Dawn of a New Era

مصرف الريان

MASRAF AL RAYAN

20 ANNUAL REPORT 21

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

Customer Deposits
reached QAR
107
billion in 2021

Earnings per Share
QAR
0.217

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

Board of Directors' Report and Chairman's Statement

Respected Shareholders,

On behalf of Masraf Al Rayan's Board of Directors, I am pleased to present to you the Board of Directors' report for the financial year ending 31 December 2021.

2021 was a momentous year for Masraf Al Rayan. We announced our merger with Al Khalij Commercial Bank P.Q.S.C in January 2021 and completed it in December, creating one of the leading Shari'ah-compliant lenders in the region with a robust capital position and strong liquidity.

The year continued with the challenges of the COVID-19 pandemic. Businesses and individuals required skillful navigation through these volatile times. Masraf Al Rayan as an Islamic Bank holding a significant market share ensured its customers were well-supported to navigate through these challenging times.

Masraf Al Rayan as a larger entity, with a strong management team and diversified business model is well positioned to contribute to Qatar's growth and realization of Qatar's Vision 2030 milestones.

MAR's performance remained strong despite the enormous challenges of 2021. Our results for the year ended December 31, 2021 remains robust. We reported a net profit of QAR 1,713 million, which is 21.3% lower compared to QAR 2,175 million as at end 2020. Our Total Income for 2021 reached QAR 5,101 Million. Total Assets at QAR 174.0 Billion were 43.7% higher, driven by 40.5% growth in Financing assets, which closed

"MAR's performance remained strong despite the enormous challenges of 2021. Our results for the year ended December 31, 2021 remains robust. We reported a net profit of QAR 1,713 million. Our Net Operating Income for 2021 reached QAR 5,101 Million. Total Assets at QAR 174.0 Billion were 43.7% higher, driven by 40.5% growth in Financing assets, which closed at 120.8 billion. Customer Deposits reached QAR 107 Billion as at 31 December 2021."

at 120.8 billion. Customer Deposits reached QAR 107 Billion as at 31 December 2021, up by 55.2% during 2021. The bank increased its net impairment charge on financial assets by 212%, recording total net impairment charges of QAR 1,097 Million for the year. The NPL ratio stood at 1.67% as at end 2021 compared to 1.13% as at 31 December 2020. The Bank's NPL ratio remains below the Qatari market average. Earnings per share decreased by 25.17% to QAR 0.217 for 2021, compared to QAR 0.290 in 2020. The Bank's capital adequacy ratio was also well above regulatory requirements, closing at 21.15%.

Accounting and profit distribution policies adopted by the Bank during 2021 did not witness any fundamental adjustment, the basis of evaluation and estimates remained the same. As in previous years, the Bank has prepared the financial statements in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions and relevant QCB instructions. In this regard, we recommend that the Net Profit be distributed according to the proposed form in the audited financial statements presented to the shareholders of this assembly for approval. The Board of Directors also recommends the general assembly to distribute a portion of the net profits in the form of cash dividends to the shareholders at the ratio of 17% of the par value of the share, i.e. at the rate of QAR 0.17 per share.

With the beginning of this new year, we offer the entire annual report for the fiscal year 2021, including the governance report, the final audited financial statements and the reports of the external auditor, providing thus more details and additional disclosures that fit within the laws and regulations.

As for our future plans, Environmental, Social, and Governance will be an increasingly important consideration for the bank and we are mindful of our responsibilities in this regard. Masraf Al Rayan is committed to making a positive contribution to society, minimizing our environmental impact and encouraging sustainable green financing. Human development is at the forefront of our duties to our local employees as we develop and empower them to become successful leaders of tomorrow.

The bank enjoys close working bonds with UHNW clients, industry leaders, Government and Government Related Entities. These close ties have proven to be beneficial in the past and we will further deepen and strengthen these into the future. Our bank will be the Islamic bank of choice to support development of the country in line with the ambitions of QNV 2030.

Finally, I would like to extend my deepest appreciation, on behalf of the Board of Directors and the Bank, to His Highness Sheikh Tamim Bin Hamad bin Khalifa Al Thani, Emir of the State of Qatar, and to His Highness the Father Emir Sheikh Hamad Bin Khalifa Al Thani and His Excellency Sheikh Khalid Bin Khalifa bin Abdulaziz Al Thani, the Prime Minister and Minister of Interior for their continuous support to the economy, companies and Qatari institutions. I wish to extend my gratitude to all the supervisory authorities to which the Bank is subject, starting with QCB 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 enormous and unceasing support to the Bank.

I would also like to express my sincere appreciation and gratitude to every employee at MAR, the GCEO and the Senior Management members for their dedication and their intense commitment to the Bank. I end this by extending my sincere gratitude to the shareholders and to investors for their continued trust in us and in the Bank.

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

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

1,713

million in 2021

Total Assets increased to QAR

174

billion

Fahad bin Abdulla Al Khalifa
Group Chief Executive Officer

Message from the Group CEO

Since its incorporation in 2006, the Bank has enjoyed a journey of growth and expansion, 2021 marked a significant milestone in this voyage owing to the merger with al khaliji bank. The combined financial strength, loyal client base, strategic overseas presence and first-rate human capital ensures a path to future success.

I am excited for the future of the Bank following its merger. While our immediate focus is on the operational integration of both banks into one seamless platform, our medium-term plans are ambitious. The transformation journey will focus on enhancing our customer experience through service excellence, speed and technology. We are determined to increase the pace at which we digitize Masraf Al Rayan through greater investments in technology. By adopting a 'High Tech-High Touch' approach we will utilize technology to enable speed and growth and become the market leader in this arena; in parallel we will enrich client services, through appropriate segmentation, via our dedicated teams of Private, Premium and Corporate relationship managers. These measures will strengthen the links between our local and international footprint in the UAE, France and the UK to better serve our client's overseas banking requirements.

The Masraf team performed exceptionally to support our valued clients and deliver a solid financial performance in 2021, despite the many challenges presented by the COVID-19 pandemic. The Bank generated robust revenues across all business lines and this is a testament to the resilience of the operation. Net Profits for the year reached QAR 1,713 million and Total Income exceeded QAR 5 billion. Total Assets increased by 43.7% to QAR 174 billion, while Deposits stood at QAR 107 billion. Masraf Al Rayan has an excellent efficiency ratio, strong capital base and good liquidity, and is well positioned for future growth.

"Our customers are at the heart of everything we do and we realize the importance of ensuring meaningful support during difficult times, as long-term relationships are to the benefit of all parties. We have great pride in the thousands of deep relationships we have established across all sectors of society and business in Qatar, and overseas, through the many years we have been in operation. As we look to the future our aim is to be 'The Bank you Want to do Business With'."

Our customers are at the heart of everything we do and we realize the importance of ensuring meaningful support during difficult times, as long-term relationships are to the benefit of all parties. We have great pride in the thousands of deep relationships we have established across all sectors of society and business in Qatar, and overseas, through the many years we have been in operation. As we look to the future our aim is to be 'The Bank you Want to do Business With'. Through our people, branches, and technology we will be 'Always Available, Always Connected' and we will not waiver from our committed to adhering to the principles of honor and integrity in our dealings with our valued clients to ensure their future success. As a leading Islamic financial institution Masraf Al Rayan enjoys strong relationships with Government and Government Related Entities (GRE's), for which we are most grateful.

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

2021 Forbes Digital Qatar Symposium and Awards

- Most Valuable Company in Qatar

Global Investor MENA Awards

- Qatar Asset Manager of the Year
- EFT Provider of the Year

Masraf Al Rayan is dedicated to positive change. Environmental and social responsibility is very important to the bank and we recognize our obligations to make a positive impact on the local community. Awareness and commitment to these responsibilities are a key pillar of Masraf Al Rayan's strategy. We support the communities we operate in through donations to worthy causes and volunteerism. Through our University Sponsorship and Intern Program we identify and nurture the next generation of youth to become leaders ensuring they have the necessary skills and competencies to achieve their aspirations.

An integral part of our Human Resources policy is to proactively train, develop and promote local talent to continue the future success of the bank and their valued contribution to broader society; employee Qatarization rates are 27% at year-end and we pledge to uplift this metric. We carefully manage our gender and pay ratios to achieve strong representation and fairness across all grades and divisions within the bank.

From an environmental viewpoint, our head office at Lusail is a green building and rated GSAS 4 star, 10% of our head office building's energy is from renewable resources and 40% of our water needs are met through recycling. On the operational front, we have managed to significantly reduce paper files and in person business trips through the use of technology to minimize our carbon footprint. The bank will also prioritize sustainable green financing in line with our commitment to the global community.

Finally, I would like to acknowledge the hard work and dedication of all employees who are without doubt the core asset of our Bank. Our success would not be possible without the strength of a diverse and talented employee base in each country in which we operate. I also want to thank our shareholders, for their continuing support and their confidence in the Bank. To conclude, I wish to extend my heartfelt support and gratitude to our Chairman, Vice-Chairman and the Board.

As we face into 2022 we begin an exciting new chapter in the narrative of the bank, together through teamwork, commitment and focus on our goals our larger merged bank will become an Islamic financial powerhouse which will support the prosperity of our clients, development of the nation and enhance the bank›s social progress.

Fahad bin Abdulla Al Khalifa
Group Chief Executive Officer

MAR 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 Khalij 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 (34% market share)*
- 3rd largest listed Qatari bank by total assets (10% market share)*

Public Listing

- Ordinary shares listed on the Qatar Stock Exchange
- 3rd largest bank in Qatar by market capitalization (QAR 43.2 bn)**
- Total ordinary shares issued 9.3 billion

Rating

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

Ownership Structure

- Diversified shareholders base and strong institutional holding
- Government and Government-related entities (GREs) hold approx. 34.45% of shares
- Qatari Institutional investors hold approx. 16.45% of shares. Rest of 49.10% is owned by 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 (7.55%), Qatar Pension Fund (5.26%)

Share Overview

- MAR shares listed on the Qatar Stock Exchange
- Symbol: MARK
- ISIN: QA000A0M8VM3
- Market cap: QAR 43.2 bn
- Valuation multiples: P/E 20.71; P/B 1.83

Source: Qatar Central Bank, Bloomberg

* As of 30th September 2021

** As of 30th December 2021

The Merger

Dawn of a **New Era** in Banking Excellence in Qatar

2021 marked a major milestone for Qatar's burgeoning banking industry as Masraf Al Rayan successfully completed its legal merger with Al Khalij Commercial Bank PQSC ("al khaliji") on 1 December 2021 with the two banks now considered one legal entity bearing the Masraf Al Rayan name. While the legal merger is complete in Qatar, the combined entity will continue to focus on operational integration of the two banks into one seamless platform.

With over QAR 174 billion in total assets, Masraf Al Rayan is now one of the largest Shari'ah compliant banks in the region. With a robust capital position and strong liquidity, the bank is in prime position to accelerate Qatar's journey towards vision 2030 by leveraging its increased scale, compelling product offering and excellent talent base.

The merger is a turning point in Qatar's banking sector, enabling growth for corporates facilitating landmark deals, fostering SME development, and lending and supporting prosperity of private clients to manage and grow their wealth and for retail customers to reach their potential.

Masraf Al Rayan's capital increases from QAR 7.5 billion to QAR 9.3 billion, and al khaliji shareholders receive 0.5 ordinary shares in Masraf Al Rayan as consideration for every ordinary share held. Trading in Masraf Al Rayan shares continues with the increased capital.

2021 Key Facts & Highlights

With the merger, Masraf Al Rayan's capital increased from **QAR 7.5 billion to QAR 9.3 billion**

Customer Deposits
107
QAR billion

Shareholders' Equity
23.5
QAR billion

Financing Assets
121
QAR billion

CAR
21.15%

Net Profit
1,713
QAR million

Total Assets
174
QAR billion

Earnings per Share
0.217
QAR

Total Income
5,101
QAR million

Successfully achieved first merger of publicly listed banks in Qatar creating one of the largest Shari'ah compliant banks in the region with over **QAR 174 billion in total assets**

With a robust capital position, and strong liquidity, the bank is in a prime position to accelerate **Qatar's journey towards Vision 2030**

Corporate Governance

6.1 Independent External Auditor Report on Corporate Governance

Independent Assurance Report, to the Shareholders of Masraf Al Rayan Q.P.S.C. (“Group”) on the Board of Directors’ Report on Compliance with the applicable Qatar Financial Markets Authority Laws and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the Qatar Financial Markets Authority (“QFMA”)

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority (“QFMA”) Board pursuant to Decision No. (5) of 2016, we have carried out:

- a limited assurance engagement over the Board of Directors’ Annual Corporate Govern-ance Report (‘Directors’ CG Report’) on compliance of the Group with the applicable QFMA Laws and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market (the “Code”) as at 31 December 2021.

Responsibilities of the Board of directors and those charged with governance

The Board of Directors of the Group is also responsible for preparing the accompanying Annual Corporate Governance Report that covers, at the minimum, the requirements of Article 4 of the Code.

In the Introduction section of the enclosed Annual Corporate Governance Report, the Board of Directors provides its statement on compliance with the applicable QFMA Laws and relevant legislations including the Code.

Our Responsibilities

Our responsibilities are to issue a limited assurance report on whether anything has come to our attention that causes us to believe that the “Board of Directors’ Annual Corporate Governance Report on compliance with the applicable QFMA Laws and relevant legislations including the Code” stated in the Introduction section does not present fairly, in all material respects, the Group’s compliance with the QFMA Law and relevant regulation including the Code.

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' Annual Corporate Governance Report in the Introduction section taken as a whole, is not prepared in all material respects in accordance with the applicable QFMA Laws and relevant legislations including the Code. The applicable QFMA Laws and relevant legislations including the Code comprises the criteria by which the Group›s compliance is to be evaluated for purposes of our limited assurance report.

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.

Our limited assurance procedures comprise mainly of inquiries with management and inspection of supporting policies, procedures, and other documents to obtain an understanding of the processes followed to identify the requirements of the applicable QFMA Laws and relevant legislations including the Code (the 'requirements'); the procedures adopted by management to comply with these requirements; and the methodology adopted by management to assess compliance with these requirements. When deemed necessary, we observed evidences gathered by management to assess compliance with the requirements.

Inherent limitations

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

Because of the inherent limitations of certain qualitative criteria in the application of the relevant QFMA Laws and relevant legislations including the Code, 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 an audit trail.

Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior 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 Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Annual Corporate Governance Report (but does not include the Directors' Report on compliance with applicable QFMA Laws and relevant legislations including the Code presented in the Introduction section (the "Directors' Statement"), which we obtained prior to the date of this report.

Our conclusion on the Directors' Report on compliance with applicable QFMA Laws and relevant legislations including the Code does not cover the other information and we do not, and will not express any form of assurance conclusion thereon.

In connection with our engagement of the Directors' Report on compliance with applicable QFMA Laws and relevant legislations including the Code, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Directors' Statements or our knowledge obtained in the engagement, 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 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 Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Conclusions

Based on our limited assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Board of Directors' statement in the Introduction section of the Annual Corporate Governance Report on compliance with the applicable QFMA Laws and relevant legislations including the Code, is not, in all material respects, fairly stated as at 31 December 2021.

Doha, Qatar
Qatar Branch

For Deloitte & Touche
6 April, 2022

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

6.2 Independent External Auditor Report on ICOFAR

Independent Assurance Report, to the Shareholders of Masraf Al Rayan Q.P.S.C. ("the Bank''), on the Board of Directors' Report on the Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting.

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over The Board of Directors' Report on the evaluation of Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting (the 'Directors' ICFR Report') as of 31 December 2021.

Responsibilities of the Board of directors and those charged with governance

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

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

The Group has assessed the design, implementation and operating effectiveness of its internal control system as at 31 December 2021, based on the criteria established in the Internal Control — Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework").

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

- A description of the controls in place within the Components of Internal Control as defined by the COSO Framework;
- A description of the scope covering material business processes and entities in the assess-ment of Internal Control over Financial Reporting;
- A description of control objectives;
- Identification of the risks that threaten the achievement of the control objectives;
- An assessment of the design, implementation and operating effectiveness of Internal Control over Financial Reporting; and
- An assessment of the severity of design, implementation and operating effectiveness of con-trol deficiencies, if any noted, and not remediated at 31 December 2021.

Our Responsibilities

Our responsibility is to express a reasonable assurance opinion on the fairness of the presentation of the "Directors' ICFR Report" presented in Section 8 of the Annual Corporate Governance Report, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as at 31 December 2021.

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

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

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

31 December 2021 and comparing this to the assessment included in the Directors' ICFR Report, as applicable.

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

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

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to affect the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: Entity Level Controls, Revenue, Financing assets, Investments, Expected Credit Losses, Financial reporting and disclosures and Information Technology Controls.

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

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

Meaning of Internal Control over Financial Reporting

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

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

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

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

Inherent limitations

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

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

Our Independence and Quality Control

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

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

Opinion

In our opinion the Directors' ICFR Report in Section 8 of the Annual Corporate Governance Report, is fairly stated, in all material respects, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as of 31 December 2021.

Doha, Qatar
Qatar Branch

For Deloitte & Touche
6 April, 2022

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

6.3 Corporate Governance Report 2021

1. Introduction

2021 was a year of significant changes at Masraf Al Rayan QSPC ("MAR and/or "Bank"). The MAR General Assembly of Shareholders approved the merger with Al Khalij Commercial Bank (al khaliji) PQSC ("Merger"). The merger agreement was signed on January 7, 2021, under which it was agreed to merge al khaliji's business into MAR's activities and to continue with MAR as the surviving entity operating under the Islamic Sharia principles. Legal Day 1 of the Merger was announced on December 1st, 2021 upon completion of the legal requirements. Management continues to deploy every effort to complete the operational integration into one platform as soon as possible. The present Corporate Governance report covers the full reporting period as at December 31, 2021, while taking into consideration the changes that MAR went through during 2021 and after Legal Day 1. In addition to the Merger, 2021 marked the continuous spread of Covid-19 and its impacts on economies, financial markets and social life.

Amidst these developments, MAR continued to comply with the Corporate Governance guidance issued by Qatar Central Bank (Qatar Central Bank Circular 68 of 2015), and the Corporate Governance Code for Companies and Entities Listed on Primary Markets issued by Qatar Financial Markets Authority's Board Decision number 5 of 2016, as well as Qatar's Companies Law number 11 of 2015 amended by Law No (8) of 2021, in addition to the sound corporate governance principles outlined by the G20 and the Organization for Economic Cooperation and Development (OECD) issued in 2015 (which included the principles of the International Organization of Securities Commissions – IOSCO in this regard), the International Corporate Governance Network (ICGN) issued in 2014, as well as the Gulf Cooperation Council unified guidance on Corporate Governance issued in 2012, as well as the other related laws and regulations.

We believe in sound corporate governance principles. As such, we ensure all aspects of our core business and all our activities are compliant at all time with all applicable laws and regulations including but not limited to those governing the roles and responsibilities of the Board of Directors, Senior Management, employees, fairness and equality treatment of all stakeholders, monitoring and managing risks, transparency and disclosures, managing stakeholders' rights, corporate social responsibility. We believe that sound corporate governance will always have a positive impact on shareholders, customers and other stakeholders being founded on 3 key pillars:

A. Transparency
B. Accountability
C. Fairness and Equality

2. Masraf Al Rayan Ownership

Capital Structure

MAR share capital is QAR 9.3 billion (Qatari Riyals nine billion and three hundred million) distributed over 9.3 billion shares of a nominal value of QAR 1 per share consisting of the founding capital of QAR 7.5 billion (Qatari Riyals seven billion and five hundred million) and the "additional capital" of QAR 1.8 billion (Qatari Riyals one billion and eight hundred million) that is the result of the valuation of Al Khalij Commercial Bank (al khaliji) P.Q.S.C; The current capital structure was amended by Extraordinary General Assembly Decision held on October 5, 2021 approving the Merger with al khaliji.

Major Shareholders owning up to or more than 5% of MAR capital (as on 31 December 2021)

	Name	Type	Nation	Shares	%
1	Qatar Holding Company	Government	Qatar	1,363,862,390	14.67%
2	Qatar Armed Forces Investment Portfolio	Government	Qatar	701,874,781	7.55%
3	Qatar Investment Authority	Government	Qatar	513,589,825	5.52%
4	Pensions Fund – General Retirement and Social Insurance Authority	Government	Qatar	489,186,657	5.26%

Ownership by Citizenship (as on 31 December 2021)

Citizenship	Number of Shareholders	Number of Shares	% of Capital
Qatar	60,912	8,870,293,639	95.38%
Kuwait	20,314	118,312,993	1.27%
Oman	26,646,939	4,213	0.29%
Bahrain	17,307	41,967,538	0.45%
Saudi	61,488	136,506,643	1.47%
Emirates	25,635	56,332,571	0.61%
Others	53	49,939,677	0.54%
Total	**189,922**	**9,300,000,000**	**100%**

3. The Board of Directors

Board Charter

MAR Board continued to function in accordance with its charter throughout 2021and up to Legal Day 1 of the Merger. Upon completion of the legal Merger, the Board sets out a new written charter that was designed in accordance with the applicable laws, regulations, the Bank's amended Articles of Association post-merger and best practices. The Board Charter 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. It equally comprises 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.

Board Composition

According to MAR's Articles of Association, MAR shall be managed by a Board of Directors consisting of eleven (11) Members. Two (2) Members shall be appointed by Qatar Investment Authority through its fully owned subsidiary Qatar Holding LLC, or through any other entity designated by Qatar Investment Authority. One (1) Member shall be appointed by the General Retirement and Social Insurance Authority, and one (1) Member shall be appointed by Barzan Holding Company Owned by the Ministry of Defense. The remaining seven (7) members shall be elected by the General Assembly of Shareholders by secret ballot. At least one-third of the Members of the Board must be independent, and the majority of the Members shall be non-executives. The Board may include one or more seat(s) representing minorities and employees. In all cases, the composition of the Board must ensure no one has full control over its decisions.

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

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

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

Other positions currently held:

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

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

- Executive and Non-Independent Member*
- Represent QIA/Qatar Holding LLC ("QH") on Board of Masraf Al Rayan since 1 December 2021
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 11,815,661 shares
- Number of shares held by QIA/QH and its related entities as of 31-Dec-2021: 1,915,632,215 shares

Other positions currently held:

- Vice Chairman, Qatari Investors Group
- Board Member, Qatari Businessmen Association
- Board Member, Qatar Insurance Company (QIC)
- Board member, Free Zone Authority
- Board Member, Vodafone Qatar

Abdullah Nasser Al Misnad
Board Member – Qatari

- Non-Executive and Non Independent Member*
- Joined Masraf Al Rayan Board on 1 December 2021
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 35,939,753 shares

Other positions currently held:

- Chairman, Qatari Investors Group
- Chairman, Vodafone Qatar

Turki Mohamed Al-Khater
Board Member – Qatari

- Executive and Non-Independent Member*
- Appointed by General Retirement & Social Insurance Authority ("GRSIA") on Board of Masraf Al Rayan on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 436,760 shares
- Number of shares held by GRSIA as of 31-Dec-2021: 489,186,657 shares

Other positions currently held:

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

Nasser Jarallah Saeed Jarallah Al Marri
Board Member – Qatari

- Non-Executive and Non-Independent Member*
- Appointed by Barzan Holding/Qatar's Ministry of Defense on Board of Masraf Al Rayan on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 10,580 shares
- Number of shares held by Barzan Holding/Qatar's Ministry of Defense as of 31-Dec-2021: 701,874,781

Other positions currently held:

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

Sheikh Ali bin Jassim Al Thani
Board Member - Qatari

- Executive and Non-Independent Member*
- Elected to Masraf Al Rayan Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 17,847,950 shares

Other positions currently held:

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

Tamy Ahmad Al-Binali
Board Member – Qatari

- Non-Executive and Independent Member*
- Elected to Masraf Al Rayan Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 0 shares

Other positions currently held:

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

Abdulla Ahmad Al Malki Al Jehani
Board Member - Qatari

- Non-Executive and Non-Independent Member*
- Elected to Masraf Al Rayan Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 4,300,602 shares

Other positions currently held:

- Board Member, Qatar General Insurance & Reinsurance Co.

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

- Executive and Non-Independent Member*
- Elected to Masraf Al Rayan Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 1,000,000 shares

Other positions currently held:

- Chief Commercial Officer, Ooredoo

Mohammed Ibrahim Al-Abdullah
Board Member – Qatari

- Non-Executive and Independent Member*
- Elected to Masraf Al Rayan Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 0 shares

Other positions currently held:

- Board Member, Muntajat

Dr. Abdulrahman Mohammed Al-Khayarin
Board Member – Qatari

- Non-Executive and Independent Member*
- Elected to Masraf Al Rayan Board on 18 March 2020
- Number of shares held directly or indirectly (through own companies or family members) as of 31-Dec-2021: 0 shares

Other positions currently held:

- Board Member, Barwa Real Estate

* Note: Executive Directors are defined in accordance with QCB Corporate Governance Circular 68 of 2015. Independent and Non-Executive Directors are defined in accordance with QFMA Corporate Governance Code No. 5 of 2016 and QCB Corporate Governance Circular 68 of 2015; In case of conflict, the more stringent definition has been applied as per the principle of compliance defined in MAR's Articles of Association.

Board Responsibilities and Other Duties

Board Responsibilities

A. Approving the strategic plan and the main objectives of the bank and supervising its im-plementation, inclusive of:
   1. Developing, reviewing, and directing the Bank›s overall strategy, main business plans, and risk management policy
   2. Determining the optimal capital structure for the Bank as a company, its strategy, fi-nancial objectives, and approving its annual budgets
   3. Overseeing the major capital expenditures of the Bank, as well as the acquisition and disposal of assets
   4. Setting objectives, monitoring their implementation, and monitoring the overall perfor-mance in the Bank
   5. Periodic review and approval of the Bank's organizational structures to ensure a con-trolled distribution of the functions, tasks, and responsibilities of the Bank; especially in regards to internal control units
   6. Approving the procedures that guide implementing the Bank's strategy and objectives that are s prepared by the Senior Management; ensuring that they include defining the means and tools for rapid communication with Qatar Financial Markets Authority, and other regulatory authorities as well as other parties concerned with governance; thus naming and designating a contact officer for this responsivities
   7. Approving the annual training and education plan for the Bank, provided that it in-cludes Bank induction programs that educate about the Bank's activities and govern-ance

B. Establishing internal controls, related policies, and supervision over them, including:
   1. Instating a written policy regulating conflict of interest, addressing potential conflict of interest situations for both the Board Members, Senior Executive Management, and Shareholders, that also covers the misuse of the Bank's assets and facilities, and po-tential misconduct resulting from transactions with related parties
   2. Establishing a full disclosure policy in order to achieve justice and transparency and prevent conflicts of interests and exploitation of information that is not available to the public. This policy shall also include the principles to be followed by insiders when dealing in securities, and specifying periods for prohibiting them from trading in the securities of the Bank or any of its Group Companies. In addition to preparing and up-dating a list of insiders and providing the Qatar Financial Markets Authority and the Market with a copy of it as soon as it is approved or updated.
   3. Ensure the integrity of the financial and accounting systems, including those related to the preparation of financial reports

4. Ensuring the application of appropriate control systems to manage risks, by defining the general perception of the risks that the bank may face and presenting them in a transparent manner
5. Annual review of the effectiveness of the bank's internal control procedures

C. Establishing a corporate governance policy for the Bank in line with the provisions of the Corporate Governance Code for Companies issued by Qatar Financial Markets Authori-ty, as well as supervising it, monitoring its effectiveness, and amending as needed

D. Developing clear and specific policies, standards, and procedures for the Membership of the Board; as well as implementing them after approval by the General Assembly thereof

E. Develop a written policy regulating the relationship between Stakeholders in order to protect them and preserve their rights. This policy shall cover the following:
1. The mechanism for compensating stakeholders in the event of a violation of their rights, which are recognized by regulations and protected by contracts
2. The mechanism for settling complaints or disputes that may arise between the Bank and Stakeholders
3. An appropriate mechanism for establishing good relations with customers and suppliers, as well as maintaining the confidentiality of information related to them
4. Code of professional conduct for the Executive Management and employees of the Bank in order to comply with sound professional and ethical standards regulating the relationship between them and Stakeholders, as well as the mechanisms for monitoring the implementation these principles and adherence thereto

F. Sharia Supervisory Board
Masraf Al Rayan appointed an independent Shariah Supervisory Board (SSB) consisting of scholars and experts specialized in the jurisprudence of Islamic transactions and with experience in the work of Islamic financial institutions. Amongst the duties of the Bank's Board in this regard are the following:
1. Recommending the appointment or dismissal of Members of the Sharia Supervisory Board of the Bankb following the set procedures followed (and it is not permissible to remove or dismiss the Sharia Supervisory Board or any of its Members unless a rec-ommendation is issued by the Bank's Board and a decision of the General Assembly, provided that the decision is justified)
2. Determining and approving the Sharia Supervisory Board's remuneration based on a mandate from the General Assembly
3. Approving the Shari'a Supervisory Board's executive regulations, which include its charter, functions, responsibilities, independence, and the arrangement of its relation-ship with the Board of Directors, the Executive Management and other departments and units of the bank, as well as the mechanism for its reports preparation
4. Receiving and discussing the reports that the SSB sends to the Board periodically and annually, which include the SSB's view of the extent of the Bank's commitment to the provisions of Sharia in all its activities, as well as the report on any activities in vio-lation of Sharia (if any)
5. Ensuring that all the Bank's activities are carried out in accordance with the provisions of Islamic Sharia, and ensuring that the letters of appointment of the SSB Members in-clude the Board's commitment thereto

G. Developing a policy for the Bank›s Corporate Social Responsibility

H. Developing policies and procedures that ensure the Bank›s respect for laws, applicable regulations, and its commitment to disclosing information to Shareholders, creditors and other Stakeholders

I. Sending an invitation to all Shareholders to attend the General Assembly Meeting as per the manner prescribed by law. The invitation and the announcement must include an ad-equate summary of the General Assembly's Agenda, including the items for discussion, and approving the Corporate Governance Report.

J. Approving the nominations for appointment of Senior Management positions, and the Management succession plan

K. Establishing a mechanism for dealing and cooperating with providers of financial ser-vices, financial analysis, credit rating, and other service providers, as well as the bodies setting the standards and the indicators of financial markets performance for them to provide their services quickly, honestly, and transparently to all Shareholder

L. Develop the necessary awareness programs to spread the culture of self-monitoring and risk management in the Bank

M. Adopting a clear and written policy that defines the basis and method for granting Board Members' remunerations, incentives, and bonuses to the Senior Management and the Bank's employees in accordance with the principles of the Corporate Governance Code for Companies issued by Qatar Financial Markets Authority without any discrimination on the basis of race, gender, or religion, and presenting it to the General Assembly annually for endorsement

N. Developing a clear policy for contracting with related parties (managing conflicts of inter-est policy)

O. Laying the foundations and criteria for evaluating the performance of the Board and Sen-ior Management

Board Duties

The Board owes a duty of care to all Shareholders. To this end, it must take the necessary care in managing the Bank in an effective and productive manner to the best interest of the Bank, its partners, Shareholders, and Stakeholders, and achieve public prosperity and investment devel-opment in the country as well as the development of society. The Board must bear the responsi-bility of protecting Shareholders from illegal or abusive acts and practices, or any actions or de-cisions that may harm them, discriminate between them, or enable one group thereof to dominate over another. The Board (without prejudice to the provisions of the law) shall perform its func-tions and tasks, and bear its responsibilities in accordance with the following:
1. The Board must perform its duties responsibly, in good faith, with seriousness and due care, and its decisions should be based on adequate information from the Executive Management, or from any other reliable source
2. A Board Member represents all Shareholders, and he must abide by what achieves the best interests of the Bank, not only the interests of those whom they represent or those whom have elected them to the Board
3. The Board must specify the powers it delegates to the Senior Management, the decision-making procedures and the mandate period. It also defines the issues that it retains the authority to decide on. The Senior Management submits periodic reports on its exercise of its delegated powers.
4. The Board must ensure that procedures are put in place to familiarize the new Board Members with the Bank's work, especially the financial and legal aspects, as well as train them if necessary
5. The Board must ensure that the Bank provides sufficient information about its affairs to all Members of the Board in general and to non-executive Members of the Board in particu-lar, in order to enable them to carry out their duties and tasks efficiently
6. The Board may not conduct loan contracts with terms exceeding three years, sell or mortgage the Bank's real estate, or release the Bank's debtors from their obligations un-less they are authorized to do so in the Bank's Articles of Association and the conditions set forth therein. In the event where such acts are authorized under the Bank's Articles of Association, the Board may only perform such acts with the permission of the General Assembly, unless such acts fall within the objectives of the Bank (by virtue of the nature of the Bank's work)

Additional Information about the Board

At MAR, Members of the Board of Directors have full and immediate access to information, doc-uments, and records related to the Bank. The MAR Senior Management is committed to provid-ing the Board and its Committees with all the required documents and information. The Members of the Board of Directors make sure to attend the General Assemblies.

The Board has adopted an induction program that has been developed, and its details updated periodically, to ensure that the Members of the Board, upon their election, have an adequate un-derstanding of the Bank's workflow and operations, and are fully aware of their responsibilities.

Members of the Board are responsible for attaining good awareness of their role and duties, and they must educate themselves in financial, commercial, and industrial issues and in the Bank's operations and work. For this purpose, the Board provides its Members as needed appropriate and formal development courses aimed at supporting the skills and knowledge of the Members of the Board.

Moreover, the Board of Directors works to keep its Members always informed of developments in the field of governance and best practices in this regard, and the Board may delegate this to any of its specialized Committees.

The MAR Articles of Association include clear procedures for dealing with situations related to the vacancy of the position of a Member of the Board of Directors or dismissal thereof (Article No. 28).

Board Remuneration

According to MAR Articles of Association, in particular, Article (40), the Board Members receive compensation for attending Board Meetings and Board Committee Meetings in accordance with the Board of Directors' Remuneration and Compensation policy, which is endorsed annually by the Board, and approved by the Ordinary General Assembly; and these remunerations are dis-closed in the Financial Statements.

The Chairman of Board of Directors

The Chairman of the Board of Directors is the president of the Bank and represents it before the courts and third parties. He is primarily responsible for the good management of the Bank in an effective and productive manner and working to achieve the interest of the Bank as a company, its partners, its Shareholders and other Stakeholders. The role of the Chairman is defined me-ticulously in the Board Charter. Below are the key responsibilities vested in the Chairman under the Board Charter: must and does include the following, as a minimum:
1. Ensuring that the Board discusses all key issues in an effective and timely manner
2. Approving the Agendas of Board Meetings, taking into account any issue raised by any Member of the Board
3. Encouraging the Members of the Board to participate collectively and effectively in the conduct of the affairs of the Board, and to ensure that the Board carries out its responsi-bilities in the best interests of the Bank
4. Making available all data, information, documents, records of the Bank, records of the Board and its Committees to the Members of the Board
5. Finding effective communication channels with Shareholders and working to convey their views to the Board
6. Allow non-executive Board Members in particular to actively participate in the Board; and to encourage constructive relations between the executive and non-executive Board Members.
7. Keeping Members informed about the implementation of the provisions of the Board Char-ter, and the Chairman may delegate the Audit Committee or others to do so

The Vice Chairman supersedes the Chairman in his absence, and the Chairman may delegate some of his powers to other Members of the Board.

His Excellency Sheikh Mohamed Bin Hamad Bin Qassim Al-Thani was appointed to the Board of MAR in November 2021 by Qatar Investment Authority acting through Qatar Holding LLC. On 12 December 2021, upon Legal Day 1 of the Merger, the Board of MAR, in its capacity as the merged entity, elected H.E Sheikh Mohamed Bin Hamad Bin Qassim Al Thani as Chairman of the Board and H.E Sheikh Hamad Bin Faisal Bin Thani Al-Thani as Vice Chairman.

Board Members Obligations

The following is a summary of the obligations of the Members of the Board of Directors:

Core obligations:

1. Regularly attending the Meetings of the Board and its Committees, and not withdrawing from the Board except for necessity and at the appropriate time
2. Putting the interests of the Bank, partners, shareholders and other Stakeholders ahead of the private interest
3. Expressing opinions on the strategic issues of the Bank, its policy in implementing its pro-jects, its staff accountability policies, its resources, basic appointments, and its work standards
4. Monitoring the Bank's performance in achieving its goals and objectives, and reviewing reports on its performance, including annual, semi-annual, and quarterly reports (the Bank's financial statements)
5. Supervising the development of procedural rules for governance, and working to imple-ment them in an optimal manner in accordance with Board Charter
6. Utilizing their diverse skills and experiences as per their various specializations and quali-fications in managing the Bank in an effective and productive manner, and working to achieve the best interests of the Bank, partners, Shareholders and other Stakeholders
7. Effective participation in the Bank›s General Assemblies, and obliging the demands of its Members in a balanced and fair manner
8. Not to make any declarations, statements, or release information without the prior written permission of the Chairman, or whomever the Chairman authorizes for this purpose, and the Board shall name the official spokesperson for the Bank.
9. Disclosure of their financial and commercial relations, as well as any lawsuits that may negatively affect their performance of their tasks and functions that have been assigned to them

The Members of the Board may request the opinion of an independent external advisor at the Bank›s expense in relation to any matter concerning the Bank.

Additional Obligations:

- The management of the Bank with due diligence and care, dedication, and allotting suffi-cient attention and time to the work entrusted to them, and adherence to the institutional authority of the Bank as specified in the relevant laws, regulations, and instructions.
- Act on the basis of clear information, in good faith, and with the necessary due care and attention, in the best interests of the Bank and all Shareholders.
- Act effectively to fulfill their responsibilities towards the Bank.
- Protect the interests of the Bank, abide by the complete confidentiality of information, and refrain from any actions that would lead to any kind of unauthorized disclosure or the use of any information bearing a confidential nature.
- Participate in Meetings on a regular basis, including Meetings of the Board of Directors, Meetings of the General Assembly, and Meetings of the Committees emanating from the Board, and enriching those meetings with their discussions and opinions, and to debate effectively and independently.

Board Meetings

Meeting Invitations

The Bank meets by invitation from the Chairman in accordance with the Bank's articles of asso-ciation. The Chairman must call the Board to a Meeting whenever requested by at least two Members. The invitation is sent to each Member accompanied by the Agenda at least one week before the date set for the Meeting. Any Member may request one or more items to be added to the Agenda.

The Board holds at least six Meetings in a year, and three months may not elapse without hold-ing a meeting. The Meeting of the Board is not valid unless attended by the majority of its Mem-bers, provided that the Chairman or Vice-Chairman is amongst them. An absent Member may delegate in writing another Member of the Board to represent them in attendance and voting, provided that no Member may represent more than one Member, and if a Board Member is ab-sent from attending three consecutive meetings, or four non-consecutive meetings, without an excuse accepted by the Board, the Member is considered as having resigned. Participation in Board Meetings may be done via any secure and accepted modern technology medium that en-ables the participant to listen and actively participate in the Board's deliberations and in issuing decisions.

Board Meetings in 2021

The MAR Board held 6 meetings in 2021 on the following dates:

First meeting:	January 7, 2021
Second meeting:	January 19, 2021
Third meeting:	April 19, 2021
Fourth meeting:	July 13, 2021
Fifth meeting:	November 28, 2021
Sixth meeting:	December 12, 2021

Board Resolutions

Board Resolutions are issued by the majority of the votes of the attendees and representatives. In case of equal votes, the Chairman shall have the casting vote. Minutes of meeting are drafted for each meeting, stating the names of the Members present and absent, meeting deliberations, and are signed by the Chairman and Secretary. Objections of any member on any decision is-sued by the Board are documented in the minutes. The Board may, in case of necessity and for reasons of urgency, issue some of its decisions by circulation, provided that all members agree in writing to those decisions, and that they are presented at the next meeting of the Board for en-dorsement and to be included in the Minutes of that Meeting.

In 2021, the MAR Board issued a number of resolutions and recommendations that fall within its remit. It is understood that such resolutions are in the best interests of the Bank, its shareholders and stakeholders.

The MAR Board exercises its powers and responsibilities in accordance with the Bank's Memo-randum and Articles of Association, the QCB and QFMA regulations. The Board is collectively responsible for supervising the management of MAR in an appropriate manner and in accord-ance with the Board Charter. The Board approves the strategic objectives and the policies that set up the controls of MAR activities.

Company Secretary

According to the Board Charter, the Board shall appoint a Company Secretary. Priority shall be given to those who hold a university degree in law or accounting from a recognized university or its equivalent, and to those who have at least three years' experience in handling the affairs of a listed company. 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 du-ties.

On 12 December 2021, upon Legal Day 1 of the Merger, the MAR Board appointed under Reso-lution No. 4/6/2021 Mr. Tony Merhej as Company Secretary to work within an independent unit reporting directly to the Board of Directors. The Board also approved the Company Secretary Charter that defines the role and responsibilities of the Secretary. The Charter is developed in accordance with the requirements of the relevant applicable laws and regulations and the Bank's Articles of Association. The Secretary works closely with the Chairman of the Board and the chairpersons of the Board Committees to prepare for Board and Committees' meetings. The Secretary plays a key role in facilitating communications between Board Members and Senior Management. In addition, the Secretary is responsible for overseeing the implementation of the Bank›s corporate governance framework. Mr. Merhej holds a Master ‹s degree in Linguistics and Legal Translation, which includes law studies, and has over 15 years of experience in corporate governance, compliance, and legal affairs.

Board Committees

The Board delegated parts of its responsibilities to a number of sub-committees. Board commit-tees are created in accordance with the provisions of the relevant corporate governance laws and regulations and specific banking requirements. All Board sub-committees function within de-fined and written Terms of Reference approved by the Board. Decisions taken at sub-committees' level are documented in minutes signed by the chair and secretary of the committee and are presented to the full Board for endorsement. The Chairman of the Board may not be member of any Board committee. Members of Audit Committee may not sit on any other Board committees.

Upon Legal Day 1 of the Merger on 1 December 2021, MAR Board restructured all its commit-tees. The report herein covers the Board committees pre and post Legal Day 1 of the Merger.

Executive Committee

Committee's key responsibilities pre Legal Day 1 of Merger:

- Reviewing the main functions of the Board of Directors
- 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
- Presenting reports and recommendations to the Board of Directors regularly and upon request
- Recommending and authorizing financial issues in accordance within the approved dele-gations
- Recommending the approval of policies and regulations or any amendments or additions thereto
- Approving or recommending ceilings for dealing with the countries and financial institu-tions that the Bank deals with (new and existing), and recommending necessary amend-ments as needed

The Committee held the following Meetings during 2021:

First meeting:	January 11, 2021
Second meeting:	April 14, 2021
Third meeting:	July 5, 2021
Fourth meeting:	October 11, 2021

Main decisions and activities of the Committee in 2021: At each meeting of the Board, the Chairman of the Committee submits a report on the activities and work of the Committee and the main decisions issued by it to the full Board. In 2021, the Board of Directors endorsed all the recommendations and decisions of the Committee. The most notable were:

- Discussing and approving or recommending or he Board approval of credits and fi-nancings
- Reviewing the various activities of the Bank and its business and making recommenda-tions to the Board of Directors as appropriate

Committee membership pre Legal Day 1
(1 January 2021 - 30 November 2021)

- Mr. Turki Mohamed Al-Khater
  Chairperson
- Mr. Abdulrahman Al-Khayarin
  Member
- Sheikh Nasser bin Hamad Al Thani,
  Member
- Sheikh Ali bin Jassim Al Thani,
  Member

Upon Legal Day 1 of the Merger on 1 December 2021, the Board restructured all its committees. The members and remit of the Executive Committee were changed. In addition to the key re-sponsibilities mentioned above, the Committee is now responsible for Bank investments including approval of new investments in accordance with its approved delegation, oversight of Group re-lated funds and investments overseas and approval of policies that are outside the remit of other sub-committees.

Committee membership post Legal Day 1
(1 December 2021- 31 December 2021)
- Sheikh Hamad Bin Faisal Bin Thani Al Tani
  Chairperson
- Mr. Turki Mohamed Al-Khater
  Member
- Sheikh Nasser bin Hamad Al Thani
  Member
- Sheikh Ali bin Jassim Al Thani,
  Member

No meeting was held by the Committee for the period from 1 to 31 December 2021. The remit of the Committee was amended upon Legal Day 1 of Merger to include the responsibilities of the Group Investment Committee in addition to the Committee's key responsibilities set forth above.

Risk and Policies Committee

Committee's key responsibilities pre Legal Day 1 of Merger:

Risk Management
A. Operational risk
   1. Reviewing the effectiveness of risk management across the Bank
   2. Assessment of new material risks affecting the Bank
   3. Determining modern strategic risks, including institutional matters such as regulatory frameworks, business development, and the like
   4. Review the Key Risk Indicators and identify matters that should be of interest to the Board of Directors on a quarterly basis
   5. Review of operating losses that materially affect the Bank
   6. Review all risk policies on an annual basis

B. Credit Risk
   1. Annual review of credit policies
   2. Establish and review collaterals coverage when necessary and at least once a year
   3. Approving and reviewing the maximum limits for transactions with other Banks, and the maximum limits for transactions with other countries, when necessary and at least once annually
   4. Reviewing arrears and non-performing accounts and recommending appropriate pro-visions
   5. Evaluation of write-off or return to performance against provision levels
   6. Reviewing and monitoring the lawsuits filed and the collection/remediation processes

C. Monitor reputation risk and all risks not covered above

D. Bank Policies: considering, developing, and updating policies that require the approval of the Board of Directors

The Committee held the following meetings in 2021:

First meeting: April 15, 2021
Second meeting: July 5, 2021
Third meeting: October 4, 2021

Main decisions and activities of the Committee in 2021:
At each meeting of the Board, the Chairman of the Committee submits a report on the activities and work of the Committee and the main decisions issued by it to the full Board. In 2021, the Board of Directors endorsed all the recommendations and decisions of the Committee. The most notable were:
- Review and approve Internal Capital Assessment ICAAP
- Review and approve the recovery plan and stress tests
- Discuss and approve various policies at MAR
- Discuss periodic risk reports and taking appropriate actions as required

Committee membership pre Legal Day 1
(1 January 2021- 30 November 2021)
- Mr. Turki Mohamed Al-Khater
  Chairperson
- Mr. Nasser Jarallah
  Member
- Mr. Abdullah Al-Malki
  Member

Upon Legal Day 1 of the Merger on 1 December 2021, the Board restructured all its committees. The Committee was renamed to "Risk and Compliance Committee". In addition to the key re-sponsibilities mentioned above, the Committee is now responsible for Compliance and Anti Mon-ey Laundering responsibilities in accordance with QCB requirements and approval of all risk, compliance and AML policies. The members of the Committee were also changed.

Committee membership post Legal Day 1
(1 December 2021- 31 December 2021)
- Mr. Turki Mohamed Al-Khater
  Chairperson
- Mr. Abdulrahman Al Khayareen
  Member
- Mr. Mohamed Al Abdulla
  Member

No meeting was held by the Committee for the period from 1 to 31 December 2021.

Group Investment Committee

Committee's key responsibilities pre Legal Day 1 of Merger:
- Develop and amend investment policies for Masraf Al Rayan, which includes (1) Masraf Al Rayan policies, (2) Risk limits that include investment guidelines (3) Investment limits in each sector and border Country-specific investment, and (4) Determining the areas of prohibited investments.
- Reviewing and approving the investment operations of the Group, in accordance with in-vestment limits Set for a single deal or for a total of deals throughout the year, according to what is stated in the investment policy
- Monitoring the investment portfolio management of the Group to ensure compliance with what is stated in the investment policy
- Evaluate the performance of an investment portfolio Masraf Al Rayan based on compar-ing the real return with the expected return, in addition to comparing it with other indica-tors approved by the Board of Directors. The evaluation takes into account the extent of compliance of the investment with directions in the investment policy of Masraf Al Rayan
- Reviewing periodic analysis and reports for each of the Group›s investment portfolios
- Reviewing Masraf Al Rayan ‹s strategic investments whenever the need arises
- Carrying out other duties and assuming responsibilities and exercising its delegated au-thorities in accordance with the Board's mandate
- Preparing reports and submitting them to the Board to inform of the investment decisions taken, the policies, and the performance of the investments
- Carrying out other duties, as required, in accordance with changes in the policy of the Board of Directors, instructions of the Qatar Central Bank or the Qatar Financial Markets Authority, or according to market developments.
- Approval of investment deals in accordance with the specified ceilings of the Committee's delegation and submit recommendations for deals with higher ceilings for approval by the Board
- Inviting the concerned persons to the Committee's Meetings to provide expert opinions in their areas of competence

The Committee held the following meetings during the year 2021:

First Meeting: April 15, 2021
Second Meeting: July 6, 2021
Third Meeting: October 11, 2021

Main decisions and activities of the Committee in 2021:
- Discussing MAR investments inside and outside Qatar and making recommendations to the Board of Directors as appropriate

Committee membership pre Legal Day 1
(1 January 2021- 30 November 2021)
- Shekh Ali Bin Jassim AL Thani
  Chairperson
- Mr. Mohamed Al Abdulla
  Member
- Sheikh Nasser Bin Hamad Al Thani
  Member
- Mr. Nasser Jaralla Al Marri
  Member
- Mr. Ahmed Al Sheikh
  Member
- Mr. Haitham Katerji
  Member

Upon Legal Day 1 of the Merger on 1 December 2021, the Board restructured all its committees. The Group Investment Committee was revoked and all its responsibilities were assumed by the Executive Committee of the Board.

Audit and Compliance Committee

Committee's key responsibilities pre Legal Day 1 of Merger:
- Appointing external auditors annually and approving their contracting policy.
- Supervising and following up the independence and objectivity of the external auditors, and discussing with them the nature, effectiveness and scope of the audit in accordance with international auditing standards and international financial reporting standards.
- Reviewing the Engagement Letter of appointment of the external auditor, his work plan, and any important inquiries or observations he requests from the senior management in the Bank, as well as the responses of the Executive Management.
- Take over all matters related to the external auditor, such as recommending to the Board of Directors the nomination, dismissal, remuneration, scope and results of the audit and inspection for the tasks assigned to him.
- Ensure coordination between the internal auditors and the external auditor.
- At least once a year meeting with the financial manager at the Bank or the person re-sponsible for coordinating between the Bank and the external auditor
- Examining any important and unusual issues that are or will be included in the financial reports
- Appointing or dismissing the head of the internal audit department and supervising its ef-fectiveness.
- Appointment of a Money Laundering Reporting Officer entrusted with all tasks related to combating money laundering and terrorist financing.
- Supervising and following up the Internal Audit and Compliance Department and ensuring their independence, as well as discussing and recommending the annual plan and appro-priate training for them.
- Reviewing the internal control systems, approving the Bank's internal and external audit reports, following up on the correction of violations contained therein, and setting the nec-essary controls to ensure that they are not repeated.
- Coordination with the Risk Management Committee on the evaluation of risk management and hedging systems
- Reviewing and recommending the charter, policies and work procedures for the Internal Audit Department and the Compliance Department on an annual basis.
- Supervising the work of the Compliance Department that identifies, evaluates, and pro-vides advice, monitors and reports on the risks of non-compliance with the applicable laws, regulations, instructions, and standards. As well as setting its position in the organi-zational structure in a position that secures it the necessary independence and effective-ness. As well as providing sufficient resources and quick and clear channels to submit reports to the Committee and the Executive Management, and providing them with the necessary authority to access information within the framework of a clear and sufficient policy.

- Ensuring the existence of effective policies, procedures, systems and controls in relation to combating money laundering and terrorist financing in accordance with the require-ments of the Anti- Money Laundering and Combating Financing of Terrorism Law and the relevant Central Bank instructions issued in May for the year 2020.
- Reviewing the quarterly reports prepared by the Compliance Department.
- Establish rules approved by the Board of Directors through which Bank employees can confidentially report their doubts about any matter likely to raise suspicion, and ensure that appropriate arrangements are in place that allow for an independent and fair investi-gation into these matters while ensuring that the reporting worker is granted confidentiality and protection from any harm or negative reaction (whistleblower protection policy).
- Supervising the accuracy and validity of the financial statements and annual, semi-annual, and quarterly reports, and reviewing those statements and reports related to compliance with accounting standards, market listing, and disclosure.
- Ensure that internal audit work includes a review of the compliance officer›s activities.
- Assessing the impact of the new regulations on Masraf Al Rayan.
- Review the annual Money Laundering Reporting Officer (MLRO) report
- Study any other issues specified by the Board of Directors.

The Committee held the following meetings during 2021:

First meeting:	January 19, 2021
Second meeting:	April 13, 2021
Third meeting:	April 19, 2021
Fourth meeting:	July 13, 2021
Fifth meeting:	September 14, 2021
Sixth meeting:	October 18, 2021

Main decisions and activities of the Committee in 2021:
- Reviewing and discussing the independent auditors' report on the review of the internal control system, the interim and audited 2021 financial statements including the Manage-ment Letter.
- Reviewing and discussing and recommending the interim and audited financial state-ments for 2021 for Board approval
- Reviewing and strengthening internal control over financial reporting (ICoFR)
- Reviewing and discussing the periodic reports of the internal audit on the activities and results of the internal audit, the internal control and the risk control system for the year 2021 and taking the appropriate measures as applicable
- Approval of the internal audit strategy and plan for 2021
- Reviewing the offers of auditing firms and recommending external auditor for 2021 for Board and shareholders approvals of Directors
- Review and discuss periodic reports on compliance

Committee membership pre Legal Day 1
(1 January 2021- 30 November 2021)
- Mr. Tami Ahmed Al-Binali,
  Chairperson
- Mr. Abdullah Al-Malki
  Member
- Mr. Nasser Jarallah
  Member

Upon Legal Day 1 of the Merger on 1 December 2021, the Board restructured all its committees. The Committee was renamed to "Audit Committee". The key responsibilities mentioned above remains unchanged except that the Compliance and AML responsibilities were removed from the Committee's remit and put under the Risk Committee in accordance with QCB requirements. The Risk Committees was renamed as Risk and Compliance Committee. The members of the Com-mittee post Legal Day 1 of the Merger remain unchanged. No meeting was held by the Commit-tee for the period from 1 to 31 December 2021.

Remuneration and Compensation Committee

Committee's key responsibilities pre Legal Day 1 of Merger:
- Determine the rewards policy in the Bank annually, inclusive of which method is used to determine the compensation of the Chairman and Members of the Board, on the basis that the annual rewards for the Board shall not exceed 5% of the net profit of the Bank af-ter discounting legal reserves and deducting provisions and Shareholders' dividends (cash and in kind)
- Establish the basis of allowances and incentives in the Bank for Senior Executive Man-agement inclusive of Share incentive schemes
- Update rewards and compensation policies annually and whenever necessary
- Suggest remunerations for Members of the Board of Directors and the Executive Man-agement, taking into account the following:
  - o The value of the remunerations granted to Members of the Board of directors and Executive Management after comparing them with what is offered in similar local and regional financial institutions
  - o The profits and achievements made by the Bank during the financial year and comparison with the results of previous years
  - o Economic and financial conditions during the financial year
  - o Responsibilities and scope of duties of the Members of the Board and Senior Ex-ecutive Management
  - o Observing the laws that determine the value of the remuneration of Members of the Board of directors and the related Articles in the Bank's Articles of Association
- Presenting the remuneration policy and its basis to the Shareholders at the General As-sembly for approval and public announcement

The Committee held the following meetings during 2021:
- one meeting on January 12, 2021.

Main decisions and activities of the Committee in 2021:
- Conducting annual review of Board remuneration policy and recommending Board remu-nerations for General Assembly approval
- Conducting annual review of the remuneration policy of Senior Management and employ-ees of the Bank
- Recommending Senior Management and Bank employees annual remuneration for Board approval
- Recommending remuneration of Shariah Supervisory Board for Board approval

Committee membership pre Legal Day 1
(1 January 2021- 30 November 2021)
- Mr. Abdullah Ahmed Al-Maliki,
  Chairperson
- Sheikh Nasser bin Hamad Al Thani,
  Member
- Mr. Mohamed Ibrahim Al-Abdullah
  Member

Upon Legal Day 1 of the Merger on 1 December 2021, the Board restructured all its committees. The Committee was combined with the Nominations and Governance Committee under one Committee named "the Corporate Governance, Nominations and Remunerations Committee". The members of the newly combined Corporate Governance, Nominations and Remunerations Committee" post Legal Day 1 (1 December to 31 December 2021) are as follows:
- Mr. Abdullah Nasser Al Misnad,
  Chairperson
- Mr. Abdulrahman Al Khayareen,
  Member
- Mr. Mohamed Ibrahim Al-Abdullah
  Member

No meeting was held by the new combined Corporate Governance, Nominations and Remunera-tions Committee for the period from 1 to 31 December 2021.

Nominations and Governance Committee

Committee's key responsibilities pre Legal Day 1 of Merger:
1. Developing Board nomination and election policy for shareholders' approval
2. Considering and making recommendation on candidates for Board elections
3. Establishing the succession plan for the Management of the Bank to ensure continuity and suitable replacement for vacant positions in the Bank
4. Considering and recommend senior management appointments for Board approval
5. Presenting an annual report to the Board including a comprehensive analysis of the per-formance of the Board identifying strengths and weaknesses, and accordingly its rec-ommendations in this regard
6. Reviewing the annual Corporate Governance Report of Masraf Al Rayan, and recom-mending its endorsement by the Board.
7. Developing an induction program for new Members, and suggesting training programs for them as needed

The Committee held the following meetings during 2021:
- one meeting on January 12, 2021.

Main decisions and activities of the Committee in 2021:
- Discussing and recommending the annual Corporate Governance Report for Board and shareholders' approval
- Reviewing the external auditor's report on Masraf Al Rayan's compliance with govern-ance instructions and taking appropriate measures as applicable
- Reviewing the induction program for Board Members

Committee membership pre Legal Day 1
(1 January 2021- 30 November 2021)
- Mr. Abdul Rahman Al-Khayarin,
  Chairperson
- Mr. Mohamed Ibrahim Al-Abdullah
  Member
- Mr. Tami Ahmed Al-Binali
  Member

Upon Legal Day 1 of the Merger on 1 December 2021, the Board restructured all its committees. The Committee was combined with the Remunerations and Compensation Committee under one Committee named "the Corporate Governance, Nominations and Remunerations Committee". The members of the newly combined Corporate Governance, Nominations and Remunerations Committee" post Legal Day 1 (1 December to 31 December 2021) are as follows:
- Mr. Abdullah Nasser Al Misnad,
  Chairperson
- Mr. Abdulrahman Al Khayareen,
  Member
- Mr. Mohamed Ibrahim Al-Abdullah
  Member

No meeting was held by the new combined Corporate Governance, Nominations and Remunera-tions Committee for the period from 1 to 31 December 2021.

4. Sharia Supervisory Board

Pease refer to section 11 of the Annual Report that form an integral part of this Corporate Gov-ernance Report.

5. Senior Management and Organizational Chart

The Board appoints the Group Chief Executive Officer and all his direct reports including the di-rect reports to the Board.

Below are the members of MAR Senior Management as at 31 December 2021:

Fahad bin Abdulla Al Khalifa
Group Chief Executive Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 10,000 shares

Other positions currently held:
- Board member, Al Rayan Bank UK
- Board member, Al Khaliji France
- Board member, QFBA

Omar Al Emadi
Group Chief Risk Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

Hamad Al Kubaisi
Group Chief Human Resources Officer and Acting GCOO

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

Shabbir Barkat Ali
Group Chief Finance Officer

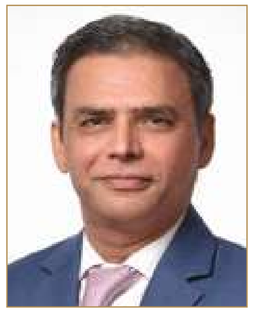
Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

Mohammed Al Emadi
Group Chief Business Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 41,360 shares

Other positions currently held:
- Board member, Qatar Academy Doha (Qatar Foundation)
- Board member, Beema Insurance Company (representing Masarf Al Rayan)
- Board member, Al Rayan Investment (representing Masraf Al Rayan)
- Member, Qatar Chamber of Commerce – Banks and Investment Committee



Tahir Pirzada
AGM, Group Treasurer and Financial Institutions

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

Khalid Fakhroo
General Manager, Engineering and Real Estate

Number of shares held directly or indirectly (through own companies or family members) as of 31-Jan-2021: 834,297 shares

Other positions currently held: None

Adel Ayad Fayez Attia
AGM, Group Internal Audit

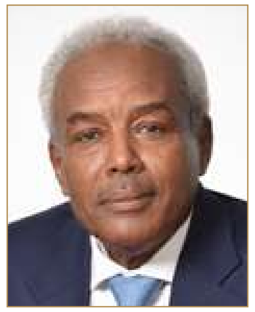
Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

Eman Al Naemi
Head of Corporate Affairs

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None



Abdelmonem El Hassan
AGM, Group Legal Counsel

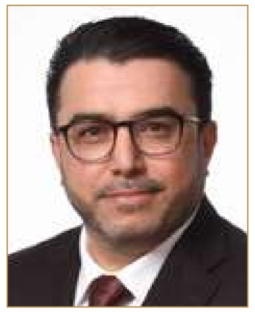
Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

Mutaz Dana
Group Head
Compliance and AML Officer

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

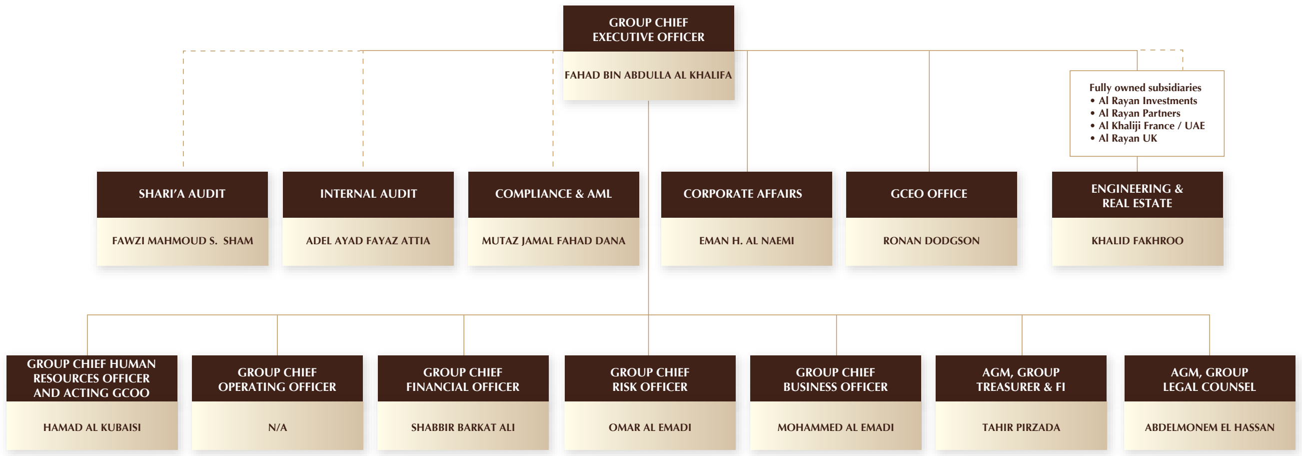


Fawzi Siam
Executive Manager
Sharia Audit

Number of shares held in MAR directly or indirectly (through own companies or family members) as of 31-Jan-2021: 0 shares

Other positions currently held: None

Below is the Group Organizational Chart as at 31 December 2021:



6. MAR Internal Control Policies

MAR adopts a set of policies that govern the Bank's activities. All policies are periodically updat-ed as and when needed and presented to the Board or the Board relevant committee for approv-al.

Below are key policies adopted at MAR as at 31 December 2021:

Title

1. Credit Policy
2. Expected Credit Loss Policy
3. Compliance Policy
4. Frameworks, methodologies, policies and guidelines for combating financial crimes
5. Outsourcing Policy
6. Internal capital adequacy assessment policy and implementation framework
7. Policy to maintain the reserve financing liquidity
8. Liquidity Risk Management Policy
9. Market Risk Management Policy
10. Disaster Recovery Policy
11. Operations Risk Management Policy
12. Cybersecurity policy
13. Cybersecurity framework
14. Information Security Protection Policy
15. Business Continuity Policy
16. SWIFT Framework Policy
17. IT Policy
18. Infrastructure procedures and digital systems issuance
19. Management change standards
20. Enterprise Digital Systems Management Standards
21. Application development standards
22. Digital Systems Testing Methodology
23. Code of Business Conduct Policy
24. HR Policy
25. Liabilities, assets and treasury management policy
26. Internal audit policy
27. Investment policy
28. Sharia Policy
29. Governance System Framework
30. Retail Banking Department Policy
31. Branch Operations Policy
32. Financial policy
33. Social policy (Corporate Social Responsibility)
34. Disclosure policy, dealing with rumors and investor relations
35. Related Party Contracting Policy
36. Conflict of Interest Regulation Policy
37. Policy of regulating the relationship with stakeholders
38. Dividend Policy
39. Delegate Policy
40. Policy for granting facilities

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

Title

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

7. Compliance with Disclosure and Listing Rules and Regulations

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 respective shares 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 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, customers and stakeholders informed of all new products and business through periodic press releases published in the media and on the website of MAR and notifies QSE and relevant regulators of the same beforehand. During General Meetings, the shareholders enjoy their rights to ask any questions about MAR's position and business.

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 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 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 2021, 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 MAR's website (www.alrayan.com).

8. MAR Compliance with Internal Control Systems When Identifying and Managing Risks

MAR Board ensures an adequate and efficient internal control system is in place with a clear def-inition of the role, responsibilities and reporting lines of the internal control functions in such a manner that guarantees their independency, efficiency, adequate resourcing and direct reporting channels to the Board or Senior Management. The Board also makes sure the control functions are vested with all necessary powers and have access to all information needed to perform their duties effectively. The Senior Management, in cooperation and coordination with the control func-tions, takes the necessary corrective and disciplinary measures in the event of breaches to the controls and submits periodic reports to the Board on issues related to internal control with the aim to enhancing them. For details about the internal control functions, please refer to section 7 of the Annual Report that forms an integral part of this Annual Corporate Governance Report.

Furthermore, the Board has developed a system for measuring design, implementation and op-erating effectiveness of internal control over financial reporting (ICOFAR). For the financial year 2021, the Bank has undertaken a formal evaluation of the adequacy of the design, implementa-tion and operating effectiveness of the system of ICOFAR. As a result of the assessment, the management did not identify any material weaknesses and concluded that ICOFAR is appropri-ately designed, implemented and operated effectively as of 31 December 2021.

9. Supervision of Financial Affairs and Investments

The Risk Management, Internal Control, and Compliance Officers form the first level of the tools used to follow up with the compliance in line with the directions from the regulatory authorities. Each of these officers submit reports when needed directly to the Senior Management or the Board through its committees. These reports inform the Board about the internal control results, which include the following:

- Credit Grants and Assessment
- Investment
- Liquidity
- Market Risks
- Capital Adequacy Risks
- Concentration Risks
- Foreign Exchange Risks
- Interest Rate Risks
- Anti-Money Laundering and Counter Terrorism Financing
- Asset Insurance
- Relevant Parties and Conflict of Interests
- Compliance with laws, rules, regulations, and supervisory instructions
- Internal and External Audit
- Performance Assessment
- Disclosures to all relevant parties
- Pricing
- Profitability and Balances
- Operational and Accounting Risks
- Legal Risks

This is in addition to the policies related to the personnel's affairs, conduct, and work ethics, and the other policies reviewed to ensure the implementation of the best standards and the compliance with the regulatory requirements in this regard.

Afterwards, the Internal Audit Management reviews the performance of the Risk and Compliance Officers to provide an assurance to the Boar Audit Committee that these tasks are being carried out at a reasonable level of competency, along with highlighting the matters of concern in this regard. All MAR activities are subject to the controls specified by the policies adopted by the Board, which are mentioned above in the (Policies Clause).

An assessment is made for the performance of the Senior Management in applying the internal control system, which includes the number of times the Board has been notified about the control matters, including the risk management, and the method through which the Board has addressed these matters.

The internal control work has only revealed the ordinary control matters, which have been addressed routinely by the Risk Officer and the Compliance Officers within the applicable policies, which did not require Board's intervention.

The Control Management constantly attempts to discover any potential failure in applying the internal controls, or even weaknesses in the implementation, or any emergencies that may affect MAR's financial performance. It is also responsible for following up with the procedures taken by the company to address the failure.

The internal control activities are distributed between the control managements, as they continually carry out constant and comprehensive inspections and continuously submit reports to the Senior Management on the observations and violations to take the necessary corrective actions. There has been no emergency that influences or may influence the Bank's financial performance.

10. Risk Management and Internal Control Procedures

MAR's Board is responsible for managing risks. The Senior Management is in charge of day-to-day risk monitoring and mitigation through a set of controls that ensure proper risk management at the Bank.

The risk management supervision stems from the Board and is managed at the departmental level. This is performed through many methods, including weekly and monthly administrative reports, key risk indicators, and the Bank's risk records. The management develop their own standards to keep the risks at the acceptable limits within the maximum adopted limits. The maximum limits are set to be suitable with the risk acceptance level and its significance, either by the competent committee belonging to the Board of Directors or the competent administrative committee (according to the powers granted thereto) or by the concerned departments (within the main maximum limits specified for them), to provide services with risks that have been mitigated in an acceptable manner. The Bank has established an appropriate structure from the committees with various appropriate levels from the Board level all the way up to the Management level.

MAR follows a risk management model at the enterprise level, which contains three defensive lines. The appropriate responsibilities and authorities lie in each of these defensive lines, and the Bank's committees perform their responsibilities as per their delegated authority at the various levels from the highest level at the Board and passing by the Board Committees directly until the Senior Management Committees and the staff.

Risk Management is carried out by independent managers such as the Group Chief Risk Officer, the Head of Compliance and the Head of Internal Audit. These members of the management identify, assess, provide consultation, monitor and submit reports on the various risks of non– compliance with applicable laws, instructions, and standards.

Internal control objectives are represented in protecting the Bank's assets, monitoring the use of the available resources, and ensuring the accuracy of the accounting data. They are also represented in identifying authorities and responsibilities and complying with them, following a clear policy in selecting the employees at the various management levels.

As at 31 December 2021 the internal control functions identified a number of control issues that falls under the normal course of business which were addressed by the Risk and Compliance functions within the applicable policies. None of these issues were of high risk nature or required escalation to the Board.

The internal control functions constantly endeavor to detect any weaknesses or potential failures in implementing the internal controls or alerts that may impact the financial position of the Bank. They are also in charge of following up on actions taken by the Bank to address any failures in the controls.

The internal controls are undertaken by the internal control functions that conduct ongoing and comprehensive inspections and report observations and violations to the Senior Management for remedies. As at 31 December 2021, there were no alerts on failures in internal controls that affect or may affect the financial position of the Bank.

11. Procedures for Determining, Assessing and Managing Risks

MAR relies on the Senior Management, its committees, and the policies and the relevant procedures to determine, assess and deal with risks. The following sections provide the key areas and procedures.

Stress Testing

The measurement, observation and monitoring of the various risks is a vital matter in assuring the validity of the financial institutions and the financial system as a whole. In this context, stress testing has recently been widely used by international financial institutions along with the regulatory authorities to ensure the ability of the banks and other financial institutions in withstanding the different risk factors. The idea behind stress testing is to assess the effects of the exceptional but reasonable events on the Bank's financial position and other financial entities. As such, several quantitative technical methods have been developed which can be divided into two main categories: sensitivity testing and scenario testing.

In compliance with the Qatar Central Bank's regulatory instructions related to Basel Committee's subject, the Bank conducts stress testing to cover all the risks that affect the Bank individually (Firm Specific Scenarios), which includes credit risks, liquidity risks, market risks, and operational risks. Furthermore, the Bank conducts stress testing to cover risks that could affect the economy in general and the whole financial system (Macroeconomic Scenarios).

These tests, which are performed by the Risk Management in order to measure the Bank's ability to bear future losses that it might be exposed to in light of specific scenarios regarding the future economic factors, start with what is known as the base scenario, or the scenario of the continuation of the current conditions as they are, and several other alternative scenarios that vary in the degree of severity of the assumptions made.

Specifically, these tests aim to ensure that the Bank will continue to have sufficient capital resources to face the potential losses in case the worst scenario occurs among these scenarios. Accordingly, the Bank can present a realistic view of its sensitivity and ability to withstand potential shocks to the economy should economic conditions continue to worsen, along with assessing the Bank's ability to sustain various shocks resulting from the credit and market risks.

These tests are conducted based on the Bank's current financial data and the financial data expected for the next five years, and the information collected by the Risk department.

The banking stress testing helps in taking the appropriate procedures and determining whether or not the Bank's position is solid, and that is through ensuring that the Bank's financial assets are sufficient to finance its obligations and cover its potential future losses in the worse case scenarios, and then it enables the Bank to continue acting as a financial mediator without government support, or the extent of its need for government assistance to continue its work, i.e. its need for government assistance through providing funds to assist it, or seeking to find other finance sources in the private finance market, including the possibility of making it go through merger. These are all assumptions that enable the Bank to take care of and provide studied options in case of any negative developments.

As at 31 December 2021, the Bank has complied with all Qatar Central Bank instructions concerning stress testing and has complied with providing the required reports.

Credit Risks

Risk is considered an integral part of the banking business, especially within the increased intensity in the competition and the size of the banking transactions, along with the technological developments and the need for larger banks. Today, banks are facing various banking risks that vary in their severity from one bank to the other. Therefore, the management of the total possible risks is considered from the factors that assist in the Bank's success and ensures its continuity in the banking market, which results in acceptable returns and reduced risks.

The credit policies developed by the Bank are considered the axis of the Credit Risk Management's operation. Therefore, the Bank is keen on developing a comprehensive mechanism to assess the credit, by developing a comprehensive credit policy representing the framework, which contains a group of indicative standards and conditions, provided to the competent Credit Underwriting unit to ensure a standardized processing and the provision of sufficient flexibility.

Credit facilities are granted based on a standard internal assessment system that relies on a set of terms and controls, including the customer's experience, its financial efficiency, the presence of sufficient and reliable sources of payment, the proportionality of the finance conditions with the finance purpose, the identification and assessment of the finance risks, and the presence of adequate guarantees that enables the Bank to recover its rights without losses in case of default or if the customer stops paying.

Banking credit is granted by various Credit committees in the Bank in accordance with their relevant delegations granted by the Board and as per the Bank's credit policies.

As for personal finance, these transactions are monitored through an automated centralized system at the Bank used for monitoring the loans granted to the individuals. When the employee enters the finance request, then the branch managers or their deputies, according to their powers, will review the request, and if it is approved, it will be passed to the Operations Management to grant the finance. If there are any exceptions, the request will be submitted to the competent credit committee.

Credit Risk Management

The Credit Risk Management at MAR conducts a number of procedures to identify, measure, follow up, and monitor the credit risks, and that is through the following: –

Credit Risk Management Standards: credit standards were developed containing the following:

1. Determination of the credit types that can be granted to the customers according to the (economic) sectors
2. Development of a maximum limit for granting credit to a single credit group, in addition to the credit pricing principles
3. Determination of the guarantee's types, their assessment method, the relationship between the credit size and the guarantees' value, along with taking precautionary steps to maintain them, such as insurance, and periodical assessment of these guarantees
4. Development of the credit granting approval rules, the rules for obtaining information and documents that must be available to grant the credit, and the powers for granting the credit, along with establishing an independent credit review process and rating conditions and forming its provisions
5. Determination of the risk level that the Board/Bank agrees to enter during the finance operation
6. Preparation of independent credit recommendations for the Business Unit
7. Disclosure of all the information related to the customer to the Credit Committee with absolute transparency, in order to have the chance to make a correct credit decision
8. Development of the Credit Management and Monitoring role, in order to follow up the completeness of all the required documents and guarantees, according to the Credit Committee's recommendation to activate the limits in the Bank's system
9. MAR has applied an internal system from (Moody's Company) to assess the risks of the Bank's customers in all the sectors (Corporate, SME, Private Banking & high net worth individuals) in order to establish a comprehensive mechanism for the credit risk assessment system, which includes a set of indicative standards and conditions that need to be performed when assessing the customers. This policy is considered the axis for the credit risk management and measurement, as the clients' assessment is based on a standard system that relies on a set of controls, and that is to maintain risks at the acceptable limits
10. Implementation of the stress testing on the credit facilities to enhance the process of identifying and controlling the risks, along with providing complementary tools for the other credit management tools, in order to achieve an overall assessment for the credit risks

Application of Proper Procedures to determine the Credit Risks

Proper procedures are applied to grant credit, which include the following:

1. The presence of a finance request signed by the customer or the authorized signatory
2. Obtainment of the full information and documents in order to conduct a comprehensive assessment and review for the customer and the types of risks associated with the credit request, along with providing a credit rating for the customer, according to the Bank's internal credit rating system
3. Understanding the purpose of the credit, the customer's reputation, experience, market position (within the economic sector)
4. Studying the nature of the current and future risks for the customer and sector, and the extent of sensitivity toward the economic developments and the relation between the risks and profit
5. Assessment of the payment sources and the customer's commitment to pay their previous obligations
6. Obtainment and assessment of all the required guarantees
7. Analysis of the customer's financial position using the updated audited budgets
8. Resorting to the Qatar Credit Bureau's reports to assess the customer's efficiency and creditworthiness and their fulfillment of their obligations, and to the Qatar Central Bank's report to know the amount of the customer's indebtedness with other banks
9. Determination of the credit ceilings according to the economic sectors and the regions/countries based on the country's credit risk rating degree
10. Taking into consideration the maximum credit ceiling rate that can be granted for the equity rate at the level of a single customer or the group, or the total relevant customers, and those who have overlapping interests with the Bank
11. Taking into account the Qatar Central Bank's instructions for granting finance
12. Approval of the stress tests framework, which includes the policy, the structure, the methodology, to ensure the definition and identification of the suitable factors related to the credit risk, along with determining its associated responsibilities and their consequences, as well as presenting them to the specialized committees to support in taking the decisions

Availability of Procedures to Handle and Follow–up with the Credit

The procedures for handling and following up with the credit include the following:

1. The presence of files to maintain the credit approvals and the enclosed documents and update their data on a periodic basis
2. Follow up with the execution of the credit according to competent credit committee's approval and recommendations, along with ensuring their compliance with the policies, procedures, laws and regulatory instructions, and the availability /adequacy of the required guarantees
3. Follow up on the customers' utilization of the granted credit limits by submitting periodic reports on the entire credit portfolio
4. Conducting an internal credit rating that helps in granting and pricing the credit and following up with its quality, along with determining the credit portfolio characteristics and the credit concentrations and determining the non–performing loans and the sufficiency of its provisions
5. Issuance of reports on the non–performing sectors of the business unit to take the necessary action
6. Issuance of periodic reports and informing the Business Units and the Management with all that is needed
7. The Credit Risk Management Unit is a unit independent from the Credit Review Unit, and its tasks consist of reviewing the guarantees, conditions, and contracts, and completing them before granting the facilities, including follow–up with all the limits granted on the system and their update, along with using them and issuing the required reports

Availability of Sufficient Procedures to Monitor Credit Risks

These procedures include the following:

1. The presence of internal controls to ensure the reporting of any exceptions in the credit policies/credit procedures, the credit limits and/or the regulatory instructions
2. The presence of a Collection Unit to detect the non–performing credit facilities and take the necessary procedures to solve them at an early stage, as periodic reports are prepared for the status of the non–performing accounts, along with notifying the responsible authorities to take the necessary actions
3. Periodic review of the powers of the signatories authorized to sign the credit and its documents
4. Development of the Bank's Credit Policy on a periodic basis to be in line with the latest developments and changes, to improve risk management
5. The Bank reviews all the granted credit facilities on a regular basis and monitors the sectors' performance and the limits of the financial concentrations for each sector. The Bank also follows up with all the facilities and increases and follows up with the guarantees and their completion, along with taking the necessary actions at the appropriate times. On the other hand, the Bank reviews the unused facilities and submits recommendations, if any, to the concerned authorities
6. The establishment of a common ground between the Risk Management and the relevant business units to exchange information and disseminate the credit culture derived from the Bank's Risk Management Strategy
7. The Risk Management's activities are ongoing and constantly evolving and associated with the Bank's strategy
8. Adopting and using systems to assess the customer's risks in accordance with the Basel requirements and the Qatar Central Bank's instructions

Market Risk

The Bank's method for handling the market risk is in line with the Qatar Central Bank's directions and the Basel Principles, while using the expertise of experienced staff and experts with international competencies.

In order to solve and mitigate these risks in general, the Bank diversifies its activities in various countries, sectors, products, and customer segments, and takes proactive steps to manage these risks.

The relevant employees monitor a set of market–related risks, such as foreign exchange risks, profit rates risks, pricing risks, liquidity risks, and general investments risks. They also monitor the banking rates specified by the Qatar Central Bank from liquidity rates, capital adequacy rates, in addition to monitoring the stability rates and the concentrations in the customers' deposits. MAR issues internal reports on a daily, weekly, and monthly basis to the Management in order to assist in taking proper decisions and monitor market risks as required.

These reports include daily reports such as the early–warning indicator reports on the market and liquidity risks and a daily report on the treasury, in addition to a monthly report to the Group Assets and Liabilities Committee (GALCO), which indicates the budget position, the banking ratios, the stress tests on the budget, and the gap analysis in the assets and liabilities. The Group Assets and Liabilities Committee consisting of the Senior Management discusses this report in its monthly meeting, where it takes its decisions and follows up with them.

Credit Limits granted for Banks and Countries

In compliance with Qatar Central Bank's instructions and within the Bank's credit policy, the credit limits for the banks that are being dealt with will be updated, along with the credit limits for the countries in which these banks are located according to their rating. The Board approves these limits after studying them according to the requirements imposed by the prevailing economic conditions, and then they are submitted to the Qatar Central Bank after their approval.

Operational Risk

In its effort to mitigate losses arising from operational risks, MAR has approved and applied policies and methodological procedures to determine, assess, monitor, and manage systems and report any weaknesses. The controls of these policies and procedures include an effective segregation of duties, along with a restriction of system access and the adoption of effective procedures to delegate authority and make settlements, in addition to the continuous learning and development for the employees and ongoing performance assessment. MAR uses a specialized system to manage all the operational risk indicators, including database and loss risks.

Operational Risk Mitigation

MAR is very keen on the efforts made to mitigate and manage the operational risks and encourages following the best practices in the risk management field. At MAR, controls and programs are applied that can mitigate the exposure, frequency, or severity of a certain event. Such controls are tested to know whether they mitigate the risk or merely transfer the exposure to a certain aspect of the operational risk to another business sector.

12. Best Applicable Practices to Mitigate Operational and Systems Risks

- Maintain the global ISO23301 certification for business continuity by complying with best international practices
- Maintain the Information security management system (ISMS) by renewing the ISO27001 certification for information security
- Use a specialized e–system for managing operational risks (SAS) , including following up and analyzing the incidents and the operational losses
- Use the Bank transfer monitoring system to ensure that there are no names that appear in the banned lists or those related to anti–money laundering and counter terrorism financing, and integrate this system with the SWIFT system to intercept any suspicious names as the transactions are taking place
- Monitor the fraud cases preemptively to prevent any suspicious transactions. As such, the specialized unit works 24/7 on monitoring fraud cases and detecting and preventing fraud on the credit and debit cards
- Protect the Bank's valuable data in a preemptive manner as a precaution against any emergencies by providing a disaster recovery center through the (Meza) Company at the Qatar Science & Technology Park (QSTP), and by keeping a backup copy of the important data both at the Qatar Data Center and in its branch in Nice, France
- Use an advanced system (Malware Prevention System) to prevent phishing attempts
- Conduct security breach tests (Vulnerability Tests) on the IT systems
- Providing the latest information security awareness training courses for all Bank employees to combat security breaches.
- Successfully participate in a cybersecurity drill organized by the Ministry of Transport and Communications
- Continue to increase the number of the operational risk system user base
- Use the Information Security and Event Management System (SEIM) 24 hours a day, 7 days a week
- Assess the internal controls over the financial reporting (ICOFR) , where the design and effectiveness of more than 305 procedures were tested and deficiencies were identified and corrected in cooperation with the relevant departments
- Identify and self-assess risks and work to correct deficiencies in cooperation with relevant departments

Some risks that cannot be avoided, mitigated, or accepted will be covered through various in-surance policies.

13. MAR Compliance with Anti-Money Laundering and Counter Terrorism Financing

After the issuance of the Qatari Law No. (20) of 2019 concerning Anti–Money Laundering and Counter Terrorism Financing, and taking into account both the Executive Regulations of the Law and the instructions of the Qatar Central Bank and the latest supplementary guidelines for Anti– Money Laundering and Counter Terrorism Financing issued by the Qatar Central Bank in May 2020, the Bank has updated all its related policies and developed new guidance for compliance with combating financial crimes. The system is concentrated on the following:

- Anti-Money Laundering
- Counter Terrorism Financing
- Combating the Proliferation of Weapons
- Anti-Corruption and Bribery
- Combating Human Trafficking and Slavery
- Combating Trading With Virtual Currencies

In addition to the adherence to the law and competent instructions and their application, the set of policies and guidance for combating financial crimes confirms that the Bank has no desire to be part of any transaction related to any financial crime and that reasonable and adequate preventive measures are taken to mitigate such risks. Furthermore, it ensures that the Bank is committed to cooperate continuously with Qatar Central Bank and the State's Financial Information Unit in all related matters.

14. Credit Rating

Long Term	Short Term	Outlook
A1	P1	Stable

Moody›s maintains A1 /Prime-1 . rating Granted to MAR even after the merger. The credit rating reflects:
(1) the Bank's opportunities for diversification and growth outside the State of Qatar.
(2) The high quality of the assets over the years.
(3) Solid and stable profitability that supports MAR's high capitalization

However, the above mentioned strengths could be impacted by:
(1) MAR's reliance on the Senior Management with regard to business promotion.
(2) High concentration in assets and liabilities.
(3) Weakness in funding and liquidity

15. External Auditors

Deloitte are appointed as external auditors of MAR based on their best professional standards, independence, and abstention from any conflicted relationships. The external auditor attends the General Assembly, presents its annual report and responds to shareholders inquiries.

External Auditor's Duties

The external auditor performs annual audit and quarterly reviews on the financials of the Bank . The external audit aims at providing the shareholders with objective assurance that the financial statements are prepared in accordance with the corporate governance system, relevant laws and regulations, and international standards that govern the preparation of financial statements, and that the consolidated financial statements represent fairly and in all material aspects the fi-nancial position of the Group and its financial performance as per the international Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards and Qatar Central Bank's regulations.

The external auditors must adhere to the best professional standards. MAR makes sure not to engage the external auditor in any advice or services that may result in a conflict of interest. Therefore, the external auditors are fully independent from MAR and its Board of Directors, and are not conflicted in any way whatsoever in their relations with the Bank.

The external auditors are responsible to the shareholders and owe to MAR the duty to exercise the required professional care when performing the audit. The external auditors are also required to inform the regulators in the event that the Board does not take the appropriate action in relation to suspicious issues raised or identified by the auditors.

16. Shareholders' Rights

MAR Board takes every measure to protect the rights of its shareholders set forth under the relevant laws and regulations and MAR's Articles of Association. According to MAR's Articles, shareholders are equal in rights and must be treated equally and fairly without any discrimination. Shareholders have rights to dividends and are entitled to vote by proxy in general meetings.

Shareholders and stakeholders have the right to submit suggestions and file complaints. They can do so by contacting MAR call center, sending e-mails, or visiting any of the Bank's branch-es. The Bank ensures shareholders or stakeholders' complaints or requests are routed to the concerned parties within the organization for action.

A set of policies is developed by the Board to ensure the rights and interests of shareholders and stakeholders are taken care of. These include:

- Disclosure, Rumors and Investor Relations Policy
- Related Party Transactions Policy
- Conflict of Interest Policy
- Relationship with Stakeholders Policy
- Dividend Distribution Policy
- Corporate Social Responsibility Policy

17. 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 divi-dend distribution.

18. Right to Access Information

MAR has established its own website, www.alrayan.com, in which all disclosures prescribed in local laws and regulations are published.

Moreover, Shareholders may obtain (for free) the information prescribed to them under the laws and regulations by contacting the Company Secretariat office or the Investor Relations Depart-ment.

Board and Senior Management details, as well as constitutional documents of the Bank such as the Memorandum and Articles of Association, the Commercial Registration, and the General As-semblies resolutions, are available to the public on the Bank›s website and may be downloaded free of charge.

19. Conflicts of Interest, Insider Trading and Related Party Transactions

MAR Corporate Governance Framework and Board Charter set the general rules governing the for related party transactions. The Banks has also developed a Conflict of Interest Policy that address the related party transactions.

According to the policy, 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 inter-est. In case a transaction is considered by MAR that involves a conflict with a Board member or member of senior management or any other related party, such transaction shall be discussed in the absence of the concerned person, who is not entitled to participate in deliberations or voting on the transaction. In all events, a related party transaction must be at arms' length basis with no preferential terms at the expense of the Bank.

The policy also requires directors 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 for such items. According to the policy, each director and members of senior management are required to complete a Disclosure Form at least annually to declare financial interest or other interest in the Bank or its subsidiaries, or their connection with any of the Bank's connected persons and related parties, if any.

Also, the Bank set up 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 and presented to the Qatar Financial Market Authority and QSE. Under this framework, MAR monitors the trad-ing 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 man-agement, if any. Also, at the end of each quarter and 15 days prior to the Board meeting sched-uled 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 is-sued to all concerned parties to remind them of their obligations in this respect. As at 31 Decem-ber 2021, no trading occurs during the Closed Period within the meaning of Article 173 of the In-ternal Regulation of Qatar Stock Exchange.

As of 31 December 2021, 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 rele-vant 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 influence or participate in any negotiations, discussions or decisions related to such transactions.

In all events, all related parties' transactions, whether major transactions or otherwise, are dis-closed in the Director Fees Report prepared in accordance with Article (122) of Qatar's Com-mercial Companies Law No (11) of 2015 and Article (39) of the bank's AoA and Article (26) of QFMA Code. They are also presented as part of the audited EOY financials to the General Meet-ing for endorsement. For details, please refer to the EOY Financial Statements as of 31 Decem-ber 2021 at the end of the Annual Report which forms an integral part of this Corporate Govern-ance 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 located at 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 sharehold-er is a legal person).

20. Code of Conduct

The Bank has developed a Code of Conduct policy that applies to the Board, Senior Manage-ment and all employees. It sets up the corporate principles and values that guide the decisions, procedures and systems of MAR in a way that contributes to the welfare of its key stakeholders and protects their rights.

21. Fair Treatment of Shareholders and Voting Rights

MAR Articles of Association guarantees every shareholder's right to attend the General Assem-bly. Minors and restrained shareholders are represented by their legal representatives, while corporate shareholders are represented by their respective representatives duly authorized in accordance with the law.

The Articles of Association also protects the right of shareholders that attend General Meetings to discuss the topics on the agenda and to direct questions to the auditors. The Board must re-spond to the shareholders' questions to a degree that would not jeopardize the Bank's interests, and if the shareholder deems the response insufficient he/she may appeal to the General As-sembly whose decision shall be final and binding.

Moreover, MAR Articles of Association stipulate that each shareholder shall have a number of votes equal to the number of its shares.

22. Shareholders' Rights in Election of Board Members

MAR shareholders have the right to select the Board in accordance of MAR Articles of Associa-tion. Where members are elected by the General Meeting, MAR makes sure, prior to elections, to provide the shareholders with information about the Board candidates, including their respec-tive professional and technical skills, experience and other qualifications. MAR ensures that this information are available to its shareholders on its website.

23. Shareholders' Rights to Dividends

The Bank has a Dividend Policy in place. According to the policy, dividends are subject to the financial results achieved by MAR at the end of each year and to the applicable laws and regula-tions, in particular, QCB regulations on all forms of reserves that must be built (i.e. legal reserve - risk reserve - fair value reserve). The Board annually considers several scenarios in relation to dividends payout and make the appropriate recommendation to the General Assembly which has the right to either approve, amend or reject the recommendation. In addition, MAR has estab-lished a Shareholders Affairs unit fully dedicated for dividend payments and queries of share-holders related to their dividends. The unit is contactable by email shareholdersaf-fairs@alrayan.com or Tel +97444253215.

24. Capital Structure and Shareholders Rights in Major Transactions

MAR Articles of Association guarantees the rights of the shareholders, in particular, the minori-ties to object and annul, in accordance with the law, major transactions they deem harmful to their interests. Details on the shareholders' base and evolution are disclosed in the Bank's annu-al report and website. Major shareholders that own 5% or more of the Bank's share capital are disclosed and updated regularly on the Bank's website.

25. Stakeholders Rights and Whistleblowing

MAR developed an HR and Code of Conduct policies 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 pro-tected at all time. Furthermore, the Bank is setting various policies to deal with certain stake-holders, 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 function under the rule of the law when dealing with various stakeholders.

Furthermore, the Bank encourages its stakeholders to speak up and share incidents that sus-pected to be in violations to MAR values, policies and procedures. For this purpose, a whistle-blower policy was established to enable stakeholders to make reports in good faith and confi-dence. To ensure the effectiveness of whistleblowing service, the Bank granted protection to stakeholders who report, in good faith, of any suspected practice or transaction. In 2021, nil valid incidents were reported.

On customer level, a Customer Complaint process was developed and a contact center created that is available 24/7 to receive and process any query or complaint escalated by customers. As at 31 December 2021, all reports or complaints received by the contact center 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.

26. Corporate Social and Environment Responsibility

Please refer to section 8 of Annual Report that forms an integral part of this Corporate Govern-ance Report.

27. Disclosures

In addition to the disclosures in this report, the following is a summary of a number of additional relevant disclosures:

- There are no cases filed against MAR that have a material impact on the Bank. The Bank has filed a number of cases in the normal course of its business against a number of customers for defaulting on their obligations towards the Bank. MAR initiated these cases to protect the Bank's funds and the rights of its shareholders and depositors. These cas-es are processed in accordance with the laws and court procedures in the State of Qa-tar.
- The transactions and deals that the Bank concludes with any related party are disclosed in the financial statements of MAR on a quarterly and annual basis, and the Bank publish-es the financial data on its website so that all stakeholders may access it.
- In 2021, the Bank has not been subject to any fines or penalties for its failure to imple-ment the principles or provisions of the QFMA Corporate Governance Code, or the Cor-porate Governance Instructions issued by the Qatar Central Bank (The Principles Of Corporate Governance In Banks) pursuant to Circular (68/2015), or the Commercial Companies Law promulgated by Law No. 11 of the year 2015 as amended by Law No. 8 of 2021.
- The Bank is constantly working on developing its performance and improving its internal control systems, bearing in mind that the Bank did not have any failure or any partial or total defect that had a material impact on its financial performance related to the applica-tion of the internal control system for the year 2021
- Trading of Board and senior management members in the Bank's shares appear immedi-ately on the screen of the Qatar Stock Exchange. Board members and members of sen-ior management are notified of Closed Periods within timelines set by the regulations prior to disclosure of quarterly and annual financials
- remunerations granted to the Board members and members of senior management are disclosed in the Annual Financial Statements and are presented to the Ordinary General Assembly for approval annually; the financial statements are an integral part of the Bank›s Annual Report.

Mohamed Bin Hamad Bin Qassim Al Thani
Chairman of the Board

Internal Control and Support Functions

7.1 Group Internal Audit

The Group Internal Audit (GIA) plays an essential role 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 GIA actively supervises the internal audit functions of all the subsidiaries within the Group. The oversight primarily entails approving the audit plan, reviewing audit work, and reviewing the audit report before issuance

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 Board Audit Committee on the effectiveness of the Group's governance, risk management and control processes.

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

The GIA process consists of eight main phases:

1. Annual risk assessment and the development of the annual audit plan
2. Deliberation and approval of the audit plan by the Audit Committee of the Board
3. Audit fieldwork
4. Confirming the factual accuracies of audit deficiencies identified during the fieldwork
5. Issuing the draft audit report, and seeking the management action plans for audit deficiencies
6. Issuing the final audit report

7. Deficiency management process
8. Comprehensive progress reports to the Audit Committee of the Board 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 Board 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 2021, GIA successfully completed all the audit engagements out of the approved audit plans for Qatar, the UK, the UAE, and France.

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

As at 31 December 2021, 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 such as COVID-19 and its impact on the overall Group. As an independent reviewer, GIA also conducts reviews of new and amended policies in a consultant capacity.

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

GIA Team
As at 31 December 2021, GIA comprised four specialized audit units, each unit including subject-matter expert auditors with extensive experience in a variety of subjects, i.e., financial crime compliance, operations, and credit review, IT and cybersecurity, corporate governance including technical areas such as risk modelling (credit and market risks), financial reporting. The GIA is fully committed on value creation and capacity building for the Group, whilst remaining independent.

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

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

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

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

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

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

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

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

Culture
GIA enhances and promotes control awareness and risk culture across the Group. Building an informed risk culture and raising control awareness will lead to 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 ACB on culture audits for any identified culture findings potentially caused by inadequate actions or behavior 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. The GIA, acting as a third line of defence, provides an independent assurance on the effectiveness of the implemented internal control framework. This arrangement, of in-compatible responsibilities, ensures that the Group always remains in control.

7.2 Group Risk Management
Group Risk Management is fully independent from the commercial lines of business. The Group Chief Risk Officer reports directly to the Group Chief Executive Officer with an indirect reporting line to the Board Compliance and Risk Committee.

The Group's risk management framework includes a robust set of policies and procedures. The main responsibilities of Group Risk Management are to manage risks at Group level including credit & counterparty risk, market & liquidity risk, IT & physical security risk, operational risk, business continuity, and fraud risk; and to ensure compliance with risk-related central bank regulations in the jurisdictions where MAR or its branches and subsidiaries operate.

For further details on MAR Risk management activities in 2021, please refer to sections 8 to 12 of Annual Corporate Governance Report that form an integral part of the Annual Report.

7.3 Group Compliance and AML
Group Compliance and AML function is fully independent from the commercial lines of business. To ensure compliance activities retain their independent functioning, the Group Head of Compliance and AML reports directly to the Board Risk and Compliance Committee and indirectly to Group Chief Executive Officer.

Group Compliance and AML function is responsible for developing and implementing compliance and AML/CFT strategies, policies, and procedures including ongoing risk assessment, mitigation plans and transactions monitoring and make the necessary reporting and escalations.

For further details on Group Compliance and AML activities in 2021, please refer to section 13 of the Annual Corporate Governance Report that form an integral part of the Annual Report.

7.4 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, Unit-ed 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 business units, products, geographies and segments.
- Analyzes income performance and develops briefing packs for Senior Manage-ment and provides source data for presentations to management, rating agencies and investors.
- The department looks to continuously improve the quality and detail of data cap-ture to support value added performance management reporting.
- Monitor, identify and analyze trends across specific divisions in order to under-stand business drivers, working closely with internal stakeholders in providing di-rections 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 2021, 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.

7.5 Legal Department

The Legal Department is responsible for:

- Monitoring and mitigating legal, operational and reputational risk for the Group in conjunc-tion 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 the business functions are able to offer customers international standard transactional capabilities and bespoke legal documentation and execution services. 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 2021, the Legal Department pursued its efforts to provide a timely and competent legal support to all branches of the bank, particularly the customer-facing departments. It also monitored the litigation efforts of the bank, particularly recovery litigation, in various jurisdictions.

7.6 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.

7.7 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 record retention, wage and salary administration, and the employee assistance program. HR works closely with other departments to support them and fulfil their requirements.

Talent Acquisition, Learning & Development Programs serve MAR's strategic objectives of ensuring there is adequate succession planning at all levels.

During 2021, MAR continued the recruitment of a number of Qatari talents, reflecting the bank's commitment to Qatarization and how MAR fosters its ability to recruit, develop and maintain top qualified skills, in particular Qatari nationals.

Also, in line with our Qatarization strategy, we have promoted a number of Qatari employees into leadership roles during 2021.

The learning and development process remained at the forefront of MAR's core values and strategy, as the department continued to apply, under the supervision of the Senior Management and the direction of the Board of Directors, comprehensive measures and programs to develop our human capital, and to ensure effective and efficient implementation of operational compliance, processes and procedures within the Group.

MAR bestows the highest importance to the training and developing of its employees in general, with a keen focus on developing its Qatari cadres in particular, in line with the Bank's strategies. Its various departments act in an integrated and diligent manner to raise the professional and administrative competencies and skills of their employees.

During 2021, several projects and solutions were developed to meet the Bank's current and future training needs. We have shifted completely towards virtual and online training to overcome the COVID-19 pandemic. We have also developed a video training library to cover the Bank's internal training programs, such as Financial Crime Compliance, Information Security, and the Retail Product Manual. As part of this approach, we were able to achieve a total number of 7,960 training hours, covering various types of training.

During the merger between MAR and al khaliji, Learning and Development played a tangible role in developing a comprehensive training plan to ensure smooth knowledge transfer between all teams. While several training programs were executed, especially to bridge the gap between Islamic and conventional banking and to assist in moving to new core banking systems, a controlled On the Job training plan was activated, coupled with effective follow up and collaboration with all the teams to support the success of the merger.

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

7.8 Group ICT and Operations

We continue to strengthen the Bank's infrastructure by making significant investments in people, processes, technology, and products. At the same time, we are simplifying our Information Technology and Operating model reducing risk and focusing on enhancing security, operational resilience and efficiency with the objective of delivering real value for our customers and shareholders.

The Bank has invested heavily in information technology and has an advanced suite of banking systems across most core banking functions. The Bank currently operates key third party software to support its different operating functions and provides a full suite of electronic and phone banking services.

Further, all customer interfaces are subjected to rigorous third party penetration testing prior to deployment and incorporate industry standard two-factor authentication to mitigate the risk of security breaches.

During 2021 despite Covid-19 challenges, the implementation of the Operations and IT strategy continued unabated including the implementation of all merger related activities ensuring the Bank continues to meet its customer needs as well as business requirements. The Bank also achieved merger Legal Day 1 and relocated its Data Centre to its new headquarters in Lusail successfully in a timely and efficient manner without any interruption to customer service or business operations. This reflects the strength the bank enjoys due to its dedicated and skilled human resources and up-to-date technology infrastructure.

To ensure the Bank remained resilient and to strengthen its information security, the Bank replaced or upgraded many of its technology infrastructure components with the latest technologies available in the market. The state of the art data center now supports high availability, capability, operability, and security of the Bank's assets and systems.

In addition, during 2021 the Bank upgraded several IT applications including its core banking system, Trade Finance system, Treasury and Payments systems and enhanced security on credit cards online transactions to protect its customers from risk of fraud and theft. Furthermore, SWIFT 2021 improvements were successfully implemented. On an ongoing basis, the Bank continues to integrate more features on its digital banking platform to enhance security, customer experience and convenience. The Bank is embarking on an ambitious plan for digital transformation from 2022 to ensure we increase our investment in our digital platform in order to enhance the customer experience, implement the highest level of IT security standards, and improve stability.

7.9 Corporate Affairs

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

Corporate Affairs department in MAR comprises several functions as follows:

Marketing: 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.

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 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 8 of Annual Report.

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

In 2021, amidst a challenging environment resulting from ongoing COVID-19 outbreak, Corporate Affairs continued to work as a fully integrated function to support the business and the Bank to deliver the right messages to the right audience, at the right time through the right channel.

ESG and

CSR

As believers in the Qatar's Vision 2030, we are committed to supporting its four pillars. One of the key concerns on Qatar's agenda is the environment. In late 2021, MAR decided to develop a fully-fledge ESG strategy and road map towards implementation of ESG goals. The impact of this strategy will start appearing in the Bank's business next year and beyond.

Under the contemplated strategy, MAR intends to encourage green industries and environmental projects, by offering preferential rates and special terms for small and medium businesses that demonstrate their commitment to green in Qatar. Furthermore, MAR remains committed to high standards of corporate governance. Upon the merger, MAR continues to enhance its governance systems to ensure it is well managed with effective oversight and controls.

In addition, 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 2021 amounted to QAR 42,813,000.

Core Banking Activites

9.1 Wholesale Banking

Upon the Merger, MAR became one of the largest Sharia compliant banks in the region. With a strong capital base and ample liquidity, the Bank is well positioned to accelerate Qatar's progress toward Vision 2030 by leveraging its increased scale, compelling product offering, and excellent talent pool. The merger represents a watershed moment in Qatar's banking sector, enabling corporate growth, facilitating landmark transactions, and promoting SME development.

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

In 2021, the Corporate Banking division has maintained a close relationship and collaboration with clients in both the Government and private sectors. It successfully on-boarded new corporate clients to diversify the client base while maintaining a focus on business expansion. The Corporate Banking team has completed ground-breaking transactions in support of government related entities' efforts to upgrade infrastructure and develop new projects in Qatar. The team has worked tirelessly with all customers throughout the year to ensure optimal utilization of working capital financing and support for their corporate financing needs.

In line with the goals of the 2030 National Vision, MAR also continued to support local Qatari businesses and SMEs with tailor-made solutions. Throughout the year, the SME division successfully collaborated with the government to implement the COVID-19 National Response Program, which aims to protect the economy and direct funds to the most deserving SMEs.

The Cash Management Unit provided customized dividend payment solutions to a number of corporate clients in Qatar during 2021. Additionally, the department enhanced the Corporate Net Banking platform significantly and on-boarded a large number of corporate clients to assist them in conducting financial transactions in a paperless environment.

In 2022 and beyond, we will continue to provide the highest level of services and tailor-made solutions to our clients, with the aim to becoming the Islamic Bank of choice in the region.

9.2 Retail Banking

Since the completion of the merger between MAR and al khaliji in 2021, the Bank's primary focus has remained on its customers and it has been successful in converting al khaliji's conventional book into a Shari'ah-compliant financing and deposit portfolio.

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

Private Banking

Private Banking has consistently generated exceptional revenue as a result of the Bank's preferred clients receiving superior and personalized service. The strong performance has been attributed to the development of relationships with existing clients, as well as a steady increase in the number of new client acquisitions. Equally, throughout the COVID-19 pandemic, the Private Banking team has assisted affected clients in maintaining business continuity and protecting their banks' profitability. Additionally, the team collaborates closely with Masraf Al Rayan's UK and French branch network to meet client needs and grow profitable business in branch territories.

Retail & Premier Banking

Retail and Premier Banking performed commendably in 2021, generating sustainable revenue and expanding a profitable customer base. Consistent acquisition of Qatari nationals and premium customers and the collaboration with key employers has paid off, as the client portfolio remained robust throughout the year. The Bank also launched many customers acquisition campaigns with the goal of acquiring profitable customers and securing the company's success in 2021, and will continue to prioritize the development of new and innovative financial products and services in order to grow the preferred customer base.

In addition, MAR launched a "feature-packed, high-end" metal credit card exclusively for its Ultra High Net Worth Private Banking customers in collaboration with Visa Inc. Holders of the Visa Ultra- High-Net-Worth metal cards can take advantage of exclusive custom-tailored points program, a generous initiative that rewards cardholders with valuable points redeemable for free airline travel, hotel accommodations, and exclusive seasonal travel packages.

Furthermore, the Bank introduced an enhanced card loyalty program, which offers MAR reward points for domestic or international transactions. Customers may now redeem their MAR points with one of the following: Qatar Airways QMiles, Ooredoo Nojoom points, Al Meera Rewards or cash back.

Building on its commitment to providing cutting-edge digital solutions, the Bank launched the Instant Savings Account and Instant Western Union remittance solutions via its web and mobile banking platforms, and, activated several critical services on digital platforms to assist customers in booking branch appointments online, managing their cards' lifecycles, managing their card PINs, and updating their customer information.

In accordance with its merger strategy, the remaining entity's footprint in Qatar now includes 14 retail, 3 corporate operational branches and 109 ATMs serving the corporate, commercial, and personal customer segments. The Bank's branches and ATMs are strategically located throughout Qatar's major cities, including malls, traditional souqs, and business districts.

The objective for 2022 is to continue serving customers with an exceptional level of service and to expand its digital banking franchise, all while cementing its position as Qatar's best Shariah-compliant retail and private bank.

9.3 Treasury and Financial Institutions

The Treasury Department is responsible for all financial market-related activities on behalf of the Bank, particularly the management of the overall liquidity position, wholesale funding, and the Bank's proprietary investment portfolio. To actively support the commercial franchise, Treasury also manages the sale of Treasury Products to the Bank's client base.

In 2021, Treasury continued to contribute to the Bank's profitability as well as to diversifying its funding sources at competitive levels. It also achieved a well-diversified funding mix in terms of sources, instruments, and tenors through leveraging its network of financial counterparties and the excellent credit standing of Qatar and that of the Bank.

The Treasury Department continues to work on reducing funding concentration risk by actively attracting private placements under its Euro Medium-term Note (EMTN) program.

It also remains active in raising funding through the Repurchase Agreement (Repo) desk, which is one of the key funding tools. This funding strategy has yielded great results and contributed to keeping funding pricing under strict control in order to reduce the Bank's financial expenses and maximize its profit margin, which has seen consistent Year-on-Year (YOY) improvement compared to its peers.

Proprietary Investment Portfolio

Despite strict domestic regulatory requirements, the Bank has strategically maintained its investment portfolio and focused mostly on Qatari Securities (Sovereign and GREs) while maintaining an investment grade rating for its overall portfolio on a weighted average basis. This portfolio helps meet the Liquidity Coverage Ratio (LCR) driven by Basel III, as well as enabling the team to attract Repo funding from the market at competitive levels.

The Bank's Equity Portfolio is an important contributor to the profitability for the Treasury. The portfolio is driven by long-term investment objectives and has a steady flow of dividends.

Debt Capital Market

The Bank has played a key role in advising clients on Debt Capital Market (DCM) opportunities and won mandates to act as Joint Lead Manager (JLM) or Book Runner on Issuances, and will work closely with ARI on advisory mandates for future Sukuk issuances.

Treasury Sales

The sale of Foreign Exchange (FX) and Derivatives Hedges remain one of the key sources of income for the Bank, with 2021 witnessing a buoyant fee income on derivatives hedging and FX activity. MAR plays a key role in meeting FX requirements emanating from local clients, as well as hedging activities from corporate clients driven by developments in the US monetary policy.

Asset Liability Management and Money Market Unit

The Unit plays a vital role in overseeing liquidity and monitoring of the day-to-day flows of the Bank's liquidity while complying with all regulatory ratios. It has successfully added new counterparties, enhancing the interbank dealings to manage short-term funding requirements more efficiently.

Strategic Developments

Treasury continues to embrace enhanced technology solutions to provide products and services to its esteemed client base. It has worked to widen its reach to market participants, witnessing remarkable success in forging new relationships by onboarding more counterparties, Repo participants, and other.

The Investment book is being efficiently managed to increase the return on investment, and continues to positively contribute toward the net income from financial and investment activities for the Bank, while maintaining an investment grade weighted average portfolio rating.

Financial Institutions

The Financial Institutions Group (MAR FI) offers correspondent banking services and acts as the entry point to the Bank for all Financial Institutions across the globe. Relationships with over 200 Financial Institutions worldwide are developed and coordinated by MAR FI in order to support corporate and retail clients within MAR network.

MAR FI responds to the cross-border needs of clients, providing a complete range of services that facilitate international cash management, cross-border payments and trade finance products including letters of credit, guarantee, documentary collections.

Moreover, MAR FI plays an important role in securing funding from relationship banks and participating in Murabaha financing syndications, providing strong profit and diversification to the asset base. With the merger resulting in a bigger, stronger institution, MAR FI aims to be the number one Islamic FI services provider in the region, offering the best correspondent banking and trade finance services to MAR's clients.

Subsidiaries, Associates SPVs and Branches

10.1 Subsidiaries

1. Al Rayan Bank UK

Al Rayan Bank PLC (ARB UK) is a subsidiary of Masraf Al Rayan QPSC incorporated and regis-tered in England and Wales in the United Kingdom ("UK"). It is the UK's oldest and largest Sharia compliant retail bank. ARB UK have been pioneering British Islamic banking since 2004. It is au-thorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

ARB UK provides Sharia compliant savings, finance and current account services to over 90,000 personal, business and premier customers and is the only Islamic bank in the UK to re-ceive a public rating. The Bank has an Aa3 rating from Moody›s Investors Service (Moody's), one of the leading global ratings agencies.

For further information, please visit www.alrayanbank.co.uk

2. Al Rayan Investment LLC

Al Rayan Investment LLC (ARI) is the investment banking arm of MAR. It is a fully owned subsidiary of MAR incorporated and registered under Qatar Financial Center with a capital of USD 100 million.

During 2021, building on the success of previous years, ARI managed to further strengthen its ties with its client base and expand its reach. This was achieved by building on the Bank's vision of being the region's leading Shari'a-compliant investment bank and asset manager. ARI remains committed to continue developing its product offering to link the real economy with Islamic finance and establish an investment-banking platform in Qatar and the neighboring markets with more focus on asset management and advisory businesses.

The asset management business delivered another year of exceptional growth through a combination of signing new mandates and growing its AuMs through achieving well above average investment returns. These efforts were again acknowledged by industry peers where ARI was recognised as the 'Qatar Asset Manager of the Year' and 'ETF Provider of the Year' Global Investor magazine's 2021 MENA awards ceremony for the second year in a row.

2.1 Asset Management Group

ARI's asset management franchise now enjoys a distinguished investment track record of more than 12 years. While demand from individual high-net-worth investors continues to grow each year, awareness of ARI's best-in-class capabilities among domestic institutional investors is very strong.

Additionally, clients find ARI's proposition compelling: experienced in-house research capabilities that feed into a fine-tuned and robust investment process, help achieve superior security selection and leading to consistently strong investment returns.

2.1.1 2021 Performance

After a volatile 2020, 2021 benefited from a healthier external environment as governments, both regional and global, slowly began to reopen their economies. A rebound of global demand at a time when supply and logistics constraints fueled inflation across a range of commodities – many of which are produced across the Gulf. With oil, gas and numerous other commodity prices soaring, governments enjoyed elevated incomes and regional assets performed strongly. ARI's assets under management ended the year at approximately QAR 4.8 billion.

2.1.2 Money Market Mudaraba

ARI was also able to significantly grow its Qatari riyal money market product. Despite a lack of local money market instruments, this product mimics a traditional money market fund by offering enhanced returns relative to standard bank accounts while offering daily liquidity while taking virtually zero risk.

2.1.3 Global Sukuk

The second half of 2020 was strong for global fixed income, and Sukuk was no exception. While 2021 began well, it gradually became more muted for fixed income. Inflation surged and investors began to react to central banks' tightening of fiscal and monetary policy. While Sukuk market's returns were relatively modest, ARI's actively managed US dollar Sukuk portfolios performed relatively strongly, gaining more than 4.5% over the year, net of fees.

Investors have been discounting a tightening of US monetary policy for several years, but given current inflation levels, 2022 could be the year interest rates finally inch higher, although this is not expected to be disruptive to global Sukuk returns. Despite periods of surging US Treasury yields in 2021, Sukuk held their own – especially relative to global fixed income. Overall, Sukuk retains a healthy spread premium versus emerging market and global bonds. Moreover, while global Sukuk demand continues its structural expansion, supply remains subdued, further supporting valuations and lowering volatility.

In 2021, ARI achieved further growth in its Sukuk execution service, attracting both institutional and individual investors. Clients regularly highlight the quality of ARI's execution overall service, which is key to attracting new investors.

2.1.4 Regional Listed equities

ARI's investment focus for listed equities is the Gulf, with a particular emphasis on Qatar. Equities segregated mandates for institutional investors and family offices account for a large proportion of overall assets under management.

2.1.5 Funds

ARI currently manages three regulated funds, of which the largest are the Al Rayan Qatar ETF and the Al Rayan GCC Fund all of which are funded by MAR.

- Al Rayan Qatar ETF (QATR) tracks the performance of the QE Al Rayan Islamic index (an index of Sharia-compliant Qatari equities) and is listed on the Qatar Stock Exchange. With more than QAR 550 million in assets at end-2021, QATR remains one of the world's largest Sharia-compliant equity ETFs. A Total Expense Ratio (TER) of just 0.50% makes QATR among the cost friendliest single-country ETFs across emerging markets. The ETF pays an annual cash dividend in the second quarter of each year
- The Al Rayan GCC Fund, the flagship absolute return fund, which invests in regional listed equities and Sukuk, remains one of the largest Sharia-compliant GCC funds in the region with assets of around QAR 300 million. In 2021, the fund gained 20%, also marking the first time since its 2010 launch that the fund distributed a dividend. Dividends are now expected to be paid semi-annually (January and July) but remain at the discretion of the fund manager.

2.2 Financial Advisory Group

The global pandemic and the subsequent restrictions set the stage for the growth in financial advisory activity in 2021. Several companies in Qatar, driven by restricted activity in 2020 and a subsequent need for funding, initiated transactions to access capital markets (debt or equity) as well as sought direct equity funding from strategic/financial investors and raised bank financing. Catering primarily to its Qatari client base, ARI was engaged in multiple mandates in 2021, including the execution of Main Market listing, and follow-on equity offerings and M&A transactions.

While ARI remains focused on serving Qatari clients in their local transactions and acting as their trusted advisor, the business also assists clients on their cross-border opportunities. The FIFA World Cup Qatar 2022 and expenditures on the LNG expansion projects are expected to lead to growing economic activity in Qatar in 2022 and beyond. As such, the financial advisory business is expected to remain very active.

3. Al Rayan Partners

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

ARP's main activities include the following:

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

4. Al Khaliji France SA

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

2021 has been another year of many challenges for AKF, especially with the COVID-19 crisis impacting the society and the broader economy for the second year in a row. The bank carefully supported Corporate and Private customers reducing or deferring installments where needed for the most exposed sectors. Since the beginning of the pandemic, the bank's priority remained on ensuring the continuity of its operations while protecting its employees and customers. This was achieved e effectively throughout 2021, showing once again AKF's capacity to adapt.

Despite the challenges, AKF closed the year with a net profit after tax of EUR 4.8 million as of 31 December 2021. The capitalization of AKF is still maintained at good level with an equity of EUR 180.9 million at the end of December 2021.

With the economic outlook in 2022 increasingly positive and after it became part of MAR group upon the merger, AKF is confident that the merger will bring a plethora of new opportunities to best serve its existing client 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.

10.2 Associates

As at 31 dec 2021, the Group's associates were as follows:

Name of the Company	Country	Company's activities	Ownership % as at 31 Dec 2021
National Mass Housing Company SAOC ("NMH")	Oman	Real estate services	20.00
Ci-San Trading W.L.L. ("Ci San")	Qatar	Investing and trading	50.00
Kirnaf Finance Company ("Kirnaf")	Saudi Arabia	Leasing	48.76
Damaan Islamic Insurance Company "Beema" (Q.P.S.C.) ("Daman")	Qatar	Insurance	20.00
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 2021 that form an integral part of this Annual Report.

10.3 Special Purpose Vehicles (SPVs)

As at 31 dec 2021, 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 2021
Lusail Waterfront Investment Co.	Cayman Islands	USD 100	Investment activities	100.0%
MAR Sukuk Limited	Cayman Islands	USD 250	Sukuk issuance	100.0%
AKCB Finance Limited	Cayman Islands	USD 1	Debt Issuance	100.0%
AKCB Falcon Limited	Cayman Islands	USD 1	Debt Issuance	100.0%
AKCB Markets Limited	Cayman Islands	USD 1	Over-the-Counter Shari'a-compliant risk management instruments	100.0%
Lusail Limited	Cayman Islands	USD 1	Financing and investing activities	100.0%

For further details, please refer to the audited financial statements as at 31 December 2021 that form an integral part of this Annual Report.

10.4 Branches

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

Shari'a
Supervisory Board

As at 31 December 2021, the Sharia Supervisory Board (SSB) consists of the following scholars:

His Eminence Sheikh Dr. Walid bin Hadi	**Chairman**
His Eminence Sheikh Dr. Abdul Sattar Abu Ghuddah	**Member**
His Eminence Sheikh Dr. Sultan Ibrahim Sultan Khalifa Al Hashemi	**Member**

SSB current mandate is for three years (2020 to 2022). His Eminence Sheikh Dr. Sultan Ibrahim Sultan Khalifa Al Hashemi was appointed by the Board to replace the late Sheikh Dr. Abdulsattar Abu Ghudda.

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.

audited

financial statements

2021

shari'a

Supervisory Board Report

on Financial Statements

for the year ended on 31 December 2021

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

Masraf Al Rayan Shari'a Supervisory Board has reviewed the products and operational activities presented to it as well as the 2021 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.

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

His Eminence
Sheikh Dr. Mohamed Ahmeen
Shari'a Supervisory Board Member

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

independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of sources and uses of charity fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank ("QCB").

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Estimation uncertainty with respect to the purchase price allocation for the merger with Al Khalij Commercial Bank P.Q.S.C.	
The Bank acquired Al Khalij Commercial Bank (Al Khaliji) P.Q.S.C. with effect from 30 November 2021 and accounted for this transaction using the acquisition method of accounting. The purchase price allocation, which resulted in preliminary goodwill and or intangible assets of QAR 1.76 billion as at the date of acquisition, was still provisional as at 31 December 2021 given the time that had elapsed between the transaction date and the approval of the consolidated financial statements. Goodwill arising from the acquisition and the relating carrying amounts of assets and liabilities will be adjusted on a retrospective basis upon finalisation of the purchase price allocation process during 2022. In the absence of specific guidance on business combinations in the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Group has applied International Financial Reporting Standard 3 Business Combinations.	We performed the following procedures on the preliminary management purchase price allocation, which included, but was not limited, to the following: – We assessed the design and implementation of controls over the transaction; – We assessed whether the transaction falls within the scope of IFRS 3 by assessing whether the assets acquired and liabilities assumed constitute a business, whether the acquisition date is determined properly, whether the transaction should be accounted for by applying the acquisition method and whether the consideration price and preliminary goodwill are calculated appropriately; – We verified that the results of operations of the entities acquired were included in the consolidated financial statements of the Bank from the date of acquisition, as defined by IFRS 3; – We evaluated the approach and key assumptions used in the Bank's provisional fair value adjustments relative to the acquired portfolio of financial assets

We considered this as a key audit matter because of the size of the purchase price and the significant judgements applied and estimates made by management in determining the provisional fair values of acquired assets and liabilities. Auditing these complex judgements and assumptions involves, inter alia, challenging management's judgements to assess the provisional fair value of different types of assets, due to the nature and extent of audit evidence and effort required to address these matters. Refer to the following notes of the consolidated financial statements for more details on this key audit matter: Note 3 (c) (ii) – Business combinations Note 14 – Intangible assets Note 45 – Business combination	at amortised cost, in particular financing assets and challenged management judgements on specific customer or market related factors, such as expected default rates; – We evaluated accounting policies adopted by management for the identification of purchased or originated credit impaired financial assets and assessed the adequacy of the recognition, presentation, and measurement policy for these assets; – We evaluated the identification and provisional valuation of intangible assets based on our understanding of the businesses of the acquired entity and discussed the business rationale for the acquisition and assessment with management; and – We assessed the adequacy of the disclosures in the consolidated financial statements relating to this matter against the relevant IFRS disclosure requirements.
Impairment of financial assets	
The Group's financial assets, both on and off balance sheet, amount to QAR 193.69 billion as at 31 December 2021 (2020: QAR 134.82 billion). The expected credit losses (ECL) provision recognised for the year ended December 31, 2021 amounted to QAR 2.01 billion (2020: QAR 1.07 billion). FAS 30 Impairment, Credit Losses and Onerous Commitments is a complex accounting standard that requires considerable judgements, which were key in the development of models to measure expected credit losses on financial assets, carried either at amortised cost or at FVTE (debt instruments). Financial assets might be inaccurate due to: – The methodologies used to develop probability of default (PD); loss given default (LGD); and (exposure at default EAD) are inappropriate. – Inappropriate segmentation of portfolios is used to develop risk parameters. – The input and range of forward-looking scenarios are not representative of an appropriate range of possible outcomes – Extrapolation techniques used to project scenarios and parameters (PD, LGD, and EAD) in future periods are inappropriate.	We have updated our understanding of the business process related to impairment of financial assets and assessed and tested the design and operating effectiveness of the relevant controls over data governance, methodologies, inputs and assumptions used by the Group in the ECL model. In addition, our work performed included the below procedures, among others on the Group's FAS 30 ECL model: – For a selection of exposures, performed a detailed credit review and challenged the Group's staging and impairment allowance calculation. – Review and assessment of the appropriateness of the data, assumptions and methodologies used within the Bank's FAS 30 ECL model (PD, LGD, and EAD) and customer internal rating systems and methodology. – Assessment on whether significant increase in credit risk (SICR) indicators are present for the exposures subject to credit risks based on FAS 30 and Qatar Central Banks guidance and the possible implications on the ECL staging and expected provisioning. – Assessment of the ECL methodology, macroeconomic scenarios weightage, (including scenario weightage adjustments for COVID-19), model validation/testing, including post model adjustments on a sample basis.

independent auditor's report continued

Impairment of financial assets (continued)	
– The methodology used to allocate a probability to each scenario is inappropriate or unsupported. – Significant increases (or reductions) in credit risk (movements between Stage 1, Stage 2 and Stage 3) are not completely or accurately identified on a timely basis. – Assumptions incorporated in the ECL model, especially scenarios arising from the Covid 19 pandemic, are not updated on a timely basis. Refer to the following notes of the consolidated financial statements: • Note 3 – Significant accounting policies on financial assets and financial liabilities • Note 4 – Financial risk management • Note 7 – Fair value and classification of financial instruments • Note 9 – Due from banks • Note 10 – Financing assets • Note 11 – Investment securities	We have assessed whether the related disclosures of this area are adequate in accordance with the requirements of Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as modified by the Qatar Central Bank (QCB) and applicable provision of QCB regulations.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Bank's accounting and financial reporting systems are vitally dependent on complex technology. The extensive volume and variety of transactions processed daily raises a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. A particular area of focus related to logical access management and segregation of duties. The underlying principles are important because they ensure that changes to applications and data are appropriate, authorised and monitored. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls and therefore procedures were designed to test access and controls over IT systems. Our audit procedures included: – Obtain the understanding on IT applications relevant to financial reporting including the Equation - core banking system, Opics - Treasury system, TI – Trade finance system, LOS – retail and corporate financing assets business and the Swift messaging and the infrastructure supporting these applications; – Testing the relevant automated input / processing and output controls relevant to business processes. – Testing the IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations; and – Assessing the accuracy and completeness of computer-generated information in which are relevant to the financial statements.

Other information

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

Responsibilities of the board of directors for the consolidated financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

independent auditor's report

continued

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

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

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

Report on other legal requirements

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

Reference to Note 2 to the consolidated financial statements, the Group is in the process of assessing the impact of the Qatar Commercial Companies Law, as per Law no. 8 of 2021. Management believes that the said amendments will not have a material impact on the consolidated financial statements of the Group.

Doha – Qatar
6 April 2022

For Deloitte & Touche
Qatar Branch
Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

consolidated statement

of financial position

as at 31 december

QAR '000s

	Notes	2021	2020
ASSETS			
Cash and balances with central banks	8	5,220,712	7,070,507
Due from banks	9	9,155,812	6,307,575
Financing assets	10	120,806,731	85,983,437
Investment securities	11	32,775,088	20,585,834
Investment in associates	12	348,935	534,116
Fixed assets	13	714,680	271,406
Intangible asset	14	1,758,698	-
Other assets	15	3,253,204	362,005
TOTAL ASSETS		**174,033,860**	121,114,880
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Due to banks	16	23,246,577	27,979,497
Customer current accounts	17	9,192,634	8,491,997
Sukuk and debt financing	18	7,614,762	6,023,180
Other borrowings	19	5,699,994	1,270,775
Other liabilities	20	5,849,975	2,331,558
TOTAL LIABILITIES		**51,603,942**	46,097,007
EQUITY OF INVESTMENT ACCOUNT HOLDERS	21	**97,763,630**	60,425,902
EQUITY			
Share capital	22	9,300,000	7,500,000
Legal reserve	22	9,644,166	2,714,166
Risk reserve	22	2,282,824	1,796,600
Fair value reserve	22	36,125	25,204
Foreign currency translation reserve	22	(5,915)	(3,618)
Other reserves	22	127,274	126,222
Retained earnings		2,082,166	2,206,731
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**23,466,640**	14,365,305
Non-controlling interest	23	199,648	226,666
Instrument eligible as additional capital	24	1,000,000	-
TOTAL EQUITY		**24,666,288**	14,591,971
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**174,033,860**	121,114,880

These consolidated financial statements were approved by the Board of Directors on 27 January 2022 and were signed on its behalf by:

Mohamed Bin Hamad Bin Qassim Al Thani
Chairman

Hamad Bin Faisal Bin Thani Al Thani
Vice Chairman

Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer

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

consolidated

for the year ended 31 December

QAR '000s

	Notes	2021	2020
Income from financing activities	25	3,710,612	3,680,336
Income from investing activities	26	884,589	925,202
Total income from financing and investing activities		4,595,201	4,605,538
Fee and commission income		329,260	263,010
Fee and commission expense		(5,537)	(2,280)
Net fee and commission income	27	323,723	260,730
Foreign exchange gain (net)	28	167,198	158,227
Share of results of associates	12	13,706	17,888
Other income	29	1,298	3,891
TOTAL INCOME		5,101,126	5,046,274
Staff costs	30	(427,950)	(386,408)
Depreciation and amortisation	13	(68,097)	(24,818)
Other expenses	31	(300,385)	(283,230)
Finance expense		(529,103)	(671,992)
TOTAL EXPENSES		(1,325,535)	(1,366,448)
Net impairment losses on due from banks		(1,241)	(113)
Net impairment losses on financing assets		(910,340)	(298,764)
Net impairment losses on investments		(188,836)	(58,227)
Net reversals on other exposures subject to credit risk		3,733	5,415
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		2,678,907	3,328,137
Less: Return to investment account holders	21(c)	(948,843)	(1,145,186)
PROFIT BEFORE TAX FOR THE YEAR		1,730,064	2,182,951
Tax expense	32	(4,772)	(2,357)
NET PROFIT FOR THE YEAR		1,725,292	2,180,594
Net profit for the year attributable to:			
Equity holders of the Bank		1,712,519	2,175,425
Non-controlling interest		12,773	5,169
		1,725,292	2,180,594
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	36	0.217	0.290

The attached notes 1 to 45 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 2020	7,500,000	2,714,166	1,796,600	25,204	(3,618)	126,222	2,206,731	14,365,305	226,666	-	14,591,971
Change in foreign currency translation reserve	-	-	-	-	(2,297)	-	-	(2,297)	-	-	(2,297)
Fair value reserve movement	-	-	-	15,679	-	-	-	15,679	-	-	15,679
Effective portion of changes in fair value of cash flow hedges	-	-	-	725	-	-	-	725	-	-	725
Gain on sale of FVTE investments	-	-	-	(5,483)	-	-	5,483	-	-	-	-
Net profit for the year	-	-	-	-	-	-	1,712,519	1,712,519	12,773	-	1,725,292
Dividend declared and approved for 2020	-	-	-	-	-	-	(1,275,000)	(1,275,000)	-	-	(1,275,000)
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(48,195)	(48,195)	(48,195)		
Transfer to risk reserve	-	-	486,224	-	-	-	(486,224)	-	-	-	-
Net movement in other reserves	-	-	-	-	-	1,052	(1,052)	-	-	-	-
Social and sports fund appropriation (Note 42)	-	-	-	-	-	-	(42,813)	(42,813)	-	-	(42,813)
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	-	10,717	10,717	(37,458)	-	(26,741)
Business combination transactions (Notes 24 & 45)	1,800,000	6,930,000	-	-	-	-	-	8,730,000	-	1,000,000	9,730,000
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(2,333)	-	(2,333)
Balance at 31 December 2021	9,300,000	9,644,166	2,282,824	36,125	(5,915)	127,274	2,082,166	23,466,640	199,648	1,000,000	24,666,288
Balance at 31 December 2021	7,500,000	2,496,623	1,636,268	23,604	(9,703)	123,405	2,148,999	13,919,196	212,719		14,131,915
Change in foreign currency translation reserve	-	-	-	-	6,085	-	-	6,085	-		6,085
Fair value reserve movement	-	-	-	6,485	-	-	-	6,485	-		6,485
Gain on sale of FVTE investments	-	-	-	(4,885)	-	-	4,885	-	-		
Net profit for the year	-	-	-	-	-	-	2,175,425	2,175,425	5,169		2,180,594
Dividend declared and approved for 2019	-	-	-	-	-	-	(1,687,500)	(1,687,500)	-		(1,687,500)
Transfer to legal reserve	-	217,543	-	-	-	-	(217,543)	-	-		-
Transfer to risk reserve	-	-	160,332	-	-	-	(160,332)	-	-		-
Net movement in other reserves	-	-	-	-	-		2,817	(2,817)	-		-
Social and sports fund appropriation (Note 42)	-	-	-	-	-	-	(54,386)	(54,386)	-		(54,386)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	8,778		8,778
Balance at 31 December 2020	7,500,000	2,714,166	1,796,600	25,204	(3,618)	126,222	2,206,731	14,365,305	226,666		14,591,971

consolidated statement of cash flows

for the year ended 31 december

QAR '000s

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		1,730,064	2,182,951
Adjustments for:			
Net impairment losses on financing assets		910,340	298,764
Net impairment losses on investments		188,836	58,227
Net impairment losses on due from banks		1,241	113
Net reversals on other exposures subject to credit risk		(3,733)	(5,415)
Loss on cash flow hedge		28,608	-
Fair value loss / (gain) on investment securities carried as fair value through income statement	26	81	(55)
Unrealized loss / (gain) on revaluation of Shari'a compliant risk management instruments		138,419	(33,254)
Depreciation and amortisation	13	68,097	24,818
Amortisation of transaction costs on sukuk financing, other borrowings and due to banks		12,844	6,996
Net gain on sale of investment securities		(137)	(13,805)
Dividend income	26	(3,911)	(1,442)
Share of results of associates	12	(13,706)	(17,888)
Loss on disposal of fixed assets		5,805	-
Amortisation of premium and discount on investment securities		(5,716)	(22,340)
Employees' end of service benefit provisions	20(b)	10,486	5,814
Profit before changes in operating assets and liabilities		**3,067,618**	2,483,484
Change in reserve account with Qatar Central Bank		(1,630,241)	(61,331)
Change in due from banks		(942,275)	-
Change in financing assets		(113,318)	(11,077,298)
Change in other assets		(1,079,160)	(59,485)
Change in accrued profit from investment securities		17,753	8,646
Change in due to banks		(19,213,722)	6,614,317
Change in customer current accounts		(180,489)	965,314
Change in other liabilities		100,550	(49,426)
Change in profit payable on sukuk financing and other borrowings		54,856	31,772
		(19,918,428)	(1,144,007)
Dividend received		3,911	1,442
Employees' end of service benefits paid	20(b)	(3,610)	(781)
Social and sports fund contribution		(54,386)	(54,460)
Tax paid		(10,998)	(4,382)
Net cash used in operating activities		**(19,983,511)**	(1,202,188)

QAR '000s

	Notes	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(3,124,397)	(167,686)
Proceeds from sale / redemption of investment securities		1,847,393	943,632
Proceeds from disposal of fixed assets		-	1,699
Additions on business combination	45(f)	8,985,074	-
Acquisition of fixed assets		(50,993)	(69,402)
Dividend received from associates	12	10,700	4,000
Net cash from investing activities		**7,667,777**	712,243
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		10,494,256	2,339,955
Net proceeds from sukuk financing and other borrowings		3,082,097	4,129,540
Repayment of sukuk financing and other borrowings		(1,564,573)	(246,845)
Net repayment of Ijarah liabilities		(42,562)	-
Dividends paid		(1,208,240)	(1,623,257)
Net movement in non-controlling interest		(29,074)	8,778
Net cash from financing activities		**10,731,904**	4,608,171
Net (decrease) increase in cash and cash equivalents		(1,583,830)	4,118,226
Cash and cash equivalents at 1 January		10,713,783	6,554,869
NON-CASH ITEM			
Effects of exchange rate changes on cash and cash equivalents held		10,997	40,688
Cash and cash equivalents at 31 December	37	**9,140,950**	10,713,783

Significant non-cash transactions:

The following non-cash investing and financing activities entered into by the Group are not reflected in the consolidated statement of cash flows:

- During the year, the Group recognized right-of-use assets amounting to QAR 81,257 thousand (2020: Nil) resulting from the adoption of FAS 32 (Note 3a). The Group also recognized Ijarah contract additions and modifications resulting to increase in right-of-use assets amounting to QAR 14,895 thousand (2020: Nil).
- The Bank issued 1,800 million new shares to the shareholders of Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") on the effective date of its merger with Al Khaliji which was effected through a share swap transaction (Note 45).

consolidated statement of sources and uses of charity funds

for the year ended 31 december

QAR '000s

	2021	2020
Undistributed charity fund as at 1 January	2,472	3,040
Net earnings prohibited by Shari'a during the year	7,455	532
Total source of charity fund	**9,927**	3,572
Use of charity fund		
Researches, donations and other uses during the year	-	(1,100)
Undistributed charity fund as at 31 December	**9,927**	2,472

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

notes to the consolidated financial statements

as at and for the year ended 31 december 2021

QAR '000s

1. REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies' Law No. 5 of 2002, as amended by Qatar Commercial Companies' Law No. 11 of 2015 under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Lusail Marina, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2021 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing and investing activities, and has 17 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

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

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

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

The principal subsidiaries of the Group are as follows:.

Entity's name	Country of incorporation	Entity's capital	Entity's activities	Effective percentage of ownership 2021	2020
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	**100.0%**	100.0%
Al Rayan Financial Brokerage L.L.C.1	Qatar	QAR 50,000,000	Financial brokerage	**100.0%**	100.0%
Al Rayan (UK) Limited2	UK	GBP 100,000,000	Investment activities	**75.0%**	70.0%
Al Rayan Partners L.L.C.	Qatar	QAR 10,000,000	Real estate consulting	**100.0%**	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD 100	Investment activities	**100.0%**	100.0%
MAR Sukuk Limited3	Cayman Islands	USD 250	Sukuk issuance	**100.0%**	100.0%
Al Khaliji France S.A.	France	EUR104,000,000	Banking	**100.0%**	-
AKCB Finance Limited	Cayman Islands	USD1	Debt Issuance	**100.0%**	-
AKCB Falcon Limited	Cayman Islands	USD1	Debt Issuance	**100.0%**	-
AKCB Markets Limited	Cayman Islands	USD1	Over-the-Counter Shari'a-compliant risk management instruments	**100.0%**	-
Lusail Limited	Cayman Islands	USD1	Financing and investing activities	**100.0%**	-

1. REPORTING ENTITY (continued)

[1] The operations have ceased since 12 January 2017 after Qatar Financial Markets Authority ("QFMA") approved to freeze its license for two years, which had been extended up to 10 September 2019. On 13 January 2019, the Board of Directors resolved to liquidate Al Rayan Financial Brokerage. The liquidation procedures have been completed as of reporting date.

[2] On 14 July 2021, the Bank acquired additional 5% shares in Al Rayan (UK) Limited. Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 73.76% of Al Rayan Bank PLC. Al Rayan Bank PLC is the designated "Servicer" of Tolkien Funding Sukuk No. 1 Plc, a special purpose entity incorporated in the UK for the purpose of sukuk issuance for the benefit of Al Rayan Bank PLC.

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

[4] Upon completion of the merger between the Bank and Al Khaliji" on 30 November 2021, the subsidiaries of Al Khaliji became subsidiaries of the Group. Please refer to Note 45 for more details on the business combination.

The Group doesn't have any subsidiaries with material non-controlling interests.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated income statement for the year ended 31 December 2021 includes the results for the one-month period ended 31 December 2021 of Al Khalij Commercial Bank P.Q.S.C (Note 45g). The comparative results for the year ended 31 December 2020 include Masraf Al Rayan (Q.P.S.C.) only.

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

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

The consolidated financial statements comply with the requirements of Qatar Commercial Companies Law No. 11 of 2015, whose certain provisions were subsequently amended by Law No.8 of 2021. The management is in the process of taking necessary actions needed to ensure full compliance with the amended law, including amending the Articles of Association of the Company where necessary, and has concluded that any non-compliance as at the reporting date does not have a material impact on the consolidated financial statements.

(b) Basis of measurement

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

(c) Functional and presentational currency

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

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

(e) Presentation of consolidated financial statements

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective from 1 January 2021

FAS 32 - Ijarah

AAOIFI has issued FAS 32 in 2019. FAS 32 improves upon and supersedes FAS 8 - Ijarah and Ijarah Muntahia Bittamleek originally issued in 1997. This standard aims at setting 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 has applied FAS 32 "Ijarah" from 1 January 2021 and has opted for the simplified transition approach and has not restated comparative information, prior to the date of the adoption of the standard.

Change in accounting policy

Ijarah – Policy applicable from 1 January 2021

The Group as lessee

Identifying an Ijarah

At inception of a contract, the Group assesses whether the contract is, or contains an Ijarah. A contract is, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration.

Classification and measurement

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Group adopts a simplified approach whereby the Group elects, by class of underlying asset, not to separate the non-Ijarah components from Ijarah components, and instead account for each Ijarah component and any associated non-Ijarah components as a single Ijarah component.

The Group, in its capacity as either the lessor or the lessee, classifies each of its Ijarah into:

a. Operating Ijarah;
b. Ijarah Muntahia Bittamleek with expected transfer of ownership after the end of the Ijarah term – either through a sale or a gift; or
c. Ijarah Muntahia Bittamleek with gradual transfer of ownership during the Ijarah term (including Diminishing Musharaka Ijarah).

At the Ijarah commencement date, the Group as a lessee recognises a right-of-use (usufruct) asset and a net Ijarah liability (i.e. gross Ijarah liability less deferred Ijarah cost).

Right-of-use (usufruct) asset

Initial recognition and measurement

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of use asset comprises of:

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) New standards, amendments and interpretations effective from 1 January 2021 (continued)

FAS 32 – Ijarah (continued)

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.

Expenses relating to underlying asset
Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Group, are recognised by the Group in the consolidated income statement in the year incurred.

Impact on adoption of FAS 32
The following amounts are recognized under the new standard and included in the respective headings of consolidated statement of financial position and income statement:

	1 January 2021	*31 December 2021*
Consolidated statement of financial position		
Right-of-use asset ("Fixed Assets")	**81,257**	42,792
Gross Ijarah liability	**79,560**	57,169
Less: Deferred Ijarah cost	**(5,883)**	(3,579)
Net Ijarah liability ("Other liabilities")	**73,677**	53,590

	For the year ended 31 December 2021
Consolidated income statement	
Amortisation on the right-of-use asset ("Depreciation and amortisation")	**49,275**
Amortisation of Ijarah costs ("Finance expense")	**1,682**

FAS 35 – Risk Reserves
AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 – "Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions).

The above standard is effective for annual reporting periods beginning on or after 1 January 2021 and has no material impact on the Group's consolidated financial statements.

(ii) New standards, amendments and interpretations issued but not yet effective
The Group has not yet applied the following new and revised FAS that has been issued but is not yet effective:

FAS 38 – Wa'ad, Khiyar and Tahawwut
AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions.

This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) New standards, amendments and interpretations effective from 1 January 2021 (continued)

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

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

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

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

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

(b) Inter Bank Offered Rate (IBOR) transition

IBOR - Phase 2 amendments, effective from 1 January 2021, address issues that might affect financial reporting as result of the reform of the rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and hedge accounting.

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

The Group is in the process of establishing policies for amending the interbank offered rates that will be replaced as part of IBOR reforms. The Group has discussion with counterparties in relation to exposure to derivative and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021.

The Group is in discussions with various stakeholders to amend the contractual terms in preparation for IBOR reform and assess preparedness for adopting alternate reference rates and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

(c) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

(ii) Business combinations

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Basis of consolidation (continued)

(ii) Business combinations *(continued)*

in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated income statement as a bargain purchase gain.

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

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

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

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

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

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

(iii) Goodwill

Goodwill is initially recognised and measured as set out above.

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

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

(iv) Non-controlling interest

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

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

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

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

(v) Transactions eliminated on consolidation

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

(vi) Associates (equity-accounted investees)

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(vi) 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.

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

(vii) Fund management

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

(d) Foreign currency

(i) Foreign currency transactions and balances

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

(e) Investment securities

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

(i) Categorization and classification

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

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

(a) equity-type instruments;
(b) debt-type instruments (including monetary and non-monetary); and
(c) other investment instruments.

Unless irrevocable initial recognition choices provided in the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:
(a) the Group's business model for managing the investments; and
(b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

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

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

(a) the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument; and
(b) the investment represents either a debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair value through equity ("FVTE")
An investment shall be measured at FVTE if both of the following conditions are met:

(a) the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
(b) the investment represents a non-monetary debt-type instrument or other investment instrument having reasonable determinable effective yield.

Fair value through income statement ("FVTIS")
An investment shall be measured at FVTIS unless it is measured at amortised cost or at FVTE or if irrevocable classification at initial recognition is applied.

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

(a) an equity-type instrument that would otherwise be measured at FVTIS, to present subsequent changes in fair value through equity; and
(b) a non-monetary debt-type instrument or other investment instrument, as measured at FVTIS if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different bases.

(ii) Recognition and de-recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment securities (continued)

(iii) Measurement

Initial recognition

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

Subsequent measurement

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

Fair value through equity ("FVTE")

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

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

Policy applicable after the issuance of QCB circular 13/2020

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

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

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

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

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

(iv) Measurement principles

Amortised cost measurement

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

Fair value measurement

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

(f) Financing assets

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

Murabaha and Musawama

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

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

Mudaraba

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

Musharaka

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

Ijarah

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

Istisna'a

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

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

Wakala

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through income statement:

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

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

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Measurement of ECL *(continued)*

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

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

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

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

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

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

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

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

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

Write-off

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

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

With effect from the issuance of QCB circular 13/2020, equity-type instruments classified as fair value through equity are not tested for impairment. However, prior to that, equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through equity.

Until the date of the circular, the Group has provided QAR Nil (2020: QAR 7,113 thousand) as impairment on equity-type investment securities which was recognised under "Net impairment losses on investments" in the consolidated income statement.

(j) Modification of financial assets and liabilities

Financial Assets

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

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

(k) Cash and cash equivalents

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

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

(l) Shari'a-compliant risk management instruments

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

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

Derivatives held for risk management purposes (including hedge accounting)

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 hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instrument(s) and hedged item(s), including the risk

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

These hedging relationships are discussed below:

Cash flow hedges – qualifying for hedge accounting
The Group applied cash flow hedge accounting for qualifying interest rate caps and profit rate swaps.

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

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

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

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

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

(m) Fixed assets

Recognition and initial measurement
Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land and work-in-progress are not depreciated.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The estimated useful lives for the current and comparative years are as follows:

Buildings	20 - 40 years
Leasehold improvements	7 - 10 years
Furniture, fixtures and office equipment	3 - 7 years
Motor vehicles	3 years
Computer equipment	3 years

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

(n) Intangible assets
An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately or in a business combination (other than goodwill) are measured on initial recognition at fair value and subsequently at cost less accumulated amortisation and impairment loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates and accounted for on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in consolidated income statement when the asset is derecognised.

(o) Due from banks
Due from banks are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks are initially measured at cost, being the fair value of the consideration given. Following the initial recognition, due from banks are stated at amortised cost.

(p) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

(q) Customer current accounts
Balances in customer current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

(r) Equity of investment account holders
Equity of investment account holders are funds held by the Group, which it can invest at its own discretion. The investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges a management fee to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(r) Equity of investment account holders (continued)

Investment accounts are carried at their book values and include amounts retained towards the profit equalisation and investment risk reserves. The profit equalisation reserve is the amount appropriated by the Group out of the Mudaraba income, before allocating the Mudarib's share, in order to maintain a certain level of return to the account holders on the investments. The investment risk reserve is the amount appropriated by the Group out of the income of investment account holders, after allocating the Mudarib's share, in order to cater against future losses for investment account holders.

(s) Distribution of profit between equity of investment account holders and shareholders

The Group complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and its equity holders.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba profit.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(t) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

(u) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears profit. Profits are recognised periodically until maturity. Sukuks are recognised at amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing"

(v) Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(w) Employees benefits

Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the personnel cost under general and administration expenses in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Group also provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other provisions under other liabilities.

(x) Share capital and reserves

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's equity holders.

(y) Revenue recognition

Murabaha

Profit from Murabaha transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated income statement on declaration by the Mudarib.

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

Istisna'a

Revenue and the associated profit margin are recognised in the Group's consolidated income statement according to the percentage of completion method or completed contract method.

Wakala

Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from asset management services

Income from asset management services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, feasibility study / management, arrangement and syndication fees, are recognised over time as the related services are performed. The performance, as well as the timing of their satisfaction, are identified and determined, at the inception of the contract.

The Bank has generally concluded that it is a principal in its revenue arrangements because it typically controls the services before transferring them to customer.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

(z) Income tax

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group's operations inside Qatar are not subject to tax, except Al Rayan Investment L.L.C. and Al Rayan Partners L.L.C. whose profits are subject to tax as per the relevant tax regulations.

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in the profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Income tax (continued)

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(aa) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(bb) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the consolidated statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated income statement. The amortisation of the premium received is recognised in the consolidated income statement under commission and fees income.

(cc) Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

(dd) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(ee) Collateral repossessed

The Bank acquires collaterals in settlement of certain financing assets. These collaterals are recognized at net realisable value on the date of acquisition and are classified as investment properties. Subsequently, the fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on these collaterals are included in the consolidated income statement in the period in which these gains or losses arise.

(ff) Contingent liabilities

Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these Shari'a-compliant risk management instruments.

(gg) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(hh) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(ii) Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities.

(jj) Comparatives

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

4 FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

Risk management and structure

Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks, investment securities, financing assets and certain other financial assets. Financial liabilities include customer deposits, due to banks, sukuk financing, other borrowings and certain other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-statement of financial position items.

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, market risk, liquidity risk and operating risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Board of Directors

The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function

The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

Assets and liabilities

The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

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4 **FINANCIAL RISK MANAGEMENT**

4.1 Introduction and overview (continued)

Risk management and structure (continued)

Internal audit

Risk management processes throughout the Group are audited annually by the Internal Audit Department that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Information compiled from all business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, risk unit, and the head of each business division.

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

4.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collaterals obtained are as follows:

- For securities financing: cash or securities.
- For commercial financing: mortgages over real estate properties, inventory, cash or securities.
- For retail financing: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

The Group also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 10. Also the details of geographical segments are set out in Note 34.

4.2.1 Credit risk measurement

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk type activities and the module makes use of probabilities derived from historical experience adjusted to reflect the economic environment.

4.2.2 Risk limit control and mitigation policies

Risk mitigation

As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	2021	2020
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)	4,582,462	6,298,293
Due from banks	9,155,812	6,307,575
Financing assets	120,806,731	85,983,437
Investment securities – debt	32,440,688	20,434,864
Other assets1	3,112,166	59,134
	170,097,859	119,083,303
Other credit risk exposures are as follows:		
Unutilised credit facilities	5,544,059	601,212
Guarantees	15,170,129	12,376,417
Letters of credit	3,399,486	988,168
Contingent liabilities of a non-Shari'a-compliant subsidiary (Note 33b)	682,218	-
	24,795,892	13,965,797

[1] Include 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.

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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
2021					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks (excluding cash on hand)	4,559,950	-	-	22,512	4,582,462
Due from banks	3,987,419	1,131,696	365,086	3,671,611	9,155,812
Financing assets	103,369,343	1,331,747	5,041,668	11,063,973	120,806,731
Investment securities - debt	30,397,795	1,384,946	402,212	255,735	32,440,688
Other assets1	216,789	1,174,783	-	1,720,594	3,112,166
	142,531,296	**5,023,172**	**5,808,966**	**16,734,425**	**170,097,859**

	Qatar	Other GCC	Other Middle East	Others	Total
2020					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks (excluding cash on hand)	6,282,011	-	-	16,282	6,298,293
Due from banks	3,867,669	1,128,116	395	1,311,395	6,307,575
Financing assets	72,879,746	3,532	3,991,182	9,108,977	85,983,437
Investment securities - debt	19,095,341	844,665	123,256	371,602	20,434,864
Other assets	59,134	-	-	-	59,134
	102,183,901	**1,976,313**	**4,114,833**	**10,808,256**	**119,083,303**

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

2021					
Unutilised credit facilities	5,395,480	15,944	-	132,635	5,544,059
Guarantees	11,936,342	362,070	133,054	2,738,663	15,170,129
Letters of credit	1,006,995	320,645	296,807	1,775,039	3,399,486
Contingent liabilities of a non-Shari'a-compliant subsidiary	13,213	376,437	-	292,568	682,218
	18,352,030	1,075,096	429,861	4,938,905	24,795,892
2020					
Unutilised credit facilities	523,849	-	-	77,363	601,212
Guarantees	9,984,922	8,606	204,001	2,178,888	12,376,417
Letters of credit	650,224	379	11,770	325,795	988,168
	11,158,995	8,985	215,771	2,582,046	13,965,797

	Qatar	Other GCC	Other Middle East	Others	Total
2021					
Unutilised credit facilities	**5,395,480**	**15,944**	**–**	**132,635**	**5,544,059**
Guarantees	**11,936,342**	**362,070**	**133,054**	**2,738,663**	**15,170,129**
Letters of credit	**1,006,995**	**320,645**	**296,807**	**1,775,039**	**3,399,486**
Contingent liabilities of a non–Shari'a compliant subsidiary	**13,213**	**376,437**	**–**	**292,568**	**682,218**
	18,352,030	**1,075,096**	**429,861**	**4,938,905**	**24,795,892**

	Qatar	Other GCC	Other Middle East	Others	Total
2020					
Unutilised credit facilities	523,849	–	–	77,363	601,212
Guarantees	9,984,922	8,606	204,001	2,178,888	12,376,417
Letters of credit	650,224	379	11,770	325,795	988,168
	11,158,995	**8,985**	**215,771**	**2,582,046**	**13,965,797**

(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 2021	Net exposure 2020
Funded and unfunded		
Government	38,067,416	36,025,692
Government agencies	45,595,943	31,450,803
Industry	3,623,943	461,669
Commercial	8,313,368	5,440,363
Services	30,797,027	9,671,300
Contracting	2,597,170	1,564,492
Real estate	29,925,005	24,799,711
Personal	10,690,994	9,665,245
Others	–	4,028
Contingent liabilities	24,113,674	13,965,797
Contingent liabilities of a non–Shari'a–compliant subsidiary	682,218	–
Total	**194,406,758**	**133,049,100**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 4- represents investment grade, ORR 5+ to 7 represents sub-investment grade and 7- represents watch list. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

The following table sets out information about the credit quality of financial assets, commitments and financial guarantees.

	2021			
	Stage 1	Stage 2	Stage 3	Total
Due from banks and balances with central banks				
Investment grade	12,891,117	-	-	12,891,117
Sub-investment grade	363,236	485,448	-	848,684
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	13,254,353	485,448	-	13,739,801
Loss allowance	(1,087)	(440)	-	(1,527)
Carrying amount	13,253,266	485,008	-	13,738,274

	2020			
	Stage 1	Stage 2	Stage 3	Total
Due from banks and balances with central banks				
Investment grade	12,452,585	-	-	12,452,585
Sub-investment grade	15	153,554	-	153,569
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	12,452,600	153,554	-	12,606,154
Loss allowance	(224)	(62)	-	(286)
Carrying amount	12,452,376	153,492	-	12,605,868

	2021			
	Stage 1	Stage 2	Stage 3	Total
Financing assets				
Investment grade	80,830,096	7,184,703	-	88,014,799
Sub-investment grade	22,063,089	10,561,159	-	32,624,248
Substandard	-	-	1,120,279	1,120,279
Doubtful	-	-	177,762	177,762
Loss	-	-	749,502	749,502
	102,893,185	17,745,862	2,047,543	122,686,590
Loss allowance	(58,617)	(793,979)	(1,027,263)	(1,879,859)
Carrying amount	102,834,568	16,951,883	1,020,280	120,806,731

* Includes profit in suspense of QAR 52,762 thousand

	2020			
	Stage 1	Stage 2	Stage 3	Total
Financing assets				
Investment grade	59,699,395	9,359,191	-	69,058,586
Sub-investment grade	12,896,199	4,006,933	-	16,903,132
Substandard	-	-	580,898	580,898
Doubtful	-	-	248,138	248,138
Loss	-	-	150,618	150,618
	72,595,594	13,366,124	979,654	86,941,372
Loss allowance	(66,810)	(342,620)	(548,505)	(957,935)*
Carrying amount	72,528,784	13,023,504	431,149	85,983,437

* Includes profit in suspense of QAR 39,470 thousand

	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment securities – debt				
Investment Investment grade	30,694,272	-	-	30,694,272
Sub-investment grade	1,254,486	510,019	-	1,764,505
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	57,162	57,162
	31,948,758	510,019	57,162	32,515,939
Loss allowance	(11,729)	(6,360)	(57,162)	(75,251)
Carrying amount	31,937,029	503,659	-	32,440,688

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment securities – debt				
Investment grade	19,481,825	–	–	19,481,825
Sub–investment grade	481,443	490,850	–	972,293
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	57,162	57,162
	19,963,268	490,850	57,162	20,511,280
Loss allowance	(16,571)	(2,683)	(57,162)	(76,416)
Carrying amount	**19,946,697**	**488,167**	**–**	**20,434,864**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Other credit risk exposures				
Investment grade	14,648,042	572,623	–	15,220,665
Sub–investment grade	5,376,869	3,470,958	–	8,847,827
Substandard	–	–	35,820	35,820
Doubtful	–	–	562	562
Loss	–	–	8,800	8,800
	20,024,911	4,043,581	45,182	24,113,674
Loss allowance	(15,110)	(34,513)	(2,019)	(51,642)
Carrying amount	**20,009,801**	**4,009,068**	**43,163**	**24,062,032**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Other credit risk exposures				
Investment grade	10,941,592	1,091,021	–	12,032,613
Sub–investment grade	1,289,975	637,495	–	1,927,470
Substandard	–	–	4,499	4,499
Doubtful	–	–	641	641
Loss	–	–	574	574
	12,231,567	1,728,516	5,714	13,965,797
Loss allowance	(22,168)	(8,452)	–	(30,620)
Carrying amount	**12,209,399**	**1,720,064**	**5,714**	**13,935,177**

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	Off balance sheet exposures subject to credit risk
AAA to AA-	53,517,251	8,446,198	25,553,251	2,616,593
A+ to A-	21,448,692	3,277,842	5,128,026	7,222,886
BBB+ to BBB-	13,043,689	1,164,819	12,999	5,348,109
BB+ to B-	20,278,127	498,369	1,537,400	7,866,704
Unrated	14,398,831	352,573	277,059	1,059,382
Totals as of 31 December 2021	122,686,590	13,739,801	32,508,735	24,113,674
AAA to AA-	52,402,747	6,736,954	18,909,903	2,854,269
A+ to A-	8,086,282	5,714,763	539,107	4,911,544
BBB+ to BBB-	8,569,560	869	30,789	4,266,802
BB+ to B-	5,345,948	15	536,916	1,759,697
Unrated	12,536,835	153,553	492,536	173,485
Totals as of 31 December 2020	86,941,372	12,606,154	20,509,251	13,965,797

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 2021 is QAR 1,870 million (2020: QAR 498 million).

4.2.8 Renegotiated financing assets

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non-impaired. The carrying value of renegotiated financing assets as at 31 December 2021 was QAR 435 million (2020: QAR 2,738 million).

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 2021 was QAR 1,386 thousand (2020: QAR 1,027 thousand).

4.2.10 Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria's are considered:

i. Two notches down for rating from Aaa to Baa or one notch down for ratings from Ba to Ca;
ii. Facilities restructured during previous twelve months; and
iii. Contractual payments overdue by more than 60 days as at the reporting date.

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Group employs Moody's Risk Analyst to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group has taken exposures.

Renegotiated financing assets

The contractual terms of a financing asset may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing asset whose terms have been modified may be derecognised and the renegotiated financing asset recognised as a new financing asset at fair value. Where possible, the Group seeks to restructure financing assets rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing asset conditions. Management continuously reviews renegotiated financing assets to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are restructured due to credit reasons in past 12 months will be classified under Stage 2.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is rated 9 or 10.

In assessing whether a borrower is in default, the Group also considers indicators that are:

- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macro – economic parameters are statistically significant or the results of forecasted PD's are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically. The impact of COVID-19 on forward-looking information is disclosed in Note 44.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.
2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.
3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- credit risk grading's;
- product type; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under FAS 30.

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)

Due from banks and balances with central banks	2021			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	224	62	–	286
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	863	378	–	1,241
Impairment allowance for the year, net	863	378	–	1,241
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	1,087	440	–	1,527

Due from banks and balances with central banks	2020			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	173	–	–	173
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	51	62	–	113
Impairment allowance for the year, net	51	62	–	113
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	224	62	–	286

Financing assets	2021			
	Stage 1	Stage 2	Stage 3	Total ECL*
Balance at 1 January	66,810	342,620	548,505	957,935
Transfers to Stage 1	379	(379)	–	–
Transfers to Stage 2	(8,158)	8,158	–	–
Transfers to Stage 3	(222)	(14,778)	15,000	–
Charge / (reversal) (net)	(97)	458,550	465,179	923,632
Impairment allowance for the year, net	(8,098)	451,551	480,179	923,632
Amounts written off	–	–	(1,386)	(1,386)
Foreign currency translation	(95)	(192)	(35)	(322)
Balance at 31 December	58,617	793,979	1,027,263	1,879,859

* Includes profit in suspense of QAR 39,470 thousand and QAR 52,762 thousand as of 1 January and 31 December, respectively, and net profit suspended during the year of QAR 13,292 thousand.

Financing assets	2020			
	Stage 1	Stage 2	Stage 3	Total ECL*
Balance at 1 January	38,990	270,543	327,869	637,402
Transfers to Stage 1	7,164	(7,164)	–	–
Transfers to Stage 2	(2,869)	2,869	–	–
Transfers to Stage 3	(201)	(6,992)	7,193	–
Charge / (reversal) (net)	23,305	82,962	214,352	320,619
Impairment allowance for the year, net	27,399	71,675	221,545	320,619
Amounts written off	–	–	(1,027)	(1,027)
Foreign currency translation	421	402	118	941
Balance at 31 December	66,810	342,620	548,505	957,935

* Includes profit in suspense of QAR 17,615 thousand and QAR 39,470 thousand as of 1 January and 31 December, respectively, and net profit suspended during the year of QAR 21,855 thousand.

Investment securities – debt	2021			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	16,571	2,683	57,162	76,416
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(4,841)	3,677	–	(1,164)
Impairment allowance for the year, net	(4,841)	3,677	–	(1,164)
Amounts written off	–	–	–	–
Foreign currency translation	(1)	–	–	(1)
Balance at 31 December	11,729	6,360	57,162	75,251

Investment securities – debt	2020			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	1,715	4,976	28,610	35,301
Transfers to Stage 1	1,629	(1,629)	–	–
Transfers to Stage 2	(1,458)	1,458	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	14,684	(2,122)	28,552	41,114
Impairment allowance for the year, net	14,855	(2,293)	28,552	41,114
Amounts written off	–	–	–	–
Foreign currency translation	1	–	–	1
Balance at 31 December	16,571	2,683	57,162	76,416

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)

Other credit risk exposures	2021			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	22,168	8,452	–	30,620
Assumed on business combination	2,553	20,183	2,019	24,755
Transfers to Stage 1	31	(31)	–	–
Transfers to Stage 2	(2,595)	2,595	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	(7,047)	3,314	–	(3,733)
Impairment allowance for the year, net	(7,058)	26,061	2,019	21,022
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**15,110**	**34,513**	**2,019**	**51,642**

	2020			
Other credit risk exposures	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Balance at 1 January	9,808	26,227	–	36,035
Transfers to Stage 1	779	(779)	–	–
Transfers to Stage 2	(352)	352	–	–
Transfers to Stage 3	–	–	–	–
Charge / (reversal) (net)	11,933	(17,348)	–	(5,415)
Impairment allowance for the year, net	12,360	(17,775)	–	(5,415)
Amounts written off	–	–	–	–
Foreign currency translation	–	–	–	–
Balance at 31 December	**22,168**	**8,452**	**–**	**30,620**

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

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Group manages its market risks within the framework of limits defined by the QCB.

4.3.1 Management of market risk

Assets and liabilities profit rate gaps are reviewed on a regular basis which is used to reduce the profit rate gaps to within the limits established by the Board. The Group manages its exposure to currency exchange rate fluctuations to within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis.

4.3.2 Exposure to profit rate risk – non–trading portfolios

The principal risk to which non–trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre–approved limits for repricing bands. The Asset and Liability Committee ("ALCO") is the monitoring body for compliance with these limits and is assisted by Group central Treasury 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 – non–trading portfolios (continued)

A summary of the Group's profit rate gap position on non–trading portfolios is as follows:

	Carrying amount	Re–pricing in: Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non–profit sensitive	Effective profit rate
2021							
Cash and balances with central banks	5,220,712	–	–	–	–	5,220,712	
Due from banks	9,155,812	5,141,068	160,794	–	–	3,853,950	**0.75%**
Financing assets	120,806,731	78,719,512	9,726,352	19,438,071	11,976,300	946,496	**4.03%**
Investment securities	32,433,484	705,593	2,884,807	18,036,304	9,952,655	854,125	**4.10%**
Other assets	3,253,204	1,038,277	722,233	706,227	246,139	540,328	
	170,869,943	**85,604,450**	**13,494,186**	**38,180,602**	**22,175,094**	**11,415,611**	
Due to banks	(23,246,577)	(20,723,967)	(2,255,850)	(159,831)	–	(106,929)	**1.70%**
Customer current accounts	(9,192,634)	–	–	–	–	(9,192,634)	
Sukuk and debt financing	(7,614,762)	(837,315)	(63,250)	(6,664,338)	–	(49,859)	**2.46%**
Other borrowings	(5,699,994)	(5,334,696)	(362,570)	–	–	(2,728)	**1.54%**
Other liabilities	(5,849,975)	(758,242)	(238,758)	(218)	–	(4,852,757)	
	(51,603,942)	**(27,654,220)**	**(2,920,428)**	**(6,824,387)**	**–**	**(14,204,907)**	
Equity of investment account holders	(97,763,630)	(61,153,060)	(23,740,061)	(9,782,164)	–	(3,088,345)	**1.57%**
Consolidated statement of financial position items	21,502,371	(3,202,830)	(13,166,303)	21,574,051	22,175,094	(5,877,641)	
Off consolidated statement of financial position items	–	5,370,830	(977,772)	(2,478,155)	(1,914,903)	–	
Profit Rate Sensitivity Gap	**21,502,371**	**2,168,000**	**(14,144,075)**	**19,095,896**	**20,260,191**	**(5,877,641)**	
Cumulative Profit Rate Sensitivity Gap	**21,502,371**	**2,168,000**	**(11,976,075)**	**7,119,821**	**27,380,012**	**21,502,371**	

4. **FINANCIAL RISK MANAGEMENT (continued)**

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non–trading portfolios (continued)

	Carrying amount	Re–pricing in: Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non–profit sensitive	Effective profit rate
2020							
Cash and balances with central banks	7,070,507	–	–	–	–	7,070,507	
Due from banks	6,307,575	5,520,584	–	14,946	124,548	647,497	**1.51%**
Financing assets	85,983,437	58,554,916	7,327,656	8,234,887	11,865,978	–	**4.76%**
Investment securities	20,432,835	474,303	1,185,713	11,705,904	7,066,915	–	**4.15%**
	119,794,354	**64,549,803**	**8,513,369**	**19,955,737**	**19,057,441**	**7,718,004**	
Due to banks	(27,979,497)	(22,874,588)	(3,954,360)	(920,711)	(124,548)	(105,290)	**2.57%**
Customer current accounts	(8,491,997)	(1,391,615)	–	–	–	(7,100,382)	
Sukuk financing	(6,023,180)	(1,453,195)	–	(4,541,134)	–	(28,851)	**2.74%**
Other borrowings	(1,270,775)	(1,270,775)	–	–	–	–	**2.21%**
	(43,765,449)	**(26,990,173)**	**(3,954,360)**	**(5,461,845)**	**(124,548)**	**(7,234,523)**	
Equity of investment account holders	**(60,425,902)**	**(36,636,242)**	**(15,679,126)**	**(8,110,534)**	**–**	**–**	**2.01%**
Consolidated statement of financial position items	15,603,003	923,388	(11,120,117)	6,383,358	18,932,893	483,481	
Off consolidated statement of financial position items	(13,052,172)	(1,302,839)	–	–	–	(11,749,333)	
Profit Rate Sensitivity Gap	**2,550,831**	**(379,451)**	**(11,120,117)**	**6,383,358**	**18,932,893**	**(11,265,852)**	
Cumulative Profit Rate Sensitivity Gap	**2,550,831**	**(379,451)**	**(11,499,568)**	**(5,116,210)**	**13,816,683**	**2,550,831**	

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non–trading portfolios (continued)

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non–standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves worldwide and a 5 bp rise or fall in the greater than 12–month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	10 bp parallel increase	10 bp parallel decrease
2021		
At 31 December	(34,043)	34,043
2020		
At 31 December	2,121	(2,121)

Overall non–trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and Shari'a–compliant risk management instruments to manage the overall position arising from the Group's non–trading activities.

4.3.3 Exposure to other market risks – non–trading portfolios

Foreign currency transactions

The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk–weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group (after taking account of the impact of any qualifying net investment hedges).

	2021	2020
Net foreign currency exposure:		
EUR	1,512	1,865
GBP	800	553
Others	8,164	(1,507)

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	
	2021	2020
5% increase / (decrease) in currency exchange rate		
EUR	76	93
GBP	40	28
Others	408	(75)

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

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non–trading equity price risk exposure arises from equity securities classified as investments at fair value through equity.

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

	2021	2020
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	–	–
Increase / (decrease) in equity	6,298	1,610

4.3.4 Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.5 Financial asset and liability classification

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

	Level 1	Level 2	Level 3	Total
2021				
Financial assets				
Shari'a–compliant risk management instruments	–	169,877	–	169,877
Investment securities	244,033	97,571	–	341,604
	244,033	**267,448**	**–**	**511,481**
Financial liabilities				
Shari'a–compliant risk management instruments	–	272,722	–	272,722
	–	**272,722**	**–**	**272,722**

	Level 1	Level 2	Level 3	Total
2020				
Financial assets				
Shari'a–compliant risk management instruments	–	55,306	–	55,306
Investment securities	53,801	99,198	–	152,999
	53,801	**154,504**	**–**	**208,305**
Financial liabilities				
Shari'a–compliant risk management instruments	–	19,732	–	19,732
	–	**19,732**	**–**	**19,732**

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 8,825 million (2020: QAR 3,428 million), which is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 7.

Investment securities totalling QAR nil are carried at cost (2020: QAR nil).

During the reporting periods 31 December 2021 and 2020, there were no transfers among Levels 1, 2 and 3 fair value measurements.

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 Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2021	2020
At 31 December	110%	104%
Average for the year	105%	109%
Maximum for the year	120%	117%
Minimum for the year	93%	98%

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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 one month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
2021						
Cash and balances with central banks	5,220,712	925,886	–	–	–	4,294,826
Due from banks	9,155,812	8,236,695	268,219	490,906	159,992	–
Financing assets	120,806,731	12,695,910	2,822,350	5,679,555	48,712,014	50,896,902
Investment securities	32,775,088	631,129	231,878	2,979,824	18,756,078	10,176,179
Other assets	2,952,585	1,047,101	71,446	700,018	778,989	355,031
Total financial assets	**170,910,928**	**23,536,721**	**3,393,893**	**9,850,303**	**68,407,073**	**65,722,938**
Due to banks	23,246,577	17,280,025	1,753,949	2,255,847	1,956,756	–
Customer current accounts	9,192,634	9,192,634	–	–	–	–
Sukuk and debt financing	7,614,762	28,490	–	63,283	7,522,989	–
Other borrowings	5,699,994	746,129	527,274	1,161,226	3,265,365	–
Financial liabilities of a non–Shari'a compliant subsidiary	2,245,901	1,298,939	605,058	239,592	218	102,094
Total financial liabilities	47,999,868	28,546,217	2,886,281	3,719,948	12,745,328	102,094
Equity of investment account holders	97,763,630	36,406,250	27,699,557	23,855,829	9,801,994	–
Total financial liabilities and equity of investment account holders	**145,763,498**	**64,952,467**	**30,585,838**	**27,575,777**	**22,547,322**	**102,094**
Difference	**25,147,430**	**(41,415,746)**	**(27,191,945)**	**(17,725,474)**	**45,859,751**	**65,620,844**

4. **FINANCIAL RISK MANAGEMENT (continued)**

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

	Carrying amount	Less than one month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
2020						
Cash and balances with central banks	7,070,507	4,405,922	–	–	–	2,664,585
Due from banks	6,307,575	6,088,078	80,000	–	14,946	124,551
Financing assets	85,983,437	9,595,441	5,895,454	4,392,445	17,852,116	48,247,981
Investment securities	20,585,834	213,840	262,481	1,185,831	11,725,362	7,198,320
Other assets	3,828	3,828	–	–	–	–
Total financial assets	**119,951,181**	**20,307,109**	**6,237,935**	**5,578,276**	**29,592,424**	**58,235,437**
Due to banks	27,979,497	21,602,157	1,240,864	3,954,360	1,057,568	124,548
Customer current accounts	8,491,997	8,491,997	–	–	–	–
Sukuk financing	6,023,180	3,076	6,336	693,490	5,320,278	–
Other borrowings	1,270,775	–	–	–	1,270,775	–
Total financial liabilities	43,765,449	30,097,230	1,247,200	4,647,850	7,648,621	124,548
Equity of investment account holders	60,425,902	20,383,147	15,701,217	16,231,004	8,110,534	–
Total financial liabilities and equity of investment account holders	**104,191,351**	**50,480,377**	**16,948,417**	**20,878,854**	**15,759,155**	**124,548**
Difference	**15,759,830**	**(30,173,268)**	**(10,710,482)**	**(15,300,578)**	**13,833,269**	**58,110,889**

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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 one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2021							
Non–derivative liabilities							
Due to banks	23,246,577	23,304,588	17,285,044	1,755,429	2,258,265	2,005,850	–
Customer current accounts	9,192,634	9,192,634	9,192,634	–	–	–	–
Sukuk and debt financing	7,614,762	8,457,810	28,490	9,414	134,326	8,285,580	–
Other borrowings	5,699,994	5,799,189	747,619	530,014	1,207,495	3,314,061	–
Other liabilities	5,849,975	5,850,233	4,366,235	789,897	319,516	129,658	244,927
Total liabilities	51,603,942	52,604,454	31,620,022	3,084,754	3,919,602	13,735,149	244,927
Equity of investment account holders	97,763,630	98,603,626	36,430,847	27,774,208	24,136,370	10,260,417	1,784
Shari'a–compliant risk management instruments							
Risk management:							
Outflow		(1,839,588)	(774,099)	(282,582)	(510,932)	(271,975)	–
Inflow		1,872,824	836,690	280,143	530,278	225,713	–
	149,367,572	151,241,316	68,113,460	30,856,523	28,075,318	23,949,304	246,711

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

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

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2020							
Non–derivative liabilities							
Due to banks	27,979,497	28,048,233	21,610,704	1,242,185	3,989,836	1,080,960	124,548
Customer current accounts	8,491,997	8,491,997	8,491,997	–	–	–	–
Sukuk financing	6,023,180	6,573,537	4,552	17,320	765,760	5,785,905	–
Other borrowings	1,270,775	1,309,609	–	1,832	15,484	1,292,293	–
Other liabilities	2,331,558	2,331,558	2,331,558	–	–	–	–
Total liabilities	**46,097,007**	**46,754,934**	**32,438,811**	**1,261,337**	**4,771,080**	**8,159,158**	**124,548**
Equity of investment account holders	**60,425,902**	**61,076,156**	**20,396,365**	**15,739,379**	**16,427,234**	**8,513,178**	**–**
Shari'a–compliant risk management instruments							
Risk management:							
Outflow		(33,382)	(14)	(2,403)	(14,061)	(9,954)	(6,950)
Inflow		68,956	10,211	24,520	16,321	10,058	7,846
	106,522,909	**107,866,664**	**52,845,373**	**17,022,833**	**21,200,574**	**16,672,440**	**125,444**

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4. FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

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:

	2021 Basel III	2020 Basel III
Common Equity Tier 1 (CET 1) capital	20,312,960	13,299,338
Additional Tier 1 capital	1,000,000	–
Tier 2 capital	921,835	459,589
Total regulatory capital	**22,234,795**	**13,758,927**
Risk weighted assets		
Risk weighted assets for credit risk	98,526,568	61,625,989
Risk weighted assets for market risk	541,778	567,201
Risk weighted assets for operational risk	6,068,171	5,552,963
Total risk weighted assets	**105,136,517**	**67,746,153**

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB[1] buffer	Total capital including conservation buffer, DSIB[1] buffer and ICAAP Pillar II capital charge
2021						
Actual	19.32%	19.32%	20.27%	21.15%	21.15%	21.15%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%
2020						
Actual	19.63%	19.63%	19.63%	20.31%	20.31%	20.31%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.11%

[1] Domestic Systemically Important Bank

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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 both under FAS 30 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward–looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies (financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument).

(iii) Going concern

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

(iv) FAS 32 – Determination of Ijarah term in Ijarah contracts with the renewal and termination option (Bank as a lessee)

In determining the Ijarah term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the Ijarah term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(v) Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in State of Qatar and in other jurisdictions, arising in the ordinary course of the Group's business. When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Group is of the opinion that disclosing these estimates on a case–by–case basis would prejudice their outcome, then the Group does not include detailed, case–specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

For further details on provisions and other contingencies see Note 33.

6. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non–funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Treasury and Financial Institutions undertake the Group's funding and centralised risk management activities through borrowings, sukuk and debt financing, use of Shari'a compliant instruments for risk management purposes and investing in liquid assets such as short–term placements and corporate and government debt securities.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes financing assets, deposits and other products and services with corporate and individual customers in the Group's international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non–core business operations, like common property & equipment, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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6. OPERATING SEGMENTS (continued)

Information about operating segments

2021	Corporate Banking	Retail Banking	Treasury and Financial Institutions	Asset Management	International Operations	Central Function	Total
External revenue:							
Total income from financing and investing activities	2,141,807	1,241,007	868,471	15,273	328,643	–	4,595,201
Net fee and commission income	168,323	121,713	(155)	33,023	819	–	323,723
Foreign exchange gain / (loss)	–	–	166,635	(1)	564	–	167,198
Share of results of associates	–	–	–	–	–	13,706	13,706
Other income	–	–	–	–	–	1,298	1,298
Total segment revenue	**2,310,130**	**1,362,720**	**1,034,951**	**48,295**	**330,026**	**15,004**	**5,101,126**
Finance expense	–	–	(510,629)	(961)	(17,513)	–	(529,103)
Return to investment account holders	(548,009)	(305,997)	–	–	(94,837)	–	(948,843)
Net impairment losses on financing assets	(161,661)	(750,310)	–	–	1,631	–	(910,340)
Net impairment losses on investments	–	–	(327)	1,491	–	(190,000)	(188,836)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	(3,031)	(5)	5,271	257	–	–	2,492
Reportable segment profit before tax	**1,572,164**	**320,362**	**503,154**	**29,166**	**45,778**	**(740,560)**	**1,730,064**
Reportable segment assets	**81,544,578**	**30,536,244**	**44,778,061**	**237,409**	**13,937,375**	**3,000,193**	**174,033,860**
Reportable segment liabilities	**4,880,247**	**2,814,198**	**35,867,227**	**123,188**	**4,518,202**	**3,400,880**	**51,603,942**
Reportable segment equity of investment account holders	**57,772,998**	**18,133,799**	**13,693,422**	**–**	**8,163,411**	**–**	**97,763,630**

6. OPERATING SEGMENTS (continued)

2020	Corporate Banking	Retail Banking	Treasury and Financial Institutions	Asset Management	International Operations	Central Function	Total
External revenue:							
External revenue:							
Total income from financing and investing activities	1,992,857	1,399,463	878,979	18,202	316,037	–	4,605,538
Net fee and commission income	138,856	95,169	–	25,279	1,426	–	260,730
Foreign exchange gain / (loss)	–	–	160,647	–	(2,420)	–	158,227
Share of results of associates	–	–	–	–	–	17,888	17,888
Other income	–	–	–	–	–	3,891	3,891
Total segment revenue	**2,131,713**	**1,494,632**	**1,039,626**	**43,481**	**315,043**	**21,779**	**5,046,274**
Finance expense	–	–	(649,320)	(2,182)	(20,490)	–	(671,992)
Return to investment account holders	(653,229)	(372,237)	–	–	(119,720)	–	(1,145,186)
Net impairment losses on financing assets	(185,032)	(105,925)	–	–	(7,807)	–	(298,764)
Net impairment losses on investments	–	–	(45,686)	(2,540)	(1)	(10,000)	(58,227)
Net recoveries and reversals / (impairment losses) on other exposures subject to credit risk	14,203	1	(8,915)	–	13	–	5,302
Reportable segment profit before tax	**1,297,200**	**1,016,471**	**302,330**	**20,221**	**28,859**	**(482,130)**	**2,182,951**
Reportable segment assets	**51,239,748**	**25,333,414**	**32,072,251**	**263,407**	**11,170,475**	**1,035,585**	**121,114,880**
Reportable segment liabilities	**4,343,170**	**2,730,997**	**34,056,187**	**248,592**	**2,439,532**	**2,278,529**	**46,097,007**
Reportable segment equity of investment account holders	**35,862,395**	**15,942,432**	**222,075**	**–**	**8,399,000**	**–**	**60,425,902**

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7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2021					
Cash and balances with central banks	–	–	5,220,712	5,220,712	5,220,712
Due from banks	–	–	9,155,812	9,155,812	9,155,812
Financing assets	–	–	120,806,731	120,806,731	120,806,731
Investment securities:					
– Measured at fair value	7,204	334,400	–	341,604	341,604
– Measured at amortised cost	–	–	32,433,484	32,433,484	32,551,098
Financial assets held by a non–Shari'a compliant subsidiary	30	76,357	2,868,799	2,945,186	3,081,324
Other assets	–	–	7,429	7,429	7,429
Shari'a–compliant risk management instruments	169,877	–	–	169,877	169,877
	177,111	**410,757**	**170,492,967**	**171,080,835**	**171,334,587**
Due to banks	–	–	23,246,577	23,246,577	23,246,577
Customer current accounts	–	–	9,192,634	9,192,634	9,192,634
Sukuk financing	–	–	7,614,762	7,614,762	7,614,762
Other borrowings	–	–	5,699,994	5,699,994	5,699,994
Financial liabilities of a non–Shari'a compliant subsidiary			2,245,901	2,245,901	2,245,901
Other liabilities	–	–	2,170,886	2,170,886	2,170,886
Equity of investment account holders	–	–	97,763,630	97,763,630	97,763,630
Shari'a–compliant risk management instruments	272,722	–	–	272,722	272,722
	272,722	**–**	**147,934,384**	**148,207,106**	**148,207,106**
2020					
Cash and balances with central banks	–	–	7,070,507	7,070,507	7,070,507
Due from banks	–	–	6,307,575	6,307,575	6,307,575
Financing assets	–	–	85,983,437	85,983,437	85,983,437
Investment securities:					
– Measured at fair value	2,029	150,970	–	152,999	152,999
– Measured at amortised cost	–	–	20,432,835	20,432,835	20,578,155
Other assets	–	–	3,828	3,828	3,828
Shari'a–compliant risk management instruments	55,306	–	–	55,306	55,306
	57,335	**150,970**	**119,798,182**	**120,006,487**	**120,151,807**
Due to banks	–	–	27,979,497	27,979,497	27,979,497
Customer current accounts	–	–	8,491,997	8,491,997	8,491,997
Sukuk financing	–	–	6,023,180	6,023,180	6,023,180
Other borrowings	–	–	1,270,775	1,270,775	1,270,775
Other liabilities	–	–	1,732,566	1,732,566	1,732,566
Equity of investment account holders	–	–	60,425,902	60,425,902	60,425,902
Shari'a–compliant risk management instruments	19,732	–	–	19,732	19,732
	19,732	**–**	**105,923,917**	**105,943,649**	**105,943,649**

8. CASH AND BALANCES WITH CENTRAL BANKS

	2021	2020
Cash on hand	638,250	772,214
Cash reserve with QCB*	4,294,826	2,664,585
Current account with QCB and balances with other central banks	287,636	3,633,708
	5,220,712	7,070,507

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

9. DUE FROM BANKS

	2021	2020
Current accounts	2,856,924	647,530
Wakala placements with banks	1,800,075	2,862,418
Commodity murabaha receivable	4,491,607	2,797,727
Accrued profit	8,733	186
Allowance for impairment*	(1,527)	(286)
	9,155,812	6,307,575

** For stage–wise exposure and allowance for impairment, refer to Note 4.2.10.*

10. FINANCING ASSETS

	2021	2020
(a)By type		
Receivables and balances from financing activities:		
Murabaha	103,395,737	62,567,084
Ijarah	17,168,271	20,438,039
Istisna'a	814,576	938,073
Musharaka	6,117,880	6,079,771
Others	1,001,666	758,729
Accrued profit	569,892	410,007
Total receivables and balances from financing activities	129,068,022	91,191,703
Deferred profit	(6,381,432)	(4,250,331)
Allowance for impairment – Performing (Stages 1 and 2)*	(842,084)	(409,430)
Allowance for impairment – Non–performing (Stage3)*	(985,013)	(509,035)
Profit in suspense*	(52,762)	(39,470)
Net financing assets	120,806,731	85,983,437

** For stage–wise exposure and allowance for impairment, refer to Note 4.2.10.*

The total non–performing financing assets net of deferred profit at 31 December 2021 amounted to QAR 2,048 million representing 1.67% of the gross financing assets net of deferred profit (2020: QAR 980 million, representing 1.13% of the gross financing assets net of deferred profit).

10. FINANCING ASSETS (continued)

(b) Movement in the allowance for impairment and profit in suspense on financing assets

	2021	Profit in suspense	Total 2021
Balance as at 1 January	918,465	39,470	957,935
Charge for the year	1,015,578	26,797	1,042,375
Recoveries / reversals during the year	(105,238)	(13,505)	(118,743)
Write–off during the year	(1,386)	–	(1,386)
Effect of foreign currency movement	(322)	–	(322)
Balance at 31 December	**1,827,097**	**52,762**	**1,879,859**

	2020	Profit in suspense	Total 2020
Balance as at 1 January	619,787	17,615	637,402
Charge for the year	405,631	22,849	428,480
Recoveries / reversals during the year	(106,867)	(994)	(107,861)
Write–off during the year	(1,027)	–	(1,027)
Effect of foreign currency movement	941	–	941
Balance at 31 December	**918,465**	**39,470**	**957,935**

10. FINANCING ASSETS (continued)

c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector–wise

QAR '000s

	Corporate			SME			Retail			Real estate			Total 2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2021	20,878	40,755	301,913	1,379	6,653	128,636	12,530	29,600	58,550	32,023	265,612	59,406	66,810	342,620	548,505
Charge for the year	5,683	31,698	101,687	237	10,354	82,873	21,978	30,194	51,771	5,704	437,616	262,580	33,602	509,862	498,911
Recoveries/reversals during the year	(11,479)	(21,392)	(3,017)	(1,456)	(9,511)	(1,449)	(7,714)	(7,862)	(6,328)	(21,051)	(19,546)	(7,938)	(41,700)	(58,311)	(18,732)
Write–off during the year	–	–	(726)	–	–	–	–	–	(660)	–	–	–	–	–	(1,386)
Effect of foreign currency movement	–	–	–	–	–	(16)	(95)	(192)	(19)	–	–	–	(95)	(192)	(35)
Balance as at 31 December 2021	**15,082**	**51,061**	**399,857**	**160**	**7,496**	**210,044**	**26,699**	**51,740**	**103,314**	**16,676**	**683,682**	**314,048**	**58,617**	**793,979**	**1,027,263**

	Corporate			SME			Retail			Real estate			Total 2020		
	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 2020	14,165	68,007	151,301	1,666	1,634	98,234	17,117	25,653	46,922	6,042	175,249	31,412	38,990	270,543	327,869
Charge for the year	14,622	26,868	158,094	290	5,568	31,668	5,099	8,864	19,837	27,613	101,954	28,003	47,624	143,254	237,602
Recoveries/reversals during the year	(7,909)	(54,120)	(6,482)	(577)	(549)	(1,266)	(10,107)	(5,319)	(8,300)	(1,632)	(11,591)	(9)	(20,225)	(71,579)	(16,057)
Write–off during the year	–	–	(1,000)	–	–	–	–	–	(27)	–	–	–	–	–	(1,027)
Effect of foreign currency movement	–	–	–	–	–	–	421	402	118	–	–	–	421	402	118
Balance as at 31 December 2020	**20,878**	**40,755**	**301,913**	**1,379**	**6,653**	**128,636**	**12,530**	**29,600**	**58,550**	**32,023**	**265,612**	**59,406**	**66,810**	**342,620**	**548,505**

QAR '000s

10. FINANCING ASSETS (continued)

d) By sector

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2021
Government and related agencies	56,315,350	1,117,976	–	–	61,294	57,494,620
Non–banking financial institutions	1,459,640	–	–	–	182	1,459,822
Industry	2,112,379	–	–	–	2,349	2,114,728
Commercial	7,974,625	124,217	–	25,793	658,299	8,782,934
Services	13,602,523	1,093,847	–	–	56,349	14,752,719
Contracting	2,732,020	7,590	–	–	56,802	2,796,412
Real estate	14,204,607	14,990,019	816,057	371,336	6,026	30,388,045
Personal	5,244,028	182,799	–	5,721,285	130,630	11,278,742
	103,645,172	17,516,448	816,057	6,118,414	971,931	129,068,022
Less: Deferred profit						(6,381,432)
Allowance for impairment – Performing (Stages 1 and 2)						(842,084)
Allowance for impairment – Non–performing (Stage 3)						(985,013)
Profit in suspense						(52,762)
						120,806,731

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2020
Government and related agencies	42,923,382	1,271,458	–	–	61,665	44,256,505
Non–banking financial institutions	131,194	578,151	–	–	1,253	710,598
Industry	177,627	–	–	–	3,705	181,332
Commercial	5,278,954	139,105	–	138,572	473,964	6,030,595
Services	2,656,411	358,710	–	–	20,464	3,035,585
Contracting	1,639,737	5,205	–	–	68,698	1,713,640
Real estate	5,673,344	18,256,035	939,532	144,197	314	25,013,422
Personal	4,127,242	196,829	–	5,797,289	128,666	10,250,026
	62,607,891	20,805,493	939,532	6,080,058	758,729	91,191,703
Less: Deferred profit						(4,250,331)
Allowance for impairment – Performing (Stages 1 and 2)						(409,430)
Allowance for impairment – Non–performing (Stage 3)						(509,035)
Profit in suspense						(39,470)
						85,983,437

11. INVESTMENT SECURITIES

	2021			2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Debt type investments – Fixed profit rate	7,119	–	7,119	2,018	–	2,018
Accrued profit	85	–	85	11	–	11
	7,204	–	7,204	2,029	–	2,029
Debt–type investments classified at amortised cost						
Fixed profit rate	3,857,927	57,162	3,915,089	1,850,563	50,967	1,901,530
Floating profit rate	27,969	–	27,969	–	–	–
Government of Qatar	4,751,011	23,465,000	28,216,011	1,214,119	17,150,000	18,364,119
Accrued profit receivable	88,632	261,034	349,666	31,590	212,012	243,602
Allowance for impairment*	(18,089)	(57,162)	(75,251)	(19,254)	(57,162)	(76,416)
	8,707,450	23,726,034	32,433,484	3,077,018	17,355,817	20,432,835
Investments classified as fair value through equity						
• Equity type investments	235,087	97,571	332,658	51,665	99,198	150,863
Accrued profit	1,742	–	1,742	107	–	107
	236,829	97,571	334,400	51,772	99,198	150,970
	8,951,483	23,823,605	32,775,088	3,130,819	17,455,015	20,585,834

** For stage–wise exposure and allowance for impairment, refer to Note 4.2.10.*

The Group has recognised impairment loss for certain equity–type investments classified as fair value through equity during the year totalling QAR Nil thousand (2020: QAR 7,113 thousand), due to significant and prolonged reduction in fair values.

QAR '000s

11. INVESTMENT SECURITIES (continued)

The cumulative change in fair value of investments designated as fair value through equity during the year is as follows:

	2021			2020		
	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Balance at 1 January	25,239	(35)	25,204	24,634	(1,030)	23,604
Net change in fair value	13,831	35	13,866	2,687	(6,118)	(3,431)
Transferred to retained earnings on sale of FVTE investments	(5,483)	–	(5,483)	(4,885)	–	(4,885)
Transferred to consolidated income statement on impairment	–	–	–	–	7,113	7,113
Effective portion of cash flow hedge	725	–	725	–	–	–
Share of other comprehensive income of associates	1,813	–	1,813	2,803	–	2,803
Net fair value movement	10,886	35	10,921	605	995	1,600
Balance at 31 December	**36,125**	**–**	**36,125**	**25,239**	**(35)**	**25,204**

12. INVESTMENT IN ASSOCIATES

Associates' movement during the year is as follows:

	2021	2020
Balance at 1 January	534,116	527,398
Share of results	13,706	17,888
Cash dividend received	(10,700)	(4,000)
Share of other comprehensive income	1,813	2,803
Impairment loss	(190,000)	(10,000)
Effect of foreign currency movement	–	27
Balance at 31 December	**348,935**	**534,116**

Name of the Company	Country	Company's activities	Ownership % 2021	Ownership % 2020
National Mass Housing Company SAOC ("NMH")	Oman	Real estate services	20.00	20.00
Ci–San Trading W.L.L. ("Ci San")	Qatar	Investing and trading	50.00	50.00
Kirnaf Finance Company ("Kirnaf")	Saudi Arabia	Leasing	48.76	48.76
Damaan Islamic Insurance Company "Beema" (Q.P.S.C.) ("Daman")	Qatar	Insurance	20.00	20.00
Linc Facility Services W.L.L. ("Linc")	Qatar	Facility management	33.50	33.50

All investments are not listed as of reporting date.

12. INVESTMENT IN ASSOCIATES (continued)

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

2021	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	122,864	128,883	1,065,476	1,406,862	134,136
Total liabilities	551	65,088	294,870	905,336	23,203
Total revenue	7,102	46,078	–	80,396	130,236
Net profit / (loss)	(12,151)	(1,910)	–	45,148	25,832
Share of profit / (loss) recognised	(2,430)	(955)	–	8,438	8,653

2020	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	136,940	132,251	1,065,476	1,338,932	120,103
Total liabilities	2,475	66,545	294,870	909,087	15,002
Total revenue	3,491	45,081	–	74,016	105,648
Net profit / (loss)	(9,081)	508	–	41,898	33,049
Share of profit / (loss) recognised	(1,817)	254	–	8,380	11,071

QAR '000s

13. FIXED ASSETS

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Right–of–use assets	Work in progress	Total
Cost:							
Balance at 1 January 2021	97,108	55,900	54,405	100,025	–	137,666	445,104
Impact of FAS 32 adoption (Note 3(a))	–	–	–	–	81,257	–	81,257
Acquired on business combination (Note 45)	340,089	114,979	175,872	120,478	5,015	12,193	768,626
Additions and Ijarah modifications	–	280	1,483	7,894	14,895	41,336	65,888
Disposals and reclassifications	(16)	(10,572)	(763)	92	(9,814)	–	(21,073)
Transfers during the period	–	1,689	346	21	–	(2,056)	–
Write–off	–	–	–	–	(9,254)	–	(9,254)
Effect of foreign currency movement	(272)	(388)	(98)	(283)	(954)	–	(1,995)
Balance at 31 December 2021	**436,909**	**161,888**	**231,245**	**228,227**	**81,145**	**189,139**	**1,328,553**
Accumulated depreciation:							
Balance at 1 January 2021	8,150	36,362	41,316	87,870	–	–	173,698
Acquired on business combination (Note 45)	26,223	91,603	157,487	117,631	4,634	–	397,578
Depreciation for the year	1,740	4,758	4,825	7,499	49,275	–	68,097
Disposals and reclassifications	(12)	(8,488)	(715)	36	(6,271)	–	(15,450)
Write–off	–	–	–	–	(9,072)	–	(9,072)
Effect of foreign currency movement	(60)	(339)	(89)	(282)	(213)	5	(978)
Balance at 31 December 2021	36,041	123,896	202,824	212,754	38,353	5	613,873
Net book value:							
At 31 December 2021	**400,868**	**37,992**	**28,421**	**15,473**	**42,792**	**189,134**	**714,680**

13. FIXED ASSETS

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in Progress	Total
Cost:						
Balance at 1 January 2020	96,396	100,027	56,142	116,610	80,203	449,378
Additions	–	682	2,341	8,916	57,463	69,402
Disposals	–	(5,320)	(177)	–	–	(5,497)
Write–off	–	(40,666)	(4,143)	(26,247)	–	(71,056)
Effect of foreign currency movement	712	1,177	242	746	–	2,877
Balance at 31 December 2020	**97,108**	**55,900**	**54,405**	**100,025**	**137,666**	**445,104**
Accumulated depreciation:						
Balance at 1 January 2020	6,764	72,844	38,097	103,942	–	221,647
Depreciation for the year	1,250	6,860	7,241	9,467	–	24,818
Disposals	–	(3,693)	(105)	–	–	(3,798)
Write–off	–	(40,666)	(4,143)	(26,247)	–	(71,056)
Effect of foreign currency movement	136	1,017	226	708	–	2,087
Balance at 31 December 2020	8,150	36,362	41,316	87,870	–	173,698
Net book value:						
At 31 December 2020	**88,958**	**19,538**	**13,089**	**12,155**	**137,666**	**271,406**

QAR '000s

14. INTANGIBLE ASSET

Goodwill arising on the acquisition of Al Khalij's net assets
The intangible asset consists of goodwill which resulted from the acquisition of Al Khalij's net assets (Note 45). The goodwill is calculated based on the allocation of the purchase consideration of the merger to the preliminary fair values of Al Khaliji's net assets as of 30 November 2021. The Group has twelve months from the date of acquisition to complete a Purchase Price Allocation ("PPA") exercise which sets out in detail the way in which the fair value of the acquired Al Khaliji assets and liabilities have been determined. A comprehensive PPA exercise will be undertaken and the results of this exercise will be reflected in subsequent financial statements. This exercise may result in different values being attributed to the assets, liabilities and contingent liabilities acquired, and hence, change in the goodwill.

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

15. OTHER ASSETS

	2021	2020
Assets held by non–Shari'a–compliant subsidiary[1]	2,964,483	–
Positive fair value of Shari'a–compliant risk management instruments	169,877	55,306
Deferred tax asset (Note 32)	35,654	31,515
Prepayments and other advances	26,938	40,101
Accrued profit	7,429	3,828
Others	48,823	231,255
	3,253,204	362,005

[1] *Assets held by non–Shari'a–compliant subsidiary consist of the following asset portfolio acquired by the Bank in a business combination (Note 45):*

	2021	2020
Cash and balances with central bank	806,001	–
Due from banks	676,216	–
Loans and advances to customers	1,217,215	–
Investment securities	245,721	–
Fixed assets	11,955	–
Other assets	7,375	–
	2,964,483	–

[2] *The outstanding amount of Hamish Jiddiyyah paid by the Group to the lessor as at 31 December 2021 amounted to QAR 841 thousand (2020: QAR 642 thousand).*

16. DUE TO BANKS

	2021	2020
Current and short–term investment accounts	151,114	105,290
Wakala payable	12,636,928	21,467,248
Short–term Murabaha facilities from banks	6,515,284	2,450,837
Repurchase agreements	3,416,392	1,965,320
Commodity murabaha payable	497,247	1,942,153
Profit payable to banks	29,612	48,649
	23,246,577	27,979,497

Wakala payable includes various facilities with maturities up to twelve months and carries profit rates of 0.15% to 1.5% (2020: maturities up to six months and carries a profit rate of 0.05% to 2.40%).

The market value of securities given as collateral against the repurchase agreements are QAR 3,960 million (2020: QAR 2,461 million).

17. CUSTOMER CURRENT ACCOUNTS

	2021	2020
By sector:		
Government	890,677	924,942
Non–banking financial institutions	40,928	23,750
Corporate	4,689,298	4,092,843
Individuals	3,571,731	3,450,462
	9,192,634	8,491,997

18. SUKUK AND DEBT FINANCING

The Group has issued the following debt securities:

Instrument	Issuer	Currency	Due Date	2021
Sukuk	MAR Sukuk Limited	USD	20–Nov–23	364,571
Sukuk	MAR Sukuk Limited	USD	21–Nov–23	328,131
Sukuk	MAR Sukuk Limited	USD	13–Nov–24	1,803,472
Sukuk	MAR Sukuk Limited	USD	12–Mar–23	145,628
Sukuk	MAR Sukuk Limited	USD	2–Sep–25	2,709,073
Debt securities[3]	AKCB Finance Limited	USD	9–Oct–23	1,835,974
Debt securities[3]	AKCB Finance Limited	USD	10–Jul–23	92,318
Debt securities[3]	AKCB Finance Limited	JPY	6–Feb–25	31,695
Debt securities[3]	AKCB Finance Limited	JPY	19–May–22	31,653
Debt securities[3]	AKCB Finance Limited	JPY	15–Dec–22	31,630
Debt securities[3]	AKCB Finance Limited	JPY	25–Jan–24	31,691
Debt securities[3]	AKCB Finance Limited	JPY	27–Mar–23	50,640
Debt securities[3]	AKCB Finance Limited	JPY	16–Mar–23	158,286
				7,614,762

Instrument	Issuer	Currency	Due Date	2020
Sukuk	MAR Sukuk Limited	USD	20–Nov–23	364,501
Sukuk	MAR Sukuk Limited	USD	21–Nov–23	328,051
Sukuk	MAR Sukuk Limited	USD	13–Nov–24	1,803,153
Sukuk	MAR Sukuk Limited	USD	12–Mar–23	145,551
Sukuk	MAR Sukuk Limited	USD	2–Sep–25	2,707,873
Sukuk	Tolkien Funding Sukuk No.1 Plc[2]	GBP	20–July–52	674,051
				6,023,180

[1] The profit rates range from 0.3% to 4.75% for the current year.

[2] On 26 March 2021, Al Rayan Bank PLC, a subsidiary of Al Rayan (UK) Limited exercised its option to purchase the rights, title interest and benefits in the portfolio of assets held by Tolkien Funding Sukuk No. 1 PLC (the "Trustee"). The Trustee redeemed the certificates issued in full on 20 April 2021, being the next periodic distribution date of the Sukuk Programme.

[3] Upon merger with Al Khaliji (Note 45) and pursuant to the Extra–Ordinary General Assembly held by the Group on 5 October 2021, the Group assumed the QAR 2,263 million debt securities issued by Al Khaliji under its USD 2.5 billion Euro Medium Term Note ("EMTN") programme whose terms and other related documentation will be converted into Shari'ah compliant instruments.

QAR '000s

18. SUKUK AND DEBT FINANCING (continued)

At 31 December	2021	2020
Face value of sukuk and debt financing	7,576,151	6,003,820
Less: Unamortised transaction costs	(11,248)	(9,491)
Profit payable	49,859	28,851
	7,614,762	6,023,180

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

	2021	2020
Balance at 1 January	6,023,180	3,333,998
Assumed on business combination (Note 45)	2,262,870	–
Net issuances during the year	–	2,862,380
Repayments during the year	(724,728)	(237,880)
Amortisation of transaction costs	2,214	1,352
Effect of foreign currency movement	1,367	34,479
Profit payable on sukuk financing	49,859	28,851
Balance at 31 December	7,614,762	6,023,180

19. OTHER BORROWINGS

Instrument	Currency	Due Date	2021
Floating rate syndications[1]	USD	26–Oct–24	2,362,257
Floating rate syndications[1]	USD	23–Jun–23	182,085
Floating rate syndications[1]	USD	12–Jul–23	181,427
Floating rate syndications[1]	USD	28–Feb–23	362,793
Floating rate syndications[1]	USD	28–Sep–23	181,799
Bilateral floating rate borrowings[2]	USD	1–Dec–22	434,167
Bilateral floating rate borrowings[2]	USD	6–Oct–22	363,704
Certificate of deposit[2]	EUR	14–Jan–22	247,047
Certificate of deposit[2]	EUR	12–Jan–22	247,042
Certificate of deposit[2]	USD	24–Feb–22	163,710
Certificate of deposit[2]	EUR	13–Jan–22	247,044
Certificate of deposit[2]	USD	14–Mar–22	363,564
Certificate of deposit[2]	USD	11–Apr–22	363,355
			5,699,994

Instrument	Currency	Due Date	2020
Floating rate syndications[1]	USD	02–Jul–22	546,404
Floating rate syndications[1]	USD	12–Dec–22	542,941
Floating rate syndications[1]	USD	28–Sep–23	181,430
			1,270,775

[1] Floating rate syndications are priced at spreads over LIBOR and have residual maturities of 1 to 2 years.

[2] Bilateral floating rate borrowings and certificate of deposits were originally issued by Al Khaliji and assumed by the Bank upon merger (Note 45).

[3] The movement in other borrowings issued by the Group during the year is as follows:

	2021	2020
Balance at 1 January	1,270,775	2,002,003
Assumed on business combination (Note 45)	3,270,966	–
Net issuances during the year	3,082,097	1,267,161
Repayments during the year	(839,845)	(8,965)
Amortisation of transaction costs	2,217	5,644
Reclassified as Due to banks	(1,086,803)	(1,997,989)
Profit payable on borrowings	4,997	2,921
Other movements	(4,410)	–
Balance at 31 December	5,699,994	1,270,775

When the residual maturity of the borrowing is less than one year from the reporting date, the financial instrument is reclassified from 'Other borrowings' to 'Due to banks'.

20. OTHER LIABILITIES

	2021	2020
Liabilities of a non–Shari'a–compliant subsidiary (c)	2,360,977	–
Dividend payable	981,956	915,196
Acceptances	841,400	582,496
Negative fair value of Shari'a–compliant risk management instruments	272,722	19,732
Manager's cheque and prepaid cards	202,932	180,488
Accrued expenses	162,356	41,031
Unearned commission	150,867	141,216
Funds received against dividend payment on behalf of customers	123,110	124,321
Other staff provisions	109,288	98,968
Provision for employees' end of service benefits (b)	93,600	51,116
Net Ijarah liabilities (a)	53,590	–
Allowance for impairment for off balance sheet exposures subject to credit risk	51,642	30,620
Social and sports fund (Note 42)	42,813	54,386
Others	402,722	91,988
	5,849,975	2,331,558

(a) Net Ijarah liabilities

	2021	2020
Gross Ijarah liabilities	57,169	–
Less: Deferred Ijarah cost	(3,579)	–
Net Ijarah liabilities	53,590	–

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

	2021			2020
	Gross Ijarah liabilities	Deferred Ijarah cost	Net Ijarah liabilities	Net Ijarah liabilities
Up to 12 months	20,475	(479)	19,996	–
Between 1 to 5 years	30,149	(2,257)	27,892	–
Over 5 years	6,545	(843)	5,702	–
	57,169	(3,579)	53,590	–

Ijarah rentals waived during the year by the Group's lessor amounted to QAR 8 thousand (2020: QAR 2,396 thousand).

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20. OTHER LIABILITIES (continued)

(b) Provision for employees' end of service benefits

	2021	2020
Balance at 1 January	51,116	46,083
Assumed on business combination	35,608	–
Provisions made during the year	10,486	5,814
Paid during the year	(3,610)	(781)
Balance at 31 December	**93,600**	**51,116**

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

	2021	2020
Due to banks	418,442	–
Subordinated debt1	103,005	–
Other liabilities	115,076	–
Customer deposits	1,724,454	
	2,360,977	**–**

[1] Subordinated debt was assumed by the Bank upon merger with Al Khaliji (Note 45) and consists of a debt amounting to EUR 25 million for an undetermined maturity period, and carries profit at EONIA monthly rate (Euro Overnight index average) payable in arrears on a quarterly basis. This debt will, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

21. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2021	2020
(a) By type		
Saving accounts	7,239,306	8,414,414
Term accounts	83,029,234	45,781,149
Short-term investment accounts	7,002,452	5,926,572
Profit payable to equity of investment account holders	491,070	302,626
Share in the fair value reserve	1,568	1,141
	97,763,630	**60,425,902**

	2021	2020
(b) By sector		
Government	41,628,864	23,826,517
Non-banking financial institutions	13,655,741	162,770
Individuals	25,246,206	23,593,845
Corporate	16,740,181	12,539,003
Profit payable to equity of investment account holders	491,070	302,626
Share in the fair value reserve	1,568	1,141
	97,763,630	**60,425,902**

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

21. EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(c) Share of equity of investment account holders in the net profit

	2021	2020
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	2,038,332	2,446,379
Masraf's Mudaraba income	(1,926,310)	(2,300,460)
Return on investment account holders	112,022	145,919
Support provided by Masraf	836,821	999,267
Return on investment account holders after Masraf's support	**948,843**	**1,145,186**

Rates of profit allotment:

	2021 %	2020 %
More than one year deposits	3.49	3.83
One year deposits	2.20	2.28
Six months deposits	0.94	0.94
Three months deposits	0.93	0.93
Short-term investment accounts	0.63	0.67
Saving accounts	0.62	0.70
Saving accounts-millionaire	0.70	0.80

22. EQUITY

(a) Share capital

	2021	2020
Authorised, issued and paid up		
9,300,000,000 shares at QAR 1 each	9,300,000	7,500,000

(i) The merger between the Bank and Al Khaliji was effected by a capital issuance of 1,800 million shares of QAR 1 each by the Bank to the shareholders of Al Khaliji, in a share swap transaction at the exchange rate of 0.5 new Masraf share for each share of Al Khaliji. Pursuant to the transaction, the shares of Al Khaliji were delisted from Qatar Stock Exchange and replaced with the newly issued share capital. The newly issued share capital added to the outstanding shares of Masraf already in issue (being the share capital of the surviving legal entity at the time of merger) to constitute the share capital of the merged entity. For details of the business combination, refer to Note 45.

(b) Legal reserve

	2021	2020
Balance at 1 January	2,714,166	2,496,623
Share premium on issuance of shares on business combination (Note 45)	6,930,000	–
Transfer from retained earnings (i)	–	217,543
Balance at 31 December	**9,644,166**	**2,714,166**

(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 2021, as the legal reserve reached 100% of the paid up capital prior to transfer from retained earnings for the current year (2020: 10% of the net profit was transferred to legal reserve).

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22. EQUITY (continued)

(b) 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 the specific 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. As of 31 December 2021, an amount of QAR 486 million has been appropriated to the risk reserve (2020: QAR 160 million). In accordance with QCB approval, only 50% of the required amount of risk reserve for 2021 was appropriated from retained earnings.

(c) Fair value reserve

	2021	2020
Balance at the 1 January	25,204	23,604
Net unrealised gains / (losses)	15,434	(2,290)
Transferred to retained earnings on sale of FVTE investments	(5,483)	(4,885)
Transferred to consolidated income statement due to impairment	–	7,113
Effective portion of cash flow hedge	725	–
Share of other comprehensive income of associates	1,813	2,803
Share of equity of investment account holders in the fair value reserve	(1,568)	(1,141)
Net fair value movement	10,921	1,600
Balance at 31 December (shareholders' share)	**36,125**	**25,204**

Fair value reserve represents unearned gains, being not available for distribution unless realised and charged to the consolidated income statement.

(d) 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.

(e) Other reserves

This represents the Group's share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2021	2020
Balance at 1 January	126,222	123,405
Share of results of associates	13,706	17,888
Dividend from associates transferred to retained earnings	(10,700)	(4,000)
Other movement	(1,954)	(11,071)
Balance at 31 December	**127,274**	**126,222**

(f) Proposed dividend

The Board of Directors in its meeting held on 27 January 2022 proposed a cash dividend of 17% (2020: 17%) of the share capital amounting to QAR 1,581 million (2020: QAR 1,275 million). This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

23. NON-CONTROLLING INTEREST

This represents the Group's non-controlling interest in Al Rayan (UK) Limited (25%) and Al Rayan Bank PLC (26.24%) (31 December 2020: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

24. INSTRUMENT ELIGIBLE AS ADDITIONAL CAPITAL

Upon merger with Al Khaliji (Note 45), the Group assumed the QAR 1 billion Tier 1 capital notes (the "Notes") that was originally issued by Al Khaliji in March 2016. The Notes are perpetual, subordinated, unsecured and has been issued at a fixed profit rate for the first five years and shall be re-priced thereafter. 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

	2021	2020
Income from Murabaha	2,512,330	2,335,570
Income from Ijarah	933,157	1,071,189
Income from Musharaka	210,067	219,813
Income from Istisna'a	55,058	53,764
	3,710,612	**3,680,336**

26. INCOME FROM INVESTING ACTIVITIES

	2021	2020
Income from investment in debt-type instruments	846,887	847,222
Income from inter-bank placements with Islamic banks	33,450	62,678
Net gain on sale of debt-type investments	137	13,805
Dividend income	3,911	1,442
Fair value (loss) / gain on investment securities carried as fair value through income statement	(81)	55
Net gain on derivatives	285	–
	884,589	**925,202**

27. NET FEE AND COMMISSION INCOME

	2021	2020
Commission on financing activities	177,940	138,507
Commission on trade finance activities	99,470	80,196
Commission on banking services	51,850	44,307
	329,260	263,010
Fee and commission expenses	(5,537)	(2,280)
	323,723	**260,730**

28. FOREIGN EXCHANGE GAIN (NET)

	2021	2020
Dealing in foreign currencies and revaluation of assets and liabilities	**167,198**	**158,227**

29. OTHER INCOME

	2021	2020
Rental income	794	626
Miscellaneous	504	3,265
	1,298	**3,891**

QAR '000s

30. STAFF COSTS

	2021	2020
Salaries, allowances and other staff costs	406,769	371,104
Employees' end of service benefits	10,486	5,814
Staff pension fund costs	10,695	9,490
	427,950	386,408

31. OTHER EXPENSES

	2021	2020
Legal, professional and consulting fees	49,003	45,269
Information technology	41,929	36,954
Rent and maintenance	40,538	64,277
Advertising expenses	32,376	37,832
Board of Directors' remuneration (Note 38b)	15,670	15,589
Shari'a Board compensation	1,708	1,471
Other operating expenses	119,161	81,838
	300,385	283,230

32. TAX EXPENSE

	2021	2020
Current tax expense	8,613	2,258
Adjustments in respect of prior years	941	1,179
Deferred tax benefit	(4,782)	(1,080)
	4,772	2,357

Movement of deferred tax assets is as follows:

	2021	2020
Balance at 1 January	31,515	29,207
Adjustments in respect of prior years	(890)	(1,171)
Deferred tax benefit during the year	5,672	2,251
Effect of foreign currency movement	(643)	1,228
Balance at 31 December	35,654	31,515

33. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these rent agreements are as follows:

	2021	2020
Payable not later than 1 year*	–	18,829
Payable later than 1 year and not later than 5 years*	–	24,358
	–	43,187

**The Group has applied FAS 32 "Ijarah" from 1 January 2021. The impact on adoption of FAS 32 is disclosed in Note 3(a).*

33. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(b) Contingent liabilities

	2021	2020
Unutilised credit facilities	5,544,059	601,212
Guarantees	15,170,129	12,376,417
Letters of credit	3,399,486	988,168
	24,113,674	13,965,797
Contingent liabilities of a non–Shari'a–compliant subsidiary1	682,218	–

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

	2021	2020
Unutilised credit facilities	346,957	–
Guarantees	327,620	–
Letters of credit	7,641	–
	682,218	–

(c) Other undertakings and commitments

	2021	2020
Profit rate swap	11,113,336	1,302,839
Unilateral promise to buy/sell currencies	10,790,532	11,749,333
	21,903,868	13,052,172
Other undertakings and commitments of a non–Shari'a–compliant subsidiary2	291,055	–

[2] Other undertakings and commitments of a non–Shari'a–compliant subsidiary consist of the following:

	2021	2020
Profit rate swap	72,756	–
Unilateral promise to buy/sell currencies	218,299	–
	291,055	–
Capital commitments in respect of Head Office building under construction	290,509	333,170
Other capital commitments	3,015	–
	293,524	333,170

(d) Post-merger integrations costs

The Group incurred integration-related costs of QAR 16.4 million relating to consultant and external professional fees during the current year. These costs have been included in 'Other expenses' in the consolidated income statement. As of reporting date, the Group is in the process of determining a reliable estimate of the probable outflow of economic resources arising from other expected post-merger integration costs that will be incurred in relation to the merger (Note 45).

(e) Others

Certain processes and related controls of a subsidiary of the Group have been placed under a formal review by its local regulator. The management of the Group believes that the ongoing review is not finalized, and the expected outcome of the review remains as a contingent liability, for which based on the information available at year end a financial impact cannot be estimated.

QAR '000s

34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	Other GCC	Europe	North America	Others	Total
2021						
Cash and balances with central banks	5,189,034	–	31,678	–		5,220,712
Due from banks	3,987,360	1,131,696	1,822,596	1,388,388	825,772	9,155,812
Financing assets	103,369,345	1,331,747	11,751,544	–	4,354,095	120,806,731
Investment securities	30,732,192	1,384,946	191,715	–	466,235	32,775,088
Investment in associates	148,725	200,210	–	–	–	348,935
Fixed assets	677,224	–	37,456	–	–	714,680
Intangible assets	1,758,698	–	–	–	–	1,758,698
Other assets	436,904	1,191,966	834,057	91,037	699,240	3,253,204
TOTAL ASSETS	**146,299,482**	**5,240,565**	**14,669,046**	**1,479,425**	**6,345,342**	**174,033,860**
Due to banks	13,608,116	3,263,811	5,789,049	53	585,548	23,246,577
Customer current accounts	8,029,759	69,406	1,080,017	7,112	6,340	9,192,634
Sukuk financing	5,350,876	–	2,263,886	–	–	7,614,762
Other borrowings	434,578	182,025	4,901,366	–	182,025	5,699,994
Other liabilities	3,903,999	859,218	588,684	3,078	494,996	5,849,975
Total liabilities	31,327,328	4,374,460	14,623,002	10,243	1,268,909	51,603,942
Equity of investment account holders	74,205,417	9,189,932	8,694,785	6,700	5,666,796	97,763,630
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**105,532,745**	**13,564,392**	**23,317,787**	**16,943**	**6,935,705**	**149,367,572**

	Qatar	Other GCC	Europe	North America	Others	Total
2020						
Cash and balances with central banks	7,041,081	–	29,426	–		7,070,507
Due from banks	4,301,827	1,128,116	802,498	52,065	23,069	6,307,575
Financing assets	73,240,155	3,532	8,749,157	–	3,990,593	85,983,437
Investment securities	19,246,312	844,665	11,105	–	483,752	20,585,834
Investment in associates	141,476	392,640	–	–	–	534,116
Fixed assets	247,697	–	23,709	–	–	271,406
Other assets	278,679	–	83,326	–	–	362,005
TOTAL ASSETS	**104,497,227**	**2,368,953**	**9,699,221**	**52,065**	**4,497,414**	**121,114,880**
Due to banks	18,696,384	5,589,162	2,887,178	–	806,773	27,979,497
Customer current accounts	7,361,645	56,100	1,061,938	639	11,675	8,491,997
Sukuk financing	5,349,129	–	674,051	–	–	6,023,180
Other borrowings	–	–	1,270,775	–	–	1,270,775
Other liabilities	2,287,269	–	44,289	–	–	2,331,558
Total liabilities	33,694,427	5,645,262	5,938,231	639	818,448	46,097,007
Equity of investment account holders	49,291,842	2,652,005	8,357,377	81,227	43,451	60,425,902
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**82,986,269**	**8,297,267**	**14,295,608**	**81,866**	**861,899**	**106,522,909**

34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Industrial sector

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2021							
Cash and balances with central banks	–	–	–	5,220,712	–	–	5,220,712
Due from banks	–	–	–	9,155,812	–	–	9,155,812
Financing assets	30,690,254	5,717,646	914,022	1,080,958	11,988,814	70,415,037	120,806,731
Investment securities	275,714	23,962	10,420	2,467,944	–	29,997,048	32,775,088
Investment in associates	24,463	–	–	255,403	–	69,069	348,935
Intangible assets	–	–	–	–	–	1,758,698	1,758,698
Fixed assets	–	–	–	–	–	714,680	714,680
Other assets	710,911	19,749	–	1,684,705	17,861	819,978	3,253,204
TOTAL ASSETS	**31,701,342**	**5,761,357**	**924,442**	**19,865,534**	**12,006,675**	**103,774,510**	**174,033,860**
Due to banks	–	–	–	23,246,577	–	–	23,246,577
Customer current accounts	93,926	670,010	15,497	40,928	3,618,298	4,753,975	9,192,634
Sukuk financing	–	–	–	7,614,762	–	–	7,614,762
Other borrowings	–	–	–	5,699,994	–	–	5,699,994
Other liabilities	60,984	121,598	312	744,250	–	4,922,831	5,849,975
Total liabilities	154,910	791,608	15,809	37,346,511	3,618,298	9,676,806	51,603,942
Equity of investment account holders	57,884	1,019,848	458,789	13,693,422	25,251,782	57,281,905	97,763,630
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**212,794**	**1,811,456**	**474,598**	**51,039,933**	**28,870,080**	**66,958,711**	**149,367,572**

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34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector (continued)

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2020							
Cash and balances with central banks	–	–	–	7,070,507	–	–	7,070,507
Due from banks	–	–	–	6,307,575	–	–	6,307,575
Financing assets	24,362,923	1,713,558	12,852	685,566	9,665,152	49,543,386	85,983,437
Investment securities	436,789	8,633	–	614,515	–	19,525,897	20,585,834
Investment in associates	26,893	–	–	472,004	–	35,219	534,116
Fixed assets	–	–	–	–	–	271,406	271,406
Other assets	–	–	–	–	–	362,005	362,005
TOTAL ASSETS	**24,826,605**	**1,722,191**	**12,852**	**15,150,167**	**9,665,152**	**69,737,913**	**121,114,880**
Due to banks	–	–	–	27,979,497	–	–	27,979,497
Customer current accounts	17,842	223,053	707	23,680	3,449,243	4,777,472	8,491,997
Sukuk financing	–	–	–	6,023,180	–	–	6,023,180
Other borrowings	–	–	–	1,270,775	–	–	1,270,775
Other liabilities	–	–	–	–	–	2,331,558	2,331,558
Total liabilities	17,842	223,053	707	35,297,132	3,449,243	7,109,030	46,097,007
Equity of investment account holders	3,981	21,453	728	162,772	23,593,637	36,643,331	60,425,902
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**21,823**	**244,506**	**1,435**	**35,459,904**	**27,042,880**	**43,752,361**	**106,522,909**

35. MATURITY PROFILE

	Up to 3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Total
2021						
Cash and balances with central banks	925,886	–	–	–	4,294,826	5,220,712
Due from banks	8,504,914	490,906	–	159,992	–	9,155,812
Financing assets	15,518,260	4,067,958	1,611,597	48,712,014	50,896,902	120,806,731
Investment securities	863,007	542,812	2,437,012	18,756,078	10,176,179	32,775,088
Investment in associates	–	–	–	–	348,935	348,935
Fixed assets	–	–	–	–	714,680	714,680
Intangible assets	–	–	–	–	1,758,698	1,758,698
Other assets	1,401,914	286,134	420,740	806,158	338,258	3,253,204
TOTAL ASSETS	**27,213,981**	**5,387,810**	**4,469,349**	**68,434,242**	**68,528,478**	**174,033,860**
Due to banks	19,033,974	1,057,468	1,198,379	1,956,756	–	23,246,577
Customer current accounts	9,192,634	–	–	–	–	9,192,634
Sukuk financing	28,490	63,283	–	7,522,989	–	7,614,762
Other borrowings	1,273,403	1,161,226	–	3,265,365	–	5,699,994
Other liabilities	5,159,963	204,800	114,713	129,657	240,842	5,849,975
Total liabilities	34,688,464	2,486,777	1,313,092	12,874,767	240,842	51,603,942
Equity of investment account holders	64,105,807	13,851,326	10,004,503	9,801,994	–	97,763,630
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**98,794,271**	**16,338,103**	**11,317,595**	**22,676,761**	**240,842**	**149,367,572**
MATURITY GAP	**–71,580,290**	**–10,950,293**	**–6,848,246**	**45,757,481**	**68,287,636**	**24,666,288**

QAR '000s

35. MATURITY PROFILE

	Up to 3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Total
2020						
Cash and balances with central banks	4,405,922	–	–	–	2,664,585	7,070,507
Due from banks	6,168,078	–	–	14,946	124,551	6,307,575
Financing assets	15,491,087	1,413,625	2,978,809	17,852,050	48,247,866	85,983,437
Investment securities	476,321	675,876	509,955	11,725,362	7,198,320	20,585,834
Investment in associates	–	–	–	–	534,116	534,116
Fixed assets	–	–	–	–	271,406	271,406
Other assets	362,005	–	–	–	–	362,005
TOTAL ASSETS	**26,903,413**	**2,089,501**	**3,488,764**	**29,592,358**	**59,040,844**	**121,114,880**
Due to banks	22,843,021	1,302,242	2,652,118	1,057,568	124,548	27,979,497
Customer current accounts	8,491,997	–	–	–	–	8,491,997
Sukuk financing	–	28,851	–	5,320,278	674,051	6,023,180
Other borrowings	2,921	–	–	1,267,854	–	1,270,775
Other liabilities	2,331,558	–	–	–	–	2,331,558
Total liabilities	33,669,497	1,331,093	2,652,118	7,645,700	798,599	46,097,007
Equity of investment account holders	36,084,363	8,910,406	7,320,599	8,110,534	–	60,425,902
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**69,753,860**	**10,241,499**	**9,972,717**	**15,756,234**	**798,599**	**106,522,909**
MATURITY GAP	**–42,850,447**	**–8,151,998**	**–6,483,953**	**13,836,124**	**58,242,245**	**14,591,971**

36. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit for the year attributable to equity holders of the Bank	1,712,519	2,175,425
Less: Distribution for Tier 1 Capital notes	(48,195)	–
Profit for earnings per share computation	1,664,324	2,175,425
Weighted average number of shares outstanding during the year (thousand)1	7,652,877	7,500,000
Basic earnings per share (QAR)	0.217	0.290

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

[1] *Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share has been calculated as follows:*

	2021	2020
Weighted average number of shares at 1 January	7,500,000	7,500,000
Effect of the shares issued on business combination	152,877	–
Weighted average number of shares at 31 December	**7,652,877**	**7,500,000**

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:

	2021	2020
Cash on hand and balances with central banks excluding cash reserve with QCB	925,886	4,405,922
Due from banks	8,215,051	6,307,575
Add: Allowance for impairment	13	286
	9,140,950	**10,713,783**

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38 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

(a) Transactions and balances

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

	2021			2020		
	Associate companies	Board of Directors	Shareholders	Associate companies	Board of Directors	Shareholders
Consolidated statement of financial position items:						
Financing assets	–	775,119	–	–	5,046	–
Customer current accounts	80,169	54,644	–	83,994	10,224	–
Equity of investment account holders	5,863	538,837	3,212,842	16,716	64,615	3,181,426
Other liabilities	–	–	103,005	–	–	–
Consolidated income statement items:						
Income from financing activities	–	3,341	–	–	293	–
Return on equity of investment account holders	197	3,049	32,142	136	1,449	48,107
Operating expenses	15,826	–	–	14,637	–	–
Contingent liabilities:						
Letters of credit	–	5,056	–	–	–	–
Guarantees	96,757	144,703	–	67,526	–	–

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in Notes 10, 17 and 21.

All the transactions with the related parties are substantially on the same terms, including profit rates and collateral, as those prevailing in comparable transactions with unrelated parties.

(b) Transactions with key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	2021	2020
Remuneration to Board of Directors including meeting allowance (Note 31)	15,670	15,589
Salaries and other benefits – Key management	13,026	13,848

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
2021							
Shari'a–compliant risk management instruments							
Profit rate swaps	159,154	167,040	11,113,336	649,009	1,652,846	3,978,318	4,833,163
Unilateral promise to buy/sell currencies	10,723	105,682	10,790,532	7,533,829	2,941,903	314,800	–
	169,877	**272,722**	**21,903,868**	**8,182,838**	**4,594,749**	**4,293,118**	**4,833,163**
2020							
Shari'a–compliant risk management instruments							
Profit rate swaps	17,904	16,904	1,302,839	–	199,276	798,346	305,217
Unilateral promise to buy/sell currencies	37,402	2,828	11,749,333	9,673,851	2,075,482	–	–
	55,306	**19,732**	**13,052,172**	**9,673,851**	**2,274,758**	**798,346**	**305,217**

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.

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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 42.8 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2021 (2020: QAR 54.4 million) for the support of sports, cultural and charitable activities.

43. ASSETS UNDER MANAGEMENT

The Group's authorized activities include dealing in investments as an agent, arranging the provision of custody services, managing investments and advising on investments.

At the reporting date, the Group held Assets under Management of QAR 4,831 million (31 December 2020: QAR 4,047 million), which include among others, discretionary portfolios and funds under management. These Assets under Management are not consolidated with the financial statements of the Group.

44. IMPACT OF COVID 19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In addition, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Group has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2021:

i. Expected credit losses

The macro-economic variables have been updated as at 31 December 2021 and re-aligned with the economy. ECLs were estimated based on a range of forecast economic conditions. The Group has considered the impact of higher volatility in the forward-looking macro-economic factors when determining the economic scenarios for ECL estimation.

The volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (Credit Index or "CI") used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Group. The forward looking PDs have been arrived based on the economic outlook on the country/region and based on the macro-economic factors such as GDP, Oil price, LNG, CPI (inflation), Real Estate Sector Concentration and Growth Rate in Financing Assets. These variables were selected based on three criteria: Correlation (degree and direction) of the variable with the segment, Correlation (degree and direction) of the variable with the AQR (Asset Quality Ratio of Qatar) and the relevance of the variable with respect to the segment.

The Group has incorporated different forward-looking economic scenarios into the measurement of expected credit losses by applying conservative weightings of 65%, 10.4% and 24.6% for base, improved and stressed scenarios, respectively, for the wholesale banking portfolio. The situation is fast evolving and, accordingly, any downside scenarios will be reassessed if adverse conditions continue.

The table below shows a comparison of the loss allowances on non-impaired financial assets (stages 1 and 2) by assuming each forward-looking scenarios resulting from simulations of each scenario weighted at 100%:

44. IMPACT OF COVID 19 (continued)

i. Expected credit losses (continued)

Sensitivity of impairment assessment	2021 Impact on ECL	**2020 Impact on ECL**
Simulations:		
Base case - 100% weighted, loss allowance would be higher/(lower) by	(106,283)	(64,584)
Upside case - 100% weighted, loss allowance would be higher/(lower) by	(345,440)	(188,784)
Downside case - 100% weighted, loss allowance would be higher/(lower) by	457,155	252,445

ii. Valuation estimates and judgements

The Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors via a circular issued on 22 March 2020, pursuant to which the Group has delayed repayments for certain customers for a period of six months.

iv. Accounting for zero rate repo facility

The QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from the QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The Group has no outstanding zero-rate repos as at 31 December 2021.

v. Major events

The implications of the COVID-19 pandemic are ongoing and the outcome of this event is unknown and, therefore, the impact on the Group for conditions that arose after the period-end, i.e. "non-adjusting events" in line with IAS 10 "Subsequent events", cannot be reasonably quantified at the date of issuance of these consolidated financial statements.

45. BUSINESS COMBINATION

On 7 January 2021, the Bank and Al Khalij Commercial Bank P.Q.S.C. ("Al Khaliji") have entered into a merger agreement (the "Merger") as approved by the Board of Directors of both banks, which was subsequently approved by the shareholders of both the Bank and Al Khalij at their respective Extra-Ordinary General Assemblies held on 5 October 2021 and 6 October 2021, respectively.

On 2 November 2021, the QCB approved the Bank's merger with Al Khalij by way of absorption pursuant to Article 278 of the Commercial Companies Law Number 11 of 2015 and Article 161(2) of Law Number 13 of 2012 issuing the Qatar Central Bank Law and Regulation of Financial Institutions and the merger agreement.

The Merger was effected through a share swap transaction at an exchange ratio of 0.5 Masraf share for every one share of Al Khaliji, corresponding to 1,800 million new shares issued to the shareholders of Al Khaliji at the close of business on 30 November 2021 (the "effective date").

Al Khaliji shares were delisted from the Qatar Stock Exchange and the Bank issued 1,800 million new shares to the shareholders of Al Khaliji. Following the completion of the merger, Masraf shareholders owned approximately 81 percent of the combined bank and Al Khaliji shareholders owned approximately 19 percent. The merger transaction is accounted for in accordance with IFRS 3 - Business Combinations. IFRS 3 requires that an acquirer be identified in a business combination and acquisition accounting principles be applied. Masraf was identified as the "accounting acquirer" in this transaction.

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45. BUSINESS COMBINATION (continued)

The merger was effected to create a new Bank with the financial strength, expertise and global network that will become one of Qatar's and the region's leading Shari'a-compliant banks which will bolster Qatar's economic growth and finance development initiatives.

(a) Share capital – issuance of new shares

Outstanding number of shares of Al Khaliji (Units '000)	3,600,000
Exchange ratio	0.5
Number of shares of the Bank issued to Al Khaliji shareholders (Units '000)	1,800,000
Par value of shares issued by the Bank to Al Khaiji shareholders (QAR 1 each) (QAR '000)	1,800,000
Outstanding share capital of the Bank (QAR '000)	7,500,000
Total share capital post acquisition (QAR '000)	**9,300,000**

(b) Purchase consideration

Outstanding number of shares of the Bank (Units '000)	7,500,000
Divided by the Bank's percentage of ownership in the Group	80.65%
Total number of shares of the Group (Units '000)	**9,300,000**
Multiplied by Al Khaliji's percentage of ownership in the Group	19.35%
Total number of shares issued by the Bank to Al Khaliji	1,800,000
Multiplied by the Bank's share price on the effective date (QAR)	4.85
Total purchase consideration (QAR '000)	**8,730,000**

(c) Share premium

In accordance with Qatar Commercial Companies' Law, any share premium on issuance of new shares will form part of the legal reserve.

Total purchase consideration	8,730,000
Par value of shares issued by the Bank to Al Khaiji shareholders	(1,800,000)
Share premium	**6,930,000**

Legal reserve

Al Khalij Commercial Bank (al khaliji) P.Q.S.C	1,532,395
Masraf Al Rayan (Q.P.S.C.)	2,714,166
Total	**4,246,561**
Less: pre-acquisition legal reserve	(1,532,395)
Add: share premium on issuance of new shares	6,930,000
Closing balance post business combination1	**9,644,166**

Risk reserve

Al Khalij Commercial Bank (al khaliji) P.Q.S.C	495,195
Masraf Al Rayan (Q.P.S.C.)	1,796,600
Total	2,291,795
Less: pre-acquisition risk reserve	(495,195)
Closing balance post business combination[1]	**1,796,600**

[1] Prior to transfers from retained earnings for the current year

(c) Integration-related costs

The Group incurred integration-related costs of QAR 16.4 million relating to consultant and external professional fees during the current year. These costs have been included in 'Other expenses' in the consolidated income statement.

(d) Identifiable assets acquired and liabilities assumed

The purchase consideration (also referred to as "purchase price") of the merger has been allocated to the assets acquired and liabilities assumed using their preliminary fair values at the acquisition date. The allocation of the purchase consideration and its allocation to the net assets of Al Khaliji based on its preliminary fair values as of 30 November 2021 is presented below. The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed.

	30 November 2021
Assets	
Cash and balances with central banks	1,433,464
Due from banks	6,216,979
Financing assets	35,361,090
Investment securities	10,946,874
Fixed assets	371,048
Assets of a non-Shari'a-compliant subsidiary and Other assets	3,032,742
Total assets	**57,362,197**
Liabilities	
Due to banks	13,385,586
Customer current accounts	881,126
Equity of investment account holders	26,843,045
Debt securities	2,262,870
Other borrowings	3,270,966
Liabilities of a non-Shari'a-compliant subsidiary and Other liabilities	2,747,302
	49,390,895
Instrument eligible for additional capital	1,000,000
Total liabilities	**50,390,895**
Al Khaliji net assets as at acquisition date attributable to its equity holders	**6,971,302**

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45. BUSINESS COMBINATION (continued)

(e) Goodwill and intangible assets

The Group has used the preliminary fair values of Al Khaliji's financial assets and liabilities as at 30 November 2021 for the purpose of calculating goodwill.

	30 November 2021
Total purchase consideration	8,730,000
Total fair value of identifiable net assets of Al Khaliji	(6,971,302)
Goodwill on business acquisition	1,758,698

The goodwill is attributable to the synergies expected to be achieved from integrating Al Khaliji into the Group. The Group has twelve months from the date of acquisition to complete a Purchase Price Allocation ("PPA") exercise which sets out in detail the way in which the fair value of the acquired Al Khaliji assets and liabilities have been determined. A comprehensive PPA exercise will be undertaken and the results of this exercise will be reflected in subsequent financial statements. This exercise may result in different values being attributed to the assets, liabilities and contingent liabilities acquired, and the identification of other intangible assets, hence, change in the goodwill.

(f) Purchase consideration – cash inflow

Cash and cash equivalents acquired	8,985,074
Purchase consideration paid in cash	-
Net cash inflows – investing activities	8,985,074

(g) Impact on Group's results

From the date of acquisition until 31 December 2021, Al Khaliji contributed total income of QAR 167 million and a net loss of QAR 32 million to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that the consolidated total income and net profit for the year would be QAR 6,962 million and QAR 2,242 million, respectively. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK

(A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2021	2020
ASSETS		
Cash and balances with QCB	5,189,034	7,041,08
Due from banks	8,229,974	4,958,865
Financing assets	111,666,591	77,258,767
Investment securities	31,931,459	19,533,551
Investment in subsidiaries and associates	1,773,193	1,121,062
Fixed assets	681,391	249,822
Intangible asset	1,679,583	–
Other assets	218,265	274,420
TOTAL ASSETS	**161,369,490**	**110,437,568**
LIABILITIES		
Due to banks	22,899,631	27,959,916
Customer current accounts	7,737,269	7,100,382
Sukuk and debt financing	7,673,039	5,407,300
Other borrowings	5,699,994	1,270,775
Other liabilities	3,442,104	2,323,514
TOTAL LIABILITIES	**47,452,037**	**44,061,887**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**90,117,637**	**52,596,168**
EQUITY		
Share capital	9,300,000	7,500,000
Legal reserve	9,644,166	2,714,166
Risk reserve	2,282,824	1,796,600
Fair value reserves	47,142	25,679
Retained earnings	1,525,684	1,743,068
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**22,799,816**	**13,779,513**
Instrument eligible as additional capital	1,000,000	–
TOTAL EQUITY	**23,799,816**	**13,779,513**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY	**161,369,490**	**110,437,568**

Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned in Notes 3(c) for investment in subsidiaries and associates which are carried at cost, less impairment if any.

QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(B) INCOME STATEMENT OF THE PARENT BANK

	2021	2020
Net income from financing activities	3,389,541	3,392,320
Net income from investing activities	877,183	882,979
Total net income from financing and investing activities	**4,266,724**	4,275,299
Fee and commission income	293,256	234,604
Fee and commission expense	(3,375)	(579)
Net fee and commission income	**289,881**	234,025
Foreign exchange gain	166,635	160,647
Other income	5,659	5,486
TOTAL INCOME	**4,728,899**	4,675,457
Staff costs	(326,920)	(292,684)
Depreciation	(52,034)	(18,135)
Other expenses	(228,195)	(213,044)
Finance expense	(524,875)	(656,923)
TOTAL EXPENSES	**(1,132,024)**	(1,180,786)
Net (impairment losses) / reversals on due from banks	(1,241)	(126)
Net impairment losses on financing assets	(911,971)	(290,957)
Net (impairment losses) / reversals on investment securities	(190,327)	(55,686)
Net reversals on off balance sheet exposures subject to credit risk	3,733	5,415
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	**2,497,069**	3,153,317
Less: Return to investment account holders	(862,219)	(1,035,922)
NET PROFIT FOR THE YEAR	**1,634,850**	2,117,395