MASRAF AL RAYAN (Q.P.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

Contents

Independent auditor's report to the shareholders of Masraf Al Rayan (Q.P.S.C.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Our audit approach

Overview

Key audit matters

- Impairment of financing facilities
- Impairment of goodwill

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of financing facilities Impairment allowances represent the Directors' best estimate of the losses arising from credit risk and particularly from financing facilities (financing assets and off-balance sheet financing). As described in the summary of significant accounting policies to the consolidated financial statements, the impairment losses have been determined in accordance with FAS 30. We focused on this area because the Directors make complex and subjective judgements over both the amount and the timing of recognition of impairment, such as: • Determining criteria for significant increase in credit risk. • Choosing appropriate models and assumptions for the measurement of Expected Credit Losses (ECL) including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). • Establishing the relative weighting of forward-looking scenarios for each type of product/ market and the associated ECL. • Establishing groups of similar assets for the purpose of measuring the ECL. • Determining disclosure requirements in accordance with the FAS. Further, financing assets and off-balance sheet financing are material within the overall context of the consolidated financial statements. The Group's gross financing facilities that are subject to credit risk, include financing assets (net of deferred profit) amounting to QAR 112,510 million, and off- balance sheet finance amounting to QAR 12,264 million as at 31 December 2023, disclosed in note (10) and note (33) to the consolidated financial statements. Information on the credit risk and the Group's credit risk management is provided in note 4 to the consolidated financial statements.	Our audit procedures in relation to this key audit matter included the following: • Assessed and tested the design and operating effectiveness of the relevant key controls around origination and approval of financing facilities, monitoring of credit exposures, and impairment calculation. • Evaluated the appropriateness of the Group's impairment provisioning policy in accordance with the requirements of FAS 30. • Used our own internal experts to independently assess the reasonableness of the ECL methodology developed and applied by Directors including model risk parameters (PD, LGD, and EAD), forward-looking information, associated weighting, and staging analysis. • Obtained an understanding of and tested the completeness and accuracy of the historical and current datasets used for the ECL calculation. • Tested a sample of financing facilities to determine the appropriateness and application of staging criteria. • Obtained an understanding of the methodology used to identify and calculate individual impairment allowance for stage 3 exposures and tested a sample of such exposures against the methodology. • Obtained samples of the latest available credit reviews and checked that they include appropriate assessment and documentation of borrowers' ability to meet repayment obligations (principal, profit, and fees). • Evaluated the adequacy of the consolidated financial statements disclosures to determine if they were in accordance with the requirements of FAS 30 and QCB regulations.

Key audit matters (continued)

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

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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PRICEWATERHOUSECOOPERS - Qatar Branch
P. O. Box : 6689
Doha, State of Qatar

Masraf Al Rayan (Q.P.S.C.) QAR '000s

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	2023	2022
ASSETS			
Cash and balances with central banks	8	**4,993,280**	5,088,200
Due from banks	9	**5,662,554**	6,299,724
Financing assets	10	**108,228,181**	117,859,281
Investment securities	11	**38,598,973**	31,476,658
Investment in associates	12	**348,556**	345,878
Fixed assets	13	**968,571**	915,464
Intangible assets	14	**1,564,774**	1,678,592
Other assets	15	**3,834,646**	3,869,416
TOTAL ASSETS		**164,199,535**	167,533,213
LIABILITIES, QUASI-EQUITY AND EQUITY			
LIABILITIES			
Due to banks	16	**32,204,024**	29,316,423
Customer current accounts	17	**7,924,383**	8,736,827
Sukuk and debt financing	18	**5,235,937**	7,682,176
Other borrowings	19	**4,585,513**	3,843,236
Other liabilities	20	**4,643,739**	5,117,732
TOTAL LIABILITIES		**54,593,596**	54,696,394
QUASI-EQUITY			
Participatory investment accounts	21	**84,799,440**	88,554,879
EQUITY			
Share capital	22	**9,300,000**	9,300,000
Legal reserve	22	**9,644,166**	9,644,166
Risk reserve	22	**2,661,613**	2,398,543
Fair value reserve	22	**41,439**	32,844
Foreign currency translation reserve	22	**(110,907)**	(148,600)
Other reserves	22	**152,632**	140,512
Retained earnings		**1,880,281**	1,716,321
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**23,569,224**	23,083,786
Non-controlling interest	23	**237,275**	198,154
Instrument eligible as additional capital	24	**1,000,000**	1,000,000
TOTAL EQUITY		**24,806,499**	24,281.940
TOTAL LIABILITIES, QUASI-EQUITY AND EQUITY		**164,199,535**	167,533,213
Off-balance sheet assets under management		**5,246,537**	4,846,175
Contingent liabilities and commitments	33	**31,854,067**	32.911.480

These consolidated financial statements were approved by the Board of Directors on 23 January 2024 and were signed on its behalf by:

Mohamed Bin Hamad Bin Qassim Al Thani Chairman	Hamad Bin Faisal Bin Thani Al Thani Vice Chairman	Fahad Bin Abdulla Al Khalifa Group Chief Executive Officer

Independent auditor's report is set out on pages 1 to 6

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

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

Independent auditor’s report is set out on pages 1 to 6

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Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

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

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Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

For the year ended 31 December

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

Independent auditor’s report is set out on pages 1 to 6

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Other reserves*	*Retained earnings*	*Total equity attributable to equity holders of the Bank*	*Non-controlling interest*	*Instrument eligible as additional capital*	*Total equity*
Balance at 31 December 2022	**9,300,000**	**9,644,166**	**2,398,543**	**32,844**	**(148,600)**	**140,512**	**1,716,321**	**23,083,786**	**198,154**	**1,000,000**	**24,281,940**
Net profit for the year	-	-	-	-	-	-	1,451,722	1,451,722	28,273	-	1,479,995
Other comprehensive income	-	-	-	8,078	37,693	238	-	46,009	10,848	-	56,857
Total comprehensive income for the year	-	-	-	8,078	37,693	238	1,451,722	1,497,731	39,121	-	1,536,852
Transfer to retained earnings upon disposal of FVOCI equity investments	-	-	-	517	-	-	(517)	-	-	-	-
Transfer to risk reserve	-	-	263,070	-	-	-	(263,070)	-	-	-	-
Transfer to other reserves	-	-	-	-	-	11,882	(11,882)	-	-	-	-
Social and sports fund appropriation (Note 42)	-	-	-	-	-	-	(36,293)	(36,293)	-	-	(36,293)
Dividend declared and approved for 2022	-	-	-	-	-	-	(930,000)	(930,000)	-	-	(930,000)
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(46,000)	(46,000)	-	-	(46,000)
Balance at 31 December 2023	**9,300,000**	**9,644,166**	**2,661,613**	**41,439**	**(110,907)**	**152,632**	**1,880,281**	**23,569,224**	**237,275**	**1,000,000**	**24,806,499**

Independent auditor’s report is set out on pages 1 to 6

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Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December

	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Other reserves*	*Retained earnings*	*Total equity attributable to equity holders of the Bank*	*Non-controlling interest*	*Instrument eligible as additional capital*	*Total equity*
Balance at 31 December 2021	9,300,000	9,644,166	2,282,824	36,125	(87,328)	127,274	2,163,579	23,466,640	199,648	1,000,000	24,666,288
Net profit for the year	-	-	-	-	-	-	1,344,343	1,344,343	18,908	-	1,363,251
Other comprehensive income	-	-	-	(3,281)	(61,272)	-	-	(64,553)	(20,402)	-	(84,955)
Total comprehensive income for the year	-	-	-	(3,281)	(61,272)	-	1,344,343	1,279,790	(1,494)	-	1,278,296
Transfer to risk reserve	-	-	115,719	-	-	-	(115,719)	-	-	-	-
Net movement in other reserves	-	-	-	-	-	13,238	(13,238)	-	-	-	-
Social and sports fund appropriation (Note 42)	-	-	-	-	-	-	(35,644)	(35,644)	-	-	(35,644)
Dividend declared and approved for 2021	-	-	-	-	-	-	(1,581,000)	(1,581,000)	-	-	(1,581,000)
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(46,000)	(46,000)	-	-	(46,000)
Balance at 31 December 2022	9,300,000	9,644,166	2,398,543	32,844	(148,600)	140,512	1,716,321	23,083,786	198,154	1,000,000	24,281,940

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Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	***2023***	*2022*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		**1,514,963**	1,385,493
Adjustments for:			
Net impairment losses on financing assets		**1,270,186**	1,556,455
Net (reversals) / impairment losses on investments		**(21,062)**	53,302
Net (reversals) / impairment losses on due from banks		**(14,051)**	13,306
Net (reversals) / impairment losses on other exposures subject to credit risk		**(70,442)**	86,553
Fair value gain on investment securities carried as fair value through income statement	26	**-**	(62)
Net unrealized gain on revaluation of Shari’a compliant risk management instruments		**(54,993)**	(91,764)
Depreciation and amortisation	13, 14	**174,081**	186,983
Net amortisation of transaction costs and IFRS 3 adjustments on sukuk and debt financing and other borrowings		**(39,900)**	(55,980)
Net loss on sale of debt-type investments	26	**17,122**	3,008
Dividend income	26	**(10,809)**	(8,969)
Share of results of associates	12	**(50,856)**	(27,201)
Gain on sale of an associate		**(16,618)**	-
Loss on disposal of fixed assets and reassessment of right-of-use assets		**515**	14,120
Net amortisation of premium and discount on investment securities		**(50,643)**	79,129
Employees’ end of service benefit provisions	20(b)	**9,078**	9,664
Profit before changes in operating assets and liabilities		**2,656,571**	3,204,037
Change in reserve account with Qatar Central Bank		**27,402**	12,432
Change in due from banks		**517,259**	51,687
Change in financing assets		**8,282,539**	832,471
Change in other assets		**(144,580)**	(177,127)
Change in accrued profit from investment securities		**(18,435)**	1,515
Change in due to banks		**2,887,601**	6,069,846
Change in customer current accounts		**(812,444)**	(455,807)
Change in other liabilities		**(34,671)**	(12,209)
Change in profit payable on sukuk financing and other borrowings		**6,132**	26,052
		13,367,374	9,552,897
Dividend received		**10,809**	8,969
Employees’ end of service benefits paid	20(b)	**(4,164)**	(53,472)
Social and sports fund contribution		**(35,644)**	(42,813)
Tax paid		**(31,888)**	(15,703)
Net cash generated from operating activities		**13,306,487**	9,449,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		**(14,684,481)**	(3,413,156)
Proceeds from sale / redemption of investment securities		**7,797,848**	4,139,376
Proceeds from sale of an associate		**40,622**	-
Acquisition of fixed assets		**(97,368)**	(256,193)
Dividend received from associates	12	**11,500**	10,700
Net cash (used in) / generated from investing activities		**(6,931,879)**	480,727

...continued

Independent auditor’s report is set out on pages 1 to 6

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December

	Notes	***2023***	*2022*
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in participatory investment accounts		**(3,755,838)**	(9,208,569)
Proceeds from sukuk financing and other borrowings, net of transaction cost		**1,988,896**	835,094
Repayment of sukuk financing and other borrowings		**(3,656,329)**	(2,677,837)
Profit paid on instrument eligible as additional capital		**(46,000)**	(48,195)
Net repayment of Ijarah liabilities		**(14,705)**	(37,040)
Dividends paid		**(1,124,064)**	(1,627,976)
Net cash used in financing activities		**(6,608,040)**	(12,764,523)
Net decrease in cash and cash equivalents		**(233,432)**	(2,833,918)
Cash and cash equivalents at 1 January		**6,229,775**	9,140,950
Effects of exchange rate changes on cash and cash equivalents held		**31,952**	(77,257)
Cash and cash equivalents at 31 December	37	**6,028,295**	6,229,775

Independent auditor’s report is set out on pages 1 to 6

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

Masraf Al Rayan (Q.P.S.C.) QAR '000s

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

For the year ended 31 December

	1 January 2023	*Movements during the year* Additions	*Withdrawals*	*Revaluations / Gross income*	*Assets transferred to liquidator*	*Net dividends paid*	*Mudarib's share*	*31 December 2023*
2023								
Money market placements	**156,771**	**1,387,505**	**(1,228,071)**	**16,551**	-	-	-	**332,756**
Investments in sukuk, shares, mutual funds and other securities	**4,689,404**	**150,256**	**(151,786)**	**374,605**	**(5,191)**	**(108,515)**	**(34,992)**	**4,913,781**
	4,846,175	**1,537,761**	**(1,379,857)**	**391,156**	**(5,191)**	**(108,515)**	**(34,992)**	**5,246,537**

	1 January 2022	*Movements during the year* Additions	*Withdrawals*	*Revaluations / Gross income*	*Assets transferred to liquidator*	*Net dividends paid*	*Mudarib's share*	*31 December 2022*
2022								
Money market placements	146,769	1,736,094	(1,733,449)	7,357	-	-	-	156,771
Investments in sukuk, shares, mutual funds and other securities	4,684,310	416,890	(287,365)	50,961	-	(130,218)	(45,174)	4,689,404
	4,831,079	2,152,984	(2,020,814)	58,318	-	(130,218)	(45,174)	4,846,175

Independent auditor's report is set out on pages 1 to 6

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

Masraf Al Rayan (Q.P.S.C.) QAR '000s

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2023

1 REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar's Commercial Companies' Law No. 11 of 2015, as amended by Law No. 8 of 2021. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Lusail Marina, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2023 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing and investing activities, and has 16 branches in Qatar. The Parent Company and Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

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

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

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

The principal subsidiaries of the Group are as follows:

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

1 REPORTING ENTITY (continued)

[1] Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 73.76% of Al Rayan Bank PLC.
[2] MAR Sukuk Limited was incorporated in the Cayman Islands as an exempt company with limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.
[3] Subsidiaries of Al Khaliji that became subsidiaries of the Group upon completion of the merger between the Bank and Al Khaliji on 30 November 2021.
[4] MAR Finance L.L.C. was incorporated in Qatar Financial Centre as a limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.
[5] In relation to the merger, Al Khaliji France S.A. continues to operate in its present status as a conventional bank. As of reporting date, there are no plans in place to convert the portfolio of the subsidiary into Shari'a-compliant products. Accordingly, the net profit earned by the subsidiary is not included in the consolidated income statement, and the subsidiary's assets and liabilities are presented under other assets and other liabilities in the consolidated statement of financial position.
[6] AKCB Falcon Limited has been dissolved effective 17 April 2023, pursuant to the certificate of dissolution obtained by the Company.
[7] In a meeting held on 26 October 2023, the Board of Directors of the Company decided to liquidate the Company. The liquidation is subject for approval by the QCB and the Ministry of Commerce and Industry as of the reporting date.

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

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

QCB Circular 13/2020 dated 29 April 2020 modifies the requirements of FAS 33 "Investments in Sukuk, shares and similar instruments" and FAS 30 "Impairment, credit losses and onerous commitments" and requires Islamic Banks to follow principles of IIFRS 9 "Financial Instruments" in respect of equity-type investments carried at Fair Value Through Other Comprehensive Income ("FVOCI"). The Bank has adopted the circular from the effective date and the changes to the accounting policies have been adopted prospectively by the Bank.

(b) Basis of measurement

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

(c) Functional and presentational currency

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

2 BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments

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

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

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

(e) Presentation of consolidated financial statements

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) New standards, amendments and interpretations

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

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

This standard is effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The adoption of this standard did not result in changes to previously reported net profit or equity of the Group.

FAS 41 – Interim Financial Reporting
This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institution in line with various financial accounting standards issued by AAOIFI. This standard also provides an option for the institution to prepare a complete set of financial statements at interim reporting dates in line with the respective FASs.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

FAS 40 - Financial Reporting for Islamic Finance Windows
AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 “Islamic Financial Services Offered by Conventional Financial Institutions”. This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted subject to simultaneous adoption of FAS 1 (Revised 2021).

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(b) Inter Bank Offered Rate (IBOR) transition

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

(i) *Subsidiaries*

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

Control of business

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

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

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

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

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

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

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

Consolidation

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

(i) *Subsidiaries (continued)*

Consolidation (continued)

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

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

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

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

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

(ii) *Business combinations*

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

(ii) *Business combinations (continued)*

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

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

Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

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

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

(v) *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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

(v) *Associates (equity-accounted investees) (continued)*

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

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

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

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

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

(vi) *Fund management*

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

(e) Foreign currency

(i) *Foreign currency transactions and balances*

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency (continued)

(ii) *Foreign operations*

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

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

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

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

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

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

(f) Investment securities

(i) *Categorization and classification*

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

The Group categorizes each investment as:

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

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

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

(a) the Group's business model for managing the investments; and
(b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment securities (continued)

(i) *Categorization and classification (continued)*

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

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

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

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

Fair value through other comprehensive income (“FVOCI”)
An investment shall be measured at FVOCI if both of the following conditions are met:

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

Fair value through income statement (“FVIS”)
An investment shall be measured at FVIS unless it is measured at amortised cost or at FVOCI or if irrevocable classification at initial recognition is applied.

Irrevocable classification at initial recognition
The Group may make an irrevocable election to designate a particular investment, at initial recognition, being:
(a) an equity-type instrument that would otherwise be measured at FVIS, to present subsequent changes in other comprehensive income; and
(b) a non-monetary debt-type instrument or other investment instrument, as measured at FVIS if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different bases.

(ii) *Recognition and de-recognition*
Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 FVIS which are charged to consolidated income statement.

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

Fair value through other comprehensive income (“FVOCI”)
Policy applicable up to the issuance of QCB circular 13/2020
Investments at FVOCI are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are taken through other comprehensive income and presented in a separate fair value reserve within equity. When the investments classified as FVOCI are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated income statement.

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

Investments at FVOCI are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are taken through other comprehensive income and presented in a separate fair value reserve within equity.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment securities (continued)

(iv) *Measurement principles*

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement
Fair value is the amount for which an asset could be exchanged, or an obligation settled between well informed and willing parties (seller and buyer) in an arm’s length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

(g) Financing assets

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

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

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

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

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financing assets (continued)

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

Wakala
Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment of the Muwakkil funds in a Shari’a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

(h) Other financial assets and liabilities

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Other financial assets and liabilities (continued)

(ii) *De-recognition of financial assets and financial liabilities (continued)*

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

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

(iii) *Offsetting*

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

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

The Group records an allowance for ECL for all financing assets and other debt financial assets not held at FVIS, together with financing asset commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Group applies a three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

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

Stage 2: Lifetime ECL - not credit impaired

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

Stage 3: Non performing - credit impaired

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Stage 3: Non performing - credit impaired (continued)
The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVIS:

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

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

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

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

Measurement of ECL

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restructured financial assets

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

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

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

Credit-impaired financial assets

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

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

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

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

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

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

Write-off

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(k) Modification of financial assets and liabilities

Financial Assets
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

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

(l) Cash and cash equivalents

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

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

(m) Shari'a-compliant risk management instruments

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

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

Wa'ad, Khiyar and Tahawwut

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Shari’a-compliant risk management instruments (continued)

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

Derivatives held for risk management purposes and accounting for Tahawwut (hedging) arrangements

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

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

These hedging relationships are discussed below:

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Shari’a-compliant risk management instruments (continued)

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

(n) Fixed assets

Recognition and initial measurement
Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

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

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

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

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

Buildings	20 - 40 years
Leasehold improvements	the shorter of the useful life (5-10 years) or the lease term
Furniture, fixtures and office equipment	3 - 7 years
Motor vehicles	3 years
Computer equipment	2 -5 years

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible assets

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

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

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

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

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

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

	Goodwill	*Customer relationships*	*Core deposits*	*License*
Useful lives	Indefinite	Finite (8 years)	Finite (10 years)	Finite (5 years)
Amortisation method used	Tested for impairment either individually or at cash generating unit level	Amortised on a straight-line basis over the periods of availability	Amortised on a straight-line basis over the periods of availability	Amortised on a straight-line basis over the periods of availability
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

(p) Due from banks

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets (where applicable) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (“CGU") exceeds its estimated recoverable amount.

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

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

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

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

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

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

(r) Customer current accounts

Balances in customer current accounts do not carry any return and are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Quasi-equity

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

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

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

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

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

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

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

(t) Distribution of profit between participatory investment account holders and shareholders

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

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between participatory investment account holders and its equity holders.

- The share of profit of participatory investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group’s agreed and declared Mudaraba profit.

- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the participatory investment account holders. Such matter is subject to the QCB decision.

- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group’s accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari’a rules.

- Due to pooling of investment funds with the Group’s funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Off-balance-sheet assets under management

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

(v) Sukuk financing

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

(w) Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(x) Employees benefits

Defined contribution plans
The Bank provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the “Staff pension fund costs” under “Staff costs” in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

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

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

(y) Share capital and reserves

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition

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

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

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

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

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

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Income tax

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

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity.

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

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

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

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

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

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

(bb) Earnings per share

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

(cc) Financial guarantees

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(cc) Financial guarantees (continued)

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

(dd) Acceptances

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

(ee) Collateral repossessed

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

(ff) Contingent liabilities

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

(gg) Segment reporting

An operating segment is a distinguishable component of the Group:

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

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

(hh) Earnings prohibited by Shari’a

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

(ii) Comparatives

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(jj) Ijarah (FAS 32)

The Group has applied from 1 January 2021 FAS 32 – *Ijarah* which sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah-type transactions including their different forms entered into by Islamic financial institutions, in both the capacities of lessor and lessee. The Group adopted the following policies in line with FAS 32 and shall implement any subsequent guidelines or amendments to the standards that may be issued by the QCB.

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

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

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

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

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

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

a. The prime cost of the right-of-use asset;
b. Initial direct costs incurred by the lessee; and
c. Dismantling or decommissioning costs.

The Group determines the prime cost of the right-of-use asset using the liability estimation method. Under this method, the prime cost of the right-of-use asset is determined through estimation based on the fair value of the total consideration paid or payable (i.e. total Ijarah rentals) against the right-of-use asset, under a similar transaction.

Recognition exemptions and simplified accounting for the lessee
The Group as a lessee elects not to apply the requirements of Ijarah recognition and measurement to:
- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Subsequent measurement
After the commencement date, the Group as a lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modifications or reassessments. The amortizable amount of a right-of-use asset comprises of the right-of-use asset less residual value, if any, and is amortised according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(jj) Ijarah (FAS 32) (continued)

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.

4 FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

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

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

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

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

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.

Masraf Al Rayan (Q.P.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

	2023	*2022*
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Cash and balances with central banks (excluding cash on hand)	**4,546,082**	4,547,003
Due from banks	**5,662,554**	6,299,724
Financing assets	**108,228,181**	117,859,281
Investment securities - debt	**38,066,691**	31,082,306
Other assets[1]	**3,434,037**	3,572,342
	159,937,545	163,360,656
Other credit risk exposures are as follows:		
Unutilised credit facilities	**779,352**	1,026,611
Guarantees	**10,293,322**	13,102,552
Letters of credit	**1,191,794**	1,461,838
Contingent liabilities of a non-Shari'a-compliant subsidiary (Note 33a)	**412,088**	502,707
	12,676,556	16,093,708

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

The above tables represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

4.2.4 Concentration of risks of financial assets with credit risk exposure

(a) By Geographical Sector

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

(a) By Geographical Sector (continued)

2022	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Assets recorded on the consolidated statement of financial position:					
Cash and balances with central banks (excluding cash on hand)	4,527,289	-	-	19,714	4,547,003
Due from banks	661,020	397,786	1,304	5,239,614	6,299,724
Financing assets	102,166,763	627,915	-	15,064,603	117,859,281
Investment securities - debt	29,003,182	1,408,765	12,415	657,944	31,082,306
Other assets[1]	248,713	1,003,623	-	2,320,006	3,572,342
	136,606,967	3,438,089	13,719	23,301,881	163,360,656

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

2022	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Unutilised credit facilities	911,783	-	-	114,828	1,026,611
Guarantees	10,178,666	158,086	-	2,765,800	13,102,552
Letters of credit	689,902	-	-	771,936	1,461,838
Contingent liabilities of a non-Shari’a-compliant subsidiary	17,726	300,265	-	184,716	502,707
	11,798,077	458,351	-	3,837,280	16,093,708

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

(b) By Industry sector

An industry sector analysis of the Group’s maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown net, before the effect of mitigation through the use of master netting and collateral agreements.

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

4.2.5 Credit quality

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

Masraf Al Rayan (Q.P.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

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

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

* Includes profit in suspense of QAR 428,991 thousand

	2022			
	Stage 1	Stage 2	Stage 3	Total
Financing assets				
Investment grade	67,943,987	19,825,661	-	87,769,648
Sub-investment grade	16,777,243	9,861,605	-	26,638,848
Substandard	-	-	5,153,697	5,153,697
Doubtful	-	-	178,265	178,265
Loss	-	-	1,963,470	1,963,470
	84,721,230	29,687,266	7,295,432	121,703,928
Loss allowance	(64,157)	(392,046)	(3,388,444)	(3,844,647)*
Carrying amount	84,657,073	29,295,220	3,906,988	117,859,281

* Includes profit in suspense of QAR 463,648 thousand

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

		2022		
	Stage 1	Stage 2	Stage 3	Total
Investment securities - debt				
Investment grade	29,613,834	-	-	29,613,834
Sub-investment grade	1,036,146	484,676	-	1,520,822
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	57,162	57,162
	30,649,980	484,676	57,162	31,191,818
Loss allowance	(30,025)	(22,325)	(57,162)	(109,512)
Carrying amount	30,619,955	462,351	-	31,082,306

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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

	2022			
Other credit risk exposures	Stage 1	Stage 2	Stage 3	Total
Investment grade	10,274,169	533,961	-	10,808,130
Sub-investment grade	2,957,618	1,614,985	-	4,572,603
Substandard	-	-	197,412	197,412
Doubtful	-	-	105	105
Loss	-	-	17,948	17,948
	13,231,787	2,148,946	215,465	15,596,198
Loss allowance	(25,507)	(33,204)	(79,384)	(138,095)
Carrying amount	13,206,280	2,115,742	136,081	15,458,103

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.6 Credit quality assessments

The table below provides an analysis of counterparties by rating grades and credit quality of the Group’s credit risk, based on Moody’s ratings (or their equivalent).

Rating grade	Financing assets	Due from banks and central banks	Debt type investments carried at amortised cost	Other exposures subject to credit risk
AAA to AA-	**56,347,434**	**6,148,999**	**32,933,272**	**1,403,821**
A+ to A-	**7,920,687**	**3,554,533**	**2,969,022**	**3,397,572**
BBB+ to BBB-	**14,092,524**	**657**	**387,334**	**2,839,001**
BB+ to B-	**15,409,953**	**378,110**	**1,577,739**	**4,312,355**
Unrated	**18,739,053**	**127,119**	**278,708**	**318,435**
Totals as of 31 December 2023	**112,509,651**	**10,209,418**	**38,146,075**	**12,271,184**

Rating grade	Financing assets	Due from banks and central banks	Debt type investments carried at amortised cost	Other exposures subject to credit risk
AAA to AA-	63,372,387	6,796,571	28,082,674	1,691,320
A+ to A-	7,644,827	3,180,470	1,328,444	4,784,181
BBB+ to BBB-	16,752,448	112,950	202,715	4,332,628
BB+ to B-	14,058,506	425,945	1,275,135	3,539,358
Unrated	19,875,760	345,624	302,850	1,248,711
Totals as of 31 December 2022	121,703,928	10,861,560	31,191,818	15,596,198

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.

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.7 Collateral (continued)

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2023 is QAR 3,247 million (2022: QAR 4,602 million).

4.2.8 Renegotiated financing assets

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non-impaired.

4.2.9 Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower’s / issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2023 was QAR 952,869 thousand (2022: QAR 704 thousand).

4.2.10 Inputs, assumptions and techniques used for estimating impairment

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

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.

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Measurement of ECL
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.

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

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

Due from banks and balances with central banks		*2022*		
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	1,087	440	-	1,527
Transfers to Stage 1	2	(2)	-	-
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	-	-	-	-
Charge / (reversal) (net)	11,204	2,102	-	13,306
Impairment allowance for the year, net	11,205	2,101	-	13,306
Amounts written off	-	-	-	-
Foreign currency translation	-	-	-	-
Balance at 31 December	12,292	2,541	-	14,833

Masraf Al Rayan (Q.P.S.C.) 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)

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

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

Financing assets		*2022*		
	Stage 1	Stage 2	Stage 3	Total ECL*
Balance at 1 January	58,617	793,979	1,027,263	1,879,859
Transfers to Stage 1	2,565	(1,575)	(990)	-
Transfers to Stage 2	(2,932)	27,626	(24,694)	-
Transfers to Stage 3	(598)	(587,025)	587,623	-
Charge / (reversal) (net)	7,236	159,954	1,800,151	1,967,341
Impairment allowance for the year, net	6,271	(401,020)	2,362,090	1,967,341
Amounts written off	-	-	(704)	(704)
Foreign currency translation	(731)	(913)	(205)	(1,849)
Balance at 31 December	64,157	392,046	3,388,444	3,844,647

* Includes profit in suspense of QAR 52,762 thousand and QAR 463,648 thousand as of 1 January and 31 December, respectively.

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

Loss allowance (continued)

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

Investment securities - debt		*2022*		
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	11,729	6,360	57,162	75,251
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(645)	645	-	-
Transfers to Stage 3	-	-	-	-
Charge / (reversal) (net)	18,949	15,320	-	34,269
Impairment allowance for the year, net	18,304	15,965	-	34,269
Amounts written off	-	-	-	-
Foreign currency translation	(8)	-	-	(8)
Balance at 31 December	30,025	22,325	57,162	109,512

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

Other credit risk exposures		*2022*		
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	15,110	34,513	2,019	51,642
Transfers to Stage 1	70	(70)	-	-
Transfers to Stage 2	(945)	945	-	-
Transfers to Stage 3	(6)	(6,584)	6,590	-
Charge / (reversal) (net)	11,278	4,400	70,875	86,553
Impairment allowance for the year, net	10,397	(1,309)	77,465	86,553
Amounts written off	-	-	(100)	(100)
Foreign currency translation	-	-	-	-
Balance at 31 December	25,507	33,204	79,384	138,095

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.11 Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

4.2.12 Credit risk grading

The Group uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

4.3 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in profit rate, currency, and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices. The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group’s Market Risk Department on daily basis. Regular reports are submitted to the Group Asset, Liability and Capital Management Committee (“GALCCO”) and Group Compliance and Risk Committee of the Board (“CRC”).

4.3.1 Management of market risk

Overall authority for market risk is vested in GALCCO. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by GALCCO/Board of Directors) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification, and management of market risk in a prudent way to ensure safeguarding interests of all shareholders.

The Group views market risk management as a core competency and its purpose is not to neutralize market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

4.3.2 Exposure to profit rate risk

The principal risk to which Bank portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. GALCCO is the monitoring body for compliance with these limits and is assisted by Group Market Risk in its day-to-day monitoring activities.

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4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

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

	Carrying amount	*Less than 3 months*	*3 to12 months*	*Re-pricing in: 1 to 5 years*	*Over 5 years*	*Non-profit sensitive*	*Effective profit rate*
2023							
Cash and balances with central banks	**4,993,280**	**170,000**	**-**	**-**	**-**	**4,823,280**	
Due from banks	**5,662,554**	**4,726,222**	**364,021**	**-**	**-**	**572,311**	**4.73%**
Financing assets	**108,228,181**	**74,385,394**	**11,051,199**	**7,283,899**	**10,482,470**	**5,025,219**	**6.03%**
Investment securities	**38,598,973**	**7,574,090**	**7,196,755**	**20,157,687**	**3,019,966**	**650,475**	**4.57%**
Assets held by non-Shari'a-compliant subsidiary	**3,022,601**	**1,207,932**	**739,325**	**799,447**	**213,613**	**62,284**	
	160,505,589	**88,063,638**	**19,351,300**	**28,241,033**	**13,716,049**	**11,133,569**	
Due to banks	**(32,204,024)**	**(28,981,255)**	**(2,526,635)**	**(13,929)**	**-**	**(682,205)**	**5.73%**
Customer current accounts	**(7,924,383)**	**-**	**-**	**-**	**-**	**(7,924,383)**	
Sukuk financing	**(5,235,937)**	**(25,840)**	**(1,906,968)**	**(3,263,535)**	**-**	**(39,594)**	**2.92%**
Other borrowings	**(4,585,513)**	**(4,536,575)**	**-**	**-**	**-**	**(48,938)**	**6.28%**
Liabilities of a non-Shari'a-compliant subsidiary	**(2,058,293)**	**(1,399,884)**	**(250,772)**	**(407)**	**-**	**(407,230)**	
	(52,008,150)	**(34,943,554)**	**(4,684,375)**	**(3,277,871)**	**-**	**(9,102,350)**	
Participatory investment accounts	**(84,799,440)**	**(54,488,410)**	**(23,087,306)**	**(6,624,427)**	**-**	**(599,297)**	**4.13%**
Consolidated statement of financial position items	**23,697,999**	**(1,368,326)**	**(8,420,381)**	**18,338,735**	**13,716,049**	**1,431,922**	
Other undertakings and commitments	**-**	**3,583,050**	**(236,633)**	**(1,902,546)**	**(1,443,871)**	**-**	
Profit Rate Sensitivity Gap	**23,697,999**	**2,214,724**	**(8,657,014)**	**16,436,189**	**12,272,178**	**1,431,922**	
Cumulative Profit Rate Sensitivity Gap	**23,697,999**	**2,214,724**	**(6,442,290)**	**9,993,899**	**22,266,077**	**23,697,999**	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

	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*
2022							
Cash and balances with central banks	5,088,200	-	-	-	-	5,088,200	
Due from banks	6,299,724	3,846,538	98,294	160,000	-	2,194,892	0.85%
Financing assets	117,859,281	89,608,696	9,114,806	9,998,726	3,794,264	5,342,789	4.14%
Investment securities	31,476,658	2,117,074	2,342,736	23,373,529	3,067,927	575,392	3.46%
Assets held by non-Shari'a-compliant subsidiary	2,977,578	1,581,288	464,086	674,115	195,267	62,822	
	163,701,441	97,153,596	12,019,922	34,206,370	7,057,458	13,264,095	
Due to banks	(29,316,423)	(28,368,570)	(204,282)	(19,455)	(22,074)	(702,042)	2.53%
Customer current accounts	(8,736,827)	-	-	-	-	(8,736,827)	
Sukuk financing	(7,682,176)	(1,016,763)	(1,960,121)	(4,651,094)	-	(54,198)	2.98%
Other borrowings	(3,843,236)	(3,815,034)	-	-	-	(28,202)	2.65%
Liabilities of a non-Shari'a-compliant subsidiary	(2,040,814)	(1,459,842)	(62,953)	(484)	-	(517,535)	
	(51,619,476)	(34,660,209)	(2,227,356)	(4,671,033)	(22,074)	(10,038,804)	
Participatory investment accounts	(88,554,879)	(61,247,925)	(16,691,555)	(10,143,886)	-	(471,513)	1.92%
Consolidated statement of financial position items	23,527,086	1,245,462	(6,898,989)	19,391,451	7,035,384	2,753,778	
Other undertakings and commitments	-	3,787,239	(236,506)	(2,021,570)	(1,529,163)	-	
Profit Rate Sensitivity Gap	23,527,086	5,032,701	(7,135,495)	17,369,881	5,506,221	2,753,778	
Cumulative Profit Rate Sensitivity Gap	23,527,086	5,032,701	(2,102,794)	15,267,087	20,773,308	23,527,086	

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4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered include a 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	100 bp parallel increase	100 bp parallel decrease
2023		
At 31 December	**(13,085)**	**13,085**
2022		
At 31 December	16,680	(16,680)

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

4.3.3 Exposure to other market risks – non-trading portfolios

Foreign currency transactions

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Group is exposed to the risk from fluctuation in prevailing foreign currency exchange rates on its financial position.

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.3 Exposure to other market risks – non-trading portfolios (continued)

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the consolidated income statement, with all other variables held constant:

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

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

Equity price risk

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

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

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

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

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for Shari'a-compliant risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.4.1 Management of liquidity risk

The Group maintains a portfolio of high-quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB and other regulators. The Market Risk Department monitors the liquidity risk of the Bank on daily basis and is responsible for the development of detailed liquidity risk management policies (subject to review and approval by GALCCO/Board of Directors).

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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.

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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

2022	*Carrying amount*	*Less than 1 month*	*1-3 months*	*3 months to 1 year*	*1-5 years*	*Over 5 years*
Cash and balances with central banks	5,088,200	805,806	-	-	-	4,282,394
Due from banks	6,299,724	5,647,095	29,815	98,793	524,021	-
Financing assets	117,859,281	10,416,611	4,586,341	10,278,858	44,213,317	48,364,154
Investment securities	31,476,658	1,868,655	434,093	2,427,895	23,449,771	3,296,244
Other assets	2,982,799	1,371,204	68,894	460,568	825,258	256,875
Total financial assets	163,706,662	20,109,371	5,119,143	13,266,114	69,012,367	56,199,667
Due to banks	29,316,423	12,445,557	16,621,024	207,204	20,574	22,064
Customer current accounts	8,736,827	8,736,827	-	-	-	-
Sukuk financing	7,682,176	1,362	350,911	2,678,808	4,651,095	-
Other borrowings	3,843,236	24,163	367,870	363,711	3,087,492	-
Financial liabilities of a non-Shari’a-compliant subsidiary	2,040,814	833,746	1,045,326	63,669	486	97,587
Total financial liabilities	51,619,476	22,041,655	18,385,131	3,313,392	7,759,647	119,651
Total quasi-equity	88,554,879	42,368,102	18,870,835	17,150,527	10,165,413	2
Total financial liabilities and quasi-equity	140,174,355	64,409,757	37,255,966	20,463,919	17,925,060	119,653
Liquidity gap	23,532,307	(44,300,386)	(32,136,823)	(7,197,805)	51,087,307	56,080,014

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

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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) (continued)

	Carrying amount	*Gross undiscounted cash flows*	*Less than one month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*
2022							
Non-derivative liabilities							
Due to banks	29,316,423	29,438,687	12,510,436	16,630,699	219,557	54,023	23,972
Customer current accounts	8,736,827	8,736,827	8,736,827	-	-	-	-
Sukuk financing	7,682,176	8,073,133	24,167	393,847	2,847,844	4,807,275	-
Other borrowings	3,843,236	4,176,831	41,453	399,002	491,060	3,245,316	-
Other liabilities	5,117,732	5,117,971	3,877,378	1,065,354	63,935	8,119	103,185
Total liabilities	54,696,394	55,543,449	25,190,261	18,488,902	3,622,396	8,114,733	127,157
Quasi-equity	88,554,879	90,019,316	42,421,602	18,964,990	17,614,488	11,018,124	112
Shari’a-compliant risk management instruments							
Risk management:							
Outflow	-	(16,629,846)	(3,234,570)	(4,790,841)	(1,952,808)	(2,522,484)	(4,129,143)
Inflow	-	16,629,846	3,234,570	4,790,841	1,952,808	2,522,484	4,129,143
	143,251,273	145,562,765	67,611,863	37,453,892	21,236,884	19,132,857	127,269

4 FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, human behaviour, systems or from external events and other risks having an operational risk impact which includes but is not limited to internal process risk, fraud risk, legal risk, regulatory risk, and external events risk. The Group seeks to minimise actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Operational risks are managed at Group level through a Board approved operational risk management framework in accordance with QCB instructions and Basel III guidelines. This Operational Risk Management Framework layout the foundation for the following:

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

Risk governance

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

In evaluating and responding to risk, the Operational Risk unit operates a three line of defense model. The first line of defense starts with business and support units who are responsible for managing operational risks within their respective functional areas. They operate within the Bank’s operational risk management framework and ensure that risk is being pro-actively identified, monitored, reported and managed within their scope of work. Risk and compliance acts as second line of defense in providing risk management expertise, and challenges managers and staff in their performance of risk management activities through independent reviews, monitoring and testing. While internal and sharia audit serves as third line of defense responsible for independently reviewing the effectiveness of the risk management structure and internal controls through periodic audits.

Risk Management

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk (continued)

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

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

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

Risk reporting

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

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

4.6 Capital management

Regulatory capital

The Group’s policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on equity holders’ return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

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4 FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

Regulatory capital (continued)

The Group’s regulatory capital position under Basel III and QCB regulations at 31 December was as follows:

	2023 **Basel III**	*2022* Basel III
Common Equity Tier 1 (CET 1) capital	**21,263,127**	20,644,439
Additional Tier 1 capital	**1,000,000**	1,000,000
Tier 2 capital	**933,017**	896,189
Total regulatory capital	**23,196,144**	22,540,628
Risk weighted assets		
Risk weighted assets for credit risk	**98,441,078**	103,470,735
Risk weighted assets for market risk	**197,152**	643,630
Risk weighted assets for operational risk	**7,549,804**	6,964,249
Total risk weighted assets	**106,188,034**	111,078,614

	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
2023						
Actual	**20.02%**	**20.02%**	**20.97%**	**21.84%**	**21.84%**	**21.84%**
Minimum QCB limit	**6.00%**	**8.50%**	**10.50%**	**12.50%**	**13.50%**	**15.89%**
2022						
Actual	18.59%	18.59%	19.49%	20.29%	20.29%	20.29%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	15.38%

[1] *Domestic Systemically Important Bank*

5 USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) *Impairment losses on financial assets:*
The measurement of impairment losses under FAS 30 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s internal credit grading model, which assigns PDs to the individual grades;
- The Group’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group’s policy to regularly review its models in the context of actual loss experience and adjust when necessary.

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

(ii) *Impairment of non-financial assets*
The carrying amounts of the non-financial assets are reviewed at least on an annual basis to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU), including the goodwill, exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use (VIU) and its fair value less costs of disposal (FVLCOD).

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

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

5 USE OF ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty (continued)

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

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

(iv) *Determining fair values*
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies (financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument).

6 OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Treasury and Financial Institutions undertake the Group's funding and centralised risk management activities through borrowings, sukuk and debt financing, use of Shari'a compliant instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes financing assets, deposits and other products and services with corporate and individual customers in the Group's international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non-core business operations, like common property & equipment, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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6 OPERATING SEGMENTS (continued)

Information about operating segments

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

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6 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

2022	*Corporate Banking*	*Retail Banking*	*Treasury and Financial Institutions*	*Asset Management*	*International Operations*	*Unallocated*	*Total*
External revenue:							
Total income from financing and investing activities	3,529,951	1,351,265	1,225,635	9,895	378,333	-	6,495,079
Net fee and commission income	91,395	139,199	40,694	57,340	(628)	-	328,000
Foreign exchange gain / (loss)	-	-	268,406	(5)	2,490	-	270,891
Share of results of associates	-	-	-	-	-	27,201	27,201
Other income	-	-	-	-	-	15,352	15,352
Total segment revenue	3,621,346	1,490,464	1,534,735	67,230	380,195	42,553	7,136,523
Finance expense	-	-	(1,025,504)	(145)	(5,213)	-	(1,030,862)
Net profit attributable to quasi-equity	(1,361,773)	(377,368)	-	-	(115,375)	-	(1,854,516)
Net impairment losses on financing assets	(1,556,222)	-	-	-	(233)	-	(1,556,455)
Net impairment losses on investments	-	-	(32,920)	(1,349)	-	(19,033)	(53,302)
Net impairment losses on other exposures subject to credit risk	(85,588)	-	(13,305)	(966)	-	-	(99,859)
Staff costs, depreciation and amortisation and other expenses	-	-	-	(17,403)	(155,886)	(982,747)	(1,156,036)
Reportable segment profit before tax	617,763	1,113,096	463,006	47,367	103,488	(959,227)	1,385,493
Reportable segment assets	79,652,471	28,369,584	42,041,202	184,929	13,469,098	3,815,929	167,533,213
Reportable segment liabilities	5,247,917	2,468,184	40,325,422	13,613	3,768,817	2,872,441	54,696,394
Reportable segment quasi-equity	55,267,385	20,051,295	5,182,712	-	8,053,487	-	88,554,879

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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:

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

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7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

2022	*Fair value through income statement*	*Fair value through other comprehensive income*	*Amortised cost*	*Total carrying amount*	*Fair value*
Cash and balances with central banks	-	-	5,088,200	5,088,200	5,088,200
Due from banks	-	-	6,299,724	6,299,724	6,299,724
Financing assets	-	-	117,859,281	117,859,281	117,859,281
Investment securities:					
- Measured at fair value	-	394,352	-	394,352	394,352
- Measured at amortised cost	-	-	31,082,306	31,082,306	31,153,108
Financial assets held by a non-Shari'a-compliant subsidiary	-	71,085	2,879,908	2,950,993	2,950,202
Other assets	-	-	5,197	5,197	5,197
Shari'a-compliant risk management instruments	611,882	-	-	611,882	611,882
	611,882	465,437	163,214,616	164,291,935	164,361,946
Due to banks	-	-	29,316,423	29,316,423	29,316,423
Customer current accounts	-	-	8,736,827	8,736,827	8,736,827
Sukuk financing	-	-	7,682,176	7,682,176	7,355,921
Other borrowings	-	-	3,843,236	3,843,236	3,843,236
Financial liabilities of a non-Shari'a-compliant subsidiary	-	-	2,084,789	2,084,789	2,084,789
Other liabilities	-	-	1,449,644	1,449,644	1,449,644
Participatory investment accounts	-	-	88,554,879	88,554,879	88,554,879
Shari'a-compliant risk management instruments	229,383	-	-	229,383	229,383
	229,383	-	141,667,974	141,897,357	141,571,102

(i) *Valuation of financial instruments*

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

(i) *Valuation of financial instruments (continued)*

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

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

(ii) *Financial asset and liability classification*

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

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

	Level 1	*Level 2*	*Level 3*	*Total*
2022				
Financial assets				
Shari'a-compliant risk management instruments	-	611,882	-	611,882
Investment securities	291,536	102,816	-	394,352
Assets held by non-Shari'a-compliant subsidiary	71,085	-	-	71,085
	362,621	714,698	-	1,077,319
Financial liabilities				
Shari'a-compliant risk management instruments	-	229,383	-	229,383
	-	229,383	-	229,383

The fair values of financial assets and financial liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for certain investment securities for which the fair value amounts to QAR 37,810 million, which is derived using Levels 1 and 2 fair value hierarchies.

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

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8 CASH AND BALANCES WITH CENTRAL BANKS

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

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

9 DUE FROM BANKS

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

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

10 FINANCING ASSETS

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

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

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

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10 FINANCING ASSETS (continued)

(b) Movement in the allowance for impairment and profit in suspense on financing assets

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

	2022	*Profit in suspense*	*Total 2022*
Balance as at 1 January	1,827,097	52,762	1,879,859
Charge for the year	1,749,740	416,928	2,166,668
Recoveries / reversals during the year	(193,285)	(6,042)	(199,327)
Write-off during the year	(704)	-	(704)
Effect of foreign currency movement	(1,849)	-	(1,849)
Balance at 31 December	3,380,999	463,648	3,844,647

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10 FINANCING ASSETS (continued)

(c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector-wise

	Corporate			***SME***			***Retail***			***Real estate***			***Total 2023***		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	**Stage 1**	**Stage 2**	**Stage 3**
Balance as at 1 January 2023	**12,925**	**258,906**	**965,318**	**1,399**	**8,511**	**218,180**	**27,508**	**29,910**	**125,581**	**22,325**	**94,719**	**2,079,365**	**64,157**	**392,046**	**3,388,444**
Net Charge / (reversal) for the year	**811**	**165,060**	**449,963**	**2,338**	**24,012**	**11,049**	**(11,962)**	**3,381**	**748,017**	**(9,386)**	**5,436**	**(848)**	**(18,199)**	**197,889**	**1,208,181**
Write-off during the year	**-**	**-**	**(250,229)**	**-**	**-**	**(189,693)**	**-**	**-**	**(3,485)**	**-**	**-**	**(509,462)**	**-**	**-**	**(952,869)**
Effect of foreign currency movement	**-**	**-**	**-**	**-**	**-**	**-**	**1,420**	**25**	**376**	**-**	**-**	**-**	**1,420**	**25**	**376**
Balance as at 31 December 2023	**13,736**	**423,966**	**1,165,052**	**3,737**	**32,523**	**39,536**	**16,966**	**33,316**	**870,489**	**12,939**	**100,155**	**1,569,055**	**47,378**	**589,960**	**3,644,132**

	Corporate			*SME*			*Retail*			*Real estate*			*Total 2022*		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at 1 January 2022	15,082	51,061	399,857	160	7,496	210,044	26,699	51,740	103,314	16,676	683,682	314,048	58,617	793,979	1,027,263
Net Charge / (reversal) for the year	(2,157)	207,845	565,785	1,239	1,015	8,136	1,540	(20,917)	22,707	5,649	(588,963)	1,765,462	6,271	(401,020)	2,362,090
Write-off during the year	-	-	(324)	-	-	-	-	-	(235)	-	-	(145)	-	-	(704)
Effect of foreign currency movement	-	-	-	-	-	-	(731)	(913)	(205)	-	-	-	(731)	(913)	(205)
Balance as at 31 December 2022	12,925	258,906	965,318	1,399	8,511	218,180	27,508	29,910	125,581	22,325	94,719	2,079,365	64,157	392,046	3,388,444

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10 FINANCING ASSETS (continued)

(d) By sector

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

	Murabaha	*Ijarah Muntahia Bittamleek*	*Istisna'a*	*Musharaka*	*Others*	*Total 2022*
Government and related agencies	48,238,232	11,439,673	-	-	42,942	59,720,847
Non-banking financial institutions	337,936	894,969	-	-	500	1,233,405
Industry	209,168	1,234,624	-	-	3,302	1,447,094
Commercial	6,669,008	1,499,847	-	18,270	90,544	8,277,669
Services	10,265,101	6,558,407	5,940	-	52,565	16,882,013
Contracting	3,432,999	574,319	-	-	56,252	4,063,570
Real estate	7,777,446	22,258,749	351,662	416,675	1,608	30,806,140
Personal	4,004,001	387,881	-	4,743,550	159,331	9,294,763
	80,933,891	44,848,469	357,602	5,178,495	407,044	131,725,501
Less: Deferred profit						(10,021,573)
Allowance for impairment - Performing (Stages 1 and 2)						(445,960)
Allowance for impairment - Non-performing (Stage 3)						(2,935,039)
Profit in suspense						(463,648)
						117,859,281

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11 INVESTMENT SECURITIES

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

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

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

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11 INVESTMENT SECURITIES (continued)

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

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

12 INVESTMENT IN ASSOCIATES

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

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

The Group has the following investments in associates:

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

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

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12 INVESTMENT IN ASSOCIATES (continued)

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

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

2022	NREDI	Ci San	Sahb	Beema	Linc
Total assets	123,296	157,557	326,422	1,437,099	154,831
Total liabilities, policyholders' surplus and non-controlling interest	679	79,742	5,022	990,613	34,155
Total revenue	9,587	91,612	-	91,681	176,263
Net profit	304	14,020	-	50,838	29,744
Share of profit recognised	61	7,009	-	10,167	9,964

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

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13 FIXED ASSETS

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

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13 FIXED ASSETS (continued)

	Land and buildings	*Leasehold improvements*	*Furniture, fixtures and office equipment*	*Computer equipment*	*Vehicles*	*Right-of-use assets (‘ROUA”)*	*Work in progress*	*Total*
Cost:								
Balance at 1 January 2022	436,909	161,888	229,779	293,728	1,466	81,145	194,956	1,399,871
Additions	119,904	313	10,664	6,810	15	7,797	118,487	263,990
Disposals, write-offs and ROUA re-assessments	-	(3,381)	-	(24,693)	-	(30,412)	(2,346)	(60,832)
Reclassifications	914	(34,106)	(75,617)	108,809	-	-	-	-
Transfers	-	-	1,690	10,348	-	-	(12,038)	-
Effect of foreign currency movement	(1,847)	(1,957)	(577)	(8,536)	-	(2,789)	(585)	(16,291)
Balance at 31 December 2022	555,880	122,757	165,939	386,466	1,481	55,741	298,474	1,586,738
Accumulated depreciation:								
Balance at 1 January 2022	36,041	123,896	201,358	263,946	1,466	38,353	5	665,065
Depreciation for the year	9,766	4,466	12,521	20,302	-	16,627	-	63,682
Relating to disposals and write-offs	-	(3,381)	-	(24,693)	-	(18,638)	-	(46,712)
Reclassifications	(2,064)	(11,165)	(91,610)	104,844	-	-	(5)	-
Effect of foreign currency movement	(390)	(1,606)	(512)	(7,182)	-	(1,071)	-	(10,761)
Balance at 31 December 2022	43,353	112,210	121,757	357,217	1,466	35,271	-	671,274
Carrying amount:								
At 31 December 2022	512,527	10,547	44,182	29,249	15	20,470	298,474	915,464

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14 INTANGIBLE ASSETS

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

		Other intangible assets			
	Goodwill	*Customer relationships*	*Core deposits*	*License*	*Total*
Cost or valuation:					
Balance as at 1 January 2022	877,486	649,567	223,471	51,369	1,801,893
Balance as at 31 December 2022	877,486	649,567	223,471	51,369	1,801,893
Accumulated amortisation:					
Balance at 1 January 2022	-	-	-	-	-
Amortisation for the year	-	87,962	24,209	11,130	123,301
Balance at 31 December 2022	-	87,962	24,209	11,130	123,301
Carrying amount:					
At 31 December 2022	877,486	561,605	199,262	40,239	1,678,592

Goodwill arising on the acquisition of Al Khalij’s net assets

The goodwill arose on the Group’s acquisition of Al Khaliji’s net assets. Based on the Purchase Price Allocation (“PPA”) exercise performed by an external consultant following the merger, the Group recognised QAR 924,407 thousand as intangible assets and QAR 877,486 thousand as goodwill.

Impairment assessment of goodwill

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

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

14 INTANGIBLE ASSETS (continued)

Impairment assessment of goodwill (continued)

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

Key inputs for VIU calculation and impairment testing
The VIU calculation used projected cash flows in perpetuity through a five-year forward period of projections, and thereafter applying a long-term terminal growth rate.

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

a) Terminal Growth rates

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

b) Discount rates

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

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

The recoverable amounts of the CGU were higher than the carrying amounts. Consequently, no impairment was considered necessary as at the end of the reporting period.

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

14 INTANGIBLE ASSETS (continued)

Other intangible assets

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

Other intangible assets	Useful life	Valuation approach and methodologies
Customer relationships	8 years	Customer relationship intangible assets represent the value attributable to the business expected to be generated from customers that existed as at the acquisition date. The income approach has been used in estimating the fair value of Al Khaliji's customer relationships as an intangible asset as at the effective date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life. Under the income approach, the Multi-period excess earnings method ("MPEEM") has been utilized which is a commonly accepted method for valuing customer relationships. MPEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental (after-tax) cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC"). The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets. Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value.
Core deposits	10 years	Core deposits acquired from Al Khaliji were identified as those customers holding current and savings accounts ("CASA"). The value of core deposit intangible asset arises from the fact that the deposit base of the Group represents a cheaper source of funding than wholesale or money market funding (alternative cost of funding). The incremental saving approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the effective date of the business combination. Under this method, the economic benefits earned from the core deposits have been computed over the life of the core deposits considering an attrition rate. The incremental savings approach values the core deposits as the present value of the future savings that are expected to be generated over its remaining useful economic life. The incremental savings method utilized is a commonly accepted method for valuing core deposits.
License	5 years	License intangible assets represent the value attributable from operating profit expected to be generated by the Group's subsidiary, Al Khaliji France S.A. from its operations in France and United Arab Emirates. The intangible asset was valued using the multi-period excess earnings method, a commonly applied methodology for valuing operating license.

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

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15 OTHER ASSETS

	2023	*2022*
Assets held by non-Shari’a-compliant subsidiary[2]	**3,047,717**	3,002,532
Positive fair value of Shari’a-compliant risk management instruments	**442,905**	611,882
Deferred tax asset (Note 32)	**20,145**	26,567
Prepayments and other advances	**26,582**	24,087
Accrued income	**3,191**	5,197
Others	**297,166**	200,017
Allowance for impairment[1]	**(3,060)**	(866)
	3,834,646	3,869,416

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

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

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

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

16 DUE TO BANKS

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

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

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

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17 CUSTOMER CURRENT ACCOUNTS

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

18 SUKUK AND DEBT FINANCING

The Group has issued the following debt securities:

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

Instrument	Issuer	Currency	Due Date	*2022*
Sukuk	MAR Finance L.L.C.	USD	3-Nov-24	110,117
Sukuk	MAR Sukuk Limited	USD	20-Nov-23	366,576
Sukuk	MAR Sukuk Limited	USD	21-Nov-23	329,935
Sukuk	MAR Sukuk Limited	USD	13-Nov-24	1,804,132
Sukuk	MAR Sukuk Limited	USD	12-Mar-23	146,074
Sukuk	MAR Sukuk Limited	USD	2-Sep-25	2,710,320
Debt securities[2]	AKCB Finance Limited	USD	9-Oct-23	1,887,451
Debt securities[2]	AKCB Finance Limited	USD	10-Jul-23	93,189
Debt securities[2]	AKCB Finance Limited	JPY	6-Feb-25	27,280
Debt securities[2]	AKCB Finance Limited	JPY	25-Jan-24	27,277
Debt securities[2]	AKCB Finance Limited	JPY	16-Mar-23	136,239
Debt securities[2]	AKCB Finance Limited	JPY	27-Mar-23	43,586
				7,682,176

[1] The profit rates range from 0.48% to 5.3%..

[2] Upon merger with Al Khaliji, the Group assumed these debt securities that were originally issued by Al Khaliji under its Euro Medium Term Note ("EMTN") programme.

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

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18 SUKUK AND DEBT FINANCING (continued)

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

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

19 OTHER BORROWINGS

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

Instrument	Currency	Due Date	*2022*
Bilateral borrowing	USD	28-Feb-23	365,262
Syndicated borrowing	USD	15-Oct-24	2,383,575
Bilateral borrowing	USD	12-Jul-23	183,490
Bilateral borrowing	USD	20-Feb-25	364,637
Bilateral borrowing	USD	26-Nov-25	363,951
Bilateral borrowing	USD	23-Jun-23	182,321
			3,843,236

[1] The profit rates range from 6.02% to 6.41%..

[2] The movement in other borrowings issued by the Group during the year is as follows:

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

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20 OTHER LIABILITIES

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

(a) Net Ijarah liabilities

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

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

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

(b) Provision for employees’ end of service benefits

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

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20 OTHER LIABILITIES (continued)

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

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

[1] Subordinated debt was assumed by the Bank upon merger with Al Khaliji and consists of a debt amounting to EUR 25 million for an undetermined maturity period and carries profit at EONIA monthly rate (Euro Overnight Index Average) payable in arrears on a quarterly basis. This debt will, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

21 PARTICIPATORY INVESTMENT ACCOUNTS

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

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

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

22 EQUITY

(a) Share capital

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

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22 EQUITY (continued)

(b) Legal reserve

	2023	*2022*
Balance at 1 January	**9,644,166**	9,644,166
Transfer from retained earnings (i)	**-**	-
Balance at 31 December	**9,644,166**	9,644,166

(i) According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. Accordingly, no transfer has been made for the year ended 31 December 2023, as the legal reserve reached 100% of the paid up capital prior to transfer from retained earnings for the current year (2022: Nil).

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders’ profit according to QCB instructions.

(d) Fair value reserve

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

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) Other reserves

Other reserves consist of the following:

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

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22 EQUITY (continued)

(f) Other reserves (continued)

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

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

(g) Proposed dividend

The Board of Directors in its meeting held on 23 January 2024 proposed a cash dividend of 10% (2022: 10%) of the share capital amounting to QAR 930 million (2022: QAR 930 million). This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

23 NON-CONTROLLING INTEREST

This represents the Group's non-controlling interest in Al Rayan (UK) Limited (25%) and Al Rayan Bank PLC (26.24%) (2022: Al Rayan (UK) Limited – 25% and Al Rayan Bank PLC – 26.24%).

24 INSTRUMENT ELIGIBLE AS ADDITIONAL CAPITAL

Upon merger with Al Khaliji, the Group assumed the QAR 1 billion Tier 1 capital notes (the "Notes") that was originally issued by Al Khaliji in March 2016. The Notes are perpetual, subordinated, unsecured and has been issued at a fixed profit rate for the first five years and re-priced in 2021. The coupon is discretionary and the event of non-payment is not considered as an event of default. The Notes carry no maturity date and have been classified under Tier 1 capital.

25 INCOME FROM FINANCING ACTIVITIES

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

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26 INCOME FROM INVESTING ACTIVITIES

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

27 NET FEE AND COMMISSION INCOME

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

28 FOREIGN EXCHANGE GAIN (NET)

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

29 OTHER INCOME

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

30 STAFF COSTS

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

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31 OTHER EXPENSES

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

32 TAX EXPENSE

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

Movement of deferred tax asset is as follows:

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

33 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

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

[1] Contingent liabilities of a non-Shari’a-compliant subsidiary consist of the following:

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

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33 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(b) Other undertakings and commitments

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

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

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

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34 CONCENTRATION OF ASSETS, LIABILITIES AND QUASI-EQUITY

Geographical sector

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

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

Geographical sector (continued)

	Qatar	*Other GCC*	*Europe*	*North America*	*Others*	*Total*
2022						
Cash and balances with central banks	5,063,049	-	25,151	-	-	5,088,200
Due from banks	661,020	397,786	2,990,443	1,766,876	483,599	6,299,724
Financing assets	102,166,763	627,915	9,966,988	-	5,097,615	117,859,281
Investment securities	29,397,534	1,408,765	206,962	-	463,397	31,476,658
Investment in associates	164,641	181,237	-	-	-	345,878
Fixed assets	755,873	-	159,591	-	-	915,464
Intangible assets	1,678,592	-	-		-	1,678,592
Other assets	1,178,661	1,021,142	878,008	53,913	737,692	3,869,416
TOTAL ASSETS	141,066,133	3,636,845	14,227,143	1,820,789	6,782,303	167,533,213
Due to banks	23,493,100	2,794,668	2,573,757	-	454,898	29,316,423
Customer current accounts	7,993,990	56,428	678,251	2,460	5,698	8,736,827
Sukuk financing	7,682,176	-	-	-	-	7,682,176
Other borrowings	-	728,588	2,931,158	-	183,490	3,843,236
Other liabilities	3,354,963	742,350	701,435	3,232	315,752	5,117,732
Total liabilities	42,524,229	4,322,034	6,884,601	5,692	959,838	54,696,394
Quasi-equity	67,951,987	11,380,487	7,990,466	4,617	1,227,322	88,554,879
TOTAL LIABILITIES AND QUASI-EQUITY	110,476,216	15,702,521	14,875,067	10,309	2,187,160	143,251,273

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

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

Industrial sector

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

* “Others” include government sector.

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

Industrial sector (continued)

	Real estate	*Construction, engineering and manufacturing*	*Oil and gas*	*Financial services*	*Individuals*	*Others**	*Total*
2022							
Cash and balances with central banks	-	-	-	5,088,200	-	-	5,088,200
Due from banks	-	-	-	6,299,724	-	-	6,299,724
Financing assets	36,422,207	9,319,651	1,029,138	1,161,797	8,145,329	61,781,159	117,859,281
Investment securities	9,776	23,389	10,232	2,496,511	-	28,936,750	31,476,658
Investment in associates	24,523	-	-	242,011	-	79,344	345,878
Fixed assets	-	-	-	-	-	915,464	915,464
Intangible assets	-	-	-	-	-	1,678,592	1,678,592
Other assets	586,349	21,278	-	1,752,125	4,925	1,504,739	3,869,416
TOTAL ASSETS	37,042,855	9,364,318	1,039,370	17,040,368	8,150,254	94,896,048	167,533,213
Due to banks	-	-	-	29,316,423	-	-	29,316,423
Customer current accounts	132,113	712,157	35,165	50,860	3,081,758	4,724,774	8,736,827
Sukuk financing	-	-	-	7,682,176	-	-	7,682,176
Other borrowings	-	-	-	3,843,236	-	-	3,843,236
Other liabilities	40,839	126,734	87	528,824	599,866	3,821,382	5,117,732
Total liabilities	172,952	838,891	35,252	41,421,519	3,681,624	8,546,156	54,696,394
Total quasi-equity	5,942	103,428	582,323	4,916,835	27,094,291	55,852,060	88,554,879
TOTAL LIABILITIES AND QUASI-EQUITY	178,894	942,319	617,575	46,338,354	30,775,915	64,398,216	143,251,273

* “Others” include government sector.

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35 MATURITY PROFILE

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

Masraf Al Rayan (Q.P.S.C.) QAR '000s

35 MATURITY PROFILE (continued)

	Up to 3 months	*3-6 months*	*6 months-1 year*	*1-5 years*	*Over 5 years*	*Total*
2022						
Cash and balances with central banks	805,806	-	-	-	4,282,394	5,088,200
Due from banks	5,676,910	499	98,294	524,021	-	6,299,724
Financing assets	15,002,952	6,829,651	3,449,207	44,213,317	48,364,154	117,859,281
Investment securities	2,302,748	1,326,398	1,101,497	23,449,771	3,296,244	31,476,658
Investment in associates	-	-	-	-	345,878	345,878
Fixed assets	-	-	-	-	915,464	915,464
Intangible assets	-	-	-	-	1,678,592	1,678,592
Other assets	2,287,855	282,321	178,613	853,874	266,753	3,869,416
TOTAL ASSETS	26,076,271	8,438,869	4,827,611	69,040,983	59,149,479	167,533,213
Due to banks	29,066,581	206,865	339	20,574	22,064	29,316,423
Customer current accounts	8,736,827	-	-	-	-	8,736,827
Sukuk financing	352,273	27,182	2,651,626	4,651,095	-	7,682,176
Other borrowings	392,033	182,025	181,686	3,087,492	-	3,843,236
Other liabilities	4,942,569	29,863	33,996	8,119	103,185	5,117,732
Total liabilities	43,490,283	445,935	2,867,647	7,767,280	125,249	54,696,394
Total quasi-equity	61,238,937	6,987,346	10,163,181	10,165,413	2	88,554,879
TOTAL LIABILITIES AND QUASI-EQUITY	104,729,220	7,433,281	13,030,828	17,932,693	125,251	143,251,273
MATURITY GAP	(78,652,949)	1,005,588	(8,203,217)	51,108,290	59,024,228	24,281,940

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

36 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

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

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

37 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months from the acquisition date:

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

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

- The Group recognized during the year Ijarah contract additions resulting to increase in right-of-use assets amounting to QAR 8,514 thousand (2022: QAR 7,797 thousand) (Note 13).

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

38 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant shareholders and entities over which the Group exercise significant influence, directors and their close family members and executive management of the Group.

(a) Transactions and balances

The related party transactions and balances included in these consolidated financial statements are as follows:

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

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

All the transactions with the related parties are substantially on the same terms, including profit rates and collateral, as those prevailing in comparable transactions with unrelated parties.

(b) Transactions with key management personnel

The remuneration of directors and other members of key management during the year were as follows:

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

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39 SHARI'A-COMPLIANT RISK MANAGEMENT INSTRUMENTS

(a) Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

(b) Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of Shari'a-compliant risk management instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the fair value of Shari'a-compliant risk management instruments.

	Positive fair value	*Negative fair value*	*Notional amount*	*Within 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*
2023							
Shari'a-compliant risk management instruments							
Profit rate swaps	**422,957**	**119,901**	**6,245,669**	**123,049**	**236,633**	**2,171,107**	**3,714,880**
Unilateral promise to buy/sell currencies	**19,948**	**2,776**	**12,738,032**	**8,338,763**	**4,399,269**	**-**	**-**
Currency swaps	**-**	**15,822**	**68,413**	**35,188**	**-**	**33,225**	**-**
	442,905	**138,499**	**19,052,114**	**8,497,000**	**4,635,902**	**2,204,332**	**3,714,880**

	Positive fair value	*Negative fair value*	*Notional amount*	*Within 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*
2022							
Shari'a-compliant risk management instruments							
Profit rate swaps	603,918	173,100	7,957,104	571,933	801,956	2,454,225	4,128,990
Unilateral promise to buy/sell currencies	6,650	56,283	8,604,329	7,453,477	1,150,852	-	-
Currency swaps	1,314	-	68,413	-	-	68,413	-
	611,882	229,383	16,629,846	8,025,410	1,952,808	2,522,638	4,128,990

Hedge ineffectiveness in relation to the profit rate swaps designated as hedging instruments was negligible for 2023 and 2022.

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40 Zakat

Zakat is directly borne by the equity holders. The Group does not collect or pay Zakat on behalf of its equity holders in accordance with the Articles of Association.

41 SHARI’A SUPERVISORY BOARD

The Shari’a supervisory Board of the Group consists of three scholars who are specialised in Shari’a principles and they ensure the Group’s compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board’s review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari’a.

42 SOCIAL RESPONSIBILITY

Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 36.3 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2023 (2022: QAR 35.6 million) for the support of sports, cultural and charitable activities.

43 SOURCES AND APPLICATION OF CHARITY FUND FOR THE YEAR

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

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Supplementary financial information to the consolidated financial statements
At 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK

(a) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

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

Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned in Notes 3(d) except for investment in subsidiaries and associates which are carried at cost, less impairment if any.

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Supplementary financial information to the consolidated financial statements
For the year ended 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(b) INCOME STATEMENT OF THE PARENT BANK

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