CONSOLIDATED FINANCIAL STATEMENTS

LESHA BANK L.L.C (Public)

(FORMERLY KNOWN AS QATAR FIRST BANK L.L.C)

31 December 2022

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C. (PUBLIC)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Qatar First Bank L.L.C. (Public) (the "Bank" or "Parent") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of financing assets	

At 31 December 2022, the Group's gross financing assets amounted to QAR 541 million (2021: QAR 793 million) and the total provision for impairment on the financing assets amounted to QAR 336 million (2021: QAR 404 million).
 	
The process for estimating impairment provision on credit risk associated with financing assets in accordance with FAS 30 Impairment, Credit Losses and Onerous Commitments involves significant judgement.
 	
FAS 30 requires use of the Expected Credit Loss ("ECL") model for the purposes of calculating impairment provision. ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for financing assets. The assumptions regarding the economic outlook are more uncertain which increases the level of judgment required by the Group in calculating the ECL. Due to the complexity of requirements under FAS 30, and the current situation, significance of judgements applied and the Group's exposure to financing assets forming a major portion of the Group's performance, the audit of ECL for financing assets is a key audit matter.
 	
Refer to the notes to financial statements for:
• Note 4 – Significant accounting policy
• Note 5 – Use of estimates and judgements
• Note 27.6.5 – Inputs, assumptions and techniques used for estimating impairment
	Our audit approach included testing the controls associated with the relevant processes for estimating the ECL and performing substantive procedures on such estimates. We involved our internal specialist where their specific expertise was required. Our key audit procedures were as follows:
	
	• We obtained understanding of the Group's ECL policy and the design of the controls and tested the operating effectiveness of relevant controls and governance around it.
	• We have checked the completeness of the data used as input for the ECL model and the mathematical accuracy through the model processes.
	• We assessed:
	  • the Group's ECL policy including the criteria of staging and significant increase in credit risk with the requirements of FAS 30;
	  • the Group's forward-looking economic variables by comparing them on a sample basis against supporting evidences, where applicable; and
	  • the basis of determination of the management overlays against the requirements of the Group's ECL policy.
	• For a sample of exposures, we performed procedures to evaluate:
	  • appropriateness of exposure at default, probability of default and loss given default in the calculation of ECL;
	  • timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and the ECL calculation.
	• Assessed the impairment allowance for individually impaired loans and advances (stage 3) in accordance with FAS 30.
	• Assessed the adequacy of the Group's disclosures in relation to FAS 30 by reference to the requirements of the relevant financial reporting standards.

Report on the audit of the consolidated financial statements (continued)

Other information included in the Group's 2022 Annual Report

Other information consists of the information included in the Group's annual report (the "Annual Report"), other than the Group's consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the management and the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C. (PUBLIC) (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We are of the opinion that proper books of account were maintained by the Bank. We are not aware of any contraventions by the Bank of its Articles of Association or the applicable provisions of Qatar Financial Center Regulatory Authority regulations during the financial year that would have had a material adverse effect on its financial position or performance.

Ahmed Sayed
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Auditor's Registration No. 326

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Doha, State of Qatar
Date: 15 February 2023

بنك لشا
LESHA BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (expressed in QAR'000)

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and bank balances	6	**2,368,489**	1,651,742
Investments carried at amortised cost	7	**174,230**	82,256
Investment in funds carried at fair value		**239,735**	85,731
Financing assets	8	**204,725**	388,736
Investments carried at fair value	9	**1,384,339**	407,554
Investments in real estate	10	**225,368**	226,368
Fixed assets	11	**21,562**	11,211
Intangible assets	12	**1,951**	3,173
Assets held-for-sale	13	**403,480**	315,319
Other assets	14	**225,917**	32,586
TOTAL ASSETS		**5,249,796**	3,204,676
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY			
Liabilities			
Financing liabilities	15	**742,049**	527,524
Customers' balances		**310,317**	136,525
Liabilities held-for-sale	13	**149,987**	167,011
Other liabilities	16	**181,843**	84,506
Total Liabilities		**1,384,196**	915,566
Equity of Unrestricted Investment Account Holders	17	**2,744,929**	1,739,352
Equity			
Share capital	18	**1,120,000**	700,000
Share premium		**80,003**	203
Investments fair value reserve		**(14,733)**	(1,588)
Accumulated losses		**(52,383)**	(125,966)
Total Equity Attributable to Shareholders of the Bank		**1,132,887**	572,649
Non-controlling interest		**(12,216)**	(22,891)
Total Equity		**1,120,671**	549,758
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		**5,249,796**	3,204,676

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These consolidated financial statements were authorised for issuance by the Board of Directors on 15 February 2023 and signed on its behalf by:

Chairman

Vice- chairman

The attached notes are an integral part of these consolidated financial statements.

For the year ended 31 December 2022 (expressed in QAR'000)

	Notes	For the year ended 31 December 2022	31 December 2021
CONTINUING OPERATIONS			
INCOME			
Income from financing assets		**9,862**	14,433
Income from placements with financial institutions		**29,060**	2,770
Profit on the financing liabilities		**(6,316)**	(3,002)
Net income from financing assets		**32,606**	14,201
Fee income	*19*	**64,682**	31,500
Dividend income		**15,382**	12,624
Profit on Sukuk investments		**30,298**	12,374
Loss on re-measurement of investments at fair value through income statement		**(26,898)**	(3,236)
Fair value loss on re-measurement of investments in real estate		**(1,000)**	(2,800)
(Loss) / gain on disposal of sukuk investments		**(1,523)**	788
Gain on disposal of equity investments	*9.2*	**25,657**	175,123
Loss on settlement of financing assets	*8*	**(1,508)**	-
Net foreign exchange gain / (loss)		**9,467**	(2,514)
Other income, net	*20*	**20,621**	11,406
Total Income Before Return To Unrestricted Investment Account Holders		**167,784**	249,466
Return to unrestricted investment account holders		**(52,144)**	(22,754)
TOTAL INCOME		**115,640**	226,712
EXPENSES			
Staff costs		**(58,817)**	(55,826)
Depreciation and amortisation	*11 & 12*	**(5,172)**	(3,263)
Other operating expenses	*21*	**(41,764)**	(25,372)
TOTAL EXPENSES		**(105,753)**	(84,461)
Reversal / (provision) for impairment on financing assets, net of recoveries	*27*	**61,375**	(7,374)
Reversal / (provision) for impairment on other financial assets	*27*	**9,425**	(12,071)
NET PROFIT BEFORE INCOME TAX		**80,687**	122,806
Income tax expense		**-**	-
NET PROFIT FROM CONTINUING OPERATIONS		**80,687**	122,806
DISCONTINUED OPERATIONS			
Profit / (loss) from discontinued operations, net of tax	*13*	**3,797**	(57,999)
NET PROFIT FOR THE PERIOD		**84,484**	64,807
Attributable to:			
Equity holders of the Bank		**75,470**	100,370
Non-controlling interest		**9,014**	(35,563)
		84,484	64,807
Basic/diluted profit per share from continuing operations - QAR (2021 : restated)	22	**0.083**	0.160
Basic/diluted loss per share from discontinued operations - QAR (2021 : restated)	*22*	**(0.005)**	(0.029)
Basic/diluted profit per share - QAR (2021 : restated)	*22*	**0.078**	0.131

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The attached notes are an integral part of these consolidated financial statements.

LESHA BANK L.L.C (PUBLIC)
(FORMERLY KNOWN AS QATAR FIRST BANK L.L.C)

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2022 (expressed in QAR'000)

	Share capital	Share premium	Investments fair value reserve	Accumulated losses	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2021	700,000	203	-	(223,827)	476,376	225,988	702,364
Net profit for the year	-	-	-	100,370	100,370	(35,563)	64,807
Fair value adjustments	-	-	(1,588)	-	(1,588)	-	(1,588)
Social and Sport funds contribution	-	-	-	(2,509)	(2,509)	-	(2,509)
Net change in non-controlling interests due to:							
- Real Estate Structures	-	-	-	-	-	(213,316)	(213,316)
Balance at 31 December 2021	700,000	203	(1,588)	(125,966)	572,649	(22,891)	549,758
Balance at 1 January 2022	**700,000**	**203**	**(1,588)**	**(125,966)**	**572,649**	**(22,891)**	**549,758**
Increase in share capital	**420,000**	**-**	**-**	**-**	**420,000**	**-**	**420,000**
Increase in share premium	**-**	**84,000**	**-**	**-**	**84,000**	**-**	**84,000**
Expenses on issuances of right issue	**-**	**(4,200)**	**-**	**-**	**(4,200)**	**-**	**(4,200)**
Net profit for the year	**-**	**-**	**-**	**75,470**	**75,470**	**9,014**	**84,484**
Fair value adjustments	**-**	**-**	**(13,145)**	**-**	**(13,145)**	**-**	**(13,145)**
Social and Sport funds contribution	**-**	**-**	**-**	**(1,887)**	**(1,887)**	**-**	**(1,887)**
Net change in non-controlling interests due to:							
- Real Estate Structures	**-**	**-**		**-**	**-**	**1,661**	**1,661**
Balance at 31 December 2022	**1,120,000**	**80,003**	**(14,733)**	**(52,383)**	**1,132,887**	**(12,216)**	**1,120,671**

The attached notes are an integral part of these consolidated financial statements.

LESHA BANK

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022 (expressed in QAR'000)

	Notes	For the year ended 31 December 2022	31 December 2021
OPERATING ACTIVITIES			
Net profit from continuing operations		**80,687**	122,806
Net profit / (loss) from discontinued operations before tax		**3,797**	(57,999)
Net profit for the period		**84,484**	64,807
Adjustments for non-cash items			
Depreciation and amortisation	*11 & 12*	**5,172**	3,263
Loss on disposal of Fixed assets		**220**	-
Unrealised loss on equity investments		**26,898**	3,236
Unrealised loss / (gain) on Sharia-compliant risk management instruments, net		**6,770**	(3,517)
Unrealised fair value loss on investment in real estate		**1,000**	2,800
(Reversal) / provision for impairment on financing assets, net	*27*	**(61,375)**	7,374
(Reversal) / provision for impairment on other financial assets	*27*	**(9,425)**	12,071
		53,744	90,034
Changes in:			
Investments carried at amortised cost		**(91,725)**	159,349
Investment in funds carried at fair value		**(154,004)**	(85,731)
Financing assets		**245,386**	76,453
Investment carried at fair value		**(1,016,626)**	(243,873)
Assets held-for-sale		**(88,161)**	866,330
Investments in real estate		**-**	(54,356)
Other assets		**(193,331)**	24,217
Customers' balances		**173,792**	54,286
Liabilities held-for-sale		**(17,024)**	(435,250)
Other liabilities		**91,195**	(1,493)
Net cash (used in) / from operating activities		**(996,754)**	449,966
INVESTING ACTIVITIES			
Purchase of fixed assets & intangible	*11 & 12*	**(14,602)**	(11,313)
Proceeds from disposal of fixed assets		**81**	-
Net change in cash and bank balances with maturity of more than 90 days		**(342,339)**	(40,704)
Net cash used in investing activities		**(356,860)**	(52,017)
FINANCING ACTIVITIES			
Net change in financing liabilities		**214,525**	142,490
Net change in equity of unrestricted investment account holders		**1,005,577**	591,899
Net proceeds from right issue		**499,800**	-
Net change in non-controlling interest		**1,661**	(213,316)
Net cash from financing activities		**1,721,563**	521,073
Net increase in cash and cash equivalents		**367,949**	919,022
Cash and cash equivalents at the beginning of the year	*6*	**1,621,218**	702,196
Cash and cash equivalents at the end of the year	*6*	**1,989,167**	1,621,218

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The attached notes are an integral part of these consolidated financial statements.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

1. REPORTING ENTITY

Lesha Bank L.L.C (Public) (formerly known as Qatar First Bank L.L.C) ("the Bank" or "the Parent" or "Lesha Bank") is an Islamic bank, which was established in the State of Qatar as a limited liability company under license No.00091, dated 4 September 2008, from the Qatar Financial Centre Authority. The Bank is authorised to conduct the following regulated activities by the Qatar Financial Centre Regulatory Authority (the "QFCRA"):

- Deposit taking;
- Providing credit facilities;
- Dealing in investments;
- Arranging deals in investments;
- Arranging credit facilities;
- Providing custody services;
- Arranging the provision of custody services;
- Managing investments;
- Advising on investments; and
- Operating a collective investment fund.

All the Bank's activities are regulated by the QFCRA and are conducted in accordance with Islamic Shari'a principles, as determined by the Shari'a Supervisory Board of the Bank and in accordance with the provisions of its Articles of Association. The Bank operates through its head office located on 4th Floor, Tornado Tower, West Bay, Doha, State of Qatar. The Bank's issued shares are listed for trading on the Qatar Exchange effective from 27 April 2016 (ticker: "QFBQ").

At the Extraordinary General Meeting (EGM) of the Bank held on 1 August 2022, the shareholders approved to change the name of the Bank to "Lesha Bank".

The consolidated financial statements of the Bank for the year ended 31 December 2022 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Parent Company / Ultimate Controlling Party of the Group is Lesha Bank L.L.C (Public) (formerly known as Qatar First Bank L.L.C). The Bank had the following subsidiaries as at 31 December 2022 and 31 December 2021:

		Effective ownership as at			
Subsidiaries	**Activity**	**31 December 2022**	31 December 2021	**Year of incorporation**	**Country**
Isnad for Catering & Services QSCC	Catering	**75.0%**	75.0%	2012	Qatar
QFB Money Market Fund 1	Money market fund	**100.0%**	100.0%	2015	Cayman Islands
QFB Tech Fund Ltd.	Investments	**100.0%**	100.0%	2021	Cayman Islands
Astor Properties Finance Limited.*	Financing	**29.0%**	29.0%	2017	Jersey
Astor Properties Holdings Limited.*	Holding company	**29.0%**	29.0%	2017	Jersey
Umm Slal four Accommodation LLC	Construction	**70.0%**	70.0%	2017	Qatar
3130 Fairview GEG, LLC*	Owning and leasing real estate	**97.0%**	97.0%	2019	USA
Fairview Investor Corp.*	Leasing real estate	**97.0%**	97.0%	2019	USA
QFB Investments I Ltd.	Investments	**100.0%**	-	2022	Cayman Islands
QFB Private Equity Ltd.	Investments	**100.0%**	-	2022	Cayman Islands
QFB Sharia-Compliant Global PE FoF2	Investments	**100.0%**	-	2022	Cayman Islands
QFB Hospitality Ltd.	Investments	**100.0%**	-	2022	Cayman Islands
QFB Sharia-Compliant Global Real Estate Fund of Funds	Investments	**100.0%**	-	2022	Cayman Islands

*These subsidiaries are related to investment products offered to customers. Refer to Note 13.1.

2. BASIS OF PREPARATION

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") as amended by applicable QFCRA rules and the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention except for valuation of equity investments, investments in real estate, and Shari'a-compliant-risk-management instruments which are carried at fair value.

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 5.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following standards and amendments to standards effective from 1 January 2022.

QFCRA regulations with respect to accounting treatment of equity investments at fair value through equity

QFCRA issued an instruction dated 4 October 2020 on accounting treatment for investments in equity instruments to ensure that harmonisation is achieved between QFCRA-regulated conventional banks and Islamic banks.

Key changes in accounting of equity-type investments classified as fair value through equity:

Subsequent measurement
FAS 33's exemption to carry equity investments at cost less impairment, when a reliable measure of fair value when on a continuous basis cannot be determined, was removed.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and are reported as part of fair value reserve within equity statement.

Cumulative gains and losses recognised as part of fair value reserve within equity are transferred to retained earnings on disposal of equity investments at fair value through equity.

The regulation is effective from the financial reporting beginning on or after 1 January 2020. The new regulation did not have any impact on these consolidated financial statements.

3.1 New standards, amendments and interpretations issued and effective

3.1.1 FAS 37 - Financial Reporting by Waqf Institutions

The objective of this standard is to establish principles of financial reporting for Waqf institutions, which are established and operate in line with Shari'a principles and rules. This standard shall be applicable on all types of Waqf institutions and other institutions constituted on the concept of Waqf, and operating in line with Shari'a principles and rules, irrespective of their legal status, including virtual Waqf institutions. Since the Group does not have any current waqf activities, there is no impact of this standard to the financials statements of the Group.

3.1.2 FAS 38 - Wa'ad, Khiyar and Tahawwut

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'a compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (IFIs). This standard applies to accounting and financial reporting for all transactions involving Wa'ad, Khiyar or Tahawwut arrangements carried out under Shari'a principles and rules, as provided in this standard. There is no impact of this standard to the financials statements of the Group.

3.2 New standards, amendments and interpretations issued but not yet effective and not early adopted

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

AAOIFI has issued revised FAS 1 in 2021. The revised FAS 1 supersedes the earlier FAS 1 General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

3.2.2 FAS 39 - Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as relevant. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 New standards, amendments and interpretations issued but not yet effective and not early adopted (continued)

3.2.3 FAS 40 - Financial Reporting for Islamic Finance Windows

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are set out below:

4.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries. All intra-group balances, transactions, income and expenses and unrealised profits and losses resulting from intra-group transactions are eliminated in full on the consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated income statement immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Non-controlling interests

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Foreign currencies

Transactions and balances
Transactions in foreign currencies are translated into Qatari Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling at the date of consolidated financial position.

Transactions and balances
All differences from gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a local currency different from the presentational currency are translated as follows:

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position,
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of the consolidated statement of changes in owners' equity.

4.3 Financial assets and liabilities

Recognition
Financial assets and liabilities are recognised on the trade date at which the Group becomes a party of the contractual provisions of the instruments.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Financial assets and liabilities (continued)

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and financial liabilities are only offset, and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis or intends to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

4.4 Cash and bank balances

Cash and bank balances as referred to in the consolidated statement of cash flows comprise of cash and balances with banks and amounts of placements with financial institutions with an original maturity of three months or less. Placements with financial institutions comprise placements with banks in the form of Wakala and Murabaha investment. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

4.5 Due from banks

Due from banks represent amounts of placements with financial institutions with an original maturity more than three months. Due from bank placements are invested under Wakala and Murabaha and Mudaraba terms. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

4.6 Investment carried at amortised cost

Investments in Sukuk are carried at amortised cost when the investment is managed on a contractual yield basis and its performance is evaluated on the basis of contractual cash flows. These investments are measured initially at fair value plus transaction costs. Premiums or discounts are then amortised over the investment's life using effective profit method less reduction for impairment, if any.

Gain on disposal of investment carried at amortised cost is recognised when substantially all risks and rewards of ownership of these assets are transferred and equals to the difference between fair value of proceeds and the carrying amount at time of de-recognition.

4.7 Financing assets

Financing activities comprise murabaha and ijarah contracts:

Due from murabaha contracts
Murabaha receivables are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit. These receivables are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, any recoveries from previously written off financing activities are written back to the specific provision. The Group considers the promise made in murabaha to the purchase orderer as obligatory.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financing assets (continued)

Due from ijarah contracts

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivable are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any). Ijarah income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

4.8 Equity investments

Equity investments comprise the following:

4.8.1 Investments carried at fair value

Equity type instruments are investments that do not exhibit the feature of debt type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

i. Classification

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'. Equity-type investments designated at fair value through income statement include investments, which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. On initial recognition of an associate, the Group makes an accounting policy choice as to whether the associate shall be equity accounted or designated as at fair value through income statement. The Group makes use of the exemption in FAS 24 - Investment in Associates for venture capital organisation and designates certain of its investment in associates, as 'investments carried at fair value through income statement'. These investments are managed, evaluated and reported internally on a fair value basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Equity investments (continued)

4.8.1 Investments carried at fair value (continued)

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

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

iii. Measurement

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

Subsequent measurement
Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated income statement in the period in which they arise.

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

4.8.2 Other investments

Other investments include venture capital investments held as part of investments portfolio that are managed with the objective of earning a return on these investments. The Group aims to generate a growth in the value of investments in the medium term and usually identifies an exit strategy or strategies when an investment is made.

The investments are typically in businesses unrelated to the Bank's business. Investments are managed on a fair value basis and are accounted for as investments designated at fair value through the consolidated income statement.

4.9 Impairment

Impairment of financial assets (other than equity type of investments classified as fair value through equity)
The Group assesses impairment at each financial reporting date whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Impairment (continued)

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

Stage 1: 12 months ECL - not credit impaired
Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Profit is computed on the gross carrying amount of the asset.

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

Stage 3: Lifetime ECL - credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

Financing assets carried at amortised cost are impaired when their carrying amounts exceed their expected present value of estimated future cash flows discounted at the asset's original effective profit rate. Subsequent recovery of impairment losses are recognised through the consolidated income statement, the reversal of impairment losses shall not result in a carrying amount of the asset that exceeds what the amortised cost would have been had the impairment not been recognised.

Impairment of equity type of investments classified as fair value through equity

In case of equity investments classified as fair value through equity, objective evidence would include a significant or prolonged decline in the fair value of the investment below its carrying amount. The determination of what is significant or prolonged requires judgement and is assessed for each investment separately.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in the fair value reserve in the consolidated statement of changes in owners' equity.

Impairment of non-financial assets
The Group assesses at each reporting date if events or changes in circumstances indicate that the carrying value of a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Impairment (continued)

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

For assets excluding goodwill, an assessment is made at each financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in the recoverable amount in future periods.

4.10 Investment in real estate

Investment in real estate comprises of building and other related assets which are held by the Group to earn rentals and/ or are expected to benefit from capital appreciation. Initially investments are recognised at cost including directly attributable expenditures. Subsequently, investments are carried at fair value. Fair value of investments is re-measured at each reporting date and the difference between the carrying value and fair value is recognised in the consolidated statement of changes in owners' equity under property fair value reserve.

In case of losses, they are then recognised in equity under property fair value reserve to the extent of availability of the reserve through earlier recognised gains assumed, in case such losses exceeded the amount available in the equity fair value reserve for a particular investment in real estate, excess losses are then recognised in the consolidated income statement under unrealised re-measurement losses on investments.

Upon occurrence of future gains, unrealised gains related to the current period are recognised in the consolidated income statement to the extent of crediting back previously recognised losses in the consolidated income statement and excess gains then are recognised in the equity under property fair value reserve.

Investment in real estate is derecognised when they have been disposed off or transferred to investment in real estate-held for sale when the investment in real estate is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment in real estate along with any available fair value reserves attributable to that investment are recognised in the consolidated income statement in the year of retirement or disposal.

Investment property acquired through Ijarah

Real estate investment property held by the Bank as a lessee is initially recognised at cost. The Bank has elected to subsequently measure these assets at fair value with any subsequent unrealized gain or loss to be recognized directly in equity under 'property fair value reserve'.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Assets held-for-sale and discontinued operations

Classification
The Group classifies non-current assets or disposal groups as held-for-sale if the carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use within twelve months, which can be extended in certain circumstances beyond due to events outside of Group's control and there is evidence that the Group is still committed to the plan to sell the non-current assets or disposal groups.

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

If the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held-for-sale, adjusted for any depreciation, recognised or revaluations that would have been recognised had the asset (or disposal group) not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and investment property carried at fair value, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in the consolidated income statement. Gains are not recognised in excess of any cumulative impairment loss.

Measurement
Non-current assets or disposal groups classified as held-for-sale, other than financial instruments, are measured at the lower of its carrying amount and fair value less costs to sell. Financial instruments that are non-current assets and 'held-for-sale' continue to be measured in accordance with their stated accounting policies. On classification of equity-accounted investee as held-for-sale, equity accounting is ceased at the time of such classification as held-for-sale. Non-financial assets (i.e. intangible assets, equipment) are no longer amortised or depreciated.

Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment charges (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred. The Group depreciates fixed assets except for land, on a straight-line basis over their estimated useful lives as follows:

Category description	Years
Equipment	3 - 5
Furniture and fixtures	3 - 10
Building renovations	5 - 10
Motor vehicles	5

4.13 Intangible assets

Intangible assets include the value of computer software and intangible assets that were identified in the process of a business combination. The cost of intangible assets is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Category description	Years
Software and core banking system	3 - 10

4.14 Equity of unrestricted investment account holders

The Bank accepts funds from customers for investment in the Bank's capacity as mudarib and at the Bank's discretion in whatever manner the Bank deems appropriate without laying down any restriction as to where, how and for what purpose the fund should be invested. Such funds are classified in the statement of financial position as equity of unrestricted investment account holders.

Equity of unrestricted investments account holders is recognised when received and initially measured at cost. Subsequent to initial recognition, equity of unrestricted investments account holders is measured at amortised cost.

The allocation of profit of investments jointly financed by the Bank and investments account holders is determined by the management of the Bank within allowed profit sharing limits as per terms and conditions of the investment accounts. Such profit is measured after setting aside impairment provisions, if any. Impairment provision is made when the management considers that there is impairment in the carrying amount of assets financed by the investment account.

Administrative expenses in connection with management of the fund are charged to the common pool results.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income earned by the Group is recognised on the following basis:

Income from financing activities

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

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

Income from placements with financial institutions
Income from short term placements is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the expected profits.
Rental income
The Group recognises rental income from properties according to the rent agreements entered into between the Group and the tenants on an accrual basis over the period of the contract.

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

Income from equity investments
Income from equity investments is described in Note 4.8.

Fee income
Fees are generally recognised on an accrual basis when the service has been provided.

4.16 Employee benefits

Defined contribution plans
The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff costs in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Employee's end of service benefits
The Group establishes a provision for all end of service benefits payable to employees in accordance with the Group's policies which comply with laws and regulations applicable to the Group. Liability is calculated on the basis of individual employee's salary and period of service at the financial position date. The provision for employees' end of service benefits is included within other liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.18 Contingent liabilities

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

4.19 Shari'a-compliant-risk-management instruments

Shari'a-compliant-risk-management instruments, including unilateral/bilateral promises to buy/sell currencies, profit rate swaps, currency options are carried at their fair value. All Shari'a-compliant-risk-management instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of these instruments are included in the consolidated income statement for the year (Net foreign exchange gain / (loss)).

4.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the senior management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment reporting are disclosed in Note 30.

4.21 Income tax

(a) Current income tax

The Bank is subject to income tax in Qatar in accordance with Decree no 13 for the year 2010 of the Ministry of Economy and Commerce addressing QFC Tax regulations applicable as of 1 January 2010. Income tax expense is charged to the consolidated income statement.

(b) Deferred income tax

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

4.23 Zakah

The Bank is not obliged to pay Zakah on its profits on behalf of shareholders. The Bank is required to calculate and notify individual shareholders of Zakah payable per share. These calculations are approved by the Bank's Shari'a Supervisory Board.

5. USE OF ESTIMATES AND JUDGEMENTS

In the preparation of the consolidated financial statements, the management has used its judgements and estimates in determining the amounts recognised therein. The most significant use of judgements and estimates are as follows:

Fair value of equity investments that were valued using assumptions that are not based on observable market data.

The Group uses significant judgements and estimates to determine fair value of investments valued using assumptions that are not based on observable market data. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 29.

Allowances for credit losses

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL refer to Note 27.6.5 for more information.

Going concern

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

As at and for the year ended 31 December 2022 (expressed in QAR'000)

6. CASH AND BANK BALANCES

	Note	31 December 2022	31 December 2021
Cash in hand		**35**	25
Balances with banks (current accounts)		**387,292**	822,952
Placement with financial institutions		**1,984,883**	838,945
Provision for impairment	*27.6.5*	**(3,721)**	(10,180)
		2,368,489	1,651,742
Less: cash and bank balances with maturity of more than 90 days		**(383,043)**	(40,704)
Add: provision for impairment (non-cash)		**3,721**	10,180
Cash and cash equivalents		**1,989,167**	1,621,218

Placements with financial institutions represent inter-bank placements in the form of Wakala, Murabaha and other Islamic investments.

7. INVESTMENTS CARRIED AT AMORTISED COST

	Note	31 December 2022	31 December 2021
Investments in sukuk		**172,536**	82,209
Accrued income		**1,361**	414
Unamortised premiums, net		**1,202**	751
Provision for impairment	*27.6.5*	**(869)**	(1,118)
		174,230	82,256

8. FINANCING ASSETS

	Note	31 December 2022	31 December 2021
Murabaha financing		**423,416**	613,551
Deferred investment sales		**90,087**	162,889
Others		**36,308**	36,535
Total financing assets		**549,811**	812,975
Deferred profit		**(8,723)**	(20,370)
Provision for impairment on financing assets	*27.6.5*	**(336,363)**	(403,869)
Net financing assets		**204,725**	388,736

During the year, the Bank incurred a loss of QAR 1.5 million (2021: QAR Nil) due to early repayment of a financing asset of QAR 9.1 million (2021: QAR Nil).

As at and for the year ended 31 December 2022 (expressed in QAR'000)

9. INVESTMENTS CARRIED AT FAIR VALUE

	Note	**31 December 2022**	31 December 2021
Investments at fair value through equity	*9.1*	**958,312**	285,756
Investments at fair value through income statement		**426,027**	121,798
		1,384,339	407,554

9.1 Investments at fair value through equity

	31 December 2022	31 December 2021
Equity-type investments	**99,458**	96,903
Debt-type sukuk investments*	**858,854**	188,853
	958,312	285,756

* As of 31 December 2022, the Bank recognized negative fair value adjustment of QAR 14.7 million (for the year ended 31 December 2021: a negative fair value of QAR 1.6 million) related to these sukuk investments. Sukuk investments of nominal value of QAR 147.8 million (fair value of QAR 150.3 million) of the Group have been pledged as security for bank financing liabilities of QAR 109 million of the Group.

Movements in the equity investments are as follows:

	31 December 2022			31 December 2021		
	Investments at fair value through equity	**Investments at fair value through income statement**	**Total**	Investments at fair value through equity	Investments at fair value through income statement	Total
At the beginning of the year	**285,756**	**121,798**	**407,554**	50,526	125,868	176,394
Additions:						
Sukuks, net	**669,799**	**-**	**669,799**	196,742	-	196,742
Equity investment	**8,372**	**327,777**	**336,149**	34,947	-	34,947
Disposal	**(5,817)**	**-**	**(5,817)**	(5,314)	(2,978)	(8,292)
Allowance for impairment	**202**	**-**	**202**	(7,889)	-	(7,889)
Transfer from / (to) assets held-for-sale	**-**	**-**	**-**	16,744	-	16,744
Fair value adjustments	**-**	**(23,548)**	**(23,548)**	-	(1,092)	(1,092)
At the end of the year	**958,312**	**426,027**	**1,384,339**	285,756	121,798	407,554

9.2 Gain on disposal of equity investments

During the year, the Bank has disposed its equity investments with total carrying value of QAR 164.9 million and recognized a gain on disposal of equity investments of QAR 25.7 million.

The above gain on equity investment are resulting from investment in real estate business as part of business model of the Bank.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

10. INVESTMENT IN REAL ESTATE

The table below summarizes the movement in investments in real estate during the year:

	31 December 2022	31 December 2021
At the beginning of the year	**226,368**	14,812
Addition during the year	**-**	214,356
Fair value loss on re-measurement of investments in real estate	**(1,000)**	(2,800)
At the end of the year	**225,368**	226,368

In 2021, the Bank entered an Ijarah Agreement ending with transfer of ownership with a local bank to acquire the Lulu Messila hypermarket building. The property, thereafter, is subleased to a third party. In line with this transaction, the Group recognised QAR 214.4 million right-of-use asset and related Ijara payable of QAR 160 million in its balance sheet. Further, a rental income of QAR 17.1 million (2021: QAR 13.1 million) and Ijara expense of QAR 5.5 million (2021: QAR 5.5 million) was recognised in the income statement for the year ended 31 December 2022.

11. FIXED ASSETS

	Equipment	**Furniture and fixture**	**Motor vehicles**	**Right of use assets**	**Capital working in progress**	**Total**
Cost						
As at 1 January 2021	19,231	27,428	966	-	-	47,625
Additions	104	-	367	10,492	-	10,963
Disposals	-	-	(430)	-	-	(430)
As at 31 December 2021	19,335	27,428	903	10,492	-	58,158
Accumulated depreciation						
As at 1 January 2021	(18,815)	(27,397)	(99)	-	-	(46,311)
Depreciation charge	(160)	(12)	(179)	(350)	-	(701)
Disposals	-	-	65	-	-	65
As at 31 December 2021	(18,975)	(27,409)	(213)	(350)	-	(46,947)
Net book value as at 31 December 2021	360	19	690	10,142	-	11,211
Cost						
As at 1 January 2022	**19,335**	**27,428**	**903**	**10,492**	**-**	**58,158**
Additions	**1,695**	**11,922**	**390**	**-**	**120**	**14,127**
Disposals	**(2,872)**	**(27,420)**	**(380)**	**-**	**-**	**(30,672)**
As at 31 December 2022	**18,158**	**11,930**	**913**	**10,492**	**120**	**41,613**
Accumulated depreciation						
As at 1 January 2022	**(18,975)**	**(27,409)**	**(213)**	**(350)**	**-**	**(46,947)**
Depreciation charge	**(534)**	**(603)**	**(240)**	**(2,098)**	**-**	**(3,475)**
Disposals	**2,842**	**27,411**	**118**	**-**	**-**	**30,371**
As at 31 December 2022	**(16,667)**	**(601)**	**(335)**	**(2,448)**	**-**	**(20,051)**
Net book value as at 31 December 2022	**1,491**	**11,329**	**578**	**8,044**	**120**	**21,562**

As at and for the year ended 31 December 2022 (expressed in QAR'000)

12. INTANGIBLE ASSETS

	31 December 2022	31 December 2021
Cost:		
At the beginning of the year	**36,387**	36,037
Additions during the year	**475**	350
At the end of the year	**36,862**	36,387
Amortisation		
At the beginning of the year	**(33,214)**	(30,652)
Amortisation charge for the year	**(1,697)**	(2,562)
At the end of the year	**(34,911)**	(33,214)
Net book value		
At the beginning of the year	**3,173**	5,385
At the end of the year	**1,951**	3,173

13. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE

Assets and liabilities of disposal groups classified as held -for-sale comprise of:

	31 December 2022	31 December 2021
Assets of disposal groups classified as held-for-sale	**295,052**	315,319
Equity investments held-for-sale	**108,428**	-
Total	**403,480**	315,319
Liabilities of disposal group classified as held-for-sale	**149,987**	167,011

13.1 Assets and liabilities of disposal groups classified as held-for-sale

13.1.1 Assets and liabilities of Real Estate Structures

As a part of its business, the Bank from time to time enters various structures to invest indirectly in real estate properties using special purpose vehicles ("SPV") with an intention to sell substantial part of it to investors. Until the Bank ceases its control over those SPVs, they are consolidated by the Bank on account of application of the accounting consolidation rules under Financial Accounting Standard 23 whereby an entity needs to consolidate an SPV based on economic substance despite the fact that the SPV is not legally owned by and not legally related to the Bank. The financings of these SPVs related to the real estate property have no recourse to the Bank.

(a) US Real Estate Structures

In 2019, the Bank entered into a structure to invest in real estate within United States of America and indirectly acquired 97% in real estate property (the "Fairview").

As at and for the year ended 31 December 2022 (expressed in QAR'000)

13. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

13.1 Assets and liabilities of disposal groups classified as held-for-sale (continued)

13.1.1 Assets and liabilities of Real Estate Structures (continued)

(b) UK Real Estate Structures

In 2017, the Bank entered a structure to invest indirectly to acquire 100% in real estate property in the United Kingdom (the "UK Real Estate Structure"). The real estate was financed partly by the Bank through a Murabaha contract with an option to acquire the underlying real estate. As of 31st December 2022, the Bank sold a 71% stake out of 100% in the UK Real Estate Structure to its investors.

The financial results of the above Real Estate Structures are consolidated in these consolidated financial statements of the Bank (refer to Note 13.1.2).

13.1.2 Analysis of disposal group assets/liabilities, results and cashflows

(a) Asset and liabilities of disposal groups classified as held for sale

Analysis of assets and liabilities of disposal groups, which include Real Estate structures are as follows:

	Note	**31 December 2022**	31 December 2021
Assets of disposal groups classified as held-for-sale			
Financial assets			
Cash and cash equivalents		**2,796**	7,582
Accounts receivable		**24,085**	24,517
Total financial assets		**26,881**	32,099
Non-financial assets			
Inventories		**175**	175
Investments in real estate		**141,999**	160,149
Fixed assets		**10,291**	10,291
Other assets		**224,134**	112,605
Total non-financial assets		**376,599**	283,220
Total assets of disposal groups classified as held for sale		**403,480**	315,319
Liabilities of disposal groups classified as held-for-sale			
Financial liabilities		**83,263**	105,124
Due to related parties	*25*	**17,779**	17,779
Other financial liabilities		**48,945**	44,108
Total liabilities of disposal groups classified as held for sale		**149,987**	167,011
Net carrying value		**253,493**	148,308

As at and for the year ended 31 December 2022 (expressed in QAR'000)

13. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

13.1.2 Analysis of disposal group assets/liabilities, results and cashflows (continued)

(b) Analysis of results of discontinued operations is as follows:

	2022	2021
Revenue	**32,754**	24,855
Expenses	**(28,957)**	(82,854)
Net loss from discontinued operations	**3,797**	(57,999)
Attributable to		
- Equity holders of the Bank	**(5,217)**	(22,436)
- Non-controlling interest	**9,014**	(35,563)

(c) Analysis of cashflows of discontinued operations is as follows:

	2022	2021
Operating cash flows	**16,342**	127
Investing cash flows	**(6,331)**	(10,228)
Financing cash flows	**(14,666)**	7,171
	(4,655)	(2,930)

14. OTHER ASSETS

Other assets comprise the following:

	Note	31 December 2022	31 December 2021
Other non-financial assets			
Prepayments		**4,086**	1,958
Total other non-financial assets		**4,086**	1,958
Other financial assets			
Other receivables		**219,966**	28,068
Due from related parties	*25*	**9,100**	9,100
Fair value of Sharia-compliant-risk-management instruments	*28.2*	**3,924**	5,748
Accrued income		**1,500**	371
Provision for impairment		**(12,659)**	(12,659)
Total other financial assets		**221,831**	30,628
Total other assets		**225,917**	32,586

As at and for the year ended 31 December 2022 (expressed in QAR'000)

15. FINANCING LIABILITIES

	31 December 2022	31 December 2021
Accepted wakala deposits	**457,435**	351,424
Murabaha financing	**284,614**	176,100
	742,049	527,524

As of 31 December 2022, Sukuk investments of nominal value of QAR 147.8 million (31 December 2021: Nil) of the Group have been pledged as security for bank financing liabilities of QAR 109 million of the Group.

16. OTHER LIABILITIES

	Note	**31 December 2022**	31 December 2021
Other non-financial liabilities			
Unearned revenue		**1,677**	2,642
Advances and other payables		**38,763**	19,842
Total other non-financial liabilities		**40,440**	22,484
Other financial liabilities			
Accounts payable		**12,012**	12,120
Fair value of Sharia-compliant-risk-management instruments	*28.2*	**10,694**	2,350
Staff-related payables		**24,479**	7,123
Dividends payable		**16,734**	16,829
Other payables and accrued expenses		**71,781**	15,382
Provision for off-balance sheet exposures	*27.6.5*	**5,703**	8,218
Total other financial liabilities		**141,403**	62,022
Total other liabilities		**181,843**	84,506

17. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

a) By type

	31 December 2022	31 December 2021
Term accounts	**2,734,524**	1,734,041
Profit payable to equity of investment account holders	**10,405**	5,311
	2,744,929	1,739,352

As at and for the year ended 31 December 2022 (expressed in QAR'000)

17. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (Continued)

b) By sector

	31 December 2022	31 December 2021
Individual	**153,158**	215,737
Government	**199,281**	240,865
Corporate	**2,392,490**	1,282,750
	2,744,929	1,739,352

c) Equity of unrestricted investment account holders are invested in:

	31 December 2022	31 December 2021
Cash and cash equivalents	**1,363,225**	1,097,053
Investments in Sukuk	**597,224**	181,699
Investment in funds	**138,591**	57,457
Financing assets	**154,241**	284,003
Equity investments & Other Investments	**491,648**	119,140
	2,744,929	1,739,352

Bank's net mudaraba income calculation is presented below:

	31 December 2022	31 December 2021
Return on equity of unrestricted investment account holders in the profit before Bank's Mudaraba income	**91,578**	89,608
Return distribution to unrestricted investment account holders		
- Return on unrestricted investment accountholders	**85,211**	85,128
- Amount waived by the Bank in favour of unrestricted investment account holders	**475**	-
- Mudarib's incentives	**(33,542)**	(62,374)
Total return to unrestricted investment account holders	**52,144**	22,754
Bank's net mudaraba income	**39,434**	66,854

Calculation of return on mudarabah assets includes only stage 3 provisions and the loss on early settlement of financing assets was excluded in determination of mudarabah asset income, in accordance with resolution of Shari'a Supervisory Board of the Bank. Due to the terms of profit-sharing ratios (predominantly at 5% to mudarib and 95% to investment account holders till 1 October 2022 and afterwards changed to 30% to mudarib and 70% to investment account holders) on mudaraba agreements and in order to align to general market profit rates, the Bank at times increases the income of the unrestricted investment account holders by waiving part of its incentive. The amount waived was QAR 0.48 million (2021: QAR Nil), as presented in above table.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

18. SHARE CAPITAL

	31 December 2022	31 December 2021
Authorized		
2,500,000,000 ordinary shares of QAR 1 each	**2,500,000**	2,500,000
Issued and paid		
1,120,000,000 ordinary shares of QAR 1 each (31 December 2021: 700,00,000)	**1,120,000**	700,000
Beginning of the reporting year	**700,000**	700,000
Rights share issued	**420,000**	-
In issued at 31st December 2022	**1,120,000**	700,000

At the Extraordinary General Meeting (EGM) of the Bank held on 22 September 2021, the shareholders approved to increase the Bank's share capital through a right issue representing 60% of the Bank's paid up nominal share capital (i.e. from QAR 700,000,000 up to QAR 1,120,000,000) within a period of one year from the EGM date.

The Bank offered 420,000,000 new ordinary shares for subscription at a price of QAR 1.2 (One Qatari Riyals and twenty Dirhams) each (including premium per share of QAR 0.2), including issuance expenses that are capped to 1% of the share par value (the "Right Issue").

Accordingly, the subscription process for the rights issue commenced on 6 April 2022 and closed on 19 April 2022 through which 268,711,498 new ordinary shares were subscribed. Further, 151,288,502 balance ordinary shares were sold through the market as per the regulatory process. This resulted in an increase in the share capital by QAR 420.0 million and share premium by QAR 79.8 million (net of expenses) aggregating to QAR 499.8 million.

19. FEE INCOME

	For the year ended	
	31 December 2022	31 December 2021
Bank transaction fees	**546**	482
Management and placement fees (including exit fees)	**64,136**	24,980
Other fees	**-**	6,038
	64,682	31,500

20. OTHER INCOME

	For the year ended	
	31 December 2022	31 December 2021
Rental income from investment in Ijarah asset	**17,092**	13,135
Financing cost relating to Ijarah asset	**(5,911)**	(5,608)
Net rental income from investment in Ijarah asset	**11,181**	7,527
Miscellaneous income	**9,440**	3,879
	20,621	11,406

21. OTHER OPERATING EXPENSE

	For the year ended	
	31 December 2022	31 December 2021
Rent expense	**882**	1,165
Professional services	**12,422**	14,427
Other	**28,460**	9,780
	41,764	25,372

22. BASIC / DILUTED PROFIT PER SHARE

The calculation of basic earnings per share is based on the net loss attributable to the Banks' shareholders and the weighted average number of shares outstanding during the year.

	For the year ended	
	31 December 2022	31 December 2021 (Restated)
Basic and diluted profit per share		
Net profit attributable to the equity holders of the Bank from continuing operations	**80,687**	122,806
Net loss attributable to the equity holders of the Bank from discontinued operations	**(5,217)**	(22,436)
Net Proft attributable to the equity holders of the Bank	**75,470**	100,370
Total weighted average number of shares (thousand)	**970,174**	765,694
Basic and diluted profit per share from continuing operations - QAR	**0.083**	0.160
Basic and diluted loss per share from discontinued operations - QAR	**(0.005)**	(0.029)
Basic and diluted profit per share - QAR	**0.078**	0.131

The weighted average number of ordinary shares in thousands have been calculated as follows:

Qualifying ordinary shares at the beginning of the year	**700,000**	700,000
Effect of right issue	**270,174**	65,694
Weighted average number of ordinary shares for the year	**970,174**	765,694

As at and for the year ended 31 December 2022 (expressed in QAR'000)

23. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the year-end:

	31 December 2022	31 December 2021
Letters of guarantee	**-**	1,388
Unutilised credit facilities	**5,552**	100,000
	5,552	101,388

Contingent liabilities related to Shari'a-compliant-risk-management instruments as disclosed in Note 28.2.

24. COMMITMENTS

	31 December 2022	31 December 2021
Commitment for operating lease		
No later than one year	**-**	1,229
Later than one year	**-**	205
	-	1,434

25. RELATED PARTIES TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and senior management personnel of the Group, close family members, entities owned or controlled by them, associates and affiliated companies.

Balances and transactions in respect of related parties included in the financial statements are as follows:

	31 December 2022		
	Associates	**Other***	**Total**
a) Consolidated statement of financial position as at			
Financing assets	**13,790**	**-**	**13,790**
Other assets	**-**	**9,100**	**9,100**
Customers' balances	**-**	**10,218**	**10,218**
Liabilities held-for-sale	**17,779**	**-**	**17,779**
b) Consolidated income statement for the year ended			
Income from financing assets	**295**	**-**	**295**
Dividend & Other income	**2,614**	**-**	**2,614**
Reversal for impairment of financing assets	**(18,724)**	**-**	**(18,724)**
Other operating expenses	**(13,723)**	**(1,299)**	**(15,022)**
c) Off balance sheet instruments as at			
Assets under management	**-**	**141,482**	**141,482**

As at and for the year ended 31 December 2022 (expressed in QAR'000)

25. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

	31 December 2021		
	Associates	Other*	Total
a) Consolidated statement of financial position as at			
Financing assets	15,254	-	15,254
Other assets	-	9,100	9,100
Customers' balances	-	21,922	21,922
Liabilities held-for-sale	17,779	-	17,779
b) Consolidated income statement for the year ended			
Fee Income	6,083	-	6,083
Provision for impairment of financing assets	633	-	633
Other operating expenses	-	(3,387)	(3,387)
c) Off balance sheet instruments as at			
Unutilised credit facilities	-	100,000	100,000
Asset under management	-	97,456	97,456

** Other related parties include affiliated parties of the board members and senior management.*

Key management compensation is presented below:

	31 December 2022	31 December 2021
Compensation of key management personnel		
Senior management personnel	**13,045**	15,040
Shari'a Supervisory Board remuneration	**480**	480
	13,525	15,520

Boards of Directors sitting fee for the year 2022 is QAR 0.70 million (2021: QAR 0.70 million).

26. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners. Zakah payable by the owners is computed by the Group on the basis of the method prescribed by the Shari'a Supervisory Board of the Bank and notified to the Owners. Zakah payable by the owners, for the year ended 31 December 2022 was QAR 0.0321 for every share held (2021: QAR 0.0226). However, if shares of the Bank are owned for trading purpose then share price, at the time of Zakah calculation, should be as a basis for Zakah.

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

27.1 Financial instruments definition and classification

Financial instruments comprise all financial assets and liabilities of the Group. Financial assets include cash and bank balances, investment carried at amortised cost, financing assets, accounts receivable, equity investments and other financial assets. Financial liabilities include customer balances, due to banks and other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off financial position items.

Note 4 explains the accounting policies used to recognise and measure the significant financial instruments and their respective income and expenses items.

27.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined for each investment individually in accordance with the valuation policies adopted by the Group as set out in 4.8.

27.3 Risk management

QFB perceives strong risk management capabilities to be the foundation in delivering results to customers, investors and shareholders Risk is an inherent part of the Group's business activities.
Our Board of Directors has overall responsibility for establishing our risk culture and ensuring that an effective risk management framework is in place.

The risk management framework of the Bank encapsulates the spirit of the following key principles for Risk Management as articulated by Basel III:

- Management oversight and control
- Risk culture and ownership
- Risk recognition and assessment
- Control activities and segregation of duties
- Information and communication
- Monitoring Risk Management activities and correcting deficiencies.

27.4 Risk framework and governance

The Group's risk management process is an integral part of the organization's culture and is embedded into all its practices and processes. The Board of Directors (the Board), and a number of Board's subcommittees including Executive Committee; and Audit, Risk and Compliance Committee; management committees; and executive management all contribute to the effective Group wide management of risk.

The Audit, Risk and Compliance Committee is tasked with implementing risk management policies, guidelines and limits as well as ensuring that monitoring processes are in place. The Risk Management Department provides independent monitoring to both the Board and the Audit, Risk and Compliance Committee whilst also working closely with the business units which ultimately own and manage the risks.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

27.5 Investment risk

Investment risks are identified and assessed via extensive due diligence activities conducted by the respective investment departments. The Group's investments in venture capital are by definition in illiquid markets, frequently in emerging markets. Such investments cannot generally be hedged or liquidated easily. Consequently, the Group seeks to mitigate its risks via more direct means. Post-acquisition risk management for private equity investments is rigorously exercised, mainly via board representation within the investee company, during the life of the private equity transaction. Periodic reviews of all investments are undertaken and presented to the Investment Committee for review. Concerns over risks and performance are addressed via the investment area responsible for managing the investment under the oversight of the Investment Committee.

27.6 Credit risk

Credit risk is the risk that the Group will incur a loss of principal or profit earned because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related parties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the maximum exposure to credit risk for the relevant components of the financial position.

	Notes	**31 December 2022**	31 December 2021
Balances with banks	*6*	**383,592**	814,455
Placements with financial institutions	*6*	**1,984,904**	837,262
Investments in Sukuk	*7 & 9.1*	**1,033,084**	271,109
Investment in funds		**239,735**	85,731
Financing assets	*8*	**204,725**	388,736
Financial assets of disposal group classified as held-for-sale	*13.1.2*	**26,881**	32,099
Other financial assets	*14*	**221,831**	30,628
		4,094,752	2,460,020

The weightings assigned to each macro-economic scenario at the Bank level are based on the CCI, and as of 31 December 2022, were 30% to the Base Case, 65% to Downside and 5% to the Upside Case. The situation is evolving and accordingly any upside or downside scenarios will be reassessed should the conditions significantly change.

27.6.1 Concentration of risks

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. As at 31 December 2022, the Group had balances with seven counterparty banks (31 December 2021: 7 banks) with aggregated amounts above QAR 100 million. The total aggregate amount of these deposits was QAR 2,147 million (31 December 2021: QAR 1,358 million).

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

The analysis by geographical region of the Group's financial assets having credit risk is as follows:

	31 December 2022	31 December 2021
Qatar	**2,708,096**	1,953,159
Asia and Middle East	**867,705**	129,547
North America	**61,749**	141,099
Europe and others	**457,202**	236,215
	4,094,752	2,460,020

The distribution of financial assets having credit risk by industry sector is as follows:

	31 December 2022	31 December 2021
Real Estate	**113,079**	221,022
Banking and financial services	**3,081,446**	1,814,303
Business Service	**-**	8,085
Construction	**10,838**	13,162
Consumer Services	**392,022**	120,668
Healthcare	**-**	41,133
Sovereign	**323,733**	153,181
Others	**173,634**	88,466
	4,094,752	2,460,020

27.6.2 Credit Quality

The credit quality of financial assets is managed by Group using internal and external credit risk ratings. The Group follows an internal rating mechanism for grading relationship across its credit portfolio.

The Group utilises a scale ranging from 1 to 10 for credit relationship with 1 to 7 denoting performing grades, 8, 9 and 10 denoting non-performing. All credits are assigned a rating in accordance with defined criteria.

The Group endeavors continuously to improve upon internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All financing relationships are reviewed at least once in a year and more frequently in case of non-performing assets.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

The following table provides the details for the credit quality:

	31 December 2022				31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances								
Performing (AAA to B-)	**2,368,516**	**-**	**3,694**	**2,372,210**	1,658,258	-	3,664	1,661,922
Allowance for impairment	**(27)**	**-**	**(3,694)**	**(3,721)**	(6,516)	-	(3,664)	(10,180)
Net carrying amount	**2,368,489**	**-**	**-**	**2,368,489**	1,651,742	-	-	1,651,742
Investments carried at amortised cost								
Performing (AAA to B)	**175,099**	**-**	**-**	**175,099**	83,374	-	-	83,374
Allowance for impairment	**(869)**	**-**	**-**	**(869)**	(1,118)	-	-	(1,118)
Net carrying amount	**174,230**	**-**	**-**	**174,230**	82,256	-	-	82,256
Investments carried at fair value								
Performing (AAA to CCC)	**866,541**	**-**	**-**	**866,541**	196,742	-	-	196,742
Allowance for impairment	**(7,687)**	**-**	**-**	**(7,687)**	(7,889)	-	-	(7,889)
Net carrying amount	**858,854**	**-**	**-**	**858,854**	188,853	-	-	188,853
Financing assets								
Performing (Grades 1-6)	**127,667**	**-**	**-**	**127,667**	86,639	-	-	86,639
Under-performing (Grade 7)	**-**	**113,459**	**-**	**113,459**	-	397,186	-	397,186
Non-performing (Grade 8-10)	**-**	**-**	**299,962**	**299,962**	-	-	308,780	308,780
	127,667	**113,459**	**299,962**	**541,088**	86,639	397,186	308,780	792,605
Allowance for impairment	**(1,400)**	**(35,001)**	**(299,962)**	**(336,363)**	(1,983)	(96,932)	(304,954)	(403,869)
Net carrying amount	**126,267**	**78,458**	**-**	**204,725**	84,656	300,254	3,826	388,736
Financing commitments and financial guarantee								
Performing (Grades 1-6)	**5,552**	**-**	**-**	**5,552**	100,000	-	-	100,000
Under-performing (Grade 7)	**-**	**-**	**-**	**-**	-	1,388	-	1,388
	5,552	**-**	**-**	**5,552**	100,000	1,388	-	101,388
Allowance for impairment	**(5,703)**	**-**	**-**	**(5,703)**	(8,128)	(90)	-	(8,218)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

Collateral

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no discernable deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group.

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2022 is QAR 27.2 million (2021: QAR 34 million).

Renegotiated financing assets

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated financing assets as at 31 December 2022 amounted to QAR 49.2 million (2021: QAR 89.4 million).

27.6.3 Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. There was no repossessed property as at 31 December 2022 and 31 December 2021.

27.6.4 Write-off policy

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

This determination is made after considering information such as the occurrence of significant changes in the financed counterparty's / issuer's financial position such that the financed counterparty/ issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status.

27.6.5 Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

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

- Two notches downgrade for rating from 1 to 4 or one notch downgrade for ratings from 5 and 6
- Facilities rescheduled during previous twelve months
- Facilities overdue by more than 30 days as at the reporting date, unless rebutted based on other qualitative supportable information
- Any other reason as per management discretion that evidence a significant increase in credit risk

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

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

Renegotiated financial assets

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

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

Definition of default

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

- the financed counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financed counterparty is past due more than 90 days on any material credit obligation to the Group, unless rebutted based on other qualitative supportable information.
- rated internally as 8, 9 or 10 corresponding to the Qatar Financial Centre Regulatory Authority (QFCRA) categories of substandard, doubtful and loss, respectively.

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

In assessing whether a financed counterparty is in default, the Group considers indicators that are:

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

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

Incorporation of forward-looking information

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

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables affecting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are updated from the World economic outlook: IMF country data and other reliable sources which provide the best estimate view of the economy over the next five years.

Economic variable assumptions

The most significant period-end assumption used for the ECL estimate as at 31 December 2022 was GDP (2022: 2.4%, 2023: 1.7%).

Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and the Group assumes that haircut percentage applied to Collateral value as per QFCRA.

LGD estimation includes:

- Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default. It would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.
- Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

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

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

Loss allowance

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

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

	31 December 2022				31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances								
Balance at 1 January	**6,516**	**-**	**3,664**	**10,180**	2,550	-	-	2,550
Impairment allowance, net	**(6,489)**	**-**	**30**	**(6,459)**	3,966	-	3,664	7,630
Balance at end of the year	**27**	**-**	**3,694**	**3,721**	6,516	-	3,664	10,180
Investments carried at amortised cost								
Balance at 1 January	**1,118**	**-**	**-**	**1,118**	1,578	10,194	-	11,772
Impairment allowance, net	**(249)**	**-**	**-**	**(249)**	(460)	(10,194)	-	(10,654)
Balance at end of the year	**869**	**-**	**-**	**869**	1,118	-	-	1,118
Investments carried at fair value								
Balance at 1 January	**7,889**	**-**	**-**	**7,889**	-	-	-	-
Impairment allowance, net	**(202)**	**-**	**-**	**(202)**	7,889	-	-	7,889
Balance at end of the year	**7,687**	**-**	**-**	**7,687**	7,889	-	-	7,889
Financing assets								
Balance at 1 January	**1,983**	**96,932**	**304,954**	**403,869**	3,393	94,246	306,288	403,927
Write-off of provision	**-**	**-**	**(4,611)**	**(4,611)**	-	-	(7,432)	(7,432)
Foreign currency fluctuation,(net)	**-**	**(1,520)**	**-**	**(1,520)**	-	-	-	-
Impairment allowance, net	**(583)**	**(60,411)**	**(381)**	**(61,375)**	(1,410)	2,686	6,098	7,374
Balance at end of the year	**1,400**	**35,001**	**299,962**	**336,363**	1,983	96,932	304,954	403,869
Other assets								
Balance at 1 January	**-**	**-**	**12,659**	**12,659**	-	-	13,075	13,075
Write-off of provision	**-**	**-**	**-**	**-**	-	-	(416)	(416)
Balance at end of the year	**-**	**-**	**12,659**	**12,659**	-	-	12,659	12,659
Off balance sheet instruments, subject to credit risk								
Balance at 1 January	**8,128**	**90**	**-**	**8,218**	1,012	-	-	1,012
Impairment allowance, net	**(2,425)**	**(90)**	**-**	**(2,515)**	7,116	90	-	7,206
Balance at end of the year	**5,703**	**-**	**-**	**5,703**	8,128	90	-	8,218

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

27.7 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group will not have sufficient funds available to meet its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Treasury department collects information regarding the liquidity profile of the Bank's financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained within the Bank as a whole.

All liquidity policies and procedures are subject to review and approval by Assets-Liabilities Management Committee (ALCO) which also regularly receives reports relating to the Bank's liquidity position.

Below table summarises undiscounted cash outflows of financial liabilities:

	31 December 2022	31 December 2021
On demand	**310,317**	136,525
Less than 3 months	**1,722,792**	1,535,540
3 to 6 months	**-**	23,494
6 to 12 months	**44,623**	788,379
1 to 5 years	**2,101,088**	191,209
Total	**4,178,820**	2,675,147

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
At 31 December 2022						
Financial assets						
Cash and cash equivalents	387,445	1,613,480	73,447	254,800	39,317	2,368,489
Investments in Sukuk	-	92,562	284,436	29,920	626,166	1,033,084
Financing assets	2,896	115,214	1,471	67,723	17,421	204,725
Investment in fund	-	239,735	-	-	-	239,735
Equity investments	-	-	-	-	525,485	525,485
Financial assets held-for-sale	2,796	132,513	-	-	-	135,309
Other financial assets	221,831	-	-	-	-	221,831
Total financial assets	614,968	2,193,504	359,354	352,443	1,208,389	4,728,658
Financial liabilities and equity of unrestricted investment account holders						
Financing liabilities	-	742,049	-	-	-	742,049
Customers' balances	310,317	-	-	-	-	310,317
Other financial liabilities	-	-	-	-	141,403	141,403
Equity of unrestricted investment account holders	-	872,702	-	43,657	1,828,570	2,744,929
Financial liabiliites held-for-sale	-	66,724	-	-	83,263	149,987
Total financial liabilities and equity of unrestricted investment account holders	310,317	1,681,475	-	43,657	2,053,236	4,088,685
Net liquidity gap	304,651	512,029	359,354	308,786	(844,847)	639,973
Net cumulative gap	304,651	816,680	1,176,034	1,484,820	639,973	
Contingent liabilities*	-	-	5,552	-	-	5,552
Commitments	-	-	-	-	-	-

*Contingent liabilities related to Shari'a-compliant-risk-management instruments as disclosed in Note 28.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
At 31 December 2021						
Financial assets						
Cash and cash equivalents	878,025	732,864	123	-	40,730	1,651,742
Investments in Sukuk	-	28,391	-	3,709	239,009	271,109
Financing assets	258,011	10,658	47,977	-	72,090	388,736
Investment in fund	-	85,731	-	-	-	85,731
Equity investments	-	-	-	-	218,701	218,701
Financial assets held-for-sale	7,582	24,517	-	-	-	32,099
Other financial assets	30,628	-	-	-	-	30,628
Total financial assets	1,174,246	882,161	48,100	3,709	570,530	2,678,746
Financial liabilities and equity of unrestricted investment account holders						
Financing liabilities	-	527,524	-	-	-	527,524
Customers' balances	136,525	-	-	-	-	136,525
Other financial liabilities	-	-	-	-	62,022	62,022
Equity of unrestricted investment account holders	-	922,453	23,060	773,831	20,008	1,739,352
Financial liabiliites of disposal groups classified as held-for-sale	-	61,887	-	-	105,124	167,011
Total financial liabilities and equity of unrestricted investment account holders	136,525	1,511,864	23,060	773,831	187,154	2,632,434
Net liquidity gap	1,037,721	(629,703)	25,040	(770,122)	383,376	46,312
Net cumulative gap	1,037,721	408,018	433,058	(337,064)	46,312	
Contingent liabilities*	-	100,000	1,388	-	-	101,388
Commitments	-	-	1,229	-	205	1,434

*Contingent liabilities related to Shari'a-compliant-risk-management instruments as disclosed in Note 28.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

27.8 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as profit rates, foreign exchange rates, equity prices and commodities. The Group classifies exposures to market risk into either listed or non- listed corporate investments.

27.8.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group's current exposure to profit rate risk is limited to the following:

- The Group's placement with the financial institutions (classified as 'Placements with financial institutions');
- The Group's investment portfolio of Sukuk (classified as "Investments at amortised cost");
- The Group's investments in murabaha (classified as "Financing assets"); and
- Financing received by the Group from financial institutions (classified as "Financing liabilities").

The following table demonstrates the sensitivity to a 100 basis point (bp) change in profit rates, with all other variables held constant. The effect of decreases in profit rate is expected to be equal and opposite to the effect of the increases shown.

	31 December 2022	**Change in basis points (+/-)**	**Effect on net profit/ loss (+/-)**
Assets			
Placements with financial institutions	**1,981,162**	**100**	**19,812**
Investments in sukuk	**1,033,084**	**100**	**10,331**
Investment in funds carried at fair value	**239,735**	**100**	**2,397**
Financing assets	**204,725**	**100**	**2,047**
Liabilities and Equity of unrestricted investment account holders			
Financing liabilities	**742,049**	**100**	**(7,420)**
Financial liabilities of disposal group classified as held-for-sale	**83,263**	**100**	**(833)**
Equity of unrestricted investment account holders	**2,744,929**	**100**	**(27,449)**

	31 December 2021	Change in basis points (+/-)	Effect on net profit/ loss (+/-)
Assets			
Placements with financial institutions	828,765	100	8,288
Investments in sukuk	271,109	100	2,711
Investment in funds carried at fair value	85,731	100	857
Financing assets	388,736	100	3,887
Liabilities and Equity of unrestricted investment account holders			
Financing liabilities	527,524	100	(5,275)
Financial liabilities of disposal group classified as held-for-sale	105,124	100	(1,051)
Equity of unrestricted investment account holders	1,739,352	100	(17,394)

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

27.8.2 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored regularly to ensure that positions are maintained within established limits.

The table below indicates the currencies that are pegged to the Qatari Riyals and, hence the foreign exchange risk for the Group in respect of these currencies is minimal.

	Exposure (QAR equivalent)	
	31 December	31 December
Currency	**2022**	2021
USD	**1,278,371**	1,299,310
USD pegged currencies	**3,252**	2,184

The table below shows the impact of a 5% movement in the currency rate, for other than those pegged to the Qatari Riyals, against the Qatari Riyals, with all other variables held constant on the consolidated income statement and the consolidated statement of changes in Owners' equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

	Exposure (QAR equivalent)		**Effect on net profit (+/-)**	
	31 December	31 December	**31 December**	31 December
Currency	**2022**	2021	**2022**	2021
GBP	**8,127**	(4,982)	**406**	(249)
EUR	**93,732**	3,760	**4,687**	188
KWD	**32**	32	**2**	2

27.8.3 Commodities price risk

The Group does not currently have commodities portfolios; hence it has no exposure to commodity price risks.

27.9 Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department facilitates the management of operational risk by way of assisting in the identification of, monitoring and managing of operational risk in the Bank.

27.10 Concentration risk

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

As at and for the year ended 31 December 2022 (expressed in QAR'000)

27. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

27.11 Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximise Owners' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to Owners, return capital to Owners or issue new capital. The QFCRA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements, the QFCRA requires the Group to maintain a minimum capital adequacy ratio as prescribed by the Islamic Banking Business Prudential Rules of 2015.

The Group's capital resources are divided into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and non-controlling interest after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes the fair value reserve relating to unrealised gains on equity instruments classified as investments at fair value through equity and currency translation reserve.

Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off- financial position exposures.

The Group's policy is at all times to meet or exceed the capital requirements determined by the QFCRA. There have been no material changes in the Group's management of capital during the year.

The Group's capital adequacy ratio (the "CAR"), calculated in accordance with the capital adequacy guidelines issued by the QFCRA, is as follows:

	31 December 2022	31 December 2021
Total risk weighted assets	**5,604,889**	3,204,622
Share capital	**1,120,000**	700,000
Share premium	**80,003**	203
Accumulated losses	**(52,383)**	(125,966)
Non-controlling interest	**(12,216)**	(22,891)
Intangible assets	**(1,951)**	(3,173)
Other adjustments	**18,281**	31,969
Total qualifying capital and reserve funds	**1,151,734**	580,142
Total capital resources expressed as a percentage of total risk weighted assets	**20.55%**	18.10%

The Bank is subject to minimum regulatory CAR of 12.5% comprising of Tier 1 and Tier 2 Capital Ratio of 8%, capital conservation buffer of 2.5% and an ICAAP buffer of 2.0%.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

28. SHARI'A-COMPLIANT-RISK-MANAGEMENT INSTRUMENTS

28.1 Profit rate swap

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

28.2 Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise execution dates, by exchanging the purchase/sale offers and acceptances between the relevant parties. The table below shows the positive and negative fair values of Shari'a-compliant-risk-management financial instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

31 December 2022	**Positive fair value**	**Negative fair value**	**Notional amount**	**Less than 3 months**	**3 to 12 months**
Unilateral promise to buy/ sell currencies	**3,924**	**(10,694)**	**443,468**	**327,296**	**116,172**
	3,924	**(10,694)**	**443,468**	**327,296**	**116,172**

31 December 2021	Positive fair value	Negative fair value	Notional amount	Less than 3 months	3 to 12 months
Unilateral promise to buy/ sell currencies	5,748	(2,350)	459,547	229,837	229,710
	5,748	(2,350)	459,547	229,837	229,710

Unrealised fair value gain/loss arising from Shari'a-compliant-risk management instruments were recognized in these consolidation financial statements as required by IFRS; however, as per requirement of Shari'a principles gains/losses are realised when actual transactions / settlements happen.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are accounted for under the historical cost method with the exception of equity investments. By contrast, the fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

(iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

	Level 1	Level 2	Level 3	Total
31 December 2022				
Investments carried at fair value				
- at fair value through equity	**858,854**	**-**	**99,458**	**958,312**
- at fair value through income statement	**2,687**	**-**	**423,340**	**426,027**
Investments in real estate carried at fair value	**-**	**-**	**225,368**	**225,368**
Investments in funds carried at fair value	**77,821**	**-**	**161,914**	**239,735**
Net gains and losses included in the consolidated statement of changes in equity	**(13,145)**	**-**	**-**	**(13,145)**
Net gains and losses included in the consolidated income statement	**(22,103)**	**-**	**(24,735)**	**(46,838)**
31 December 2021				
Equity investments				
- at fair value through equity	188,853	-	96,903	285,756
- at fair value through income statement	-	-	121,798	121,798
Investments in real estate carried at fair value	-	-	226,368	226,368
Investments in funds carried at fair value	85,731	-	-	85,731
31 December 2021				
Net gains and losses included in the consolidated statement of changes in equity	(1,588)	-	-	(1,588)
Net gains and losses included in the consolidated income statement	(1,471)	-	(4,565)	(6,036)

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29. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Shari'a-compliant-risk-management instruments related assets and liabilities, as disclosed in Note 28, belong to level 2 fair value hierarchy.

The fair values of financial assets and financial liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investments carried at amortised cost for which the fair value amounts to QAR 170.7 million (31 December 2021: QAR 84.6 million) is derived using Level 1 fair value hierarchy.

Valuation technique used in the fair value measurement at 31 December 2022 and 2021 for level three investments included Discounted Cash flow and Market approach. The below table summarises the inputs used discounted cash flow technique:

	Valuation technique	**Inputs used**	**Range of inputs 2022**	**Range of inputs 2021**
Investments at fair value through income statement	Discounted cash flows	Growth rate	1.5% to 3.5%	1% to 3%
		Discount rate	12.9% to 14.9%	11% to 13%

Movements in level 3 financial instruments

The following table shows the reconciliation of the opening and closing amount of Level 3 investments which are recorded at fair value:

	At 1 January 2022	**Total losses recorded in consolidated income statement**	**Additions**	**(Sales)/ transfers**	**At 31 December 2022**
Equity investments					
- at fair value through equity	**96,903**	**-**	**8,372**	**(5,817)**	**99,458**
- at fair value through income statement	**121,798**	**(11,239)**	**474,695**	**-**	**585,254**
	218,701	**(11,239)**	**483,067**	**(5,817)**	**684,712**

	At 1 January 2021	Total losses recorded in consolidated income statement	Additions	(Sales)/ transfers	At 31 December 2021
Equity investments					
- at fair value through equity	50,526	-	34,947	11,430	96,903
- at fair value through income statement	122,890	(1,092)	-	-	121,798
	173,416	(1,092)	34,947	11,430	218,701

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2022 (2021: there were none).

30. SEGMENT INFORMATION

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

Alternative Investments

The Group's alternative investments business segment includes direct investment in the venture capital business direct private equity. Alternative investments business is primarily responsible to acquire large or significant stakes, with board representation, in well managed companies and assets that have strong, established market positions and the potential to develop and expand. The team works as partners with the management of investee companies to unlock value through enhancing operational and financial performance in order to maximize returns. This segment seeks investments opportunities in growth sectors within the GCC and MENA region, as well as United States, Europe and Southeast Asia but remains opportunistic to attractive investment propositions outside of the geographies identified.

Private Bank

The Group's private bank business segment includes private banking, corporate & institutional banking and treasury & investment management services. The Private banking department targets qualified High Net Worth clients with Shari'a compliant up-market products and services that address personal, business and wealth requirements. The services offered under the private banking department includes advisory, deposit accounts, brokerage, funds and investments, treasury Forex products, plain vanilla & specialized financing and Elite services. The corporate & institutional banking department offers deposits accounts and plain vanilla & specialized financing solutions for corporates in Qatar, the GCC and the broader region for sectors and applications currently underserved by regional banks. The treasury department is offering short term liquid investments and FX products to banking clients, deploying the bank's liquidity as well as leading the product development and idea conceptualization function.

Other

This segment includes investment property from where the bank derives Ijarah rentals. Associated cost including financing cost for the investment property are also build up in this segment.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management.

Segment assets and liabilities

The Group does not monitor segments based on segment assets and liabilities and do not possess detailed information thereof. Consequently, disclosure of segment assets and liabilities are not presented in these consolidated financial statements.

As at and for the year ended 31 December 2022 (expressed in QAR'000)

30. SEGMENT INFORMATION (Continued)

Below is the information about operating segments:

For the year ended 31 December 2022	Alternative Investments	Private Bank	Other	Total
INCOME				
Income from financing assets	3,516	6,346	-	9,862
Income from placements with financial institutions	-	29,060	-	29,060
Profit on the financing liabilities	-	(6,316)	-	(6,316)
Net income from financing assets	3,516	29,090	-	32,606
Fee income	21,735	42,947	-	64,682
Dividend income	2,104	13,278	-	15,382
Profit on Sukuk investments	-	30,298	-	30,298
Loss on re-measurement of investments at fair value through income statement	(18,989)	(7,909)	-	(26,898)
Fair value loss on re-measurement of investments in real estate	(1,000)	-	-	(1,000)
Loss on disposal of sukuk investments	-	(1,523)	-	(1,523)
Gain on disposal of equity investments	-	25,657	-	25,657
Loss on early settlement of financing assets	(1,508)	-	-	(1,508)
Net foreign exchange gain / (loss)	(1,367)	10,834	-	9,467
Other income, net	9,428	12	11,181	20,621
Total Income Before Return To Unrestricted Investment Account Holders	13,919	142,684	11,181	167,784
Return to unrestricted investment account holders	-	(52,144)	-	(52,144)
TOTAL INCOME	13,919	90,540	11,181	115,640
EXPENSES				
Staff costs	(2,174)	(56,643)	-	(58,817)
Depreciation and amortization	(1,034)	(3,621)	(517)	(5,172)
Other operating expenses	(8,353)	(31,323)	(2,088)	(41,764)
TOTAL EXPENSES	(11,561)	(91,587)	(2,605)	(105,753)
Provision forimpairment on financing assets, net	21,224	40,151	-	61,375
Provision for impairment on other financial assets, net	-	9,425	-	9,425
NET INCOME BEFORE INCOME TAX	23,582	48,529	8,576	80,687
Income tax expense	-	-	-	-
NET INCOME FROM CONTINUING OPERATIONS	23,582	48,529	8,576	80,687
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	-	3,797	-	3,797
NET PROFIT	23,582	52,326	8,576	84,484

As at and for the year ended 31 December 2022 (expressed in QAR'000)

30. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2021	Alternative Investments	Private Bank	Other	Total
INCOME				
Income from financing assets	6,190	8,243	-	14,433
Income from placements with financial institutions	-	2,770	-	2,770
Profit on the financing liabilities	-	(3,002)	-	(3,002)
Net income from financing assets	6,190	8,011	-	14,201
Fee income	-	31,500	-	31,500
Dividend income	-	12,624	-	12,624
Profit on Sukuk investments	-	12,374	-	12,374
Loss on re-measurement of investments at fair value through income statement	(1,765)	(1,471)	-	(3,236)
Fair value loss on re-measurement of investments in real estate	(2,800)	-	-	(2,800)
Gain on disposal of sukuk investments	-	788	-	788
Gain on disposal of equity investments	53,982	121,141	-	175,123
Net foreign exchange gain / (loss)	72	(2,586)	-	(2,514)
Other income	-	3,879	7,527	11,406
Total Income Before Return To Unrestricted Investment Account Holders	55,679	186,260	7,527	249,466
Return to unrestricted investment account holders	-	(22,754)	-	(22,754)
TOTAL INCOME	55,679	163,506	7,527	226,712
EXPENSES				
Staff costs	(1,364)	(54,462)	-	(55,826)
Depreciation and amortization	(653)	(2,284)	(326)	(3,263)
Other operating expenses	(5,074)	(19,029)	(1,269)	(25,372)
TOTAL EXPENSES	(7,091)	(75,775)	(1,595)	(84,461)
Provision for impairment on financing assets, net	1,539	(8,913)	-	(7,374)
Provision for impairment on other financial assets, net	(2,418)	(9,653)	-	(12,071)
NET PROFIT BEFORE INCOME TAX	47,709	69,165	5,932	122,806
Income tax expense	-	-	-	-
NET PROFIT FROM CONTINUING OPERATIONS	47,709	69,165	5,932	122,806
DISCONTINUED OPERATIONS				
Loss from discontinued operations, net of tax	-	(57,999)	-	(57,999)
NET PROFIT	47,709	11,166	5,932	64,807

As at and for the year ended 31 December 2022 (expressed in QAR'000)

30. SEGMENT INFORMATION (Continued)

Geographical segment information

The Group currently monitors its operations in two geographic markets namely Qatar and other countries. The following tables show the distribution of the Group's net income by geographical segments, based on the location in which the transactions are recorded during the year.

For the year ended 31 December 2022	**Qatar**	**Others**	**Total**
INCOME			
Income from financing assets	6,346	3,516	9,862
Income from placements with financial institutions	29,060	-	29,060
Profit on the financing liabilities	(6,316)	-	(6,316)
Net income from financing assets	29,090	3,516	32,606
Fee income	43,934	20,748	64,682
Dividend income	4,035	11,347	15,382
Profit on Sukuk investments	1,722	28,576	30,298
Loss on re-measurement of investments at fair value through income statement	(7,909)	(18,989)	(26,898)
Fair value loss on re-measurement of investments in real estate	(1,000)	-	(1,000)
Loss on disposal of sukuk investments	(1,523)	-	(1,523)
Gain on disposal of equity investments	25,657	-	25,657
Loss on early settlement of financing assets	(1,508)	-	(1,508)
Net foreign exchange gain	9,467	-	9,467
Other income, net	20,621	-	20,621
Total Income Before Return To Unrestricted	122,586	45,198	167,784
Return to unrestricted investment account holders	(52,144)	-	(52,144)
TOTAL INCOME	70,442	45,198	115,640
EXPENSES			
Staff costs	(58,817)	-	(58,817)
Depreciation and amortisation	(5,172)	-	(5,172)
Other operating expenses	(41,764)	-	(41,764)
TOTAL EXPENSES	(105,753)	-	(105,753)
Provision for impairment on financing assets, net	41,131	20,244	61,375
Provision for impairment on other financial assets, net	9,425	-	9,425
NET PROFIT FROM CONTINUING OPERATIONS	15,245	65,442	80,687
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	-	3,797	3,797
NET PROFIT	15,245	69,239	84,484

As at and for the year ended 31 December 2022 (expressed in QAR'000)

30. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2021	**Qatar**	**Others**	**Total**
INCOME			
Income from financing assets	8,243	6,190	14,433
Income from placements with financial institutions	2,770	-	2,770
Profit on the financing liabilities	(3,002)	-	(3,002)
Net income from financing assets	8,011	6,190	14,201
Fee income	13,086	18,414	31,500
Dividend income	3,044	9,580	12,624
Profit on Sukuk investments	3,017	9,357	12,374
Loss on re-measurement of investments at fair value through income statement	(1,471)	(1,765)	(3,236)
Fair value loss on re-measurement of investments in real estate	(2,800)	-	(2,800)
Gain on disposal of sukuk investments	788	-	788
Gain on disposal of equity investments	120,145	54,978	175,123
Net foreign exchange loss	(2,514)	-	(2,514)
Other income, net	11,406	-	11,406
Total Income Before Return To Unrestricted	152,712	96,754	249,466
Return to unrestricted investment account holders	(22,754)	-	(22,754)
TOTAL INCOME	129,958	96,754	226,712
EXPENSES			
Staff costs	(55,826)	-	(55,826)
Depreciation and amortization	(3,263)	-	(3,263)
Other operating expenses	(25,372)	-	(25,372)
TOTAL EXPENSES	(84,461)	-	(84,461)
Provision for impairment on financing assets, net	(8,007)	633	(7,374)
Provision for impairment on other financial assets, net	(12,071)	-	(12,071)
NET PROFIT FROM CONTINUING OPERATIONS	25,419	97,387	122,806
DISCONTINUED OPERATIONS			
Loss from discontinued operations, net of tax	-	(57,999)	(57,999)
NET PROFIT FOR THE YEAR	25,419	39,388	64,807