

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

Basel Pillar 3 Disclosures

31 December 2023



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

Basel Pillar 3 Disclosures

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(All amounts are shown in thousands of Qatari Riyals)



| Chapter | Template | Name | Page(s) |
|---|----------|---|---------|
| 1. Overview of Risk Management, Key Prudential Metrics and RWA | KM1 | Key metrics (at consolidated group level) | 1 |
| | OVA | Bank risk management approach | 2-6 |
| | OV1 | Overview of risk-weighted assets (RWA) | 7-8 |
| 2. Composition of Capital and TLAC | CCA | Main features of regulatory capital instruments and of other total loss-absorbing capacity (TLAC) - eligible instruments | 9-10 |
| | CC1 | Composition of regulatory capital | 11-13 |
| | CC2 | Reconciliation of regulatory capital to balance sheet | 14 |
| 3. Capital Distribution Constraints | CDC | Capital distribution constraints | 15 |
| 4. Linkages Between Financial Statements and Regulatory Exposures | LIA | Explanations of differences between accounting and regulatory exposure amounts | 15-16 |
| | LI1 | Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories | 17 |
| | LI2 | Main sources of differences between regulatory exposure amounts and carrying values in financial statements | 18 |
| 5. Asset Encumbrance | ENC | Asset encumbrance | 19 |
| 6. Remuneration | REMA | Remuneration policy | 19-21 |
| | REM1 | Remuneration awarded during financial year | 21 |
| 7. Credit Risk | CRA | General qualitative information about credit risk | 22 |
| | CRB | Additional disclosure related to the credit quality of assets | 22-25 |
| | CRB-A | Additional disclosure related to prudential treatment of problem assets | 26 |
| | CRC | Qualitative disclosure related to credit risk mitigation techniques | 26-29 |
| | CRD | Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk | 29 |
| | CR1 | Credit quality of assets | 30 |
| | CR2 | Changes in stock of defaulted financing assets and debt securities | 30 |
| | CR3 | Credit risk mitigation techniques – overview | 30 |
| | CR4 | Standardised approach - Credit risk exposure and credit risk mitigation effects | 31 |
| | CR5 | Standardised approach - Exposures by asset classes and risk weights | 32 |
| | CCRA | Qualitative disclosure related to counterparty credit risk (CCR) | 33 |
| | CCR1 | Analysis of CCR exposures by approach | 34 |
| 8. Counterparty Credit Risk | CCR2 | Credit valuation adjustment (CVA) capital charge | 34 |
| | CCR3 | Standardised approach – CCR exposures by regulatory portfolio and risk weights | 34 |
| 9. Market Risk | MRA | General qualitative disclosure requirements related to market risk | 35-36 |
| | MR1 | Market risk under standardised approach | 36 |
| 10. Credit valuation adjustment risk | CVAB | Qualitative disclosures for banks using the SA-CVA | 37 |
| | CVA3 | The standardised approach for CVA (SA-CVA) | 37 |
| | CVA4 | RWA flow statements of CVA risk exposures under SA-CVA | 37 |
| 11. Operational Risk Qualitative Disclosure | ORA | General qualitative information on a bank's operational risk framework | 38-39 |
| 12. Profit Rate Risk in the Banking Book | PRRBBA | Interest rate risk in the banking book (IRRBB) risk management objective and policies | 40-41 |
| | PRRBB1 | Quantitative information on IRRBB | 41 |
| 13. Leverage Ratio | LR1 | Summary comparison of accounting assets vs leverage ratio exposure measure | 42 |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



| | | | |
|----------------------|-------------|---|-------|
| | LR2 | Leverage ratio common disclosure template | 43-44 |
| 14. Liquidity | LIQA | Liquidity risk management | 45-47 |
| | LIQ1 | Liquidity coverage ratio (LCR) | 48-51 |
| | LIQ2 | Net stable funding ratio (NSFR) | 52-53 |

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

Basel Pillar 3 Disclosures

31 December 2023

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1. Overview of risk management, key prudential metrics and RWA categories: DIS20

Key metrics (at consolidated group level): **KM1**

| | T 31 December 2023 | T-1 30 September 2023 | T-2 30 June 2023 | T-3 31 March 2023 | T-4 31 December 2022 |
|--|--------------------------|-----------------------------|------------------------|-------------------------|----------------------------|
| Available capital (amounts) | | | | | |
| Common Equity Tier 1 (CET1) | 21,263,127 | 20,728,540 | 20,744,613 | 20,691,644 | 20,644,439 |
| Fully loaded ECL accounting model CET1 | - | - | - | - | - |
| Tier 1 | 22,263,127 | 21,728,540 | 21,744,613 | 21,691,644 | 21,644,439 |
| Fully loaded ECL accounting model Tier 1 | - | - | - | - | - |
| Total capital | 23,196,144 | 22,645,053 | 22,635,366 | 22,580,627 | 22,540,628 |
| Fully loaded ECL accounting model total capital | - | - | - | - | - |
| Risk-weighted assets (amounts) | | | | | |
| Total risk-weighted assets (RWA) | 106,188,034 | 105,590,785 | 106,022,161 | 108,908,953 | 111,078,614 |
| Risk-based capital ratios as a percentage of RWA | | | | | |
| CET1 ratio (%) | 20.02% | 19.63% | 19.57% | 19.00% | 18.58% |
| Fully loaded ECL accounting model CET1 (%) | 20.02% | 19.63% | 19.57% | 19.00% | 18.58% |
| Tier 1 ratio (%) | 20.97% | 20.58% | 20.51% | 19.92% | 19.48% |
| Fully loaded ECL accounting model Tier 1 ratio (%) | 20.97% | 20.58% | 20.51% | 19.92% | 19.48% |
| Total capital ratio (%) | 21.84% | 21.45% | 21.35% | 20.73% | 20.28% |
| Fully loaded ECL accounting model total capital ratio (%) | 21.84% | 21.45% | 21.35% | 20.73% | 20.28% |
| Additional CET1 buffer requirements as a percentage of RWA | | | | | |
| Capital conservation buffer requirement (2.5% from 2019) (%) | 2.5% | 2.5% | 2.50% | 2.5% | 2.5% |
| Countercyclical buffer requirement (%) | - | - | - | - | - |
| ICAAP Pillar II buffer (%) | 2.39% | 1.88% | 1.88% | 1.88% | 1.88% |
| Bank G-SIB and/or D-SIB additional requirements (%) | 1.0% | 1.0% | 1.00% | 1.0% | 1.0% |
| Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10) | 5.89% | 5.38% | 5.38% | 5.38% | 5.38% |
| CET1 available after meeting the bank's minimum capital requirements (%) | 10.52% | 10.13% | 10.07% | 9.50% | 9.09% |
| Basel III Leverage Ratio | | | | | |
| Total Basel III leverage ratio exposure measure | 173,880,736 | 175,083,887 | 168,424,061 | 170,316,239 | 176,274,970 |
| Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) | 12.8% | 12.4% | 12.90% | 12.7% | 12.3% |
| Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) | 12.8% | 12.4% | 12.90% | 12.7% | 12.3% |
| Liquidity Coverage Ratio (LCR) | | | | | |
| Total high-quality liquid assets (HQLA) | 37,012,193 | 34,064,770 | 31,703,887 | 31,087,177 | 29,185,509 |
| Total net cash outflow | 23,348,542 | 24,463,662 | 21,540,837 | 23,061,875 | 24,905,304 |
| LCR ratio (%) | 158.52% | 139.25% | 147.18% | 134.80% | 117.19% |
| Net Stable Funding Ratio (NSFR) | | | | | |
| Total available stable funding | 87,541,903 | 89,487,175 | 86,727,040 | 90,250,055 | 86,410,579 |
| Total required stable funding | 100,687,757 | 100,822,122 | 100,736,670 | 105,347,203 | 110,068,771 |
| NSFR ratio | 86.94% | 88.76% | 86.09% | 85.67% | 78.51% |

1. Overview of risk management, key prudential metrics and RWA categories: DIS20 (continued)

Bank risk management approach: **OVA**

a) Risk Management Culture, Governance, and Strategy

The strategy of the Group is to compete in select banking markets:

- Corporate Banking
- Treasury and Fixed Income
- Premium and Private Banking
- Trade Finance

The risks taken to fulfill this strategy should be Qatar-focused, ensure sustainable value-creation, and not harm the MAR brand. The Group places a premium on on-going value creation, seeking to ensure a sustained growth in profits, strong performance relative to other Qatari banks, and a continued increase in shareholder value even in moderately stressed scenarios.

The Group Risk Management Framework is based on the principle of “three lines of defense”. The first line of defense consists of the business functions, which are accountable for the day-to-day management and control of all risks at an operational level, and for implementing processes and controls in compliance with the Group’s approved Delegation of Authority, policies, and procedures.

The second line of defense consists of the control functions, primarily Risk Management, Compliance and Legal. These functions are responsible for ensuring that the activities of the Group are conducted with proper risk consideration and within the Risk Management framework, tools and methodologies, as well as complying with applicable legal and regulatory requirements. Regular monitoring and reporting to the Board of Directors and senior management committees are an integral part of these functions’ remit.

The third line of defense is Internal Audit, which is responsible for independently evaluating the adequacy and effectiveness of key controls and assessing compliance with Group policies and procedures.

The risk governance structure at Masraf Al Rayan (“MAR” or “the Bank”) consists of five layers comprising of the following:

Level 1: Board of Directors

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

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

Level 4: Group Risk Management: Enterprise Risk Management, Credit Risk Management, Credit Admin, Collections, Market Risk Management, Liquidity Risk Management, Operational Risk Management, Fraud Risk Monitoring, Business Continuity Management, and Security Risk Management

Level 5: Business Units

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

1. Overview of risk management, key prudential metrics and RWA categories: DIS20 (continued)

Bank risk management approach: **OVA** (continued)

a) Risk Management Culture, Governance, and Strategy (continued)

Supporting the Board CRC are the senior management committees (Level 3) that cover the various aspects of risk management.

Group Risk Appetite

In line with international best practice, the Group has articulated a Risk Appetite Statement stating the level and types of risk the Group is willing to accept, or avoid, in order to achieve its objectives. It includes both qualitative and quantitative statements. The Risk Appetite framework is the overall approach, including policies, processes, controls, and systems through which the risk appetite is established, communicated, and monitored.

Group Risk Management

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

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

b) Tools & Techniques

The basic concepts and tools that MAR may use to define its current and desired portfolio quality and expected returns include:

- a. Internal ratings
- b. Risk Adjusted Return on Capital (RAROC);
- c. Carefully screened Target Markets (TM);
- d. Appropriate sets of Risk Acceptance Criteria (RAC)

In addition, all credit decisions are made in line with the authorities outlined in the Group Credit Approval Authority document.

c) Link to Business Strategy

The Group has annual portfolio plans that set target markets by industry, business or product. These target markets are developed by the Business, reviewed by Risk and approved by the Credit & Investment Committee.

The Group exposures classified by industry and geographical location are presented to the GRC at each meeting, facilitating discussion on the risk exposures of the Group and how this aligns with business strategy. Similar details are presented in a summarized form to the Board CRC at each meeting.

1. Overview of risk management, key prudential metrics and RWA categories: DIS20 (continued)

Bank risk management approach: **OVA** (continued)

c) Link to Business Strategy (continued)

The Finance department incorporates the business strategy for each business line into account in the planning of future budgets for the Group. These budgets form part of the annual ICAAP submission to the QCB, which aligns the capital required for the risks the Group undertakes with the capital held.

Through the above, the risk management of the Group is aligned with the business strategy.

d) Systems

The core banking system of the Bank is the Equation system, an open real-time system. Departments access information from the system in one of three ways:

- Individual customer data through manual searches
- Large volume portfolio data through data extraction queries
- Pre-defined reports

Required information can be quickly and easily accessed through use of these processes.

e) Reporting Committees

Group Risk Committee (GRC)

The Group Risk Committee is chaired by the Group Chief Risk Officer, and supports Executive Management in managing various types of risks the Group is exposed to, as well as recommending to the Board CRC the risk appetite, risk strategies, and relevant risk policies of the organization. The GRC meets regularly throughout the year to review the profile and coverage of risks including credit risk, counterparty risk, operational risk, fraud risk, business continuity management, and insurance management. Additional key risk information such as the risk appetite dashboard and the non-performing financing assets development is also reviewed by the committee.

Credit & Investment Committee (GCIC)

The Credit and Investment Committee is chaired by the GCEO. Its objectives are to approve credit and counterparty limits, and credit product programs, within its mandate as delegated from the Board of Directors. The committee is also responsible for reviewing and approving the restructuring of non-performing facilities.

Group Asset, Liability and Capital Committee (GALCCO)

The Group Asset, Liability and Capital Committee is chaired by the Group Chief Financial Officer, and supports Executive Management in managing the asset, liability, and capital structure of the Group. The objective of the GALCCO is to maintain an appropriate mix of assets, liabilities, and capital given the prevailing and potential future economic conditions. The committee is also responsible for monitoring and managing the NIM and regulatory & internal ratios; recommending policies related to market risk, liquidity risk, and capital management; and approving new funding products proposed by the Business and Treasury functions.

1. Overview of risk management, key prudential metrics and RWA categories: DIS20 (continued)

Bank risk management approach: **OVA** (continued)

e) Reporting Committees (continued)

Group Special Investigations Committee (GSIC)

The Group Special Investigations Committee advises on, supervises, and monitors investigations into events of potential impropriety relating to internal and external fraud incidents. The committee has an advisory and recommending role in assisting the EXCO to respond to events of impropriety and fraud incidents and, where applicable, recommending to the EXCO the appropriate plan of action with respect to any ongoing investigation.

Security Steering Committee (SSC)

The Security Steering Committee, chaired by the Group Chief Executive Officer, oversees the Group's security risk management program, including both IT and Physical Security. The committee meets quarterly to monitor progress of the security strategic plan and security related developments, review security risks, and mandate risk mitigation steps.

f) Timing

The timing of reporting depends on the type of risk being reported and the audience. Ad hoc reporting of significant risks is conducted as required, however in general the following is the schedule:

- Credit risk, Treasury risk, Operational risk: Reporting 9 times a year to the GRC based on the latest month-end data preceding the meeting date.
- Market, liquidity and capital risk: Reported monthly to the GALCCO based on the latest month-end data preceding the meeting date.
- Fraud incidents: Reporting immediately to senior management; if deemed material discussed in GSIC convened by request of the committee Chairman.
- Security risk: Reported quarterly to SSC.

g) Stress Testing

Stress testing is used in MAR to critically challenge the business plan and risk appetite by:

- Estimating the sensitivity of the Bank's capital and liquidity position to unfavourable economic (i.e. systemic) and idiosyncratic scenarios;
- Enhancing planning and budgeting;
- Providing tools and inputs that are complimentary to other risk management tools to help in achieving a comprehensive risk assessment;
- Improving the understanding of the link between the economic environment and the performance of Masraf Al Rayan;
- Enabling better understanding and management of risks by providing an understanding of the volatility of business and portfolio performance; and
- Providing an additional input into the validation of Masraf Al Rayan's risk appetite setting, ensuring that its capital position (current and anticipated) matches its strategy and risk structure.

1. Overview of risk management, key prudential metrics and RWA categories: DIS20 (continued)

Bank risk management approach: **OVA** (continued)

g) Stress Testing (continued)

Stresses and scenarios analyses at Masraf Al Rayan can be classified as:

- Historical/statistical stresses and scenarios – These are based on historic data which implicitly assumes that the past is a good predictor for the future. An example of how this can be done is by stressing the projected non-performing assets percentage by a certain number of standard deviations of the last five years of historic data.
- Hypothetical stresses and scenarios – These are projected movements in risk parameters based on expert judgement. It is assumed that these movements represent severe but plausible future state/states. An example is a withdrawal of 30% of client deposits.
- Hybrid stresses and scenarios – These are a combination of both historical and hypothetical. This is done through hypothetical add-ons to historical data.

Stresses and scenarios analysed differ in their degree of severity as presented below:

- Business as Usual – These are covered in the normal planning and budgeting exercise
- Economic Environment Events – More severe events reflecting changes in the business cycle. These are defined as 1-in-10 type scenarios (meaning this event is likely, but not guaranteed, to occur once every ten years)
- Exceptional but Plausible – Low frequency/high impact events. These are defined as 1-in-25 type scenarios and are the main focus of stress testing at Masraf Al Rayan (meaning this event is likely, but not guaranteed, to occur once every twenty five years)
- Extreme Scenarios – Very rare, ultra high severity scenarios. These scenarios are generally hypothetical.

Further to the severity of stresses as discussed above, the Bank should also consider the length of the impact of the individual stresses. These are:

- Short Term – These events are generally once off, or last for a period of less than one year; and
- Long Term – These events last for longer than one year and can have a material impact on the overall business- and/or economic environment.

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1. Overview of risk management, key prudential metrics and RWA categories: DIS20 (continued)

Overview of risk-weighted assets (RWA): **OV1**

| | | T | | T-1 | | T-2 | | T-3 | | T-4 | |
|----|--|------------------|------------------------------|-------------------|------------------------------|--------------|------------------------------|---------------|------------------------------|------------------|------------------------------|
| | | RWA | Minimum capital requirements | RWA | Minimum capital requirements | RWA | Minimum capital requirements | RWA | Minimum capital requirements | RWA | Minimum capital requirements |
| | | 31 December 2023 | | 30 September 2023 | | 30 June 2023 | | 31 March 2023 | | 31 December 2022 | |
| 1 | Credit risk (excluding counterparty credit risk) | 95,383,243 | 15,156,397 | 96,033,263 | 14,769,916 | 97,310,277 | 14,966,321 | 100,292,010 | 15,424,911 | 102,300,072 | 15,733,751 |
| 2 | Of which: standardised approach (SA) | 95,383,243 | 15,156,397 | 96,033,263 | 14,769,916 | 97,310,277 | 14,966,321 | 100,292,010 | 15,424,911 | 102,300,072 | 15,733,751 |
| 3 | Of which: foundation internal ratings-based (F-IRB) approach | - | - | - | - | - | - | - | - | - | - |
| 4 | Of which: supervisory slotting approach | - | - | - | - | - | - | - | - | - | - |
| 5 | Of which: advanced internal ratings-based (A-IRB) approach | - | - | - | - | - | - | - | - | - | - |
| 6 | Counterparty credit risk (CCR) | 832,319 | 132,256 | 1,231,142 | 189,350 | 419,006 | 64,443 | 363,655 | 55,930 | 352,904 | 54,277 |
| 7 | Of which: standardised approach for counterparty credit risk | 832,319 | 132,256 | 1,231,142 | 189,350 | 419,006 | 64,443 | 363,655 | 55,930 | 352,904 | 54,277 |
| 8 | Of which: CEM | - | - | - | - | - | - | - | - | - | - |
| 9 | Of which: other CCR | - | - | - | - | - | - | - | - | - | - |
| 10 | Credit valuation adjustment (CVA) | 168,229 | 26,732 | 151,017 | 23,226 | 136,164 | 20,942 | 90,217 | 13,875 | 98,594 | 15,164 |
| 11 | Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period | - | - | - | - | - | - | - | - | - | - |
| | Equity investments in funds – Standard-Based approach | - | - | - | - | - | - | - | - | - | - |
| 12 | Equity investments in funds – look-through approach | - | - | - | - | - | - | - | - | - | - |
| 13 | Equity investments in funds – mandate-based approach | - | - | - | - | - | - | - | - | - | - |
| 14 | Equity investments in funds – fall-back approach | 1,492,382 | 237,139 | 289,017.50 | 44,451 | 285,674 | 43,937 | 273,912.50 | 42,128 | 257,040 | 39,533 |
| 15 | Settlement risk | - | - | - | - | - | - | - | - | - | - |

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1. Overview of risk management, key prudential metrics and RWA categories: DIS20 (continued)

Overview of risk-weighted assets (RWA): **OV1** (continued)

| | | T | | T-1 | | T-2 | | T-3 | | T-4 | |
|----|--|--------------------|------------------------------|--------------------|------------------------------|--------------------|------------------------------|--------------------|------------------------------|--------------------|------------------------------|
| | | RWA | Minimum capital requirements | RWA | Minimum capital requirements | RWA | Minimum capital requirements | RWA | Minimum capital requirements | RWA | Minimum capital requirements |
| | | 31 December 2023 | | 30 September 2023 | | 30 June 2023 | | 31 March 2023 | | 31 December 2022 | |
| 16 | Securitisation exposures in banking book | - | - | - | - | - | - | - | - | - | - |
| 17 | Of which: securitisation IRB approach | - | - | - | - | - | - | - | - | - | - |
| | (SEC-IRBA) | - | - | - | - | - | - | - | - | - | - |
| 18 | Of which: securitisation external ratings-based approach | - | - | - | - | - | - | - | - | - | - |
| | (SEC-ERBA), including internal assessment approach (IAA) | - | - | - | - | - | - | - | - | - | - |
| 19 | Of which: securitisation standardised approach (SEC-SA) | - | - | - | - | - | - | - | - | - | - |
| 20 | Market risk | 197,152 | 31,327 | 377,449 | 58,052 | 369,838 | 56,881 | 372,217 | 57,247 | 643,630 | 98,990 |
| 21 | Of which: standardised approach (SA) | 197,152 | 31,327 | 377,449 | 58,052 | 369,838 | 56,881 | 372,217 | 57,247 | 643,630 | 98,990 |
| 22 | Of which: internal model approach (IMA) | - | - | - | - | - | - | - | - | - | - |
| 23 | Capital charge for switch between trading book and banking book | - | - | - | - | - | - | - | - | - | - |
| 24 | Operational risk | 7,549,804 | 1,199,664 | 6,964,249 | 1,071,102 | 6,964,249 | 1,071,102 | 6,964,249 | 1,071,102 | 6,964,249 | 1,071,102 |
| 25 | Amounts below the thresholds for deduction (subject to 250% risk weight) | 564,905 | 89,763 | 544,648 | 83,767 | 536,952 | 82,583 | 552,693 | 85,004 | 462,124 | 71,075 |
| 26 | Output floor applied | - | - | - | - | - | - | - | - | - | - |
| 27 | Floor adjustment (before application of transitional cap) | - | - | - | - | - | - | - | - | - | - |
| 28 | Floor adjustment (after application of transitional cap) | - | - | - | - | - | - | - | - | - | - |
| 29 | Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28) | 106,188,034 | 16,873,279 | 105,590,785 | 16,239,863 | 106,022,161 | 16,306,208 | 108,908,953 | 16,750,197 | 111,078,614 | 17,083,891 |

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2. Composition of capital and TLAC: DIS25

Main features of regulatory capital instruments: **CCA**

| | | Quantitative / Qualitative information | Quantitative / Qualitative information |
|----------------------------|---|--|--|
| | | Equity shares | QAR 1 billion additional tier 1 |
| 1 | Issuer | Masraf Al Rayan (Q.P.S.C.) | Masraf Al Rayan (Q.P.S.C.) |
| 2 | Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement) | MARK ISIN Number: QA000A0M8VM3 | Private placement |
| 3 | Governing law(s) of the instrument | State of Qatar Law | State of Qatar Law |
| 3a | Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law) | | |
| 4 | Transitional Basel III rules | CET 1 | Additional tier 1 |
| 5 | Post-transitional Basel III rules | CET 1 | Additional tier 1 |
| 6 | Eligible at solo/group/group and solo | Solo and Group | Solo and group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary shares | Additional tier 1 capital instrument |
| 8 | Amount recognised in regulatory capital (currency in millions, as of most recent reporting date) | QAR 9.3 billion | QAR 1.0 billion |
| 9 | Nominal amount of the instrument | QAR 9.3 billion | QAR 1.0 billion |
| 10 | Accounting classification | Equity | Instrument eligible as additional capital |
| 11 | Original date of issuance | 4 January 2006 | 30 March 2016 |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | N/a | Perpetual |
| 14 | Issuer call subject to prior supervisory approval | N/a | Five years from the issue date, and every fifth anniversary thereafter, at the issuer absolute discretion (subject to redemption condition) |
| 15 | Optional call date, contingent call dates and redemption amount | N/a | Five years from the issue date, and every fifth anniversary thereafter Redemption amount: full value |
| 16 | Subsequent call dates, if applicable | N/a | N/a |
| <i>Coupons / dividends</i> | | | |
| 17 | Fixed or floating dividend/coupon | Variable | Fixed - Re-priced every 5 years |
| 18 | Coupon rate and any related index | Variable | Fixed - Re-priced every 5 years |
| 19 | Existence of a dividend stopper | N/a | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Full discretionary | Full discretionary |
| 21 | Existence of step-up or other incentive to redeem | N/a | No |

2. Composition of capital and TLAC: DIS25 (continued)

Main features of regulatory capital instruments: **CCA** (continued)

| | | Quantitative / Qualitative information | Quantitative / Qualitative information |
|-----|---|--|--|
| | | Equity shares | QAR 1 billion additional tier 1 |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | N/a | Non-convertible |
| 24 | If convertible, conversion trigger(s) | N/a | N/a |
| 25 | If convertible, fully or partially | N/a | N/a |
| 26 | If convertible, conversion rate | N/a | N/a |
| 27 | If convertible, mandatory or optional conversion | N/a | N/a |
| 28 | If convertible, specify instrument type convertible into | N/a | N/a |
| 29 | If convertible, specify issuer of instrument it converts into | N/a | N/a |
| 30 | Write-down feature | N/a | Depends on regulator's decision |
| 31 | If write-down, write-down trigger(s) | N/a | N/a |
| 32 | If write-down, full or partial | N/a | N/a |
| 33 | If write-down, permanent or temporary | N/a | N/a |
| 34 | If temporary write-down, description of writeup mechanism | N/a | N/a |
| 34a | Type of subordination | N/a | Subordinated (Additional tier 1) |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). | N/a | Ranks junior to all Senior Obligations of the Issuer; (b) pari passu with all other Pari Passu Obligations of the Issuer; and (c) senior to all Junior Obligations of the Issuer |
| 36 | Non-compliant transitioned features | N/a | N/a |
| 37 | If yes, specify non-compliant features | N/a | N/a |

2. Composition of capital and TLAC: DIS25 (continued)

Composition of regulatory capital: CC1

| | | 31 December 2023 | 30 June 2023 |
|---|--|---------------------|--------------------|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 9,300,000 | 9,300,000 |
| 2 | Retained earnings | 950,281 | 786,321 |
| 3 | Accumulated other comprehensive income (and other reserves) | 12,388,943 | 12,098,008 |
| 4 | <i>Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)</i> | - | - |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital) | 188,677 | 181,967 |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 22,827,901 | 22,366,296 |
| Common Equity Tier 1 capital: regulatory adjustments | | | |
| 7 | Prudent valuation adjustments | - | - |
| 8 | Goodwill (net of related tax liability) | (877,486) | (877,486) |
| 9 | Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability) | (687,288) | (744,197) |
| 10 | Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability) | - | - |
| 11 | Cash flow hedge reserve | - | - |
| 12 | Shortfall of provisions to expected losses | - | - |
| 13 | Securitisation gain on sale (as set out in [CAP30.14]) | - | - |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | - | - |
| 15 | Defined benefit pension fund net assets | - | - |
| 16 | Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet) | - | - |
| 17 | Reciprocal cross-holdings in common equity | - | - |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| 20 | MSR (amount above 10% threshold) | - | - |
| 21 | DTA arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - |
| 22 | Amount exceeding the 15% threshold | - | - |
| 23 | Of which: significant investments in the common stock of financials | - | - |
| 24 | Of which: MSR | - | - |
| 25 | Of which: DTA arising from temporary differences | - | - |
| 26 | National specific regulatory adjustments | - | - |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions | - | - |
| 28 | Total regulatory adjustments to Common Equity Tier 1 capital | (1,564,774) | (1,621,683) |
| 29 | Common Equity Tier 1 capital (CET1) | 21,263,127 | 20,744,613 |

2. Composition of capital and TLAC: DIS25 (continued)

Composition of regulatory capital: CC1 (continued)

| | | 31 December 2023 | 30 June 2023 |
|--|---|---------------------|-------------------|
| Additional Tier 1 capital: instruments | | | |
| 30 | Directly issued qualifying additional Tier 1 instruments plus related stock surplus | 1,000,000 | 1,000,000 |
| 31 | Of which: classified as equity under applicable accounting standards | - | - |
| 32 | Of which: classified as liabilities under applicable accounting standards | - | - |
| 33 | <i>Directly issued capital instruments subject to phase-out from additional Tier 1 capital</i> | - | - |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital) | - | - |
| 35 | <i>Of which: instruments issued by subsidiaries subject to phase-out</i> | - | - |
| 36 | Additional Tier 1 capital before regulatory adjustments | 1,000,000 | 1,000,000 |
| Additional Tier 1 capital: regulatory adjustments | | | |
| 37 | Investments in own additional Tier 1 instruments | - | - |
| 38 | Reciprocal cross-holdings in additional Tier 1 instruments | - | - |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | - |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - |
| 41 | National specific regulatory adjustments | - | - |
| 42 | Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions | - | - |
| 43 | Total regulatory adjustments to additional Tier 1 capital | - | - |
| 44 | Additional Tier 1 capital (AT1) | 1,000,000 | 1,000,000 |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 22,263,127 | 21,744,613 |
| Tier 2 capital: instruments and provisions | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | - | - |
| 47 | <i>Directly issued capital instruments subject to phase-out from Tier 2 capital</i> | - | - |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | - | - |
| 49 | <i>Of which: instruments issued by subsidiaries subject to phase-out</i> | - | - |
| 50 | Provisions | 933,017 | 890,753 |
| 51 | Tier 2 capital before regulatory adjustments | 933,017 | 890,753 |

2. Composition of capital and TLAC: DIS25 (continued)

Composition of regulatory capital: **CC1** (continued)

| | | 31 December 2023 | 30 June 2023 |
|---|---|---------------------|--------------------|
| Tier 2 capital: regulatory adjustments | | | |
| 52 | Investments in own Tier 2 instruments | - | - |
| 53 | Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities | - | - |
| 54 | Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | - |
| 54a | Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only) | - | - |
| 55 | Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | - |
| 56 | National specific regulatory adjustments | - | - |
| 57 | Total regulatory adjustments to Tier 2 capital | - | - |
| 58 | Tier 2 capital | 933,017 | 890,753 |
| 59 | Total regulatory capital (= Tier 1 + Tier2) | 23,196,144 | 22,635,366 |
| 60 | Total risk-weighted assets | 106,188,034 | 106,022,161 |
| Capital adequacy ratios and buffers | | | |
| 61 | Common Equity Tier 1 capital (as a percentage of risk-weighted assets) | 20.02% | 19.57% |
| 62 | Tier 1 capital (as a percentage of risk-weighted assets) | 20.97% | 20.51% |
| 63 | Total capital (as a percentage of risk-weighted assets) | 21.84% | 21.35% |
| 64 | Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets) | 5.89% | 5.38% |
| 65 | Of which: capital conservation buffer requirement | 2.50% | 2.50% |
| 66 | Of which: bank-specific countercyclical buffer requirement | - | - |
| 67 | Of which: bank- DSIB buffer requirement | 1.00% | 1.00% |
| 68 | Of which: ICAAP Capital charge requirement | 2.39% | 1.88% |
| 69 | Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements | 10.52% | 9.08% |
| Applicable caps on the inclusion of provisions in Tier 2 capital | | | |
| 70 | Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap) | 933,017 | 890,753 |
| 71 | Cap on inclusion of provisions in Tier 2 capital under standardised approach | 1,230,513 | 1,233,601 |
| 72 | Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - | - |
| 73 | Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach | - | - |

2. Composition of capital and TLAC: DIS25 (continued)

Reconciliation of regulatory capital to balance sheet: **CC2**

| | Balance sheet as in published financial statements 31 December 2023 | Under regulatory scope of consolidation 31 December 2023 | Reference to the consolidated financial statements |
|--|---|--|--|
| ASSETS | | | |
| Cash and balances with central banks | 4,993,280 | 4,993,253 | 8 |
| Due from banks | 5,662,554 | 5,652,497 | 9 |
| Financing assets | 108,228,181 | 122,342,042 | 10 |
| Investment securities | 38,598,973 | 38,310,440 | 11 |
| Investment in associates | 348,556 | 348,556 | 12 |
| Fixed assets | 968,571 | 968,571 | 13 |
| Intangible assets | 1,564,774 | 1,564,774 | 14 |
| Other assets | 3,834,646 | 5,739,811 | 15 |
| TOTAL ASSETS | 164,199,535 | 179,919,945 | |
| LIABILITIES, QUASI-EQUITY AND EQUITY | | | |
| Due to banks and other borrowings | 36,789,537 | 36,590,197 | 16 and 19 |
| Customer current accounts and participatory investment accounts | 92,723,823 | 91,690,784 | 17 and 21 |
| Sukuk and debt financing | 5,235,937 | 5,196,343 | 18 |
| Other liabilities | 4,643,739 | 23,242,825 | 20 |
| TOTAL LIABILITIES AND QUASI-EQUITY | 139,393,036 | 156,720,149 | |
| EQUITY | | | |
| Share capital | 9,300,000 | 9,300,000 | 22 |
| Legal reserve | 9,644,166 | 9,644,166 | 22 |
| Risk reserve | 2,661,613 | 2,398,543 | 22 |
| Fair value reserve | 41,439 | 41,439 | 22 |
| Foreign currency translation reserve | (110,907) | - | 22 |
| Other reserves | 152,632 | 29,844 | 22 |
| Retained earnings | 1,880,281 | 785,804 | |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | 23,569,224 | 22,199,796 | |
| Non-controlling interest | 237,275 | - | 23 |
| Instrument eligible as additional capital | 1,000,000 | 1,000,000 | 24 |
| TOTAL EQUITY | 24,806,499 | 23,199,796 | |
| TOTAL LIABILITIES, QUASI-EQUITY AND EQUITY | 164,199,535 | 179,919,945 | |

3. Capital distribution constraints: DIS26

Capital distribution constraints: CDC

| | | a | b |
|---|---|--|--------------------------------|
| | | CET1 capital ratio that would trigger capital distribution constraints (%) | Current CET1 capital ratio (%) |
| 1 | CET1 minimum requirement plus capital buffers (<u>not</u> taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios) | 8.5% | 20.02% |
| 2 | CET1 capital plus capital buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios) | 9.50% | 20.02% |
| | | Leverage ratio that would trigger capital distribution constraints (%) | Current leverage ratio (%) |
| 3 | Leverage ratio | 3% | 12.8% |

4. Linkages Between Financial Statements and Regulatory Exposures

Explanations of differences between accounting and regulatory exposure amounts: LIA

a) Explanation of the significant differences between the amounts in columns (a) and (b) in Template LI1

The following are the significant differences between the balances in the published consolidated financial statements and the regulatory consolidated financial statements:

- Profit receivables accruing from financial assets, namely due from banks, financing assets and investment securities are classified under their respective balance sheet line items in the published consolidated financial statements while these amounts are classified as other assets in the regulatory consolidated financial statements.
- Impairment allowances and deferred profit recognized for financial assets, namely due from banks, financing assets and investment securities are netted against their respective asset class in the published consolidated financial statements while these amounts are classified as other liabilities in the regulatory consolidated financial statements.
- Net profit for the period is closed to retained earnings in the published consolidated financial statements while this amount is classified under other liabilities in the regulatory consolidated financial statements.
- Acceptances are classified within financing assets in the published consolidated financial statements while these amounts are classified as off-balance sheet in the regulatory consolidated financial statements.

4. Linkages Between Financial Statements and Regulatory Exposures *(continued)*

Explanations of differences between accounting and regulatory exposure amounts: **LIA** *(continued)*

b) Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used

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 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.

c) Banks with insurance subsidiaries

Masraf Al Rayan (Q.P.S.C.) does not have insurance subsidiary as at 31 December 2023.

4. Linkages Between Financial Statements and Regulatory Exposures (continued)

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories: **LI1**

| | a | b | c | d | e | f | g |
|---|---|---|----------------------------------|---|---|--------------------------------------|--|
| | | | Carrying values of items: | | | | |
| | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitisation framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| Assets | | | | | | | |
| Cash and balances with central banks | 4,993,280 | 4,993,253 | 4,993,253 | - | - | - | - |
| Due from banks | 5,662,554 | 5,652,497 | 5,652,497 | - | - | - | - |
| Financing assets | 108,228,181 | 122,342,042 | 122,342,042 | - | - | - | - |
| Investment securities | 38,598,973 | 38,310,440 | 38,310,440 | 2,686,548 | - | - | - |
| Investment in associates | 348,556 | 348,556 | 348,556 | - | - | - | - |
| Fixed assets | 968,571 | 968,571 | 968,571 | - | - | - | - |
| Intangible assets | 1,564,774 | 1,564,774 | - | - | - | - | 1,564,774 |
| Other assets | 3,834,646 | 5,739,811 | 5,739,811 | 717,826 | - | - | - |
| Total assets | 164,199,535 | 179,919,945 | 178,355,171 | 3,404,374 | - | - | 1,564,774 |
| Liabilities and quasi-equity | | | | | | | |
| Due to banks and other borrowings | 36,789,537 | 36,590,197 | - | 2,604,966 | - | - | - |
| Customer current accounts and participatory investment accounts | 92,723,823 | 91,690,784 | - | - | - | - | - |
| Sukuk and debt financing | 5,235,937 | 5,196,343.00 | - | - | - | - | - |
| Other liabilities | 4,643,739 | 23,242,825 | 14,768,833 | - | - | - | - |
| Total liabilities and quasi-equity | 139,393,036 | 156,720,149 | 14,768,833 | 2,604,966 | - | - | - |

4. Linkages Between Financial Statements and Regulatory Exposures (continued)

Main sources of differences between regulatory exposure amounts and carrying values in financial statements: **LI2**

| | a | b | c | d | e |
|---|--------------------|-----------------------|--------------------------|------------------------------------|-----------------------|
| | | Items subject to: | | | |
| | Total | Credit risk framework | Securitisation framework | Counterparty credit risk framework | Market risk framework |
| 1 Asset carrying value amount under scope of regulatory consolidation (as per Template LI1) | 178,355,171 | 178,355,171 | - | 3,404,374 | - |
| 2 Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1) | - | 14,768,833 | - | 2,604,966 | - |
| 3 Total net amount under regulatory scope of consolidation (Row 1 – Row 2) | 178,355,171 | 163,586,338 | - | 799,408 | - |
| 4 Off-balance sheet amounts | 12,395,471 | 12,361,087 | - | - | - |
| 5 Total Potential Future Exposure (PFE) | - | - | - | - | - |
| 6 Differences due to credit conversion factors | - | (4,426,117) | - | - | - |
| 7 Differences due to different netting rules and alpha factors under standardised approach | - | - | - | - | - |
| 8 Differences due to the use of credit risk mitigation techniques (CRMs) and other differences | - | (24,492,857) | - | 1,025,832 | - |
| 9 Exposures under scope of regulatory consolidation | 190,750,642 | 147,028,452 | - | 1,825,240 | - |

* Grossed up of impairment allowances (Expected Credit Loss and profit in suspense) and deferred profit.

5. Asset encumbrance: DIS31

Asset encumbrance: **ENC**

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. The encumbered assets represent balances held as liquidity and cash reserve requirements with the central banks and funds placed with other entities that were pledged for credit support.

| | a | b | c (a+b) |
|--------------------------------------|-------------------|---------------------|--------------------|
| | Encumbered assets | Unencumbered assets | Total |
| Cash and balances with central banks | 4,254,992 | 738,288 | 4,993,280 |
| Due from banks | - | 5,662,554 | 5,662,554 |
| Financing assets | - | 108,228,181 | 108,228,181 |
| Investment securities | 2,803,447 | 35,795,526 | 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 | - | 3,834,646 | 3,834,646 |
| Total | 7,058,439 | 157,141,096 | 164,199,535 |

6. Remuneration: DIS35

Remuneration policy: **REMA**

a) Bodies that oversee remuneration

For Bank employees & senior management: Board Corporate Governance, Nominations and Remuneration Committee and Qatar Central Bank (for senior management only)

b) Design and structure of remuneration processes (including variable remuneration)

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

1. MAR employee remuneration package is comprised of four primary elements viz. basic salary, allowances, benefits and a performance bonus;
2. The basic salary, allowances and benefits are determined in accordance with market practices to ensure they are fit for purpose, competitive and compliant with regulatory/legal developments;
3. The performance bonus is discretionary and, if merited, is paid on an annual basis in arrears. It considers the long term objectives of the organization, is cognizant of risk and must be purely dependent on the collective and individual performance without any kind of discrimination whatsoever vis-à-vis the race, religion, gender or otherwise;

6. Remuneration: DIS35 (continued)

Remuneration policy: **REMA** (continued)

b) Design and structure of remuneration processes (including variable remuneration) (continued)

4. The Performance Bonus, which is calendar based, is calculated with reference to a prescribed methodology based on principles set by the Corporate Governance, Nomination and Remuneration Committee of the Board as advised, when needed, by independent industry experts. The methodology sets 2%-7.5% of net income, depending on the final score achieved Bank-wise in the Balanced Scorecard, to be distributed as annual remunerations to the Bank's employees and senior management members. The main principle is a top down meritocracy-based model where the individual payout is determined by the employees' performance assessment, their Departmental contribution and the Bank's achievements during the year. A deferral element is applied to align with Risk-based approach;
5. A Balanced Score Card (BSC) approach is utilized to gauge the achievement of the Bank and division. It sets goals and targets that must balance between projected revenues and the risks accompanying the revenues generated while maintaining compliance with internal controls and regulatory requirements;
6. At the start of each year, the Board sets a series of financial and non-financial objectives for the organization which are outlined in a BSC. This forms the driver for department level scorecards, the goals of the GCEO, and each Senior Management member and staff member in the Bank and distills such goals into measurable key performance indicators;
7. The Bank's BSC objectives are carefully tracked and progress reports are periodically submitted to the Board. At year-end the results are subject to verification by internal audit;
8. The audited results, and proposed bonus pool, are presented to the Corporate Governance, Nomination and Remuneration Committee (CGNRC) for consideration and recommendation for Board final approval;
9. Individual payouts are subject to review and approval of the Department Head, Group Chief HR Officer, GCEO and Chairman as appropriate;
10. The performance bonus for members of Senior Management must be disbursed upon obtaining QCB No Objection only;
11. The Bank's compensation philosophy, scheme design, and absolute outlay shall be evaluated by the Board/CGNRC at each year-end or whenever needed to ensure it remains fit for purpose, competitive and compliant with regulatory/legal developments. The Committee may seek the assistance of an external consultant in this exercise;
12. Senior Management compensations must be disclosed in the audited financial statements; and
13. The policy must be presented on a yearly basis to the Annual General Meeting to be re-confirmed in its current form or to be amended where applicable.

6. Remuneration: DIS35 (continued)

Remuneration policy: **REMA** (continued)

c) Key risks, their measurement and how these measures affect remuneration

As per Board-approved yearly Balanced Score Card

d) Main performance metrics for bank, top-level business lines, and individuals and their link to levels of remuneration

As per Balanced Score Card and Performance Management System

Remuneration awarded during the financial year: **REM1**

| | | | <i>a</i> | <i>b</i> |
|---------------------|---|--|---------------|-----------------------|
| Remuneration amount | | | Senior | Other |
| 31 December 2023 | | | management | material risk-takers* |
| 1 | Fixed remuneration | Number of employees | 13 | 15 |
| 2 | | Total fixed remuneration (rows 3 + 5 + 7) | 21,577 | 13,523 |
| 3 | | Of which: cash-based | 21,577 | 13,523 |
| 4 | | Of which: deferred | - | - |
| 5 | | Of which: shares or other share-linked instruments | - | - |
| 6 | | Of which: deferred | - | - |
| 7 | | Of which: other forms | - | - |
| 8 | | Of which: deferred | - | - |
| 9 | Variable remuneration | Number of employees | 13 | 15 |
| 10 | | Total variable remuneration (rows 11 + 13 + 15) | 19,595 | 5,818 |
| 11 | | Of which: cash-based | 18,615 | 5,623 |
| 12 | | Of which: deferred | 980 | 195 |
| 13 | | Of which: shares or other share-linked instruments | - | - |
| 14 | | Of which: deferred | - | - |
| 15 | | Of which: other forms | - | - |
| 16 | | Of which: deferred | - | - |
| 17 | Total remuneration (rows 2 + 10) | | 41,172 | 19,341 |

* List of employees who are on the approved Succession Plan Program

7. Credit risk: DIS40

General qualitative information about credit risk: **CRA**

Credit Risk

Credit risk is the risk of impairment and partial or total loss of a receivable due to deterioration of credit quality on the part of a client or counterparty. The relevant receivable may be based on traditional on-balance sheet lending or derivative business. In traditional lending business, risk arises from the creditworthiness of the borrower, whereas in derivative business counterparty risk results from the counterparty's failure to perform the transaction in accordance with contractual obligations leading to a potential loss when executing a substitute transaction.

The Board of Directors of Masraf Al Rayan (MAR), and delegated Board sub-committee, has the responsibility to establish an appropriate credit risk philosophy, including risk appetite. A key part of this is the Group Credit Risk Management Policy, which outlines sound principles and practices for management of credit risk and applies to all lending and related activities that involve credit risk.

In order to manage the credit risk in the Group, the main objectives of the Policy are to:

- Create a standardized framework for the lending activities of MAR Group
- Ensure adequate appraisal prior to lending, and sufficient post-approval monitoring of all granted facilities
- Outline the acceptance of collateral, and other credit risk mitigation measures
- Provide information on the risk rating methodology
- Outline the process for treating deteriorating creditworthiness, including credit loss recognition and collections

The Credit Risk Policy is supported by Credit Instructions or procedures.

Credit Risk is identified, monitored, managed and reported on an operational level by the following departments:

- Business originating unit
- Credit Underwriting / Review department (Wholesale Credit, Private & Premium Credit and Retail Credit)
- Credit Administration department (Documentation, Disbursement authorization and Collateral Custody)
- Credit Operations
- Enterprise Risk
- Collections.

Additional disclosure related to the credit quality of assets: **CRB**

Qualitative disclosures:

a) Scope and definitions of past due and impaired exposures

A default would have occurred with regard to a particular obligor when the obligor is past due for more than 90 days on any material credit obligation to the banking group.

- For financing assets with periodic principal instalments and/or profit payments, an amount due and payable is not paid in full within 90 days of the instalment/payment due date.

7. Credit risk: DIS40 (continued)

Additional disclosure related to the credit quality of assets: **CRB** (continued)

Qualitative disclosures: (continued)

a) Scope and definitions of past due and impaired exposures (continued)

- For revolving exposures (including overdrafts), amount past due by 90 days or more. Past due will be based on limit expiry. In addition, where a customer has breached the approved limit and the account is not been regularized (i.e. brought within limit) within 90 days, such an account will be considered to be in default.

Any facility having a DPD less than 90 days will be classified either stage 1 or stage 2 as per the IFRS 9 reporting guidelines.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired

Based on the customer's credit profile and objective evidence, many accounts have not been credit impaired for the exposures more than 90 DPD. The main reasons for such treatment are:

- a. Account expected to be regularized within the agreed timelines;
- b. Restructuring of the account;
- c. COVID extension granted to the customer; and
- d. Based on the type of collateral and collateral coverage.

Moreover, external auditors review and validate the past due list as part of their quarter end audit program and provide assurance to all stakeholders regarding the classification of the accounts.

c) Description of methods used for determining impairments

The Bank has adopted FAS 30 – *Impairment, Credit Losses and Onerous Commitments* for the Credit Losses with a forward-looking 'expected credit loss' model. The Credit Losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which either the loss allowance is measured by a 12-month expected credit loss or a lifetime expected credit loss. A 12-month ECL is categorized as Stage 1 ECL and lifetime ECL as Stage 2 ECL, which is the ECL accounting provision requirements in general categories.

For Specific categories, accounts are classified under Stage 3, which 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, applicable provision is recognized as per the QCB's specific provision guidelines.

d) The Bank's own definition of a restructured exposure.

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.

7. Credit risk: DIS40 (continued)

Additional disclosure related to the credit quality of assets: **CRB** (continued)

Quantitative disclosures:

e) Breakdown of exposures by geographical areas, industry and residual maturity

Geographic analysis of credit quality assets: **CRB**

| 31 December 2023* | Qatar | Other GCC | Other Middle East | Others | Total |
|------------------------------|--------------------|------------------|-------------------|-------------------|--------------------|
| Balances with central banks | 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 | 200,900 | 1,043,561 | - | 2,189,576 | 3,434,037 |
| Total | 134,405,828 | 4,181,893 | 1,099,634 | 20,250,190 | 159,937,545 |

*Amounts are carrying values as reported in published financial statements

| 31 December 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 |
| Total | 9,057,294 | 355,661 | 54,957 | 3,208,644 | 12,676,556 |

*Amounts are carrying values as reported in published financial statements

Industry analysis of credit quality assets: **CRB**

| | Net exposure 31 December 2023 | Net exposure 31 December 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 |

*Amounts are carrying values as reported in published financial statements

7. Credit risk: DIS40 (continued)

Additional disclosure related to the credit quality of assets: **CRB** (continued)

Residual Maturity analysis of credit quality assets: **CRB**

| 31 December 2023 | Less than 1 month | 1 to 3 months | 3 months - 1 year | 1-5 years | Over 5 years | Total |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Balances with central banks | 291,090 | - | - | - | 4,254,992 | 4,546,082 |
| Due from banks | 5,247,353 | 41,870 | 373,331 | - | - | 5,662,554 |
| Financing assets | 9,591,420 | 11,010,548 | 6,828,136 | 35,452,865 | 45,345,212 | 108,228,181 |
| Investment securities - debt | 4,703,886 | 2,902,335 | 7,027,394 | 20,413,110 | 3,019,966 | 38,066,691 |
| Other assets | 1,332,601 | 131,894 | 746,898 | 929,392 | 293,252 | 3,434,037 |
| Total | 21,166,350 | 14,086,647 | 14,975,759 | 56,795,367 | 52,913,422 | 159,937,545 |

*Amounts are carrying values as reported in published financial statements

Financing assets exposures by industry and related ECL/Provision: **CRB**

Financing exposures before CCF and CRM

| 31 December 2023 | Stage 1 | Stage 2 | Stage 3 | Total gross amount | Impairment allowances |
|---------------------|-------------------|-------------------|------------------|--------------------|-----------------------|
| Government | 1,392,448 | 3,123,360 | - | 4,515,808 | 2,402 |
| Government agencies | 42,643,258 | 5,380,782 | - | 48,024,040 | 15,731 |
| Industry | 1,069,413 | 127,125 | 56,594 | 1,253,132 | 63,297 |
| Commercial | 5,223,707 | 2,711,071 | 784,000 | 8,718,778 | 433,999 |
| Services | 4,244,472 | 8,910,825 | 79,465 | 13,234,762 | 347,980 |
| Contracting | 298,986 | 1,526,044 | 1,243,057 | 3,068,087 | 858,100 |
| Real estate | 10,229,021 | 10,731,154 | 3,797,478 | 24,757,653 | 1,747,663 |
| Personal | 7,631,114 | 842,213 | 464,065 | 8,937,392 | 812,299 |
| Total | 72,732,419 | 33,352,574 | 6,424,659 | 112,509,652 | 4,281,471 |

*Amounts are carrying values as reported in published financial statements

Financing assets exposures by country and related ECL/Provision: **CRB**

Financing exposures before CCF and CRM

| 31 December 2023 | Stage 1 | Stage 2 | Stage 3 | Total gross amount | Impairment allowances |
|-------------------|-------------------|-------------------|------------------|--------------------|-----------------------|
| Qatar | 59,133,831 | 31,550,319 | 6,138,853 | 96,823,003 | 4,092,205 |
| Other GCC | 32,068 | 452,663 | 4,270 | 489,001 | 154,651 |
| Other Middle East | - | 998,177 | - | 998,177 | 2,927 |
| Others | 13,566,519 | 351,415 | 281,537 | 14,199,471 | 31,688 |
| Total | 72,732,418 | 33,352,574 | 6,424,660 | 112,509,652 | 4,281,471 |

*Amounts are carrying values as reported in published financial statements

7. Credit risk: DIS40 (continued)

Additional disclosure related to prudential treatment of problem assets **CRB-A**

Qualitative disclosures:

a) Definition of non-performing exposures

A default occurs when:

- The Bank considers that an obligor is unlikely to repay in full its credit obligations to the banking group, without recourse by the Bank to actions such as realizing security; or
- The obligor is past due for more than 90 days on any material credit obligation to the banking group
- An obligor is rated as MRA 8, 9 and 10 corresponding to the Qatar Central Bank (QCB) categories of substandard, doubtful and loss.

The default definition is aligned with the Basel definition of default, which is as follows:

"A default is considered to have occurred with regard to a particular obligor when one or more of the following events has taken place.

- a) It is determined that the obligor is unlikely to pay its debt obligations (principal, profit, or fees) in full;
- b) A credit loss event associated with any obligation of the obligor, specific provision;
- c) The obligor is past due more than 90 days on any credit obligation; or
- d) The obligor has filed for bankruptcy or similar protection from creditors."

Qualitative disclosure related to credit risk mitigation techniques: **CRC**

a) Lending principles

Credit is granted only when it can be reasonably expected that it will be repaid by the borrower as originally agreed. Any lending must be based on:

- A thorough knowledge of the borrower's character, history, willingness, and capacity to repay;
- Full understanding of the credit request and the borrower's sources of repayment;
- A judgement that the borrower can and will repay without undue difficulty.
- Communication of credit culture, philosophy, guidelines, and approach should be continuous
- The credit financing approval process works in a prudent decision-making environment.

In general, the following principles should be adhered to in any granting of credit. Should exceptions be made, these should be disclosed in the credit application documents.

- Every agreement to grant credit must be evidenced in writing
- MAR will ensure that adequate legal documentation (vetted by Credit Admin. Department in conjunction with the Legal Department) is obtained.
- Credit should only be granted to corporate, commercial, and private borrowers when there are two clear sources of repayment.
- The main source of credit repayment should be cash generated by the borrower's productive, ongoing activities.
- Credit is granted for investment in assets (e.g. business, building etc) only when the borrower has a significant stake in that asset.
- Credit is only granted when the Bank's position as a creditor is as good as or better than that of any other significant creditor.

7. Credit risk: DIS40 (continued)

Qualitative disclosure related to credit risk mitigation techniques: **CRC** (continued)

a) Lending principles (continued)

- Credit that must be structured appropriately for the purpose of the credit and for the source of repayment. Credit mitigation techniques must be used to make the proposed credit bankable and best serve MAR's interests.
- MAR adheres to the basic anti-money laundering procedures such as 'Know Your Customer' before extending any credit facilities
- MAR will not extend credit to entities whose management's integrity is questionable
- Social policies are taken into account when making lending decisions:
 - Credit detrimental to the interests of the Group is not granted.
 - Financing for the movement of arms and armaments is severely restricted.
 - No engagement in predatory lending.
 - Credit is not granted for illegal purposes or to businesses or persons whose source of income is illegal.
 - Any transaction where a full and candid disclosure to any regulatory or government agency, or details appearing in the media, would cause reputational damage to the MAR brand is not engaged in.
- Discrimination on the basis of race, national origin, gender, religion, age, marital status, disability or any other factor not relevant to the credit is not permitted.
- Credit is not granted for refinancing of NPLs of other banks.
- The risk/reward relationship must be assessed in each application, whether through customer profitability compared to ECL; RAROC; or alternative performance measures.
- Collateral mitigates risk, but repayment capacity is the most important factor.
- Due diligence must be performed when participating in syndications
- Groups of obligors that are considered connected counterparties should be identified and treated as a single obligor.

b) Collaterals

- Guarantees and collateral should be obtained from clients to mitigate credit risk
- Personal guarantees of the Principal Partners are to be treated as a secondary source of repayment when financing closely held companies
- All collaterals must have legally perfected security interest or unencumbered title right
- Where collateral is a physical asset, the Bank must have unimpaired right to it enabling the Bank, in the event of a default, to take possession and / or dispose-off the asset and use the proceeds to settle outstanding dues. Collateral valuation must therefore consider legal and liquidation costs.
- Where collateral is a financial asset, for example, cash deposits, it must be pledged to MAR
- All collateral should be obtained, verified and pledged to MAR before facilities are extended to the customer or counterparty unless approved otherwise by delegated authority.
- All collateral must be documented in detail and valued at regular pre-determined intervals. Relationship Managers should review the collateral coverage periodically. If the Bank's collateral cover falls below the prescribed financing to value ratio, Relationship Managers should ensure that the obligor either provides additional collateral or reduces the outstanding amount so that the approved financing to value ratio is maintained at all times.
- Adequate insurance cover must be obtained in favor of the Bank over collateral where required.
- Property insurance must be obtained for all mortgage and real estate financing
- All insurance cover must be monitored and updated as needed

7. Credit risk: DIS40 (continued)

Qualitative disclosure related to credit risk mitigation techniques: **CRC** (continued)

a) Collaterals (continued)

When accepting collateral, it is prudent to have the value of collateral in excess of the total facilities so that in a collateral liquidation scenario the Bank recovers outstanding facilities in full. The required excess in value of collateral (also called margin on security) for different types of collateral must comply with QCB and other regulatory regulations as applicable. In general, cross-currency collateral (i.e. where collateral is in a difference currency from the facility) is avoided, however it may occur in rare cases. Where possible, increased collateral should be taken in this case to provide a buffer against unexpected currency movements except in cases where the currencies are fixed to the same reference currency.

Tangible collateral values are to be updated regularly according to the risk of the facility and customer. Collateral such as listed securities are valued fortnightly. Requirements by collateral type must be specified within credit instructions. Waivers or extensions of collateral re-valuation needs to be approved as per the Group Credit Approval Authority policy.

A Real Estate Property Evaluation report to be submitted at the time of a client's annual review. The appropriate committee approval is sought for any exceptions along with the request.

A list of approved collateral valuers is maintained by the Bank. To be listed, a valuator must be approved by EXCOB. Feedback on individual valuers is given on a case-by-case basis by Risk, and a valuator may be de-listed from the approved list if weaknesses such as inaccurate data or incorrect documentation are identified. Credit Risk at its discretion, may ask for a second valuation if it is necessary to assess the accurate value of a collateral.

Collateral information is input and maintained in the system by CROPS (Operations department) Custodians of collateral are CAD (Risk department).

Enterprise Risk are responsible for reporting collateral information to the Group Risk Committee to ensure concentrations are identified and, if necessary, mitigated.

b) Support

The following may be accepted as support, provided adequate care is taken to ensure the support is legally enforceable:

- Personal and Corporate Guarantee: Personal Guarantees for Partners of the Limited Liability Company: As per QCB regulations, Banks should obtain the J&S guarantees of all partners (solely and jointly) in all types of companies and the custodians' guarantee of minor partners till they reach adulthood. Exception is only for Joint-Stock companies and any other type of companies exempted by QCB. If the Bank does not want to get such guarantees, justified reasons must be given and notified when studying application of credit facilities.
- Assignment of L/C Receivables (Export L/Cs);
- Assignment of Foreign Remittances to the Obligor Bank;
- Assignment of an expected proceeds being from a contract or rental or from any other source by its issuer and beneficiary. This could also takes place through "transfer of right" registered with the Real Estate Registration Department - Ministry Of Justice.
- Hypothecation/Charge/Chattel mortgage/Commercial mortgage over inventory
- Assignment of Insurance Policies (life or property)
- Post-dated cheques and/or security cheques from corporate banking customers, or large corporate or multinationals

7. Credit risk: DIS40 (continued)

Qualitative disclosure related to credit risk mitigation techniques: **CRC** (continued)

b) Support (continued)

- Salary assignment of customers, business owners, partners or directors/shareholders for Retail facilities
- Non-notarized assignment of general revenues

Any risk not specifically covered by a written support statement will be considered on the basis of the obligor's stand-alone creditworthiness. Documentation with the support provider must make clear that MAR will not assume Nationalization or Expropriation Risks if the obligor provokes governmental action or when governmental action is a discriminatory measure against the specific obligor.

Legal opinion may be sought by Business in the event the credit submission does not meet standard collateral and/or credit documentation requirements.

Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk: **CRD**

a) External credit assessment institutions (ECAIs) and export credit agencies (ECAs) used

S & P, Moody's and Fitch

b) The asset classes for which each ECAI or ECA is used

Corporate Banking, Banks & Sovereign and Debt Securities

c) The alignment of the alphanumerical scale of each agency used with risk buckets

| S&P | Moody's | Fitch | Internal Risk Rating | Internal RR | |
|------|---------|-------|----------------------|-------------|-----------------------|
| AAA | Aaa | AAA | 1 | 1 | Investment Grades |
| AA+ | Aa1 | AA+ | 2+ | 2 | |
| AA | Aa2 | AA | 2 | 3 | |
| AA- | Aa3 | AA- | 2- | 4 | |
| A+ | A1 | A+ | 3+ | 5 | |
| A | A2 | A | 3 | 6 | |
| A- | A3 | A- | 3- | 7 | |
| BBB+ | Baa1 | BBB+ | 4+ | 8 | |
| BBB | Baa2 | BBB | 4 | 9 | |
| BBB- | Baa3 | BBB- | 4- | 10 | |
| BB+ | Ba1 | BB+ | 5+ | 11 | Sub-Investment Grades |
| BB | Ba2 | BB | 5 | 12 | |
| BB- | Ba3 | BB- | 5- | 13 | |
| B+ | B1 | B+ | 6+ | 14 | |
| B | B2 | B | 6 | 15 | |
| B- | B3 | B- | 6- | 16 | |
| CCC+ | Caa1 | CCC+ | 7+ | 17 | |
| CCC | Caa2 | CCC | 7 | 18 | |
| CCC- | Caa3 | CCC- | 7- | 19 | |
| D | | | 8 | 20 | SS |
| | | | 9 | 21 | DF |
| | | | 10 | 22 | Loss |

SS – Sub Standard DF – Doubtful

7. Credit risk: DIS40 (continued)

Credit quality of assets: CR1

| | a | b | c | d | e | f | g |
|-----------------------------------|---------------------------|-------------------------|--------------------------|--|---|---|--------------------|
| | *Gross carrying values of | | | Of which ECL accounting provisions for credit losses on SA exposures | | Of which ECL accounting provisions for credit losses on IRB exposures | *Net values |
| | Defaulted exposures | Non-defaulted exposures | Allowances / impairments | Allocated in regulatory category of Specific | Allocated in regulatory category of General | | (a+b-c) |
| 1 Financing assets | 6,424,659 | 106,084,992 | 4,281,470 | 3,644,132 | 637,338 | - | 108,228,181 |
| 2 Sukuk and other debt securities | 53,142 | 38,092,933 | 79,384 | 53,142 | 26,242 | - | 38,066,691 |
| 3 Off-balance sheet exposures | 37,109 | 12,234,075 | 67,653 | 36,374 | 31,279 | - | 12,203,531 |
| 4 Total | 6,514,910 | 156,412,000 | 4,428,507 | 3,733,648 | 694,859 | - | 158,498,403 |

*Amounts are carrying values as reported in published financial statements

Changes in the stock of defaulted financing assets and sukuk and other debt securities: CR2

31 December
2023

| | | |
|----------|--|------------------|
| 1 | Defaulted financing assets and sukuk and other debt securities at end of the previous reporting period | 7,352,702 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 61,194 |
| 3 | Returned to non-defaulted status | (17,577) |
| 4 | Amounts written off | (949,290) |
| 5 | Other changes | 30,772 |
| 6 | Defaulted financing assets and sukuk and other debt securities at end of the reporting period (1+2-3-4+5) | 6,477,801 |

The movement reflects transitions between defaulted and non-defaulted exposures, as well as write-offs during the period, as shown in the table above.

Credit risk mitigation techniques - overview: CR3

| | a | b | c | d | e |
|-----------------------------------|--------------------------------------|-------------------------|---------------------------------|---|---|
| | Exposures unsecured: carrying amount | Exposures to be secured | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
| 1 Financing assets | 80,506,408 | 27,721,773 | 4,259,932 | 23,461,841 | - |
| 2 Sukuk and other debt securities | 38,066,691 | - | - | - | - |
| 3 Total | 118,573,099 | 27,721,773 | 4,259,932 | 23,461,841 | - |
| 4 Of which defaulted | 2,780,527 | - | - | - | - |

*Amounts are carrying values as reported in published financial statements

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)

7. Credit risk: DIS40 (continued)

Standardised approach - credit risk exposure and CRM effects: **CR4**

| | | <i>a</i> | <i>b</i> | <i>c</i> | <i>d</i> | <i>e</i> |
|---------------|--|-------------------------------------|--------------------------|--|----------------------------|-------------|
| | | <i>Exposures before CCF and CRM</i> | | <i>Exposures post - CCF and post-CRM</i> | <i>RWA and RWA density</i> | |
| Asset classes | | On-balance sheet amount | Off-balance sheet amount | Total | RWA | RWA density |
| 1 | Sovereigns | 38,906,185 | 777,367 | 39,294,868 | 1,372,441 | 3% |
| 2 | Qatar Government Entities and Domestic Public Sector Entities (PSEs) | 29,149,400 | 71,916 | 7,493,929 | 2,091,242 | 28% |
| 3 | Multilateral Development Banks (MDBs) | 380,743 | - | 380,743 | - | 0% |
| 4 | Banks | 6,276,125 | 3,458,614 | 8,359,202 | 3,005,169 | 36% |
| 5 | Corporates | 41,905,174 | 7,802,946 | 46,942,966 | 46,594,771 | 99% |
| 6 | Equity Investments | 1,578,743 | - | 1,316,475 | 2,591,773 | 197% |
| 7 | Retail - Qualifying and others | 16,226,873 | 250,032 | 16,209,530 | 15,382,624 | 95% |
| 8 | Retail - Real estate | 18,328,766 | 9 | 18,288,728 | 16,985,501 | 93% |
| | <i>Of which: Residential Mortgage</i> | <i>5,212,909</i> | <i>-</i> | <i>5,212,909</i> | <i>3,909,682</i> | <i>75%</i> |
| | <i>Of which: Commercial Mortgage</i> | <i>13,115,857</i> | <i>9</i> | <i>13,075,820</i> | <i>13,075,820</i> | <i>100%</i> |
| 9 | Defaulted exposures | 2,321,620 | 203 | 2,321,528 | 3,443,725 | 148% |
| 10 | Other assets | 6,420,482 | - | 6,420,482 | 5,973,285 | 93% |
| 12 | Total | 161,494,110 | 12,361,087 | 147,028,451 | 97,440,530 | 66% |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)

7. Credit risk: DIS40 (continued)

Standardised approach - Exposures by asset classes and risk weights: CR5

| | Risk weight → | | | | | | | | | | | Total credit exposures amount (post CCF and post-CRM) |
|-----------------|--|-------------------|----------|-------------------|----------|----------|------------------|------------------|-------------------|------------------|----------------|---|
| | | 0% | 10% | 20% | 30% | 40% | 50% | 75% | 100% | 150% | 250% | |
| Asset classes ↓ | | | | | | | | | | | | |
| 1 | Sovereigns | 37,843,742 | - | 167,487 | - | - | - | - | 1,173,030 | 110,609 | - | 39,294,868 |
| 2 | Qatar Government Entities and Domestic Public Sector Entities (PSEs) | 1,275,784 | - | 5,158,628 | - | - | - | - | 1,059,516 | - | - | 7,493,929 |
| 3 | Multilateral Development Banks (MDBs) | 380,743 | - | - | - | - | - | - | - | - | - | 380,743 |
| 4 | Banks | - | - | 5,054,710 | - | - | 2,620,531 | - | 683,961 | - | - | 8,359,202 |
| 5 | Corporates | - | - | 3,415 | - | - | 867,153 | - | 45,896,171 | 176,227 | - | 46,942,966 |
| 6 | Equity Investments | - | - | - | - | - | - | - | 411,708 | 81,852 | 822,915 | 1,316,475 |
| 7 | Retail - Qualifying and others | - | - | - | - | - | - | 3,307,622 | 12,901,908 | - | - | 16,209,530 |
| 8 | Retail - Real estate | - | - | - | - | - | - | 5,212,909 | 13,075,820 | - | - | 18,288,728 |
| | <i>Of which: Residential Mortgage</i> | - | - | - | - | - | - | 5,212,909 | - | - | - | 5,212,909 |
| | <i>Of which: Commercial Mortgage</i> | - | - | - | - | - | - | - | 13,075,820 | - | - | 13,075,820 |
| 9 | Defaulted exposures | - | - | - | - | - | 21,519 | - | 34,095 | 2,265,913 | - | 2,321,528 |
| 10 | Other assets | 447,197 | - | - | - | - | - | - | 5,973,285 | - | - | 6,420,482 |
| 12 | Total | 39,947,467 | - | 10,384,241 | - | - | 3,509,204 | 8,520,531 | 81,209,493 | 2,634,601 | 822,915 | 147,028,451 |

8. Counterparty Credit Risk: DIS42

Qualitative disclosure related to counterparty credit risk: **CCRA**

a) Counterparty Credit Risk

Counterparty credit risk (CCR) is the risk that the bank's counterparty to a derivative transaction could default before the settlement date, thereby prematurely ending the contract. A loss will incur if the transaction has a positive economic value at the time of counterparty default. The Bank manages CCR through a combination of risk mitigation techniques, including collateral management, credit risk management and exposure limits.

b) Collateral Management

Collateral is taken to secure transactions and reduce the CCR. The Bank's collateral management process includes the valuation of collateral, monitoring of collaterals, and taking appropriate action in the event of collateral deterioration.

c) Credit Risk Management and Exposure Limits

The approval of credit limits and exposures to counterparties are subject to the Bank's prevailing underwriting standards and credit policies. Similar to other credit applications, counterparties are assigned the appropriate risk ratings and the applications are subject to independent credit assessments.

The Bank actively monitors and manages the limits to ensure compliance to internal and regulatory requirements on single largest counterparty. The Bank also takes the necessary actions and reports on counterparties experiencing issues with excess management and settlement failure.

d) Counterparty Credit Risk Capital Calculation

For regulatory capital charge purposes of Over the Counter (OTC) Islamic derivatives, the Group calculates pre-settlement capital adequacy requirement using following counterparty credit risk measures:

- Standardized Approach to Counterparty Credit Risk Capital Calculation (SA-CCR)
- Standardized Credit Valuation Adjustment Capital Charge (CVA)

e) Wrong Way Risk (WWR)

Wrong Way Risk (WWR) occurs when credit exposure to a counterparty is negatively correlated with the credit quality of that counterparty. This may be either due to the nature of the transaction itself (specific WWR) or to the market / macroeconomic factors that may affect the transaction or the counterparty or the counterparty sector in an unfavorable way (general WWR). WWR is identified and estimated to monitor CCR exposures.

f) Impact of the Group's Rating downgrade on Collateral

The liquidity impact of a downgrade on collateral management from the Group's perspective is not material as the collateral agreements are generally not linked to Group's rating.

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



8. Counterparty Credit Risk: DIS42 (continued)

Analysis of CCR exposures by approach: **CCR1**

| | a | b | c | d | e | f |
|--|------------------|---------------------------|---------------|---|------------------|----------------|
| 31 December 2023 | Replacement cost | Potential future exposure | Effective EPE | Alpha used for computing regulatory EAD | EAD post-CRM | RWA |
| 1 SA-CCR (for derivatives) | 717,826 | 193,490 | | 1.4 | 850,567 | 344,982 |
| 2 Standardised approach (for SFTs) | 268,874 | | | | 974,674 | 487,337 |
| 3 Simple Approach for credit risk mitigation (for SFTs) | | | | | | |
| 4 Comprehensive Approach for credit risk mitigation (for SFTs) | | | | | | |
| 5 Value-at-risk (VaR) for SFTs | | | | | | |
| 6 Total | | | | | 1,825,240 | 832,319 |

CVA capital charge: **CCR2**

| 31 December 2023 | EAD post-CRM | RWA |
|---|----------------|----------------|
| Total portfolios subject to the Advanced CVA capital charge | 850,567 | 168,229 |
| 1 (i) VaR component (including the 3×multiplier) | - | - |
| 2 (ii) Stressed VaR component (including the 3×multiplier) | - | - |
| 3 All portfolios subject to the Standardised CVA capital charge | - | - |
| 4 Total subject to the CVA capital charge | 850,567 | 168,229 |

Standardised approach - CCR exposures by regulatory portfolio and risk weights: **CCR3**

| | a | b | c | d | e | f | g | h | i |
|--|----|-----|----------------|------------------|-----|--------------|------|--------|-----------------------|
| Risk weight → | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Others | Total credit exposure |
| Regulatory portfolio ↓ | | | | | | | | | |
| Sovereigns | - | - | - | - | - | - | - | - | - |
| Qatar Government Entities and Domestic Public Sector Entities (PSEs) | - | - | - | - | - | - | - | - | - |
| Multilateral Development Banks (MDBs) | - | - | - | - | - | - | - | - | - |
| Banks | - | - | 370,085 | 1,444,715 | - | - | - | - | 1,814,800 |
| Corporates | - | - | - | 2,867 | - | 7,573 | - | - | 10,440 |
| Retail | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - |
| Total | - | - | 370,085 | 1,447,582 | - | 7,573 | - | - | 1,825,240 |

9. Market risk: DIS50

General qualitative disclosure requirements related to market risk: **MRA**

a) Strategies and processes

The fundamental principle of the Group Market Risk Management Policy is to ensure that the Bank is not exposed to unacceptable losses outside the risk appetite. To achieve it, the Market and Liquidity Risk Department works closely with risk takers ("the business units") and other control and support functions.

Market Risk Measurement:

The below measurements will serve as a basis for the market risk management and limit framework of the Bank:

- Product Valuation
- Sensitivity Analysis
- Earnings at Risk (EAR)
- PRRBB (Profit Rate Risk in the Banking Book)

The Bank designates certain derivatives held for risk management purpose as hedging instruments in qualifying Tahawwut (hedging) relationships. The Bank accounts for Tahawwut (hedging) relationship when certain conditions are met (documentation of hedging relationship, effectiveness of the hedge, hedge assessment, etc.)

b) Structure and organization of the market risk management function

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

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

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

The Board assume the ultimate responsibility of ensuring the Bank's exposure to market risk is acceptable in both normal operations and stress events.

Senior management has the primary responsibility for the management of market risk; GALCCO has the operational responsibilities for execution of the policy.

9. Market risk: DIS50 (continued)

General qualitative disclosure requirements related to market risk: **MRA** (continued)

c) Scope and nature of risk reporting and/or measurement systems.

Market risk reports are prepared on regular basis, and cover foreign exchange risk and profit rate risk analysis. Any breach in market risk limits will be reported to GALCCO within the GALCCO Pack, and to the Board CRC (Compliance and risk committee), within the key risk indicators (KRI's) report.

Market risk under the standardised approach: **MR1**

| | Capital requirement in standardised approach | Capital requirement in standardised approach |
|--|---|---|
| | 31 December 2023 | 30 June 2023 |
| 1 General interest rate risk | - | - |
| 2 Equity risk | - | - |
| 3 Commodity risk | - | - |
| 4 Foreign exchange risk | 15,772 | 29,587 |
| 5 Credit spread risk – non-securitisations | - | - |
| 6 Credit spread risk – securitisations (non-correlation trading portfolio) | - | - |
| 7 Credit spread risk – securitisation (correlation trading portfolio) | - | - |
| 8 Default risk – non-securitisations | - | - |
| 9 Default risk – securitisations (non-correlation trading portfolio) | - | - |
| 10 Default risk – securitisations (correlation trading portfolio) | - | - |
| 11 Residual risk add-on | - | - |
| 12 Total | 15,772 | 29,587 |

10. Credit valuation adjustment risk

Qualitative disclosures for banks using the SA-CVA: **CVAB**

a) Description of the Bank's CVA risk management framework

CVA stands for credit valuation adjustment specified at a counterparty level, it reflects the adjustment of default risk-free prices of derivatives due to a potential default of the counterparty.

b) Description of how senior management is involved in the CVA risk management framework

The Bank relies on counterparty credit ratings and market data inputs to measure CVA risk. The models are regularly reviewed by Group Risk Committee to ensure adequacy.

c) Overview of the governance of the CVA risk management framework

To mitigate CVA risk, the Bank has signed Credit Support Annexes with several counterparties to establish processes for collateral management. This practice reduces potential losses by providing additional security against counterparty default.

The standardised approach for CVA 9SA-CVA): **CVA3**

| | | SA-CVA RWA | Number of counterparties |
|----------|-----------------------------------|------------------|-----------------------------|
| | | 31 December 2023 | |
| 1 | Interest rate risk | 149,625 | 24 |
| 2 | Foreign exchange risk | 18,571 | 9 |
| 3 | Reference credit spread risk | - | - |
| 4 | Equity risk | - | - |
| 5 | Commodity risk | - | - |
| 6 | Cross Currency swap | 33 | 2 |
| 7 | Counterparty credit spread risk | - | - |
| 8 | Total (sum of rows 1 to 6) | 168,229 | 28 |

RWA flow statements of CVA risk exposures under SA-CVA: **CVA4**

| | | <i>a</i> |
|----------|--|----------------|
| 1 | Total RWA for CVA at 30 June 2023 | 136,164 |
| 2 | Total RWA for CVA at 31 December 2023 | 168,229 |

There were no significant changes on the RWA for CVA as at 31 December 2023 as compared with 30 June 2023.

11. Operational risk: DIS60

General qualitative information on a bank's operational risk framework: **ORA**

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 fraud risk, legal risk, and regulatory 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.

a) 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. Operational risk and compliance departments 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 shari'a 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 indicators, risk control and self-assessment, internal control testing, findings from auditors, customer complaints and documents the risks that could keep the Group from reaching its objectives.

11. Operational risk: DIS60 (continued)

General qualitative information on a bank's operational risk framework: **ORA** (continued)

b) Risk Governance (continued)

Risk Management (continued)

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. Operational Risk department maintains a risk register that lists all level three risks that may impact the objectives of the Bank.

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, action plan tracker and business impact analysis. 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 transfer the unacceptable risks associated to the Bank's services such as but not limited to infidelity, forgery & alterations, premises, cybercrime, third party liability 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.

c) Risk Reporting

In accordance with Qatar Central Bank's instructions, the Bank has adopted the standardized approach to compute 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 (GRC) on a monthly basis and to the Board through Group Compliance and Risk Committee (CRC) on quarterly basis.

12. Profit rate risk in the banking book (PRRBB): DIS70

PRRBB risk management objective and policies: **PRRBBA**

Qualitative disclosures:

a) Definition of PRRBB for purposes of risk control and measurement

- PRRBB refers to the current or prospective risk to the group's capital and to its earnings, arising from the impact of adverse movements in Profit rates on its banking book.
- Excessive PRRBB can pose a significant threat to a bank's current capital base and/or future earnings if not managed appropriately.
- Changes in Profit rates can affect the underlying economic value of the bank's assets, liabilities, because the present value of future cash flows (and, in many cases, the amounts of cash flows themselves) change when profit rates change. Changes in profit rates also affect a bank's earnings by increasing or decreasing its Net Profit Income.
- The main driver of PRRBB is a change in market Profit rates, both current and expected, as expressed by changes to the shape, slope and level of a range of different yield curves that incorporate some or all of the components of profit rates.

b) Bank's overall PRRBB management and mitigation strategies

The group calculates PRRBB capital requirements under two different approaches: Economic Value of Equity (EVE) and Net Profit Margin (NPM). The group established limits in the risk appetite statement; breaches will be escalated to the Group Risk Committee within the ICAAP report. Semiannually, Internal Audit reviews the PRRBB's model, the assumptions and all stress testing scenarios to ensure appropriate model validation.

GALCCO monitors the PRRBB on monthly basis by reviewing over 5 years profit rate Gap to take the proper actions using on-balance sheet or Off-Balance sheet hedging.

c) Calculation of the Bank's IRRBB measures and the specific measures that used to gauge sensitivity to PRRBB

The bank semiannually updates the Earning Based Approach (EBA) and Economic Value of Equity (EVE). Under these approaches the bank applies six profit rate shock scenarios to capture parallel and non-parallel gap risks for EVE and two profit rate shock scenarios for EBA. These scenarios are applied to PRRBB exposures in each currency for which the bank has material positions.

d) Profit rate shock and stress scenarios used to estimate changes in the economic value and in earnings

The bank applies six profit rate shock scenarios to capture parallel and non-parallel gap risks for EVE and two profit rate shock scenarios for EBA. These scenarios are applied to PRRBB exposures in each currency for which the bank has material positions.

e) Hedging of PRRBB and associated accounting treatment

The Bank enters in profit rate derivatives for risk management purposes, and designates those derivatives under hedge accounting, upon fulfilment of specific conditions. These hedging relationships can be classified as Cash Flow Hedges or Fair Value Hedges, depending on whether hedged risk is the cash flow variability or change in the fair value of an asset or liability.

12. Profit rate risk in the banking book (PRRBB): DIS70 (continued)

PRRBB risk management objective and policies: **PRRBA** (continued)

f) Key modeling and parametric assumptions used in calculating Δ EVE and Δ NII in PRRBB template

The Bank allocates the non-maturing customer deposits (NMD) in the different Re-Pricing buckets based on behavioral analysis, and as per the limits within the QCB circular.

Quantitative disclosures:

g) Average re-pricing maturity assigned to non-maturity deposits (NMDs)

4 years

h) Longest re-pricing maturity assigned to NMDs

5 Years for the transactional core deposits as per the QCB circular

Quantitative information on PRRBB: **PRRBB1**

| Period | Δ EVE | | Δ NII | |
|-----------------------|--------------------|------------------|-------------------|------------------|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Parallel up | (1,665,607) | (791,387) | (511,053) | (296,410) |
| Parallel down | (106,382) | (256,271) | (510,666) | (223,086) |
| Steepened | (911,124) | (237,287) | | |
| Flattener | - | (586,087) | | |
| Short rate up | (382,656) | (844,354) | | |
| Short rate down | (220,997) | (359,496) | | |
| Maximum | (1,665,607) | (844,354) | (511,053) | (296,410) |
| Period | 31 December 2023 | | 31 December 2022 | |
| Tier 1 capital | 22,263,127 | | 21,644,439 | |

13. Leverage ratio: DIS80

Summary comparison of accounting assets vs leverage ratio exposure measure: **LR1**

| | T | T-1 | T-2 | T-3 | T-4 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 31 December 2023 | 30 September 2023 | 30 June 2023 | 31 March 2023 | 31 December 2022 |
| 1 Total consolidated assets as per published financial statements | 164,199,535 | 164,374,122 | 160,467,776 | 162,188,735 | 167,533,213 |
| 2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | - | - | - | - | - |
| 3 Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference | - | - | - | - | - |
| 4 Adjustments for temporary exemption of central bank reserves (if applicable) | - | - | - | - | - |
| 5 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | (1,564,774) | (1,593,229) | (1,621,683) | (1,650,137) | (1,678,592) |
| 6 Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting | - | - | - | - | - |
| 7 Adjustments for eligible cash pooling transactions | - | - | - | - | - |
| 8 Adjustments for derivative financial instruments | 193,490 | 183,062 | 258,757 | 183,786 | 122,947 |
| 9 Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending) | 2,985,991 | 3,408,467 | 12,019 | - | - |
| 10 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 8,066,495 | 8,711,466 | 9,307,192 | 9,593,855 | 10,297,402 |
| 11 Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital | - | - | - | - | - |
| 12 Other adjustments | - | - | - | - | - |
| 13 Leverage ratio exposure measure | 173,880,736 | 175,083,887 | 168,424,061 | 170,316,239 | 176,274,970 |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



13. Leverage ratio: DIS80 (continued)

Leverage ratio common disclosure template: LR2

| | T | T-1 | T-2 | T-3 | T-4 |
|--|---------------------|----------------------|-----------------|------------------|---------------------|
| | 31 December 2023 | 30 September 2023 | 30 June 2023 | 31 March 2023 | 31 December 2022 |
| On-balance sheet exposures | | | | | |
| 1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 163,481,709 | 163,532,319 | 159,889,646 | 161,674,037 | 166,948,869 |
| 2 Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework | - | - | - | - | - |
| 3 (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | - | - | - | - | - |
| 4 (Adjustment for securities received under securities financing transactions that are recognised as an asset) | - | - | - | - | - |
| 5 (Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital) | - | - | - | - | - |
| 6 (Asset amounts deducted in determining Tier 1 capital and regulatory adjustments) | (1,564,774) | (1,593,229) | (1,621,683) | (1,650,137) | (1,678,592) |
| 7 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6) | 161,916,935 | 161,939,090 | 158,267,963 | 160,023,900 | 165,270,277 |
| Derivative exposures | | | | | |
| 8 Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives) | 717,826 | 841,803 | 572,120 | 514,698 | 584,344 |
| 9 Add-on amounts for potential future exposure associated with <i>all</i> derivatives transactions | 193,490 | 183,062 | 258,757 | 183,786 | 122,947 |
| 9a Deductions of receivables assets for cash variation margin provided in derivatives transactions | - | - | - | - | - |
| 10 (Exempted central counterparty (CCP) leg of client-cleared trade exposures) | - | - | - | - | - |
| 11 Adjusted effective notional amount of written credit derivatives | - | - | - | - | - |
| 12 (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - | - | - | - |
| 13 Total derivative exposures (sum of rows 8 to 12) | 911,316 | 1,024,865 | 830,877 | 698,484 | 707,290 |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



13. Leverage ratio: DIS80 (continued)

Leverage ratio common disclosure template: LR2 (continued)

| | T | T-1 | T-2 | T-3 | T-4 |
|---|------------------|-------------------|--------------|---------------|------------------|
| | 31 December 2023 | 30 September 2023 | 30 June 2023 | 31 March 2023 | 31 December 2022 |
| Securities financing transaction exposures | | | | | |
| 14 Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions | 2,686,548 | 2,995,051 | 12,019 | - | - |
| 15 (Netted amounts of cash payables and cash receivables of gross SFT assets) | (187,894) | (215,342) | - | - | - |
| 16 Counterparty credit risk exposure for SFT assets | 487,337 | 628,758 | 6,010 | - | - |
| 17 Agent transaction exposures | - | - | - | - | - |
| 18 Total securities financing transaction exposures (sum of rows 14 to 17) | 2,985,991 | 3,408,467 | 18,029 | - | - |
| Other off-balance sheet exposures | | | | | |
| 19 Off-balance sheet exposure at gross notional amount | 12,395,471 | 13,097,637 | 14,226,283 | 14,618,870 | 15,912,629 |
| 20 (Adjustments for conversion to credit equivalent amounts) | (4,328,976) | (4,386,171) | (4,919,091) | (5,025,015) | (5,615,227) |
| 21 (Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital) | - | - | - | - | - |
| 22 Off-balance sheet items (sum of rows 19 to 21) | 8,066,495 | 8,711,466 | 9,307,193 | 9,593,855 | 10,297,402 |
| Capital and total exposures | | | | | |
| 23 Tier 1 capital | 22,263,127 | 21,728,540 | 21,744,613 | 21,691,644 | 21,644,439 |
| 24 Total exposures (sum of rows 7, 13, 18 and 22) | 173,880,736 | 175,083,887 | 168,424,061 | 170,316,239 | 176,274,970 |
| Leverage ratio | | | | | |
| 25 Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) | 12.8% | 12.4% | 12.9% | 12.7% | 12.3% |
| 25a Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | 12.8% | 12.4% | 12.9% | 12.7% | 12.3% |
| 26 National minimum leverage ratio requirement | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

14. Liquidity: DIS85

Liquidity risk management: **LIQA**

Qualitative disclosures:

a) Governance of liquidity risk management

The fundamental principle of the Group Liquidity Risk Management Policy is to ensure that the Bank is not exposed to unacceptable losses outside the risk appetite. To achieve it, the Market and Liquidity Risk Department works closely with risk takers ("the business units") and other control and support functions.

The Board assumes the ultimate responsibility of ensuring the Bank's liquidity is adequate in both normal operations and stress events, while Group Assets, Liabilities and Capital Committee (GALCCO) has the operational responsibilities for execution of the policy.

- The Bank defines liquidity risk appetite as the overall tolerance for unmitigated funding liquidity risk and its impact on the Bank's profitability and stakeholders.
- The Bank's liquidity risk appetite statement considers QCB requirements, internal constraints set by management, other external factors (such as rating agencies), in addition to key shareholders' liquidity management objectives.
- Any breach in liquidity risk limits will be reported monthly to GALCCO, and to the Board CRC (Compliance and risk committee), within the key risk indicators (KRI's) report.

b) Funding strategy

- The Bank's medium term strategy is focused on strong corporate banking franchise, a leading role in treasury and fixed income, superior premium banking, exclusive private banking, and trade flow access to emerging markets.
- The Bank diversifies its available funding sources in the short, medium and long term, as part of its funding strategy.
- The Bank maintains market access to the funding markets, in order to achieve effective diversification of funding sources.
- Funding concentration analysis addresses diversification by funding sources, tenor and type;
- Funding concentration ratios and limits calculated and analyzed in light of the nature of relationship between the Bank, its shareholders and strategic partners.
- The Bank monitors funding from significant counterparty, and funding from single geographical location on monthly basis.

c) Liquidity risk mitigation techniques

Liquidity risk is mitigated by proper management of the cash flow, and by holding High quality liquid assets that the Bank can convert fast to cash when needed. The Bank updates the liquidity contingency funding plan and recovery plan annually. The Bank Semiannually conducts liquidity stress testing, these tests aim to ensure that the Bank will continue to have sufficient liquidity resources to face the potential funding withdrawal in case the worst scenario occurs among these scenarios.

14. Liquidity: DIS85 (continued)

Liquidity risk management: **LIQA** (continued)

Qualitative disclosures: (continued)

d) Stress testing

Stress testing framework and policy are driven by the importance of stress testing in the organization as well as the principles as set out by the Qatar Central Bank and Islamic Financial Services Board.

The Risk Management engage with the business to generate stress testing scenarios, as well as the relevant variables and results. Scenarios and results will then be reviewed before being presented to the management.

The Bank has conducted forward looking stress tests based on the stresses as set out in the QCB circulars. The methodology for the stress testing involved the development of five year forward looking pro-forma financial statements, and then applying the relevant stresses to these financials.

e) Contingency funding plans

A contingency funding plan LCFP outlines the contingent liquidity sources, the main responsibilities, and the series of steps management would take in responding to one or more liquidity stress event.

A contingency funding is simply a reserve fund set aside to handle unanticipated cash outflows that are outside the range of the usual operating budget. It is imperative for the Bank to maintain an adequate amount of liquid assets as a defense against a possible loss in an emergency situation. Financial resources may run dry quickly in adverse scenarios, forcing the Bank to look elsewhere for funding.

A contingency funding plan LCFP addresses the Bank's strategy for handling liquidity stress events. LCFP serve as the proposal for meeting its funding needs in a timely manner and at a reasonable cost. It describes policies and procedures for managing or making up cash flow shortfalls in stress situations.

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



14. Liquidity: DIS85 (continued)

Liquidity risk management: **LIQA** (continued)

Quantitative disclosures:

Balance sheet by maturity buckets

| 31 December 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 |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



14. Liquidity: DIS85 (continued)

Liquidity Coverage Ratio (LCR): **LIQ1**

The table below sets out the split of cash outflows and cash inflows, as well as the available HQLA on both an unweighted and weighted basis, which are used to derive the LCR.

| | | T | | T-1 | | T-2 | | T-3 | | T-4 |
|---|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value |
| | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) |
| | 31 December 2023 | 31 December 2023 | 30 September 2023 | 30 September 2023 | 30 June 2023 | 30 June 2023 | 31 March 2023 | 31 March 2023 | 31 December 2022 | 31 December 2022 |
| High-quality liquid assets | | | | | | | | | | |
| 1 Total HQLA | | 37,012,193 | | 34,064,770 | | 31,703,887 | | 31,087,177 | | 29,185,509 |
| Cash outflows | | | | | | | | | | |
| 2 Retail deposits and deposits from small business customers, of which: | | | | | | | | | | |
| 3 Stable deposits | 11,525,295 | 1,745,822 | 11,683,915 | 1,841,574 | 12,221,733 | 1,933,117 | 12,578,393 | 1,947,199 | 11,846,508 | 1,830,875 |
| 4 Less stable deposits | 21,506,623 | 850,830 | 20,912,799 | 812,982 | 19,708,160 | 729,603 | 18,055,645 | 677,442 | 17,557,760 | 676,373 |
| 5 Unsecured wholesale funding, of which: | | | | | | | | | | |
| 6 Operational deposits (all counterparties) and deposits in networks of cooperative banks | 42,411,278 | 24,321,053 | 40,568,787 | 24,014,379 | 37,404,684 | 21,713,420 | 41,238,722 | 23,211,715 | 43,974,273 | 24,464,311 |
| 7 Non-operational deposits (all counterparties) | - | - | - | - | - | - | - | - | - | - |
| 8 Unsecured debt | - | - | - | - | - | - | - | - | - | - |
| 9 Secured wholesale funding | 320,685 | 298,282 | 538,413 | 512,787 | 210,776 | 175,138 | 204,612 | 69,431 | 1,519,954 | 361,645 |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



14. Liquidity: DIS85 (continued)

Liquidity Coverage Ratio (LCR): LIQ1 (continued)

| | | T | | T-1 | | T-2 | | T-3 | | T-4 |
|---|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|
| | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value |
| | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) |
| | 31 December 2023 | 31 December 2023 | 30 September 2023 | 30 September 2023 | 30 June 2023 | 30 June 2023 | 31 March 2023 | 31 March 2023 | 31 December 2022 | 31 December 2022 |
| 10 Additional requirements, of which: | | | | | | | | | | |
| 11 Outflows related to derivative exposures and other collateral requirements | - | - | - | - | - | - | - | - | - | - |
| 12 Outflows related to loss of funding on debt products | - | - | - | - | - | - | - | - | - | - |
| 13 Credit and liquidity facilities | - | - | - | - | - | - | - | - | - | - |
| 14 Other contractual funding obligations | 154,342 | 154,342 | 153,545 | 153,545 | 147,506 | 147,506 | 126,341 | 126,341 | 115,828 | 115,828 |
| 15 Other contingent funding obligations | 10,695,407 | 800,168 | 11,834,909 | 864,826 | 12,616,932 | 958,337 | 12,639,450 | 952,522 | 13,841,590 | 1,291,235 |
| 16 TOTAL CASH OUTFLOWS | 86,613,628 | 28,170,496 | 85,692,369 | 28,200,093 | 82,309,791 | 25,657,122 | 84,843,163 | 26,984,650 | 88,855,912 | 28,740,266 |
| Cash inflows | | | | | | | | | | |
| 17 Secured lending (eg reverse repos) | - | - | - | - | - | - | - | - | - | - |
| 18 Inflows from fully performing exposures | 1,027,003 | 513,502 | 1,157,163 | 578,581 | 1,201,262 | 600,631 | 1,351,681 | 675,840 | 675,840 | 712,904 |
| 19 Other cash inflows | 4,308,453 | 4,308,453 | 3,157,849 | 3,157,849 | 3,515,654 | 3,515,654 | 3,246,935 | 3,246,935 | 3,246,935 | 3,122,057 |
| 20 TOTAL CASH INFLOWS | 5,335,456 | 4,821,955 | 4,315,012 | 3,736,431 | 4,716,916 | 4,116,285 | 4,598,615 | 3,922,775 | 3,922,775 | 3,834,961 |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



14. Liquidity: DIS85 (continued)

Liquidity Coverage Ratio (LCR): LIQ1 (continued)

| | | T | | T-1 | | T-2 | | T-3 | | T-4 |
|----|------------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value | Total unweighted value | Total weighted value |
| | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) | (average) |
| | 31 December 2023 | 31 December 2023 | 30 September 2023 | 30 September 2023 | 30 June 2023 | 30 June 2023 | 31 March 2023 | 31 March 2023 | 31 December 2022 | 31 December 2022 |
| | | Total adjusted value | | Total adjusted value | | Total adjusted value | | Total adjusted value | | Total adjusted value |
| 21 | Total HQLA | 37,012,193 | | 34,064,770 | | 31,703,887 | | 31,087,177 | | 29,185,509 |
| 22 | Total net cash outflows | 23,348,542 | | 24,463,662 | | 21,540,837 | | 23,061,875 | | 24,905,304 |
| 23 | Liquidity Coverage Ratio (%) | 158.52% | | 139.25% | | 147.18% | | 134.80% | | 117.19% |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



14. Liquidity: DIS85 (continued)

Liquidity Coverage Ratio (LCR): **LIQ1** (continued)

The components of HQLA are as follows:

| | T | T-1 | T-2 | T-3 | T-4 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Total weighted value | Total weighted value | Total weighted value | Total weighted value | Total weighted value |
| | 31 December 2023 | 30 September 2023 | 30 June 2023 | 31 March 2023 | 31 December 2022 |
| Level 1 Assets | | | | | |
| Cash in Hand | 576,335 | 553,918 | 560,794 | 576,001 | 685,034 |
| Claim on QCB | 4,357,193 | 4,113,880 | 4,217,689 | 4,398,062 | 4,202,968 |
| Debt Securities (Sukuk): | 30,928,523 | 28,482,525 | 25,995,611 | 25,360,729 | 23,738,928 |
| <i>Issued by Government of Qatar</i> | 30,928,523 | 28,482,525 | 25,995,611 | 25,360,729 | 23,738,928 |
| Marketable Debt Securities (Sukuk) (0% RW) | 552,504 | 497,642 | 494,981 | 447,854 | 448,017 |
| Total Stock of Level 1 Assets | 36,414,555 | 33,647,966 | 31,269,075 | 30,782,645 | 29,074,946 |
| Level 2A Assets | | | | | |
| Marketable Debt Securities (Sukuk) (20% RW) | 372,211 | 259,833 | 290,836 | 215,027 | 74,655 |
| Marketable Debt Securities (Sukuk) issued by Non-financial institutions | - | - | - | - | - |
| Total Stock of Level 2A Assets | 372,211 | 259,833 | 290,836 | 215,027 | 74,655 |
| Level 2B Assets | | | | | |
| Qualifying Corporate Debt Securities (Sukuk) (including Commercial Paper) | 186,248 | 118,523 | 108,816 | 56,874 | 6,355 |
| Qualifying Common Equity Shares of non-financial corporates | 39,178 | 38,447 | 35,161 | 32,631 | 29,552 |
| Total Stock of Level 2B Assets | 225,426 | 156,970 | 143,976 | 89,505 | 35,908 |
| Total Stock of Liquid Assets HQLA | 37,012,193 | 34,064,770 | 31,703,887 | 31,087,177 | 29,185,509 |

The average LCR ratio of the Bank increased from 147.18% to 158.52% in June 2023 to December 2023, respectively, mainly driven by the increase in net investments in sukuk issued by the State of Qatar over the period resulting into higher HQLA as at 31 December 2023, as compared to 30 June 2023. This was partly offset by the increase in total net cash outflows during the same period.

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



14. Liquidity: DIS85 (continued)

Net Stable Funding Ratio (NSFR): LIQ2

| | | Unweighted value by residual maturity | | | | Weighted value |
|--|--|---------------------------------------|-------------------|----------------------|-------------------|-------------------|
| | | No maturity | < 6 months | 6 months to < 1 year | ≥ 1 year | 31 December 2023 |
| Available stable funding (ASF) item | | | | | | |
| 1 | Capital: | 23,827,901 | - | - | - | 23,827,901 |
| 2 | Regulatory capital | 22,827,901 | - | - | - | 22,827,901 |
| 3 | Other capital instruments | 1,000,000 | - | - | - | 1,000,000 |
| 4 | Retail deposits and deposits from small business customers: | - | 20,359,566 | 9,250,072 | 4,073,743 | 27,629,571 |
| 5 | Stable deposits | - | 20,359,566 | 9,250,072 | - | 23,555,828 |
| 6 | Less stable deposits | - | - | - | 4,073,743 | 4,073,743 |
| 7 | Wholesale funding: | - | 79,340,082 | 11,138,214 | 9,315,647.50 | 36,084,429 |
| 8 | Operational deposits | - | - | - | - | - |
| 9 | Other wholesale funding | - | 79,340,082 | 11,138,214 | 9,315,648 | 36,084,429 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | 6,597,141 | - | - | - | - |
| 12 | NSFR derivative liabilities | - | - | - | - | - |
| 13 | All other liabilities and equity not included in the above categories | 6,597,141 | - | - | - | - |
| 14 | Total ASF | 30,425,043 | 99,699,648 | 20,388,286 | 13,389,391 | 87,541,902 |
| Required stable funding (RSF) item | | | | | | |
| 15 | Total NSFR high-quality liquid assets (HQLA) | 84,560 | 11,231,893 | 2,120,090 | 19,197,467 | 1,927,085 |
| 16 | Deposits held at other financial institutions for operational purposes | - | - | - | - | - |
| 17 | Performing financing assets and securities: | 3,309,657 | 21,305,981 | 7,091,991 | 88,759,893 | 86,673,992 |
| 18 | Performing financing assets to financial institutions secured by Level 1 HQLA | | | | | |
| 19 | Performing financing assets to non-Level 1 HQLA and unsecured performing financing assets to financial institutions | - | 10,798 | 5,655,704 | 416,733 | 1,267,831 |
| 20 | Performing financing assets to non-financial corporate clients, financing assets to retail and small business customers, and financing assets to sovereigns, central banks and PSEs, of which: | 3,111,659 | 20,884,664 | 1,026,906 | 81,071,835 | 79,216,229 |
| | : of which Central bank balances | - | 291,063 | - | 4,254,992 | - |

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

Basel Pillar 3 Disclosures

31 December 2023

(All amounts are shown in thousands of Qatari Riyals)



14. Liquidity: DIS85 (continued)

Net Stable Funding Ratio (NSFR): LIQ2 (continued)

| | | Unweighted value by residual maturity | | | | Weighted value |
|----|---|---------------------------------------|-------------------|----------------------|--------------------|--------------------|
| | | No maturity | < 6 months | 6 months to < 1 year | ≥ 1 year | 31 December 2023 |
| 21 | With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | - | - | - | 2,692,177 | 1,749,915 |
| 22 | Performing residential mortgages, of which: | - | - | - | - | - |
| 23 | With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | - | - | - | - | - |
| 24 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | 197,998 | 410,519 | 409,381 | 4,579,148 | 4,440,018 |
| 25 | Assets with matching interdependent liabilities | | | | | |
| 26 | Other assets: | 8,669,485 | 2,214,035 | - | - | 10,436,322 |
| 27 | Physical traded commodities, including gold | - | - | - | - | - |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties | - | - | - | - | - |
| 29 | NSFR derivative assets | 304,406 | - | - | - | 304,406 |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | 82,684 | - | - | - | 82,684 |
| 31 | All other assets not included in the above categories | 8,282,395 | 2,214,035 | - | - | 10,049,232 |
| 32 | Off-balance sheet items | 11,485,117 | - | - | - | 1,650,355 |
| 33 | Total RSF | 23,548,819 | 34,751,908 | 9,212,080 | 107,957,360 | 100,687,755 |
| 34 | Net Stable Funding Ratio (%) | | | | | 86.94% |

There were no significant movements in the Net Stable Funding Ratio from June 2023 to December 2023.