products as directed by the investment account holders. These assets are managed in a fiduciary capacity and the institution has no entitlement to these assets. Clients bear all of the risks and earn all of the rewards on these investments. Off–balance–sheet assets under management are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these investments except within the conditions of the contract between the Group and its clients.

(v) 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 and debt financing".

(w) 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 not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

(x) Employees benefits

Defined contribution plans

The Bank 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 "Staff pension fund costs" under "Staff costs" 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.

Employees' end of service benefits

The Bank 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.

Short–term employee benefits

Short–term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short–term cash bonus or profit–sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(y) 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.

(z) Revenue recognition

Murabaha and Musawama

Profit from Murabaha and Musawama 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.

Ijarah Muntahia Bittamleek

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.

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 advisory, management 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition (continued)

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.

(aa) Income tax

Taxes are calculated based on tax laws and regulations in jurisdictions 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 the consolidated income statement except to the extent that it relates to items recognised directly in equity.

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.

(bb) 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.

(cc) 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.

(dd) 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.

(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 and currency 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 distinguishable component of the Group:

- that engages in business activities earning income and incurring expenses (including income and expenses relating to transactions with any of the Group's other components);
- whose operating results are regularly reviewed by the Group's decision makers and those charged with governance;
- whose functions are managed by a dedicated segment management; and
- for which discrete financial information is available.

Two or more segments are combined together if they are substantially similar and disclosing their separate results would not add significant value to the users of the financial statements.

(hh) 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.

(ii) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(jj) Ijarah (FAS 32)

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.

Usufruct – is a legally enforceable limited right related to an asset including the two property interests of (i) usus (use), being the right to use or enjoy such asset and (ii) fructus (fruit), being the right to derive profit or benefit from such asset but does not entail risks and rewards incidental to ownership.

Classification and measurement

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 operational 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.

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.

QAR '000s

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

	2023	2022
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)	4,546,082	4,547,003
Due from banks	5,662,554	6,299,724
Financing assets	108,228,181	117,859,281
Investment securities – debt	38,066,691	31,082,306
Other assets1	3,434,037	3,572,342
	159,937,545	163,360,656
Other credit risk exposures are as follows:		
Unutilised credit facilities	779,352	1,026,611
Guarantees	10,293,322	13,102,552
Letters of credit	1,191,794	1,461,838
Contingent liabilities of a non–Shari'a–compliant subsidiary (Note 33a)	412,088	502,707
	12,676,556	16,093,708

[1] Includes assets of a non–Shari'a–compliant subsidiary

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
2023					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks (excluding cash on hand)	4,523,721	–	–	22,361	4,546,082
Due from banks	2,450,986	132,859	1,402	3,077,307	5,662,554
Financing assets	92,730,799	334,350	995,250	14,167,782	108,228,181
Investment securities – debt	34,499,422	2,671,123	102,982	793,164	38,066,691
Other assets1	200,900	1,043,561	–	2,189,576	3,434,037
	134,405,828	**4,181,893**	**1,099,634**	**20,250,190**	**159,937,545**

[1] Include assets of a non–Shari'a–compliant subsidiary

	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	5,239,614	6,299,724
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 assets1	248,713	1,003,623	–	2,320,006	3,572,342
	136,606,967	3,438,089	13,719	23,301,881	163,360,656

	Qatar	Other GCC	Other Middle East	Others	Total
2023					
Unutilised credit facilities	777,367	–	–	1,985	779,352
Guarantees	7,868,324	95,001	36,754	2,293,243	10,293,322
Letters of credit	392,023	–	18,203	781,568	1,191,794
Contingent liabilities of a non–Shari'a–compliant subsidiary	19,580	260,660	–	131,848	412,088
	9,057,294	**355,661**	**54,957**	**3,208,644**	**12,676,556**

	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

QAR '000s

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure (continued)

(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 2023	Net exposure 2022
Funded and unfunded		
Government	38,466,075	34,821,003
Government agencies	48,537,410	46,438,503
Industry	2,189,571	1,685,117
Commercial	8,431,722	7,680,084
Services	28,170,850	31,484,417
Contracting	2,215,209	3,433,963
Real estate	23,787,023	29,042,347
Personal	8,139,685	8,775,222
Contingent liabilities	12,264,468	15,591,001
Contingent liabilities of a non–Shari'a–compliant subsidiary	412,088	502,707
Total	**172,614,101**	179,454,364

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.

	2023			
	Stage 1	Stage 2	Stage 3	Total
Due from banks and balances with central banks				
Investment grade	9,704,190	–	-	9,704,190
Sub–investment grade	378,110	127,118	–	505,228
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
	10,082,300	127,118	–	10,209,418
Loss allowance	(779)	(3)	–	(782)
Carrying amount	**10,081,521**	**127,115**	**–**	**10,208,636**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Due from banks and balances with central banks				
Investment grade	10,089,991	–	–	10,089,991
Sub–investment grade	425,945	345,624	–	771,569
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
	10,515,936	345,624	–	10,861,560
Loss allowance	(12,292)	(2,541)	–	(14,833)
Carrying amount	10,503,644	343,083	–	10,846,727

	2023			
	Stage 1	Stage 2	Stage 3	Total
Financing assets				
Investment grade	57,278,311	21,082,342	–	78,360,653
Sub–investment grade	15,454,107	12,270,232	–	27,724,339
Substandard	–	–	4,675,670	4,675,670
Doubtful	–	–	66,204	66,204
Loss	–	–	1,682,785	1,682,785
	72,732,418	33,352,574	6,424,659	112,509,651
Loss allowance	(47,378)	(589,960)	(3,644,132)	(4,281,470)*
Carrying amount	**72,685,040**	**32,762,614**	**2,780,527**	**108,228,181**

* Includes profit in suspense of QAR 428,991 thousand

	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

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality continued)

	2023			
	Stage 1	Stage 2	Stage 3	Total
Investment securities – debt				
Investment grade	36,103,701	–	–	36,103,701
Sub-investment grade	1,286,951	702,281	–	1,989,232
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	53,142	53,142
	37,390,652	702,281	53,142	38,146,075
Loss allowance	(5,794)	(20,448)	(53,142)	(79,384)
Carrying amount	**37,384,858**	**681,833**	**–**	**38,066,691**

	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

	2023			
	Stage 1	Stage 2	Stage 3	Total
Other credit risk exposures				
Investment grade	6,960,632	679,762	–	7,640,394
Sub-investment grade	1,896,308	2,697,373	–	4,593,681
Substandard	–	–	22,366	22,366
Doubtful	–	–	–	–
Loss	–	–	14,743	14,743
	8,856,940	3,377,135	37,109	12,271,184
Loss allowance	(6,842)	(24,437)	(36,374)	(67,653)
Carrying amount	**8,850,098**	**3,352,698**	**735**	**12,203,531**

	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 amount	13,206,280	2,115,742	136,081	15,458,103

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–	56,347,434	6,148,999	32,933,272	1,403,821
A+ to A–	7,920,687	3,554,533	2,969,022	3,397,572
BBB+ to BBB–	14,092,524	657	387,334	2,839,001
BB+ to B–	15,409,953	378,110	1,577,739	4,312,355
Unrated	18,739,053	127,119	278,708	318,435
Totals as of 31 December 2023	**112,509,651**	**10,209,418**	**38,146,075**	**12,271,184**

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	6,796,571	28,082,674	1,691,320
A+ to A–	7,644,827	3,180,470	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	10,861,560	31,191,818	15,596,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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 2023 is QAR 3,247 million (2022: QAR 4,602 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.

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 2023 was QAR 952,869 thousand (2022: QAR 704 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.

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.

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.10 Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

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.

Due from banks and balances with central banks

	2023			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	12,292	2,541	–	14,833
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(11,513)	(2,538)	–	(14,051)
Impairment allowance for the year, net	(11,513)	(2,538)	–	(14,051)
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**779**	**3**	**–**	**782**

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

Financing assets

	2023			
	Stage 1	Stage 2	Stage 3	Total ECL*
Balance at 1 January	64,157	392,046	3,388,444	3,844,647
Transfers to Stage 1	57	(57)	–	–
Transfers to Stage 2	(2,866)	9,624	(6,758)	–
Transfers to Stage 3	(851)	(5,165)	6,016	–
Charge / (reversal) (net)	(14,539)	193,487	1,208,923	1,387,871
Impairment allowance for the year, net	(18,199)	197,889	1,208,181	1,387,871
Amounts written off	–	–	(952,869)	(952,869)
Foreign currency translation	1,420	25	376	1,821
Balance at 31 December	**47,378**	**589,960**	**3,644,132**	**4,281,470**

* Includes profit in suspense of QAR 463,648 thousand and QAR 428,991 thousand as of 1 January and 31 December, respectively.

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.

QAR '000s

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)

Investment securities – debt

	2023			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	30,025	22,325	57,162	109,512
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	19	(19)	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(24,254)	(1,858)	(4,020)	(30,132)
Impairment allowance for the year, net	(24,235)	(1,877)	(4,020)	(30,132)
Amounts written off	–	–	–	–
Foreign currency translation	4	–	–	4
Balance at 31 December	**5,794**	**20,448**	**53,142**	**79,384**

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

Other credit risk exposures

	2023			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	25,507	33,204	79,384	138,095
Transfers to Stage 1	7	(7)	–	–
Transfers to Stage 2	(1,172)	1,172	–	–
Transfers to Stage 3	–	(5)	5	–
Charge / (reversal) (net)	(17,500)	(9,927)	(43,015)	(70,442)
Impairment allowance for the year, net	(18,665)	(8,767)	(43,010)	(70,442)
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**6,842**	**24,437**	**36,374**	**67,653**

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
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

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") and Group Compliance and Risk Committee of the Board ("CRC").

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

The principal risk to which Bank 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.

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk (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
2023							
Cash and balances with central banks	4,993,280	170,000	–	–	–	4,823,280	
Due from banks	5,662,554	4,726,222	364,021	–	–	572,311	4.73%
Financing assets	108,228,181	74,385,394	11,051,199	7,283,899	10,482,470	5,025,219	6.03%
Investment securities	38,598,973	7,574,090	7,196,755	20,157,687	3,019,966	650,475	4.57%
Assets held by non–Shari'a–compliant subsidiary	3,022,601	1,207,932	739,325	799,447	213,613	62,284	
	160,505,589	**88,063,638**	**19,351,300**	**28,241,033**	**13,716,049**	**11,133,569**	
Due to banks	(32,204,024)	(28,981,255)	(2,526,635)	(13,929)	–	(682,205)	5.73%
Customer current accounts	(7,924,383)	–	–	–	–	(7,924,383)	
Sukuk financing	(5,235,937)	(25,840)	(1,906,968)	(3,263,535)	–	(39,594)	2.92%
Other borrowings	(4,585,513)	(4,536,575)	–	–	(48,938)	6.28%	
Liabilities of a non–Shari'a–compliant subsidiary	(2,058,293)	(1,399,884)	(250,772)	(407)	–	(407,230)	
	(52,008,150)	**(34,943,554)**	**(4,684,375)**	**(3,277,871)**	**–**	**(9,102,350)**	
Participatory investment accounts	(84,799,440)	(54,488,410)	(23,087,306)	(6,624,427)	–	(599,297)	4.13%
Consolidated statement of financial position items	23,697,999	(1,368,326)	(8,420,381)	18,338,735	13,716,049	1,431,922	
Other undertakings and commitments	–	3,583,050	(236,633)	(1,902,546)	(1,443,871)	–	
Profit Rate Sensitivity Gap	**23,697,999**	**2,214,724**	**(8,657,014)**	**16,436,189**	**12,272,178**	**1,431,922**	
Cumulative Profit Rate Sensitivity Gap	**23,697,999**	**2,214,724**	**(6,442,290)**	**9,993,899**	**22,266,077**	**23,697,999**	

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk (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
2022							
Cash and balances with central banks	5,088,200	–	–	–	–	5,088,200	
Due from banks	6,299,724	3,846,538	98,294	160,000	–	2,194,892	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	31,476,658	2,117,074	2,342,736	23,373,529	3,067,927	575,392	3.46%
Assets held by non–Shari'a –compliant subsidiary	2,977,578	1,581,288	464,086	674,115	195,267	62,822	
	163,701,441	97,153,596	12,019,922	34,206,370	7,057,458	13,264,095	
Due to banks	(29,316,423)	(28,368,570)	(204,282)	(19,455)	(22,074)	(702,042)	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)	
	(51,619,476)	(34,660,209)	(2,227,356)	(4,671,033)	(22,074)	(10,038,804)	
Participatory investment accounts	(88,554,879)	(61,247,925)	(16,691,555)	(10,143,886)	–	(471,513)	1.92%
Consolidated statement of financial position items	23,527,086	1,245,462	(6,898,989)	19,391,451	7,035,384	2,753,778	
Other undertakings and commitments	–	3,787,239	(236,506)	(2,021,570)	(1,529,163)	–	
Profit Rate Sensitivity Gap	23,527,086	5,032,701	(7,135,495)	17,369,881	5,506,221	2,753,778	
Cumulative Profit Rate Sensitivity Gap	23,527,086	5,032,701	(2,102,794)	15,267,087	20,773,308	23,527,086	

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk (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 include a 100 basis point (bp) parallel fall or rise in 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
2023		
At 31 December	**(13,085)**	**13,085**
2022		
At 31 December	16,680	(16,680)

Overall 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 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.

	2023	2022
Net foreign currency exposure:		
EUR	(1,676)	(1,824)
GBP	(640)	(465)
Others	12,937	3,001

The table above does not include currencies that are pegged against the USD.

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	
	2023	**2022**
5% increase / (decrease) in currency exchange rate		
EUR	(83)	(91)
GBP	(32)	(23)
Others	647	150

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 equity price risk exposure arises from equity securities classified as investments at FVOCI.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2023	2022
5% increase / (decrease) in Qatar Exchange Increase / (decrease) in equity	8,158	6,293

The above analysis has been prepared on the assumption that all other variables such as profit rate, foreign exchange rate, etc are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

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).

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 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 1 months	1 to3 months	3 Months to 1 year	1–5 years	Over 5 years
2023						
Cash and balances with central banks	4,993,280	738,288	–	–	–	4,254,992
Due from banks	5,662,554	5,247,353	41,870	373,331	–	–
Financing assets	108,228,181	9,591,420	11,010,548	6,828,136	35,452,865	45,345,212
Investment securities	38,598,973	4,707,008	2,902,335	7,114,480	20,572,624	3,302,526
Other assets	3,028,349	926,910	131,894	746,898	929,392	293,255
Total financial assets	**160,511,337**	**21,210,979**	**14,086,647**	**15,062,845**	**56,954,881**	**53,195,985**
Due to banks	32,204,024	27,272,118	719,104	2,814,090	1,398,712	–
Customer current accounts	7,924,383	7,924,383	–	–	–	–
Sukuk financing	5,235,937	25,894	31,266	1,915,242	3,263,535	–
Other borrowings	4,585,513	44,746	4,192	2,359,296	2,177,279	–
Financial liabilities of a non–Shari'a–compliant subsidiary	2,058,293	1,245,362	460,441	251,458	408	100,624
Total financial liabilities	52,008,150	36,512,503	1,215,003	7,340,086	6,839,934	100,624
Total quasi–equity	84,799,440	38,054,744	16,661,209	23,437,208	6,646,279	–
Total financial liabilities and quasi–equity	**136,807,590**	**74,567,247**	**17,876,212**	**30,777,294**	**13,486,213**	**100,624**
Liquidity gap	**23,703,747**	**(53,356,268)**	**(3,789,565)**	**(15,714,449)**	**43,468,668**	**53,095,361**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continue)

	Carrying amount	Less than 1 months	1 to3 months	3 Months to 1 year	1–5 years	Over 5 years
2022						
Cash and balances with central banks	5,088,200	805,806	–	–	–	4,282,394
Due from banks	6,299,724	5,647,095	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	163,706,662	20,109,371	5,119,143	13,266,114	69,012,367	56,199,667
Due to banks	29,316,423	12,445,557	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	51,619,476	22,041,655	18,385,131	3,313,392	7,759,647	119,651
Total quasi–equity	88,554,879	42,368,102	18,870,835	17,150,527	10,165,413	2
Total financial liabilities and quasi–equity	140,174,355	64,409,757	37,255,966	20,463,919	17,925,060	119,653
Liquidity gap	23,532,307	(44,300,386)	(32,136,823)	(7,197,805)	51,087,307	56,080,014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 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 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
2023							
Non–derivative liabilities							
Due to banks	32,204,024	32,314,221	27,331,377	749,508	2,834,512	1,398,824	–
Customer current accounts	7,924,383	7,924,383	7,924,383	–	–	–	–
Sukuk financing	5,235,937	5,421,992	38,678	55,994	2,020,302	3,307,018	–
Other borrowings	4,585,513	4,970,867	69,365	51,841	2,545,269	2,304,392	–
Other liabilities	4,643,739	4,643,739	3,788,026	462,305	251,637	7,996	133,775
Total liabilities	**54,593,596**	**55,275,202**	**39,151,829**	**1,319,648**	**7,651,720**	**7,018,230**	**133,775**
Total quasi–equity	**84,799,440**	**86,439,494**	**38,349,770**	**17,011,894**	**24,121,836**	**6,955,994**	**–**
Shari'a–complian risk management instruments							
Risk management:							
Outflow	–	(19,052,114)	(6,552,972)	(2,149,702)	(4,430,228)	(2,204,332)	(3,714,880)
Inflow	–	19,052,114	6,552,972	2,149,702	4,430,228	2,204,332	3,714,880
	139,393,036	**141,714,696**	**77,501,599**	**18,331,542**	**31,773,556**	**13,974,224**	**133,775**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and Shari'a–compliant risk management instruments)

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
2022							
Non–derivative liabilities							
Due to banks	29,316,423	29,438,687	12,510,436	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	5,117,732	5,117,971	3,877,378	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
Quasi–equity	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

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

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 internal process risk, fraud risk, legal risk, regulatory risk, and external events 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. Operational risks are managed at Group level through a Board approved operational risk management framework in accordance with QCB instructions and Basel III guidelines. This Operational Risk Management Framework layout the foundation for the following:

- Highlights the Group's commitment to improve its capability to manage risks.
- Defines the Group's overall strategy and approach to risk and risk management.
- Establish the Group's risk language and risk appetite.
- Articulates clearly defined roles and responsibilities of the Board, management committees, business unit heads and employees.

Risk governance

The responsibility for the overall risk management framework lies with the Board of Directors. The Board is responsible for setting the Group's strategy and risk appetite, ensuring risk management is appropriate and functioning. To enable the Board to carry out its objectives, it has delegated authority for risk management activities, as well as governance and oversight of those activities, to a number of Board and executive management level risk committees.

In evaluating and responding to risk, the Operational Risk unit operates a three line of defense model. The first line of defense starts with business and support units who 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. Risk and compliance acts as second line of defense in providing risk management expertise, and challenges managers and staff in their performance of risk management activities through independent reviews, monitoring and testing. While internal and sharia audit serves as third line of defense responsible for independently reviewing the effectiveness of the risk management structure and internal controls through periodic audits.

Risk Management

The Operational Risk unit follows a five–step phase in managing risk consisting of risk planning, risk identification, risk assessment, risk mitigation and risk monitoring. Risk planning involves understanding the objectives of management and each business unit and designs risk management approach in order to address risks properly. Following risk planning, risks are identified through various methods such as risk workshops, incident reporting, policy review, risk control and self–assessment, findings from auditors, customer complaints and documents the risks that could keep the Group from reaching its objectives.

When identifying risks, the risks are classified based on Basel III categories, are further analysed for root cause and reported in the key risk indicators. Risks are evaluated and assessed by determining the criticality of each risks according to its likelihood (the extent on how likely the risk will happen) and impact. These risks are reduced to an acceptably low level by designing responses for each. This consists of defining the controls for those risks that we have identified, seeking to reduce the likelihood of their occurrence or at least reduce the impacts they may cause. Through the risk monitoring phase of the operational risk management process, the current risk level and the effectiveness of the risk management functions are monitored. Several available tools are used by Operational Risk unit to assist it in monitoring risks. These tools include risk control and self–assessments, incident management & loss recording, key risk indicator management, new product approval, policy and procedures review and training and awareness to build and promote risk awareness culture.

Risk indicators, both qualitative and quantitative, as well as limits, are established to best monitor the operational risks through the business lines. For facilitating effective operational risk management, the Group utilizes a comprehensive operational risk management software consisting of several modules such as incident management, risk indicators, risk and control self–assessment and action plan tracker. The risk management software enables the Bank to build best practice by creating structured and automated risk management process, provide better management of risks and loss incidents, automate task deadline control and escalation process, deliver better reporting facility, comply with Basel III requirements and maintain comprehensive documentation of risks.

The Group has also recognized the need for having robust insurance policies to mitigate risks associated to the Bank's services such as but not limited to infidelity, forgery & alterations, cybercrime and damage to property.

Other risk functions, methodologies and tools like fraud unit, business resilience and continuity management program, cybersecurity and vendor risk assessments are also implemented by the Group to support the Operational Risk unit in risk management.

Risk reporting

In accordance with Qatar Central Bank's instructions, the Group has adopted the basic method of computing capital charge for Operational Risk.

Based on the monitoring and metrics used for each risk category defined in the risk appetite policy, the Operational Risk unit reports key risk indicators to the Group Risk Committee on a monthly basis and to the Group Compliance and Risk Committee on quarterly 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:

	2023 Basel III	2022 Basel III
Common Equity Tier 1 (CET 1) capital	21,263,127	20,644,439
Additional Tier 1 capital	1,000,000	1,000,000
Tier 2 capital	933,017	896,189
Total regulatory capital	**23,196,144**	22,540,628
Risk weighted assets		
Risk weighted assets for credit risk	97,440,530	103,470,735
Risk weighted assets for market risk	197,152	643,630
Risk weighted assets for operational risk	7,549,804	6,964,249
Total risk weighted assets	**105,187,486**	111,078,614

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4. FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

Regulatory capital (continued)

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB1 buffer	Total capital including conservation buffer, DSIB[1] buffer and ICAAP Pillar II capital charge
2023						
Actual	20.02%	20.02%	20.97%	21.84%	21.84%	21.84%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.89%
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%

[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.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 4.2.10 "Inputs, assumptions and techniques used for estimating impairment".

(ii) Impairment of non–financial assets

The carrying amounts of the non–financial assets are reviewed at least on an annual basis 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 or its cash–generating unit (CGU), including the goodwill, exceeds its recoverable amount. The recoverable amount of an asset or cash–generating unit is the greater of its value in use (VIU) and its fair value less costs of disposal (FVLCOD).

The carrying amount of a CGU is derived using a capital allocation model where the Group's core equity capital is allocated to the CGUs. The Group determines the recoverable amounts of its CGUs based on VIU calculations, which reflect the specifics of the banking business and its regulatory environment. These calculations employ a discounted cash flow (DCF) model, by using cash flow projections based on financial budgets approved by management covering a five–year period.

The Group's VIU model for the CGUs includes significant judgement and assumptions relating to cashflow projections, long–term growth rates and the discount rates, and is highly sensitive to the changes in these assumptions. The assumptions used for VIU calculation is disclosed in Note 14.

(iii) Useful life of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets carried on the reporting date that have a finite useful life are disclosed in Note 14.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible asset with a finite useful life are reviewed at least 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 considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

(iv) 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).

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

	Corporate Banking	Retail Banking	Treasury and Financial Institutions	Asset Management	International Operations	Unallocated	Total
2023							
External revenue:							
Total income from financing and investing activities	4,884,074	1,717,698	1,644,666	10,391	632,601	–	8,889,430
Net fee and commission income	112,847	143,538	12,837	47,885	1,401	–	318,508
Foreign exchange gain	–	–	196,991	–	123	–	197,114
Share of results of associates	–	–	–	–	–	50,856	50,856
Gain on sale of an associate	–	–	–	–	–	16,618	16,618
Other income	–	–	–	–	541	86,441	86,982
Total segment revenue	**4,996,921**	**1,861,236**	**1,854,494**	**58,276**	**634,666**	**153,915**	**9,559,508**
Finance expense	–	–	(2,259,803)	–	(13,911)	–	(2,273,714)
Net profit attributable to quasi–equity	(2,602,107)	(829,431)	–	–	(300,385)	–	(3,731,923)
Net impairment (losses) / reversals on financing assets	(1,278,879)	13,458	–	–	(4,765)	–	(1,270,186)
Net reversals / (impairment losses) on investments	–	–	31,511	(1,379)	–	(9,070)	21,062
Net reversal of impairment losses on other exposures subject to credit risk	31,296	–	52,392	805	–	–	84,493
Staff costs, depreciation and amortisation and other expenses	–	–	–	(18,056)	(165,927)	(690,294)	(874,277)
Reportable segment profit before tax	**1,147,231**	**1,045,263**	**(321,406)**	**39,646**	**149,678**	**(545,449)**	**1,514,963**
Reportable segment assets	**70,765,845**	**28,055,436**	**46,999,063**	**369,045**	**14,508,853**	**3,501,293**	**164,199,535**
Reportable segment liabilities	**4,873,902**	**2,276,377**	**41,702,946**	**16,029**	**3,340,179**	**2,384,163**	**54,593,596**
Reportable segment quasi–equity	**50,157,448**	**22,751,630**	**2,505,306**	**–**	**9,385,056**	**–**	**84,799,440**

6. OPERATING SEGMENTS (continued)

Information about operating segments

	Corporate Banking	Retail Banking	Treasury and Financial Institutions	Asset Management	International Operations	Unallocated	Total
2022							
External revenue:							
Total income from financing and investing activities	3,529,951	1,351,265	1,225,635	9,895	378,333	–	6,495,079
Net fee and commission income	91,395	139,199	40,694	57,340	(628)	–	328,000
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	3,621,346	1,490,464	1,534,735	67,230	380,195	42,553	7,136,523
Finance expense	–	–	(1,025,504)	(145)	(5,213)	–	(1,030,862)
Net profit attributable to quasi–equity	(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 impairment losses on other exposures subject to credit risk	(85,588)	–	(13,305)	(966)	–	–	(99,859)
Staff costs, depreciation and amortisation and other expenses	–	–	–	(17,403)	(155,886)	(982,747)	(1,156,036)
Reportable segment profit before tax	617,763	1,113,096	463,006	47,367	103,488	(959,227)	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	40,325,422	13,613	3,768,817	2,872,441	54,696,394
Reportable segment quasi–equity	55,267,385	20,051,295	5,182,712	–	8,053,487	–	88,554,879

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 other comprehensive income	Amortised cost	Total carrying amount	Fair value
2023					
Cash and balances with central banks	–	–	4,993,280	4,993,280	4,993,280
Due from banks	–	–	5,662,554	5,662,554	5,662,554
Financing assets	–	–	108,228,181	108,228,181	108,228,181
Investment securities:					
– Measured at fair value	–	532,282	–	532,282	532,282
– Measured at amortised cost	–	–	38,066,691	38,066,691	37,809,523
Financial assets held by a non–Shari'a –compliant subsidiary	–	70,871	2,925,161	2,996,032	2,930,668
Other assets	–	–	3,191	3,191	3,191
Shari'a–compliant risk management instruments	442,905	–	–	442,905	442,905
	442,905	**603,153**	**159,879,058**	**160,925,116**	**160,602,584**
Due to banks	–	–	32,204,024	32,204,024	32,204,024
Customer current accounts	–	–	7,924,383	7,924,383	7,924,383
Sukuk financing	–	–	5,235,937	5,235,937	5,053,775
Other borrowings	–	–	4,585,513	4,585,513	4,585,513
Financial liabilities of a non–Shari'a –compliant subsidiary	–	–	2,103,094	2,103,094	2,103,094
Other liabilities	–	–	1,156,443	1,156,443	1,156,443
Participatory investment accounts	–	–	84,799,440	84,799,440	84,799,440
Shari'a–compliant risk management instruments	138,499	–	–	138,499	138,499
	138,499	**–**	**138,008,834**	**138,147,333**	**137,965,171**

7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

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

	Fair value through income statement	Fair value through other comprehensive income	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	–	–	6,299,724	6,299,724	6,299,724
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	–	71,085	2,879,908	2,950,993	2,950,202
Other assets	–	–	5,197	5,197	5,197
Shari'a–compliant risk management instruments	611,882	–	–	611,882	611,882
	611,882	465,437	163,214,616	164,291,935	164,361,946
Due to banks	–	–	29,316,423	29,316,423	29,316,423
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
Participatory investment accounts	–	–	88,554,879	88,554,879	88,554,879
Shari'a–compliant risk management instruments	229,383	–	–	229,383	229,383
	229,383	–	141,667,974	141,897,357	141,571,102

(i) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

(i) Valuation of financial instruments (continued)

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

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

(ii) Financial asset and liability classification

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

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Shari'a-compliant risk management instruments	–	442,905	–	442,905
Investment securities	412,891	119,391	–	532,282
Assets held by non-Shari'a-compliant subsidiary	70,871	–	–	70,871
	483,762	**562,296**	**–**	**1,046,058**
Financial liabilities				
Shari'a-compliant risk management instruments	–	138,499	–	138,499
	–	**138,499**	**–**	**138,499**

	2022			
	Level 1	Level 2	Level 3	Total
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	–	–	71,085
	362,621	714,698	–	1,077,319
Financial liabilities				
Shari'a-compliant risk management instruments	–	229,383	–	229,383
	–	229,383	–	229,383

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 37,810 million, which is derived using Levels 1 and 2 fair value hierarchies.

During the reporting periods 31 December 2023 and 2022, there were no transfers among Levels 1, 2 and 3 fair value measurements.

8. CASH AND BALANCES WITH CENTRAL BANKS

	2023	2022
Cash on hand	447,198	541,197
Cash reserve with QCB*	4,254,992	4,282,394
Current account and placements with QCB	268,701	264,609
Balances with other central banks	22,362	–
Accrued profit	27	–
	4,993,280	5,088,200

* The cash reserve with QCB represents a mandatory reserve not available for the daily operations of the Group.

9. DUE FROM BANKS

	2023	2022
Current accounts	897,125	2,460,210
Wakala placements with banks	2,502,138	1,396,611
Commodity murabaha receivable	2,253,235	2,448,809
Accrued profit	10,838	8,927
Allowance for impairment*	(782)	(14,833)
	5,662,554	6,299,724

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.5.

10. FINANCING ASSETS

	2023	2022
(a) By type		
Receivables and balances from financing activities:		
Murabaha	81,428,131	80,136,882
Ijarah Muntahia Bittamleek	34,329,766	43,974,590
Istisna'a	79,163	356,111
Musharaka	4,569,759	5,178,141
Others	428,225	956,165
Accrued profit	1,402,216	1,123,612
Total receivables and balances from financing activities	**122,237,260**	131,725,501
Deferred profit	(9,727,609)	(10,021,573)
Allowance for impairment – Performing (Stages 1 and 2)*	(633,553)	(445,960)
Allowance for impairment – Non-performing (Stage3)*	(3,218,926)	(2,935,039)
Profit in suspense*	(428,991)	(463,648)
Net financing assets	**108,228,181**	117,859,281

* For stage-wise exposure and allowance for impairment, refer to Note 4.2.5.

The total non-performing financing assets net of deferred profit at 31 December 2023 amounted to QAR 6,425 million representing 5.71% of the gross financing assets net of deferred profit (2022: QAR 7,295 million, representing 5.99% 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

	2023	Profit in suspense	Total 2023
Balance as at 1 January	3,380,999	463,648	3,844,647
Charge for the year	1,446,252	135,005	1,581,257
Recoveries / reversals during the year	(176,066)	(17,320)	(193,386)
Write-off during the year	(800,527)	(152,342)	(952,869)
Effect of foreign currency movement	1,821	–	1,821
Balance at 31 December	**3,852,479**	**428,991**	**4,281,470**

	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

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 2023	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
Net Charge/(reversal) for the year	811	165,060	449,963	2,338	24,012	11,049	(11,962)	3,381	748,017	(9,386)	5,436	(848)	(18,199)	197,889	1,208,181
Write-off during the year	-	-	(250,229)	-	-	(189,693)	-	-	(3,485)	-	-	(509,462)	-	-	(952,869)
Effect of foreign currency movement	-	-	-	-	-	-	1,420	25	376	-	-	-	1,420	25	376
Balance as at 31 December 2023	**13,736**	**423,966**	**1,165,052**	**3,737**	**32,523**	**39,536**	**16,966**	**33,316**	**870,489**	**12,939**	**100,155**	**1,569,055**	**47,378**	**589,960**	**3,644,132**

	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

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10. FINANCING ASSETS (continued)

d) By sector

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2023
Government and related agencies	51,820,965	8,026,818	–	–	126,763	59,974,546
Non-banking financial institutions	257,410	137,234	–	–	131	394,775
Industry	174,399	1,086,715	–	–	1,840	1,262,954
Commercial	7,659,540	1,421,334	–	14,977	23,508	9,119,359
Services	9,486,265	4,243,660	8,827	–	66,464	13,805,216
Contracting	3,139,083	29,100	–	–	128,536	3,296,719
Real estate	5,015,442	19,832,466	70,799	24,280	1,763	24,944,750
Personal	3,945,215	803,476	–	4,530,563	159,687	9,438,941
	81,498,319	**35,580,803**	**79,626**	**4,569,820**	**508,692**	**122,237,260**
Less: Deferred profit						(9,727,609)
Allowance for impairment – Performing (Stages 1 and 2)						(633,553)
Allowance for impairment – Non-performing (Stage 3)						(3,218,926)
Profit in suspense						(428,991)
						108,228,181

	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

11. INVESTMENT SECURITIES

	2023			2022		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Debt-type investments classified at amortised cost						
Fixed profit rate	5,067,149	53,142	5,120,291	3,401,458	57,162	3,458,620
Floating profit rate	413,754	–	413,754	77,459	–	77,459
Government of Qatar	2,259,578	29,988,145	32,247,723	3,944,120	23,365,000	27,309,120
Accrued profit	87,303	277,004	364,307	76,948	269,671	346,619
Allowance for impairment	(26,243)	(53,141)	(79,384)	(52,350)	(57,162)	(109,512)
	7,801,541	**30,265,150**	**38,066,691**	7,447,635	23,634,671	31,082,306
Investments classified as FVOCI						
• Equity-type investments	409,281	119,391	528,672	289,451	102,816	392,267
Accrued profit	3,610	–	3,610	2,085	–	2,085
	412,891	**119,391**	**532,282**	291,536	102,816	394,352
	8,214,432	**30,384,541**	**38,598,973**	7,739,171	23,737,487	31,476,658

[1] Investments in debt-type instruments classified as amortised cost include bonds portfolio acquired by the Bank in a business combination.

[2] For stage-wise exposure and allowance for impairment, refer to Note 4.2.5.

The cumulative change in the fair value of investment securities classified as FVOCI during the year is as follows:

	2023	2022
Positive fair value reserve:		
Balance at 1 January	45,140	35,123
Net change in fair value	17,515	10,017
Balance at 31 December	**62,655**	45,140
Negative fair value reserve:		
Balance at 1 January	(12,230)	–
Net change in fair value	(5,197)	(12,230)
Transfer to retained earnings upon disposal	517	–
Balance at 31 December	**(16,910)**	(12,230)
Total fair value reserve at 31 December	**45,745**	32,910

12. INVESTMENT IN ASSOCIATES

Movement in investment in associates during the year is as follows:

	2023	2022
Balance at 1 January	345,878	348,935
Share of results	50,856	27,201
Cash dividend received	(11,500)	(10,700)
Share of other comprehensive income	(4,555)	(525)
Disposals	(23,053)	–
Impairment loss	(9,070)	(19,033)
Balance at 31 December	**348,556**	345,878

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INVESTMENT IN ASSOCIATES (continued)

The Group has the following investments in associates:

Name of the associates	*Country of Company's incorporation*	*activities*	*Ownership %* 2023	2022
National Real Estate Development and Investment SAOC ("NREDI")	Oman	Real estate services	**20.00**	20.00
Ci-San Trading W.L.L. ("Ci San")	Qatar	Investing and trading	**50.00**	50.00
Sahb Finance Company (formerly "Kirnaf Finance Company" ("Sahb")	Saudi Arabia	Leasing	**48.76**	48.76
Damaan Islamic Insurance Company "Beema" (Q.P.S.C.) ("Beema")1	Qatar	Insurance	**15.00**	20.00
Linc Facility Services W.L.L. ("Linc")	Qatar	Facility management	**33.50**	33.50

[1] During the year, the Group disposed its 5% stake in Beema. The Group retained its significant influence over the Company after the disposal, hence, continued to classify its remaining stake in the Company as investment in associate.

The financial position, revenue and results of associates are as follows:

2023	**NREDI**	**Ci San**	**Sahb**	**Beema**	**Linc**
Total assets	**130,818**	**169,125**	**347,202**	**1,397,870**	**209,373**
Total liabilities, policyholders' surplus and non-controlling interest	**4,069**	**83,402**	**33,433**	**913,750**	**46,022**
Total revenue	**16,574**	**114,834**	**1,375**	**195,788**	**312,903**
Net profit	**4,132**	**7,908**	**10,483**	**113,070**	**62,675**
Share of profit recognised	**826**	**3,954**	**5,112**	**19,968**	**20,996**

2022	NREDI	Ci San	Sahb	Beema	Linc
Total assets	123,296	157,557	326,422	1,437,099	154,831
Total liabilities, policyholders' surplus and non-controlling interest	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

The information disclosed above reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

13. FIXED ASSETS

	Land and buildings	Leasehold improvemens	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Right-of-use assets ('ROUA'¹)	Work in progress	Total
Cost:								
Balance at 1 January 2023	555,880	122,757	165,939	386,466	1,481	55,741	298,474	1,586,738
Additions	-	1,295	11,064	2,682	629	8,514	81,698	105,882
Disposals, write-offs and ROUA re-assessments	(376)	(9,477)	(341)	(2,684)	(15)	(22,237)	(124)	(35,254)
Transfers	-	-	11,685	12,121	-	-	(23,806)	-
Effect of foreign currency movement	7,053	729	656	3,028	-	922	132	12,520
Balance at 31 December 2023	**562,557**	**115,304**	**189,003**	**401,613**	**2,095**	**42,940**	**356,374**	**1,669,886**
Accumulated depreciation:								
Balance at 1 January 2023	43,353	112,210	121,757	357,217	1,466	35,271	-	671,274
Depreciation for the year	9,061	2,368	18,047	18,597	88	12,102	-	60,263
Relating to disposals and write-offs	-	(9,477)	(341)	(2,684)	-	(22,237)	-	(34,739)
Effect of foreign currency movement	233	681	281	2,580	-	742	-	4,517
Balance at 31 December 2023	52,647	105,782	139,744	375,710	1,554	25,878	-	701,315
Carrying amount:								
At 31 December 2023	**509,910**	**9,522**	**49,259**	**25,903**	**541**	**17,062**	**356,374**	**968,571**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	293,728	1,466	81,145	194,956	1,399,871
Additions	119,904	313	10,664	6,810	15	7,797	118,487	263,990
Disposals, write-offs and ROUA re-assessments	–	(3,381)	–	(24,693)	–	(30,412)	(2,346)	(60,832)
Reclassifications	914	(34,106)	(75,617)	108,809	–	–	–	–
Transfers	–	–	1,690	10,348	–	–	(12,038)	–
Effect of foreign currency movement	(1,847)	(1,957)	(577)	(8,536)	–	(2,789)	(585)	(16,291)
Balance at 31 December 2022	555,880	122,757	165,939	386,466	1,481	55,741	298,474	1,586,738
Accumulated depreciation:								
Balance at 1 January 2022	36,041	123,896	201,358	263,946	1,466	38,353	5	665,065
Depreciation for the year	9,766	4,466	12,521	20,302	–	16,627	–	63,682
Relating to disposals and write-offs	–	(3,381)	–	(24,693)	–	(18,638)	–	(46,712)
Reclassifications	(2,064)	(11,165)	(91,610)	104,844	–	–	(5)	–
Effect of foreign currency movement	(390)	(1,606)	(512)	(7,182)	–	(1,071)	–	(10,761)
Balance at 31 December 2022	43,353	112,210	121,757	357,217	1,466	35,271	–	671,274
Carrying amount:								
At 31 December 2022	512,527	10,547	44,182	29,249	15	20,470	298,474	915,464

14. INTANGIBLE ASSETS

		Other intangible assets			
	Goodwill	**Customer relationships**	**Core deposits**	**License**	**Total**
Cost or valuation:					
Balance as at 1 January 2023	877,486	649,567	223,471	51,369	1,801,893
Balance as at 31 December 2023	877,486	649,567	223,471	51,369	1,801,893
Accumulated amortisation:					
Balance at 1 January 2023	–	87,962	24,209	11,130	123,301
Amortisation for the year	–	81,196	22,348	10,274	113,818
Balance at 31 December 2023	–	169,158	46,557	21,404	237,119
Carrying amount:					
At 31 December 2023	**877,486**	**480,409**	**176,914**	**29,965**	**1,564,774**

		Other intangible assets			
	Goodwill	Customer relationships	Core deposits	License	Total
Cost or valuation:					
Balance as at 1 January 2022	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 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. 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.

Impairment assessment of goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's CGU's (operating segments) as follows:

	2023	**2022**
Corporate banking	705,587	705,587
Retail banking	171,899	171,899
	877,486	877,486

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14. INTANGIBLE ASSETS (continued)

Impairment assessment of goodwill (continued)

The carrying amount of a CGU is derived using a capital allocation model where the Group's core equity capital is allocated to the CGUs. The Group determines the recoverable amounts of its CGUs based on VIU calculations and FVLCOD. These methods reflect the specifics of the banking business and its regulatory environment.

Key inputs for VIU calculation and impairment testing

The VIU calculation used projected cash flows in perpetuity through a five–year forward period of projections, and thereafter applying a long–term terminal growth rate.

Assumptions used for VIU calculations to which the recoverable amount is most sensitive were:

a) Terminal Growth rates
The long–term growth rate of 2.5% has been based on estimates provided by macro–economic research and analyst reports. The growth rates do not exceed the long–term average growth rate for the business sector of the economy in which the CGU operates.

b) Discount rates
Discount rates reflect management's estimate of Return on Capital Employed ("ROCE") required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Cost of Equity ("CoE") of 10%.

c) Projected GDP and local inflation rates
Assumptions are based on published industry research.

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.

Significant change: impact of possible changes in key assumptions

If the terminal growth rate used in calculating the VIUs decreased by 50 basis points or if the cost of equity increased by 100 basis points, the recoverable amounts of the CGU would still be higher than the respective carrying amount, hence, no impairment would be recognised in either scenario.

Other intangible assets

The following approach was followed to estimate the fair value of identifiable intangibles:

Other intangible assets	Useful life	Valuation approach and methodologies
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 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.
Core deposits	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 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 of the business combination. 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	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.

The Group estimates the useful life of the intangible assets as defined in the above table. However, the actual useful life may be shorter or longer than the indicated years. If the useful life increases/decreases by 10%, the carrying amount of the intangible assets would be QAR 1,577 million / QAR 1,549 million as at 31 December 2023.

15. OTHER ASSETS

	2023	2022
Assets held by non–Shari'a–compliant subsidiary2	3,047,717	3,002,532
Positive fair value of Shari'a–compliant risk management instruments	442,905	611,882
Deferred tax asset (Note 32)	20,145	26,567
Prepayments and other advances	26,582	24,087
Accrued income	3,191	5,197
Others	297,166	200,017
Allowance for impairment1	(3,060)	(866)
	3,834,646	3,869,416

[1] For stage–wise exposure and allowance for impairment, refer to Note 4.2.5.

[2] Assets held by non–Shari'a–compliant subsidiary consist of the following asset portfolio acquired by the Bank in a business combination:

	2023	2022
Cash and balances with central banks	549,595	877,162
Due from banks	1,082,664	848,352
Loans and advances to customers	1,201,101	1,085,550
Investment securities	189,244	166,515
Fixed assets	9,215	9,878
Other assets	15,898	15,075
	3,047,717	3,002,532

[3] The outstanding amount of Hamish Jiddiyyah paid by the Group to the lessor as at 31 December 2023 amounted to QAR 1,140 thousand (2022: QAR 1,108 thousand).

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16. DUE TO BANKS

	2023	2022
Current and short-term investment accounts	507,236	611,315
Wakala payable	27,968,657	24,631,941
Repurchase agreements	2,604,966	3,139,915
Commodity murabaha payable	972,763	846,312
Profit payable to banks	150,402	86,940
	32,204,024	29,316,423

Wakala payable includes various facilities with maturities of less than one year and carries profit rates of 3.80% to 6.00% (2022: maturities of less than one year and carries profit rates of 2.10% to 5.75%).

The market value of securities given as collateral against the repurchase agreements are QAR 2,803 million (2022: QAR 3,347 million).

17. CUSTOMER CURRENT ACCOUNTS

	2023	2022
By sector:		
Government	1,702,832	1,264,347
Non-banking financial institutions	37,164	50,860
Corporate	3,500,976	4,339,862
Individuals	2,683,411	3,081,758
	7,924,383	8,736,827

18. SUKUK AND DEBT FINANCING

The Group has issued the following debt securities:

Instrument	Issuer	Currency	Due Date	2023
Sukuk	MAR Finance L.L.C.	USD	3-Nov-24	110,148
Sukuk	MAR Finance L.L.C.	USD	1-Feb-25	557,338
Sukuk	MAR Sukuk Limited	USD	2-Sep-25	2,711,566
Sukuk	MAR Sukuk Limited	USD	13-Nov-24	1,805,094
Debt securities[2]	AKCB Finance Limited	JPY	25-Jan-24	25,894
Debt securities[2]	AKCB Finance Limited	JPY	6-Feb-25	25,897
				5,235,937

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

1 The profit rates range from 0.48% to 5.3%..
2 Upon merger with Al Khaliji, the Group assumed these debt securities that were originally issued by Al Khaliji under its Euro Medium Term Note ("EMTN") programme.

At 31 December	2023	2022
Face value of sukuk and debt financing	5,199,347	7,584,261
Less: Unamortised transaction costs	(2,650)	(6,476)
Add: Net IFRS 3 adjustments arising from business combination	–	50,547
Profit payable	39,240	53,844
	5,235,937	7,682,176

The movement in sukuk and debt financing issued by the Group during the year is as follows:

	2023	2022
Balance at 1 January	7,682,176	7,735,618
Net issuances during the year	546,075	109,184
Repayments during the year	(3,202,902)	(293,660)
Amortisation of transaction costs	3,826	4,477
Amortisation of IFRS 3 adjustments arising from business combination	(50,547)	(70,309)
Effect of foreign currency movement	(2,761)	(37,884)
Finance expense for the year	260,070	234,750
Balance at 31 December	**5,235,937**	7,682,176

19. OTHER BORROWINGS

Instrument	Currency	Due Date	2023
Bilateral borrowing	USD	26-Nov-25	369,780
Bilateral borrowing	USD	14-Mar-26	908,428
Syndicated borrowing	USD	15-Oct-24	2,391,716
Bilateral borrowing	USD	20-Feb-25	365,736
Bilateral borrowing	USD	19-Jan-26	549,853
			4,585,513

Instrument	Currency	Due Date	2022
Bilateral borrowing	USD	28-Feb-23	365,262
Syndicated 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

1 The profit rates range from 6.02% to 6.41%..
2 The movement in other borrowings issued by the Group during the year is as follows:

	2023	2022
Balance at 1 January	3,843,236	5,699,994
Net issuances during the year	1,442,820	725,910
Repayments during the year	(756,302)	(2,620,722)
Amortisation of transaction costs	6,821	9,852
Profit payable on borrowings	48,938	28,202
Balance at 31 December	**4,585,513**	3,843,236

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20. OTHER LIABILITIES

	2023	2022
Liabilities of a non–Shari'a–compliant subsidiary (c)	2,171,084	2,152,896
Dividend payable	740,916	934,980
Acceptances	131,002	207,556
Negative fair value of Shari'a–compliant risk management instruments	138,499	229,383
Manager's cheque and prepaid cards	184,076	201,117
Accrued expenses	154,817	158,971
Unearned commission	216,348	209,818
Funds received against dividend payment on behalf of customers	115,265	147,653
Other staff provisions	170,937	172,867
Provision for employees' end of service benefits (b)	54,706	49,792
Profit payable on instrument eligible as additional capital	46,000	46,000
Net Ijarah liabilities (a)	18,156	24,347
Allowance for impairment for off balance sheet exposures subject to credit risk	64,593	137,229
Social and sports fund (Note 42)	36,293	35,644
Others	401,047	409,479
	4,643,739	5,117,732

(a) Net Ijarah liabilities

	2023	2022
Gross Ijarah liabilities	19,028	25,192
Less: Deferred Ijarah cost	(872)	(845)
Net Ijarah liabilities	**18,156**	24,347

The table below shows the maturity profile of gross and net Ijarah liabilities:

	Gross liabilities	Deferred Ijarah cost	2023 Net Ijarah liabilities	2022 Net Ijarah liabilities
Up to 12 months	10,134	(356)	9,778	11,016
Between 1 to 5 years	8,894	(516)	8,378	13,331
	19,028	**(872)**	**18,156**	24,347

(b) Provision for employees' end of service benefits

	2023	2022
Balance at 1 January	49,792	93,600
Provisions made during the year	9,078	9,664
Paid during the year	(4,164)	(53,472)
Balance at 31 December	**54,706**	49,792

(c) Liabilities of a non–Shari'a–compliant subsidiary

	2023	2022
Due to banks	94,681	61,388
Customer deposits	1,862,990	1,881,839
Subordinated debt1	100,625	97,588
Other liabilities	112,788	112,081
	2,171,084	2,152,896

[1] Subordinated debt was assumed by the Bank upon merger with Al Khaliji 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. PARTICIPATORY INVESTMENT ACCOUNTS

	2023	2022
(a) By type		
Saving accounts	6,932,384	8,395,652
Term accounts	72,588,787	75,167,905
Short–term investment accounts	4,684,237	4,541,090
Profit payable to participatory investment account holders	592,247	448,846
Share in the fair value reserve	1,785	1,386
	84,799,440	88,554,879

	2023	2022
(b) By sector		
Government	38,599,052	43,910,800
Non–banking financial institutions	2,502,608	5,338,623
Individuals	31,058,405	27,016,965
Corporate	12,045,343	11,838,259
Profit payable to participatory investment account holders	592,247	448,846
Share in the fair value reserve	1,785	1,386
	84,799,440	88,554,879

In accordance with QCB circular No. 87/2008, no risk reserve is deducted from the profit related to the participatory investment accounts and the total risk reserve is transferred from the shareholders' profit as an appropriation.

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22. EQUITY

(a) Share capital

	2023	2022
Authorised, issued and paid up 9,300,000,000 shares at QAR 1 each	**9,300,000**	9,300,000

(b) Legal reserve

	2023	2022
Balance at 1 January	9,644,166	9,644,166
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 2023, as the legal reserve reached 100% of the paid up capital prior to transfer from retained earnings for the current year (2022: 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.

(d) Fair value reserve

	2023	2022
Balance at the 1 January	32,844	36,125
Net unrealised gains / (losses)	12,318	(2,213)
Effective portion of cash flow hedge	–	(725)
Share of other comprehensive income of associates	(4,792)	(525)
Transfer to consolidated income statement	951	–
Transfer to retained earnings upon disposal of FVOCI equity investments	517	–
Share attributable to quasi-equity	(399)	182
Net fair value movement	8,595	(3,281)
Balance at 31 December (shareholders' share)	**41,439**	32,844

(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

Other reserves consist of the following:

	2023	2022
Share in profit from investment in associates, net of cash dividend	152,394	140,512
Share in the associate's actuarial gain on employees' defined benefit obligations	238	–
	152,632	140,512

The movement in other reserves during the year is as follows:

	2023	2022
Balance at 1 January	140,512	127,274
Share of results of associates	50,856	27,201
Dividends received from associates	(11,500)	(10,700)
Share in the associate's actuarial gain on employees' defined benefit obligations	238	–
Relating to disposal of associates	(13,900)	–
Other movement	(13,574)	(3,263)
Balance at 31 December	**152,632**	140,512

(g) Proposed dividend

The Board of Directors in its meeting held on 23 January 2024 proposed a cash dividend of 10% (2022: 10%) of the share capital amounting to QAR 930 million (2022: QAR 930 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%) (2022: Al Rayan (UK) Limited – 25% and Al Rayan Bank PLC – 26.24%).

24. INSTRUMENT ELIGIBLE AS ADDITIONAL CAPITAL

Upon merger with Al Khaliji, 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.

25. INCOME FROM FINANCING ACTIVITIES

	2023	2022
Income from Murabaha	4,254,258	3,162,959
Income from Ijarah Muntahia Bittamleek	2,627,523	1,816,700
Income from Musharaka	288,363	223,184
Income from Istisna'a	13,858	41,019
	7,184,002	5,243,862

26. INCOME FROM INVESTING ACTIVITIES

	2023	2022
Income from investment in debt–type instruments	1,366,706	1,173,090
Income from inter–bank placements with Islamic banks	181,904	74,938
Net loss on sale of debt–type investments	(17,122)	(3,008)
Dividend income	10,809	8,969
Fair value gain on investment securities carried as fair value through income statement	–	62
Net gain / (loss) on derivatives	163,131	(2,834)
	1,705,428	1,251,217

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27. NET FEE AND COMMISSION INCOME

	2023	2022
Commission on financing activities	292,438	260,703
Commission on trade finance activities	79,465	98,350
Commission on banking services	25,298	24,738
Income from off-balance sheet assets under management	43,200	51,815
	440,401	435,606
Fee and commission expenses	(121,893)	(107,606)
	318,508	328,000

28. FOREIGN EXCHANGE GAIN (NET)

	2023	2022
Dealing in foreign currencies and revaluation of assets and liabilities	**197,114**	270,891

29. OTHER INCOME

	2023	2022
Recoveries	75,063	–
Rental income	541	702
Miscellaneous	11,378	14,650
	86,982	15,352

30. STAFF COSTS

	2023	2022
Salaries, allowances and other staff costs	409,189	501,755
Employees' end of service benefits	9,078	9,664
Staff pension fund costs	14,894	10,432
	433,161	521,851

31. OTHER EXPENSES

	2023	2022
Legal, professional and consulting fees	62,930	98,952
Information technology	83,021	76,861
Rent and maintenance	26,173	80,658
Advertising expenses	27,171	99,543
Board of Directors' remuneration (Note 38b)	22,624	18,532
Shari'a Board compensation	2,266	1,866
Other operating expenses	42,850	70,790
	267,035	447,202

32. TAX EXPENSE

	2023	2022
Current tax expense	26,711	15,133
Adjustments in respect of prior years	622	1,523
Deferred tax expense	7,635	5,586
	34,968	22,242

Movement of deferred tax asset is as follows:

	2023	2022
Balance at 1 January	26,567	35,654
Adjustments in respect of prior years	548	55
Deferred tax expense during the year	(8,183)	(5,641)
Effect of foreign currency movement	1,213	(3,501)
Balance at 31 December	**20,145**	26,567

33. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	2023	2022
Unutilised credit facilities	779,352	1,026,611
Guarantees	10,293,322	13,102,552
Letters of credit	1,191,794	1,461,838
	12,264,468	15,591,001
Contingent liabilities of a non-Shari'a-compliant subsidiary1	**412,088**	502,707

1 Contingent liabilities of a non-Shari'a-compliant subsidiary consist of the following:

	2023	2022
Unutilised credit facilities	223,191	242,400
Guarantees	182,350	254,074
Letters of credit	6,547	6,233
	412,088	502,707

(b) Other undertakings and commitments

	2023	2022
Profit rate swap	6,245,669	7,957,104
Unilateral promise to buy/sell currencies	12,738,032	8,604,329
Cross currency swap	68,413	68,413
	19,052,114	16,629,846

	2023	2022
Capital commitments in respect of Head Office building under construction	**125,397**	187,926

	2023	2022
Total contingent liabilities and commitments	**31,854,067**	32,911,480

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34. CONCENTRATION OF ASSETS, LIABILITIES AND QUASI–EQUITY

Geographical sector

	Qatar	Other GCC	Europe	North America	Others	Total
2023						
Cash and balances with central banks	4,966,495	–	26,785	–	–	4,993,280
Due from banks	2,450,986	132,859	2,456,401	244,790	377,518	5,662,554
Financing assets	92,730,799	334,350	10,305,156	–	4,857,876	108,228,181
Investment securities	35,031,704	2,671,122	–	201,276	694,871	38,598,973
Investment in associates	170,212	178,344	–	–		348,556
Fixed assets	798,044	–	170,527	–	–	968,571
Intangible assets	1,564,774	–	–	–	–	1,564,774
Other assets	1,052,556	968,210	787,311	88,697	937,872	3,834,646
TOTAL ASSETS	**138,765,570**	**4,284,885**	**13,746,180**	**534,763**	**6,868,137**	**164,199,535**
Due to banks	27,488,052	1,120,888	3,298,993	1	296,090	32,204,024
Customer current accounts	7,263,934	44,900	610,801	402	4,346	7,924,383
Sukuk financing	5,235,937	–	–	–	–	5,235,937
Other borrowings	–	–	735,516	–	3,849,997	4,585,513
Other liabilities	2,890,869	780,974	661,855	3,416	306,625	4,643,739
Total liabilities	42,878,792	1,946,762	5,307,165	3,819	4,457,058	54,593,596
Quasi–equity	66,851,262	6,998,175	9,588,647	2,614	1,358,742	84,799,440
TOTAL LIABILITIES AND QUASI–EQUITY	**109,730,054**	**8,944,937**	**14,895,812**	**6,433**	**5,815,800**	**139,393,036**

	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	2,990,443	1,766,876	483,599	6,299,724
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	–	159,591	–	–	915,464
Intangible assets	1,678,592	–	–	–	–	1,678,592
Other assets	1,178,661	1,021,142	878,008	53,913	737,692	3,869,416
TOTAL ASSETS	141,066,133	3,636,845	14,227,143	1,820,789	6,782,303	167,533,213
Due to banks	23,493,100	2,794,668	2,573,757	–	454,898	29,316,423
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	3,354,963	742,350	701,435	3,232	315,752	5,117,732
Total liabilities	42,524,229	4,322,034	6,884,601	5,692	959,838	54,696,394
Quasi–equity	67,951,987	11,380,487	7,990,466	4,617	1,227,322	88,554,879
TOTAL LIABILITIES AND QUASI–EQUITY	110,476,216	15,702,521	14,875,067	10,309	2,187,160	143,251,273

34. CONCENTRATION OF ASSETS, LIABILITIES AND QUASI–EQUITY

Industrial sector

	Real estate	Construction, engineering and manufacturing	Oil and Gas	Financial services	Individuals	Others*	Total
2023							
Cash and balances with central banks	–	–	–	4,993,280	–	–	4,993,280
Due from banks	–	–	–	5,662,554	–	–	5,662,554
Financing assets	26,072,990	12,037,246	1,407,640	236,257	8,455,423	60,018,625	108,228,181
Investment securities	184,477	34,216	212,897	4,191,288	–	33,976,095	38,598,973
Investment in associates	25,350	–	–	225,611	–	97,595	348,556
Fixed assets	–	–	–	–	–	968,571	968,571
Intangible assets	–	–	–	–	–	1,564,774	1,564,774
Other assets	575,138	7,586	–	2,283,585	7,641	960,696	3,834,646
TOTAL ASSETS	**26,857,955**	**12,079,048**	**1,620,537**	**17,592,575**	**8,463,064**	**97,586,356**	**164,199,535**
Due to banks	–	–	–	32,204,024	–	–	32,204,024
Customer current accounts	36,084	189,534	16,656	37,164	2,683,411	4,961,534	7,924,383
Sukuk financing	–	–	–	5,235,937	–	–	5,235,937
Other borrowings	–	–	–	4,585,513	–	–	4,585,513
Other liabilities	**101,511**	**121,313**	**–**	**673,322**	**569,853**	**3,177,740**	**4,643,739**
Total liabilities	**137,595**	**310,847**	**16,656**	**42,735,960**	**3,253,264**	**8,139,274**	**54,593,596**
Total quasi–equity	113,528	1,435,861	549,759	2,502,608	31,058,405	49,139,279	84,799,440
TOTAL LIABILITIES AND QUASI–EQUITY	**251,123**	**1,746,708**	**566,415**	**45,238,568**	**34,311,669**	**57,278,553**	**139,393,036**

* "Others" include government sector.

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34. CONCENTRATION OF ASSETS, LIABILITIES AND QUASI-EQUITY (continued)

Industrial sector (continued)

2022	Real estate	Construction, engineering and manufacturing	Oil and Gas	Financial services	Individuals	Others*	Total
Cash and balances with central banks	-	-	-	5,088,200	-	-	5,088,200
Due from banks	-	-	-	6,299,724	-	-	6,299,724
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	-	-	-	-	-	915,464	915,464
Intangible assets	-	-	-	-	-	1,678,592	1,678,592
Other assets	586,349	21,278	-	1,752,125	4,925	1,504,739	3,869,416
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	-	-	-	29,316,423	-	-	29,316,423
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	528,824	599,866	3,821,382	5,117,732
Total liabilities	172,952	838,891	35,252	41,421,519	3,681,624	8,546,156	54,696,394
Total quasi-equity	5,942	103,428	582,323	4,916,835	27,094,291	55,852,060	88,554,879
TOTAL LIABILITIES AND QUASI-EQUITY	178,894	942,319	617,575	46,338,354	30,775,915	64,398,216	143,251,273

* "Others" include government sector.

35 MATURITY PROFILE

	Up to 3 months	3–6 months	6 months –1 year	1–5 years	Over 5 years	Total
2023						
Cash and balances with central banks	738,288	–	–	–	4,254,992	4,993,280
Due from banks	5,289,223	373,331	–	–	–	5,662,554
Financing assets	20,601,968	5,811,486	1,016,650	35,452,865	45,345,212	108,228,181
Investment securities	7,609,343	4,400,496	2,713,984	20,572,624	3,302,526	38,598,973
Investment in associates	–	–	–	–	348,556	348,556
Fixed assets	–	–	–	–	968,571	968,571
Intangible assets	–	–	–	–	1,564,774	1,564,774
Other assets	1,852,813	458,690	289,131	931,543	302,469	3,834,646
TOTAL ASSETS	**36,091,635**	**11,044,003**	**4,019,765**	**56,957,032**	**56,087,100**	**164,199,535**
Due to banks	27,991,222	1,496,076	1,318,014	1,398,712	–	32,204,024
Customer current accounts	7,924,383	–	–	–	–	7,924,383
Sukuk financing	57,160	8,274	1,906,968	3,263,535	–	5,235,937
Other borrowings	48,938	–	2,359,296	2,177,279	–	4,585,513
Other liabilities	4,250,331	251,637	–	7,996	133,775	4,643,739
Total liabilities	**40,272,034**	**1,755,987**	**5,584,278**	**6,847,522**	**133,775**	**54,593,596**
Total quasi-equity	**54,715,953**	**8,612,764**	**14,824,444**	**6,646,279**	**–**	**84,799,440**
TOTAL LIABILITIES AND QUASI-EQUITY	**94,987,987**	**10,368,751**	**20,408,722**	**13,493,801**	**133,775**	**139,393,036**
MATURITY GAP	**-58,896,352**	**675,252**	**-16,388,957**	**43,463,231**	**55,953,325**	**24,806,499**

	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	5,676,910	499	98,294	524,021	–	6,299,724
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	–	–	–	–	915,464	915,464
Intangible assets	–	–	–	–	1,678,592	1,678,592
Other assets	2,287,855	282,321	178,613	853,874	266,753	3,869,416
TOTAL ASSETS	26,076,271	8,438,869	4,827,611	69,040,983	59,149,479	167,533,213
Due to banks	29,066,581	206,865	339	20,574	22,064	29,316,423
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	4,942,569	29,863	33,996	8,119	103,185	5,117,732
Total liabilities	43,490,283	445,935	2,867,647	7,767,280	125,249	54,696,394
Total quasi-equity	61,238,937	6,987,346	10,163,181	10,165,413	2	88,554,879
TOTAL LIABILITIES AND QUASI-EQUITY	104,729,220	7,433,281	13,030,828	17,932,693	125,251	143,251,273
MATURITY GAP	-78,652,949	1,005,588	-8,203,217	51,108,290	59,024,228	24,281,940

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as at and for the year ended 31 December 2023

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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 attributable to the equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Profit for the year attributable to equity holders of the Bank	1,451,722	1,344,343
Less: Distribution for Tier 1 Capital notes	(46,000)	(46,000)
Profit for earnings per share computation	**1,405,722**	1,298,343
Weighted average number of shares outstanding during the year (thousand)	**9,300,000**	9,300,000
Basic earnings per share (QAR)	**0.151**	0.140

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.

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 from the acquisition date:

	2023	2022
Cash on hand and balances with central banks excluding cash reserve with QCB	738,288	805,806
Due from banks	5,289,998	5,423,822
Add: Allowance for impairment	9	147
	6,028,295	6,229,775

Significant non–cash transaction

The following non–cash investing activity entered into by the Group are not reflected in the consolidated statement of cash flows:

- The Group recognized during the year Ijarah contract additions resulting to increase in right–of–use assets amounting to QAR 8,514 thousand (2022: QAR 7,797 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 shareholders and entities over which the Group exercise significant influence, directors and their close family members 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:

	2023			2022		
	Associate companies	**Board of Directors[1]**	**Major Shareholders[2]**	Associate companies	Board of Directors[1]	Major Shareholders[2]
Consolidated statement of financial position items:						
Financing assets	–	13,369	3,688,735	–	670,327	3,808,408
Customer current accounts	105,420	50,854	–	76,233	172,495	3
Participatory investment accounts	21,564	192,636	18,372,565	75,700	252,190	19,004,066
Other assets	–	–	–	1,000	–	–
Other liabilities	–	–	100,625	–	–	97,588
Consolidated income statement items:						
Income from financing activities	1,161	153,487	–	30,825	157,077	
Net profit attributable to quasi–equity	1,231	8,296	887,315	473	5,100	377,976
Operating expenses	13,516	–	–	23,430	–	–
Contingent liabilities:						
Letters of credit	–	1,000	–	–	3,327	–
Guarantees	125,852	102,822	–	107,326	110,845	–

1 Includes close family members
2 Major shareholders owning directly or indirectly 5% or more of capital

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 year were as follows:

	2023	2022
Remuneration to Board of Directors including meeting allowance (Note 31)	22,624	18,532
Key management		
Short term employee benefits	18,363	18,059
Other long term benefits	468	153
	18,831	18,212

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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
2023							
Shari'a–compliant risk management instruments							
Profit rate swaps	422,957	119,901	6,245,669	123,049	236,633	2,171,107	3,714,880
Unilateral promise to buy/sell currencies	19,948	2,776	12,738,032	8,338,763	4,399,269	–	–
Currency swaps	–	15,822	68,413	35,188	–	33,225	–
	442,905	**138,499**	**19,052,114**	**8,497,000**	**4,635,902**	**2,204,332**	**3,714,880**

	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

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 36.3 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2023 (2022: QAR 35.6 million) for the support of sports, cultural and charitable activities.

43. SOURCES AND APPLICATION OF CHARITY FUND FOR THE YEAR

	2023	2022
Undistributed charity fund as at 1 January	46,745	9,927
Net earnings prohibited by Shari'a during the year	86,520	36,818
Total source of charity fund	**133,265**	46,745
Use of charity fund		
Researches, donations and other uses during the year		
Undistributed charity fund as at 31 December	**133,265**	46,745

SUPPLEMENTARY FINANCIAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December — QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK

(a) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2023	2022
ASSETS		
Cash and balances with QCB	4,966,494	5,063,049
Due from banks	4,063,748	5,186,704
Financing assets	99,407,220	109,520,836
Investment securities	37,530,502	30,779,250
Investment in subsidiaries and associates	1,734,284	1,754,182
Fixed assets	802,666	760,495
Intangible assets	1,564,401	1,678,592
Other assets	735,562	818,575
TOTAL ASSETS	**150,804,877**	155,561,683
LIABILITIES		
Due to banks	31,956,008	28,922,957
Customer current accounts	7,190,187	7,775,560
Sukuk and debt financing	5,294,437	7,740,562
Other borrowings	4,585,513	3,843,236
Other liabilities	2,249,928	2,835,593
TOTAL LIABILITIES	**51,276,073**	51,117,908
QUASI–EQUITY		
Participatory investment accounts	75,613,275	81,011,818
EQUITY		
Share capital	9,300,000	9,300,000
Legal reserve	9,644,166	9,644,166
Risk reserve	2,661,613	2,398,543
Fair value reserves	54,832	45,734
Retained earnings	1,254,918	1,043,514
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**22,915,529**	22,431,957
Instrument eligible as additional capital	1,000,000	1,000,000
TOTAL EQUITY	**23,915,529**	23,431,957
TOTAL LIABILITIES, QUASI–EQUITY AND EQUITY	**150,804,877**	155,561,683

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(d) except for investment in subsidiaries and associates which are carried at cost, less impairment if any.

SUPPLEMENTARY FINANCIAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December — QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(b) INCOME STATEMENT OF THE PARENT BANK

	2023	2022
Net income from financing activities	6,601,772	4,881,216
Net income from investing activities	1,868,415	1,241,777
Total net income from financing and investing activities	**8,470,187**	6,122,993
Fee and commission income	389,291	375,482
Fee and commission expense	(120,069)	(104,194)
Net fee and commission income	**269,222**	271,288
Foreign exchange gain	196,991	268,406
Gain on sale of an associate	16,618	–
Other income	89,851	19,355
TOTAL INCOME	**9,042,869**	6,682,042
Staff costs	(322,360)	(427,025)
Depreciation	(162,397)	(169,474)
Other expenses	(205,471)	(386,196)
Finance expense	(2,265,891)	(1,028,501)
TOTAL EXPENSES	**(2,956,119)**	(2,011,196)
Net reversals / (impairment losses) on due from banks	14,051	(13,306)
Net impairment losses on financing assets	(1,265,421)	(1,556,222)
Net reversals / (impairment losses) on investments	22,441	(51,953)
Net reversals / (impairment losses) on other exposures subject to credit risk	69,637	(85,587)
PROFIT FOR THE YEAR BEFORE NET PROFIT ATTRIBUTABLE TO QUASI–EQUITY	**4,927,458**	2,963,778
Less: Net profit attributable to quasi–equity	(3,453,869)	(1,750,709)
NET PROFIT FOR THE YEAR	**1,473,589**	1,213,069

مصرف الريان

MASRAF AL RAYAN

Masraf Al Rayan (Q.P.S.C.) – 69, Alad Al Sharqi Street, P.O. Box 28888, Lusail, Qatar, Tel: +974 4425 3333, www.alrayan.com