

CONSOLIDATED FINANCIAL STATEMENTS

LESHA BANK L.L.C (Public)

31 December 2023

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Lesha 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 2023, 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 material accounting policy information .

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 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 Ethics Standards Board for Accountants' *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.

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

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
<p>Impairment of financing assets</p> <p>At 31 December 2023, the Group's gross financing assets amounted to QAR 427 million (2022: QAR 541 million) and the total provision for impairment on the financing assets amounted to QAR 339 million (2022: QAR 336 million).</p> <p>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.</p> <p>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.</p> <p>Refer to the notes to financial statements for:</p> <ul style="list-style-type: none"> • Note 4 – Significant accounting policy • Note 5 – Use of estimates and judgements • Note 26.6.5 – Inputs, assumptions and techniques used for estimating impairment 	<p>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:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ▶ 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: <ul style="list-style-type: none"> ▶ 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.

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

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

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 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 2023 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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 FAS 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LESHA 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

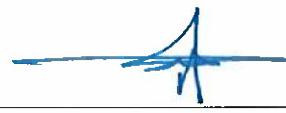
Furthermore, in our opinion, the consolidated financial statements provide the information required by the Qatar Financial Centre Authority Regulations and the Bank's Articles of Association. We are also of the opinion that proper books of account were maintained by the Bank. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned regulations or the Articles of Association having occurred during the year, which might have had a material adverse effect on the Bank's financial position or performance.



	Notes	31 December 2023	31 December 2022
ASSETS			
Cash and bank balances	6	2,962,937	2,368,489
Investments carried at amortised cost	7	100,666	174,230
Investment in funds carried at fair value		273,410	239,735
Financing assets	8	88,387	204,725
Investments carried at fair value	9	2,066,309	1,384,339
Investments in real estate	10	264,262	225,368
Fixed assets	11	17,396	21,562
Intangible assets	12	2,554	1,951
Assets held-for-sale	13	387,303	403,480
Other assets	14	144,849	225,917
TOTAL ASSETS		6,308,073	5,249,796
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT			
ACCOUNT HOLDERS AND EQUITY			
Liabilities			
Financing liabilities	15	1,862,616	742,049
Customers' balances		129,904	310,317
Liabilities held-for-sale	13	112,220	149,987
Other liabilities	16	149,229	181,843
Total Liabilities		2,253,969	1,384,196
Equity of Unrestricted Investment Account Holders	17	2,827,095	2,744,929
Equity			
Share capital	18	1,120,000	1,120,000
Share premium		80,003	80,003
Other reserve	18	9,439	-
Investments fair value reserve		(3,237)	(14,733)
Retained earnings / (accumulated losses)		30,206	(52,383)
Total Equity Attributable to Shareholders of the Bank		1,236,411	1,132,887
Non-controlling interest		(9,402)	(12,216)
Total Equity		1,227,009	1,120,671
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		6,308,073	5,249,796

These consolidated financial statements were authorised for issuance by the Board of Directors on 24 January 2024 and signed on its behalf by:


Faisal bin Thani Al Thani
Chairman


Mohammed Ismail Al Emadi
Chief Executive officer

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

	Notes	For the year ended	
		31 December 2023	31 December 2022
CONTINUING OPERATIONS			
INCOME			
Income from financing assets		11,422	9,862
Income from placements with financial institutions		133,012	29,060
Profit on financing liabilities		(55,694)	(6,316)
Net income from financing assets		88,740	32,606
Fee income	19	60,935	64,682
Dividend income		20,823	15,382
Profit on Sukuk investments		72,597	30,298
Gain/ (loss) on re-measurement of investments at fair value through income statement		5,869	(26,898)
Fair value loss on re-measurement of investments in real estate		-	(1,000)
Loss on disposal of Sukuk investments		-	(1,523)
Gain on disposal of equity investments	9.2	7,387	25,657
Loss on settlement of financing assets	8	-	(1,508)
Net foreign exchange gain		7,668	9,467
Other income, net	20	24,011	20,621
Total Income Before Return To Unrestricted			
Investment Account Holders		288,030	167,784
Return to unrestricted investment account holders		(92,970)	(52,144)
TOTAL INCOME		195,060	115,640
EXPENSES			
Staff costs		(66,076)	(58,817)
Depreciation and amortisation	11 & 12	(6,129)	(5,172)
Other operating expenses	21	(21,057)	(41,764)
TOTAL EXPENSES		(93,262)	(105,753)
(Provision for) / reversal of impairment on financing assets, net of recoveries	26	(1,840)	61,375
Reversal of impairment on other financial assets	26	2,706	9,425
PROFIT BEFORE INCOME TAX		102,664	80,687
Income tax expense		-	-
NET PROFIT FROM CONTINUING OPERATIONS		102,664	80,687
DISCONTINUED OPERATIONS			
(Loss) / profit from discontinued operations	net of tax 13	(6,173)	3,797
NET PROFIT FOR THE YEAR		96,491	84,484
Attributable to:			
Equity holders of the Bank		94,388	75,470
Non-controlling interest		2,103	9,014
		96,491	84,484
Basic/diluted profit per share from continuing operations - QAR	22	0.091	0.083
Basic/diluted loss per share from discontinued operations - QAR	22	(0.007)	(0.005)
Basic/diluted profit per share - QAR	22	0.084	0.078

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

LESHA BANK L.L.C (PUBLIC)

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2023 (expressed in QAR'000)



	Share capital	Share premium	Other reserve	Investments fair value reserve	Retained earnings / (accumulated losses)	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2023	1,120,000	80,003	-	(14,733)	(52,383)	1,132,887	(12,216)	1,120,671
Net profit for the year	-	-	-	-	94,388	94,388	2,103	96,491
Transfer to other reserve	-	-	9,439	-	(9,439)	-	-	-
Fair value adjustments	-	-	-	11,496	-	11,496	-	11,496
Social and Sport funds contribution	-	-	-	-	(2,360)	(2,360)	-	(2,360)
Net change in non-controlling interests	-	-	-	-	-	-	711	711
Balance at 31 December 2023	1,120,000	80,003	9,439	(3,237)	30,206	1,236,411	(9,402)	1,227,009
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.

ERNST & YOUNG
Doha - Qatar

24 JAN 2024

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Purposes Only

	Notes	For the year ended	
		31 December	31 December
		2023	2022
OPERATING ACTIVITIES			
Net profit from continuing operations		102,664	80,687
Net (loss)/ profit from discontinued operations before tax		(6,173)	3,797
Net profit for the year		96,491	84,484
Adjustments for non-cash items			
Depreciation and amortisation	11 & 12	6,129	5,172
Loss on disposal of Fixed assets		24	220
Unrealised (gain) / loss on equity investments		(5,869)	26,898
Unrealised loss on Sharia-compliant risk management instruments, net		19,985	6,770
Unrealised fair value loss on investment in real estate		-	1,000
Provision for / (reversal of) impairment on financing assets, net	26	1,840	(61,375)
Reversal of impairment on other financial assets	26	(2,706)	(9,425)
		115,894	53,744
Changes in:			
Financing assets		114,498	245,386
Assets held-for-sale		16,177	(88,161)
Other assets		81,014	(193,331)
Customers' balances		(180,413)	173,792
Liabilities held-for-sale		(37,767)	(17,024)
Other liabilities		(49,101)	91,195
Net cash from operating activities		60,302	265,601
INVESTING ACTIVITIES			
Purchase of fixed assets & intangible	11 & 12	(2,819)	(14,602)
Proceeds from disposal of fixed assets		74	81
Investments carried at amortised cost		73,145	(91,725)
Investment in funds carried at fair value		(33,675)	(154,004)
Investment carried at fair value		(680,373)	(1,016,626)
Investments in real estate		(25,000)	-
Net change in cash and bank balances with maturity of more than 90 days		(691,423)	(342,339)
Net cash used in investing activities		(1,360,071)	(1,619,215)
FINANCING ACTIVITIES			
Net change in financing liabilities		1,120,567	214,525
Net change in equity of unrestricted investment account holders		82,166	1,005,577
Net proceeds from right issue		-	499,800
Net change in non-controlling interest		711	1,661
Net cash from financing activities		1,203,444	1,721,563
Net (decrease) / increase in cash and cash equivalents		(96,325)	367,949
Cash and cash equivalents at the beginning of the year	6	1,989,167	1,621,218
Cash and cash equivalents at the end of the year	6	1,892,842	1,989,167

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

1. REPORTING ENTITY

Lesha Bank L.L.C (Public) ("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").

The consolidated financial statements of the Bank for the year ended 31 December 2023 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Parent Company / Ultimate Controlling Party of the Group is Lesha Bank L.L.C (Public). The Bank had the following subsidiaries as at 31 December 2023 and 31 December 2022:

Subsidiaries	Activity	Effective ownership as at		Year of incorporation	Country
		31 December 2023	31 December 2022		
Isnad for Catering & Services QSCC ¹	Catering	-	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	97.6%	97.0%	2019	USA
Fairview Investor Corp.*	Leasing real estate	97.6%	97.0%	2019	USA
QFB Investments I Ltd.	Investments	100.0%	100.0%	2022	Cayman Islands
QFB Private Equity Ltd.	Investments	100.0%	100.0%	2022	Cayman Islands
LB RE Equity Fund 1	Investments	100.0%	-	2023	Cayman Islands
QFB Information Technologies LLC	Investments	100.0%	100.0%	2022	Qatar
QFB Sharia-Compliant Global PE FoF2	Investments	100.0%	100.0%	2022	Cayman Islands
QFB Hospitality Ltd.	Investments	100.0%	100.0%	2022	Cayman Islands
LB Credit Fund 1 ²	Investments	100.0%	100.0%	2022	Cayman Islands

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

¹The company has been liquidated.

²Formerly known as QFB Sharia-Compliant Global Real Estate Fund of Funds.

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. 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 investment securities classified as Investments at fair value through equity, Investments at fair value through income statement,

Shari'a-compliant-risk-management instruments and certain Investment in real estate 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 2022, except for the adoption of the following standards and amendments to standards effective from 1 January 2023.

3.1 New standards and interpretations adopted

3.1.1 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.

The adoption of this standard does not have any impact on the Group's consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.1 New standards and interpretations (Continued)

3.1.2 *FAS 41 Interim Financial report*

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

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

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

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

AAOIFI has issued a 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.

The Accounting Board (AAB) of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) decide to defer the effective date of the recently issued AAOIFI FAS 1 "General Presentation and Disclosures in the Financial Statements" from 1 January 2023 to 1 January 2024. It also concluded that early adoption of the standard shall be encouraged.

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 is effective from financial periods beginning on or after 1 January 2024 with early adoption permitted.

The standard does not have any impact on these consolidated financial statements as it is applicable to Islamic finance windows.

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 on a continuous basis cannot be determined, was removed.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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.

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 cash equivalents

Cash and cash equivalents 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 investments. 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 banks placements are invested under Wakala, Murabaha and Mudaraba terms. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

4.6 Investments 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 Investments at fair value

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. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in owners' equity is transferred to the consolidated income statement.

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 to initial recognition, investments are carried at fair value. The 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 Share Capital and reserve

The Group has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these are recognised in equity.

Other reserve

In accordance with the Bank's Articles of Association, up to 10% of the net profit for the year may be transferred to other reserve each year until this reserve is equal to 50% of the paid-up share capital. The reserve is not available to distribution except in the circumstances stipulated in the Bank's Articles of Association.

4.16 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 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 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 an 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.

4.18 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.

4.19 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.

4.20 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)).

4.21 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 29.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 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.

As per applicable Tax Laws and regulations, listed companies are exempt from income tax.

(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.

4.23 Zakah

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

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 investments that were valued using assumptions that are not based on observable market data.

The Group uses significant judgements and estimates to determine the 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 28.

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 26.6.5 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.

6. CASH AND BANK BALANCES

	31 December	31 December	
	<i>Note</i>	2023	2022
Cash in hand		35	35
Balances with banks (current accounts)		257,716	387,292
Placements with financial institutions		2,709,557	1,984,883
Provision for impairment	26.6.5	(4,371)	(3,721)
		2,962,937	2,368,489
Less: cash and bank balances with maturity of more than 90 days		(1,074,466)	(383,043)
Add: provision for impairment (non-cash)		4,371	3,721
Cash and cash equivalents		1,892,842	1,989,167

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

7. INVESTMENTS CARRIED AT AMORTISED COST

	31 December	31 December	
	<i>Note</i>	2023	2022
Investments in Sukuk		100,409	172,536
Accrued income		1,090	1,361
Unamortised premiums, net		455	1,202
Provision for impairment	26.6.5	(1,288)	(869)
		100,666	174,230

8. FINANCING ASSETS

	31 December	31 December	
	<i>Note</i>	2023	2022
Murabaha financing		310,625	423,416
Deferred investment sales		90,087	90,087
Others		49,973	36,308
Total financing assets		450,685	549,811
Deferred profit		(23,487)	(8,723)
Provision for impairment on financing assets	26.6.5	(338,811)	(336,363)
Net financing assets		88,387	204,725

During the year, the Bank incurred a loss of QAR Nil (2022: QAR 1.5 million) due to early repayment of a financing asset of QAR Nil (2022: QAR 9.1 million).

9. INVESTMENTS CARRIED AT FAIR VALUE

	Note	31 December 2023	31 December 2022
Investments at fair value through equity	9.1	1,641,331	958,312
Investments at fair value through income statement		424,978	426,027
		2,066,309	1,384,339

9.1 Investments at fair value through equity

	31 December 2023	31 December 2022
Equity-type investments	79,385	99,458
Debt-type Sukuk investments*	1,561,946	858,854
	1,641,331	958,312

* During the year ended 31 December 2023, the Bank recognized a positive fair value reserve of QAR 26.6 million (for the year ended 31 December 2022: a negative fair value of QAR 14.7 million) related to these sukuk investments. Sukuk investments of nominal value of QAR 147.8 million (2022: QAR 147.8 million) and fair value of QAR 153.6 million (2022: QAR 150.3 million) of the Group have been pledged as security for a financing liability of QAR 109 million (2022: QAR 109 million) of the Group.

Movements in the investments at fair value are as follows:

	31 December 2023			31 December 2022		
	Investments at fair value through equity	Investments at fair value through income	Total	Investments at fair value through equity	Investments at fair value through income statement	Total
At the beginning of the year	958,312	426,027	1,384,339	285,756	121,798	407,554
Additions:						
Sukuks, net	704,966	-	704,966	669,799	-	669,799
Equity investment	8,918	115,152	124,070	8,372	327,777	336,149
Disposal	-	(128,916)	(128,916)	(5,817)	-	(5,817)
Allowance for impairment	(1,874)	-	(1,874)	202	-	202
Fair value adjustments	(28,991)	12,715	(16,276)	-	(23,548)	(23,548)
At the end of the year	1,641,331	424,978	2,066,309	958,312	426,027	1,384,339

9.2 Gain on disposal of equity investments

During the year, the Bank disposed its equity investments with total carrying value of QAR 128.9 million and recognized a gain on disposal of equity investments of QAR 7.4 million.

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

10. INVESTMENT IN REAL ESTATE

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

	31 December 2023	31 December 2022
At the beginning of the year	225,368	226,368
Addition during the year	25,000	-
Fair value gain / (loss) on re-measurement of investments in real estate	13,894	(1,000)
At the end of the year	264,262	225,368

In 2021, the Bank entered into an Ijarah agreement with a local bank related to a property located in Al Messila, State of Qatar, whereby the ownership of the property was transferred to the Bank at the end of the agreement period. This property is leased to a third party operating a branch of a large hypermarket chain in the country. In line with this transaction, the Group recognised investment in real estate of QAR 239.4 million (2022: QAR 214.4 million). Further, a rental income of QAR 17.9 million (2022: QAR 17.1 million) and Ijara expense of QAR 0.2 million (2022: QAR 5.5 million) was recognised in the income statement for the year ended 31 December 2023.

11. FIXED ASSETS

	Equipment	Furniture and fixture	Motor vehicles	Right of use assets	Capital working in progress	Total
Cost						
As at 1 January 2023	18,158	11,930	913	10,492	120	41,613
Additions	510	250	160	-	376	1,296
Transferred from Capital working in progress	-	51	-	-	(120)	(69)
Adjustments	19	-	(33)	(78)	-	(92)
Disposals	(16,573)	(8)	(170)	-	-	(16,751)
As at 31 December 2023	2,114	12,223	870	10,414	376	25,997
Accumulated depreciation						
As at 1 January 2023	(16,667)	(601)	(335)	(2,448)	-	(20,051)
Depreciation charge	(596)	(2,435)	(249)	(1,929)	-	(5,209)
Adjustments	(28)	-	33	-	-	5
Disposals	16,571	7	76	-	-	16,654
As at 31 December 2023	(720)	(3,029)	(475)	(4,377)	-	(8,601)
Net book value as at 31 December 2023	1,394	9,194	395	6,037	376	17,396
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

12. INTANGIBLE ASSETS

	31 December	31 December
	2023	2022
Cost:		
At the beginning of the year	36,862	36,387
Additions during the year	1,523	475
At the end of the year	38,385	36,862
Amortisation		
At the beginning of the year	(34,911)	(33,214)
Amortisation charge for the year	(920)	(1,697)
At the end of the year	(35,831)	(34,911)
Net book value		
At the beginning of the year	1,951	3,173
At the end of the year	2,554	1,951

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	31 December
	2023	2022
Assets of disposal groups classified as held-for-sale	296,788	295,052
Equity investments held-for-sale	90,515	108,428
Total	387,303	403,480
Liabilities of disposal group classified as held-for-sale	112,220	149,987

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 into 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 in accordance with FAS 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 the United States of America and indirectly acquired 97.6% in real estate property (the "Fairview").

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 into a structure to invest indirectly to acquire 100% in a 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 2023, the Bank had 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 (refer to Note 13.1.2).

13.1.2 Analysis of disposal group assets/liabilities, results and cashflows
(a) Assets 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:

	31 December	31 December	
	Note	2023	2022
Assets of disposal groups classified as held-for-sale			
<i>Financial assets</i>			
Cash and cash equivalents	21,047	2,796	
Accounts receivable	605	24,085	
<i>Total financial assets</i>	21,652	26,881	
<i>Non-financial assets</i>			
Inventories	-	175	
Investments in real estate	149,272	141,999	
Fixed assets	-	10,291	
Other assets	216,379	224,134	
<i>Total non-financial assets</i>	365,651	376,599	
Total assets of disposal groups classified as held for sale	387,303	403,480	
 Liabilities of disposal groups classified as held-for-sale			
Financial liabilities	84,904	83,263	
Due to related parties	24	13,723	17,779
Other financial liabilities		13,593	48,945
Total liabilities of disposal groups classified as held for sale		112,220	149,987
Net carrying value		275,083	253,493

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:*

	For the year ended	
	31 December	31 December
	2023	2022
Revenue	29,826	32,754
Expenses	(35,999)	(28,957)
Net loss from discontinued operations	(6,173)	3,797
Attributable to		
- Equity holders of the Bank	(8,276)	(5,217)
- Non-controlling interest	2,103	9,014

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

	For the year ended	
	31 December	31 December
	2023	2022
Operating cash flows	9,060	16,342
Investing cash flows	(16,121)	(6,331)
Financing cash flows	12,388	(14,666)
	5,327	(4,655)

14. OTHER ASSETS

Other assets comprise the following:

	31 December		
	<i>Note</i>	2023	2022
<i>Other non-financial assets</i>			
Prepayments		2,988	4,086
Total other non-financial assets		2,988	4,086
<i>Other financial assets</i>			
Other receivables		28,241	26,568
Advances for Investments		102,401	193,398
Due from related parties	24	9,100	9,100
Fair value of Sharia-compliant-risk-management instruments	27.2	257	3,924
Accrued income		1,862	1,500
Provision for impairment		-	(12,659)
Total other financial assets		141,861	221,831
Total other assets		144,849	225,917

15. FINANCING LIABILITIES

	31 December 2023	31 December 2022
Accepted wakala deposits	1,747,529	457,435
Murabaha financing	115,087	284,614
	<u>1,862,616</u>	<u>742,049</u>

As of 31 December 2023, Sukuk investments of nominal value of QAR 147.8 million (2022: 147.8 million) of the Group have been pledged as security for bank financing liabilities of QAR 109 million of the Group.

16. OTHER LIABILITIES

	31 December Note 2023	31 December 2022
<i>Other non-financial liabilities</i>		
Advances and other payables	44,693	38,763
Unearned revenue	-	1,677
<i>Total other non-financial liabilities</i>	<u>44,693</u>	<u>40,440</u>
<i>Other financial liabilities</i>		
Accounts payable	4,561	12,012
Fair value of Sharia-compliant-risk-management instruments	27.2	20,242
Staff-related payables	31,097	24,479
Dividends and Unsubscribed right issue shareholders claim payables	10,669	16,734
Other payables and accrued expenses	37,967	71,781
Provision for off-balance sheet exposures	26.6.5	-
<i>Total other financial liabilities</i>	<u>104,536</u>	<u>141,403</u>
Total other liabilities	<u>149,229</u>	<u>181,843</u>

17. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

a) By type

	31 December 2023	31 December 2022
Term accounts	2,809,694	2,734,524
Short-term Investment accounts	4,488	-
Profit payable to equity of investment account holders	12,913	10,405
	<u>2,827,095</u>	<u>2,744,929</u>

17. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (Continued)

b) By sector

	31 December	31 December
	2023	2022
Individual	94,439	153,158
Government	205,986	199,281
Corporate	2,526,670	2,392,490
	2,827,095	2,744,929

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

	31 December	31 December
	2023	2022
Cash and cash equivalents	1,415,167	1,363,225
Investments in Sukuk	788,594	597,224
Investment in funds	129,682	138,591
Financing assets	84,274	154,241
Equity investments & Other Investments	409,378	491,648
	2,827,095	2,744,929

Bank's net Mudaraba income calculation is presented below:

	31 December	31 December
	2023	2022
Return on equity of unrestricted investment account holders in the profit before Bank's Mudaraba income	150,577	91,578
Return distribution to unrestricted investment account holders		
- Return on unrestricted investment account holders	122,307	85,211
- Amount waived by the Bank in favour of unrestricted investment account holders	11,455	475
- Mudarib's incentives	(40,792)	(33,542)
Total return to unrestricted investment account holders	92,970	52,144
Bank's net Mudaraba income	57,607	39,434

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 by the 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 there afterwards changed to 30% to Mudarib and 70% to unrestricted 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 11.5 million (2022: QAR 0.48 million), as presented in the above table.

18. SHARE CAPITAL

	31 December 2023	31 December 2022
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	1,120,000	1,120,000
Beginning of the reporting year	1,120,000	700,000
Rights share issued	-	420,000
In issued at	1,120,000	1,120,000

In 2022, the subscription process for the rights was completed and 420,000,000 new ordinary shares were subscribed to or 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.

Other reserve

In accordance with the Bank's Articles of Association, up to 10% of the net profit for the year may be transferred to other reserve each year until this reserve is equal to 50% of the paid-up share capital. The reserve is not available to distribution except in the circumstances stipulated in the Bank's Articles of Association. During the year, the Bank has transferred an amount of QAR 9.4 million to the other reserve (2022: Nil).

19. FEE INCOME

	For the year ended	
	31 December 2023	31 December 2022
Management fees	39,461	22,426
Placement fees (including exit fees)	21,474	41,710
Bank transaction fees	-	546
	60,935	64,682

20. OTHER INCOME

	For the year ended	
	31 December 2023	31 December 2022
Rental income from investment in real estate	17,891	17,092
Financing cost	(196)	(5,911)
Net rental income from investment in real estate	17,695	11,181
Miscellaneous income	6,316	9,440
	24,011	20,621

21. OTHER OPERATING EXPENSES

	For the year ended	
	31 December	31 December
	2023	2022
Professional services	11,896	12,422
Rent expense	-	882
Other	9,161	28,460
	21,057	41,764

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	31 December
	2023	2022
<i>Basic and diluted profit per share</i>		
Net profit attributable to the equity holders of the Bank from continuing operations	102,664	80,687
Net loss attributable to the equity holders of the Bank from discontinued operations	(8,276)	(5,217)
Net Profit attributable to the equity holders of the Bank	94,388	75,470
Total weighted average number of shares (thousand)	1,120,000	970,174
Basic and diluted profit per share from continuing operations - QAR	0.091	0.083
Basic and diluted loss per share from discontinued operations - QAR	(0.007)	(0.005)
Basic and diluted profit per share - QAR	0.084	0.078

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

Qualifying ordinary shares at the beginning of the year	1,120,000	700,000
Effect of right issue	-	270,174
Weighted average number of ordinary shares for the year	1,120,000	970,174

23. CONTINGENT LIABILITIES

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

	For the year ended	
	31 December	31 December
	2023	2022
Unutilised credit facilities	1	5,552
	1	5,552

Contingent liabilities related to Shari'a-compliant-risk-management instruments as disclosed in Note 27.2.

24. RELATED PARTIES

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

Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and 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 consolidated financial statements are as follows:

	31 December 2023		
	Associates	Other*	Total
<i>a) Consolidated statement of financial position as at</i>			
Financing assets	7,138	-	7,138
Other assets	-	9,100	9,100
Customers' balances	-	22,006	22,006
Liabilities held-for-sale	13,723	-	13,723

b) Consolidated income statement for the year ended

Income from financing assets	1,127	-	1,127
Dividend and other income	2,330	-	2,330
Reversal of impairment of financing assets	(10,012)	-	(10,012)
Other operating expenses	-	(1,340)	(1,340)

c) Off balance sheet instruments as at

Assets under management	-	93,173	93,173
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	31 December 2022		
	Associates	Other*	Total
<i>a) Consolidated statement of financial position as at</i>			
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
<i>b) Consolidated income statement for the year ended</i>			
Income from financing assets	295	-	295
Dividend and 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)
<i>c) Off balance sheet instruments as at</i>			
Asset under management	-	141,482	141,482

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

24. RELATED PARTIES (Continued)

Key management compensation is presented below:

	For the year ended	
	31 December 2023	31 December 2022
<i>Key management personnel compensation :</i>		
Senior management personnel	12,217	13,045
Shari'a Supervisory Board remuneration	460	480
	12,677	13,525

Boards of Directors sitting fee for the year ended 2023 is QAR Nil (2022: QAR 0.70 million).

25. ZAKAH

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

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

26.1 *Financial instruments definition and classification*

Financial instruments comprise all financial assets and liabilities of the Group. Financial assets include cash and bank balances, investments carried at amortised cost, financing assets, accounts receivable, investments at fair value and other financial assets. Financial liabilities include customers' 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.

26.2 *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.

26.3 *Risk management*

Lesha bank 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.

26.4 *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.

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

26.5 *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.

26.6 *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 2023	31 December 2022
Balances with banks	6	254,074	383,571
Placements with financial institutions	6	2,708,828	1,984,883
Investments in Sukuk	7 & 9.1	1,662,612	1,033,084
Investment in funds		273,410	239,735
Financing assets	8	88,387	204,725
Financial assets of disposal group classified as held-for-sale	13.1.2	21,652	26,881
Other financial assets	14	141,861	221,831
		5,150,824	4,094,710

The weightings assigned to each macro-economic scenario at the Bank level are based on the Credit cycle indices (CCI), and as of 31 December 2023 were 65% to the Base Case, 30% to Downside and 5% to the Upside Case (as of 31 December 2022: 65% to the Base Case, 30% 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.

26.6.1 *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 2023, the Group had balances with nine counterparty banks (31 December 2022: 7 banks) with aggregated amounts above QAR 100 million. The total aggregate amount of these deposits was QAR 2,583 million (31 December 2022: QAR 2,147 million).

26. 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 2023	31 December 2022
Qatar	2,764,781	2,708,054
Asia and Middle East	1,555,172	867,705
North America	85,063	61,749
Europe and others	745,808	457,202
	5,150,824	4,094,710

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

	31 December 2023	31 December 2022
Banking and financial services	3,935,086	3,081,404
Sovereign	457,907	323,733
Real Estate	240,521	113,079
Consumer Services	233,663	392,022
Construction	7,378	10,838
Others	276,269	173,634
	5,150,824	4,094,710

26.6.2 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.

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

The following table provides the details for the credit quality:

	31 December 2023				31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances								
Performing (AAA to B-)	2,963,668	-	3,640	2,967,308	2,368,516	-	3,694	2,372,210
Allowance for impairment	(731)	-	(3,640)	(4,371)	(27)	-	(3,694)	(3,721)
Net carrying amount	2,962,937	-	-	2,962,937	2,368,489	-	-	2,368,489
Investments carried at amortised cost								
Performing (AAA to CCC)	101,954	-	-	101,954	175,099	-	-	175,099
Allowance for impairment	(1,288)	-	-	(1,288)	(869)	-	-	(869)
Net carrying amount	100,666	-	-	100,666	174,230	-	-	174,230
Investments carried at fair value								
Performing (AAA to BBB)	1,571,507	-	-	1,571,507	866,541	-	-	866,541
Allowance for impairment	(9,561)	-	-	(9,561)	(7,687)	-	-	(7,687)
Net carrying amount	1,561,946	-	-	1,561,946	858,854	-	-	858,854
Financing assets								
Performing (Grades 1-6)	38,001	-	-	38,001	127,667	-	-	127,667
Under-performing (Grade 7)	-	87,685	-	87,685	-	113,459	-	113,459
Non-performing (Grade 8-10)	-	-	301,512	301,512	-	-	299,962	299,962
	38,001	87,685	301,512	427,198	127,667	113,459	299,962	541,088
Allowance for impairment	(6,414)	(30,885)	(301,512)	(338,811)	(1,400)	(35,001)	(299,962)	(336,363)
Net carrying amount	31,587	56,800	-	88,387	126,267	78,458	-	204,725
Financing commitments and financial guarantee								
Performing (Grades 1-6)	1	-	-	1	5,552	-	-	5,552
	1	-	-	1	5,552	-	-	5,552
Allowance for impairment	-	-	-	-	(5,703)	-	-	(5,703)

26. 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 2023 is QAR 27.2 million (2022: QAR 27.2 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 2023 amounted to QAR 75.8 million (2022: QAR 49.2 million).

26.6.3 Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. There were no repossessed properties as at 31 December 2023 and 31 December 2022.

26.6.4 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.

26.6.5 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.

26. 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.

26. 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 2023 was GDP (2023: 2.2%, 2024: 3.7%).

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.

26. 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.

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

	31 December 2023				31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and bank balances								
Balance at 1 January	27	-	3,694	3,721	6,516	-	3,664	10,180
Impairment allowance, net	704	-	-	704	(6,489)	-	30	(6,459)
Write-off of provision	-	-	(54)	(54)	-	-	-	-
Balance at end of the year	731	-	3,640	4,371	27	-	3,694	3,721
Investments carried at amortised cost								
Balance at 1 January	869	-	-	869	1,118	-	-	1,118
Impairment allowance, net	419	-	-	419	(249)	-	-	(249)
Balance at end of the year	1,288	-	-	1,288	869	-	-	869
Investments carried at fair value								
Balance at 1 January	7,687	-	-	7,687	7,889	-	-	7,889
Impairment allowance, net	1,874	-	-	1,874	(202)	-	-	(202)
Balance at end of the year	9,561	-	-	9,561	7,687	-	-	7,687
Financing assets								
Balance at 1 January	1,400	35,001	299,962	336,363	1,983	96,932	304,954	403,869
Write-off of provision	-	-	-	-	-	-	(4,611)	(4,611)
Foreign currency fluctuation,(net)	-	608	-	608	-	(1,520)	-	(1,520)
Impairment allowance, net	5,014	(4,724)	1,550	1,840	(583)	(60,411)	(381)	(61,375)
Balance at end of the year	6,414	30,885	301,512	338,811	1,400	35,001	299,962	336,363
Other assets								
Balance at 1 January	-	-	12,659	12,659	-	-	12,659	12,659
Write-off of provision	-	-	(12,659)	(12,659)	-	-	-	-
Balance at end of the year	-	-	-	-	-	-	12,659	12,659
Off balance sheet instruments, subject to credit risk								
Balance at 1 January	5,703	-	-	5,703	8,128	90	-	8,218
Impairment allowance, net	(5,703)	-	-	(5,703)	(2,425)	(90)	-	(2,515)
Balance at end of the year	-	-	-	-	5,703	-	-	5,703

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

26.7 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 2023	31 December 2022
On demand	129,904	310,317
Less than 3 months	1,760,806	1,722,792
3 to 6 months	58,260	-
6 to 12 months	5,176	44,623
1 to 5 years	3,269,183	2,101,088
Total	5,223,329	4,178,820

26. 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 2023						
Financial assets						
Cash and cash equivalents	254,110	1,634,717	486,068	513,650	74,392	2,962,937
Investments in Sukuk	-	153,836	201,206	199,368	1,108,202	1,662,612
Financing assets	5,977	5,984	39,092	23,437	13,897	88,387
Investment in fund	-	273,410	-	-	-	273,410
Equity investments	-	-	-	-	504,363	504,363
Financial assets held-for-sale	21,047	605	-	-	-	21,652
Other financial assets	141,861	-	-	-	-	141,861
Total financial assets	422,995	2,068,552	726,366	736,455	1,700,854	5,655,222
Financial liabilities and equity of unrestricted investment account holders						
Financing liabilities	-	732,309	-	-	1,130,307	1,862,616
Customers' balances	129,904	-	-	-	-	129,904
Other financial liabilities	-	-	-	-	104,536	104,536
Equity of unrestricted investment account holders	-	936,787	56,728	13,580	1,820,000	2,827,095
Financial liabilities held-for-sale	-	27,316	-	-	84,904	112,220
Total financial liabilities and equity of unrestricted investment account holders	129,904	1,696,412	56,728	13,580	3,139,747	5,036,371
Net liquidity gap	293,091	372,140	669,638	722,875	(1,438,893)	618,851
Net cumulative gap	293,091	665,231	1,334,869	2,057,744	618,851	
Contingent liabilities*	-	-	1	-	-	1

*Contingent liabilities related to Shari'a-compliant-risk-management instruments as disclosed in Note 27.

26. 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 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	24,085	-	-	-	26,881
Other financial assets	221,831	-	-	-	-	221,831
Total financial assets	614,968	2,085,076	359,354	352,443	1,208,389	4,620,230
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 liabilities of disposal groups classified as 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	403,601	359,354	308,786	(844,847)	531,545
Net cumulative gap	304,651	708,252	1,067,606	1,376,392	531,545	
Contingent liabilities*	-	-	5,552	-	-	5,552

*Contingent liabilities related to Shari'a-compliant-risk-management instruments as disclosed in Note 27.

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

26.8 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.

26.8.1 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" and "Investments at fair value through equity");
- 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 2023	Change in basis points (+/-)	Effect on net profit/ loss (+/-)
Assets			
Placements with financial institutions	2,705,186	100	27,052
Investments in sukuk	1,662,612	100	16,626
Investment in funds carried at fair value	273,410	100	2,734
Financing assets	88,387	100	884
Liabilities and Equity of unrestricted investment account holders			
Financing liabilities	1,862,616	100	(18,626)
Financial liabilities of disposal group classified as held-for-sale	84,904	100	(849)
Equity of unrestricted investment account holders	2,827,095	100	(28,271)
31 December 2022			
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)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

26.8.2 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 Riyal and, hence the foreign exchange risk for the Group in respect of these currencies is minimal.

Currency	Exposure (QAR equivalent)	
	31 December	31 December
2023	2022	
USD	1,583,903	1,278,371
USD pegged currencies	1,651	3,252

The table below shows the impact of a 5% movement in the currency rate, for other than those pegged to the Qatari Riyal, against the Qatari Riyal, 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.

Currency	Exposure (QAR equivalent)		Effect on net profit (+/-)	
	31 December	31 December	31 December	31 December
2023	2022	2023	2022	
GBP	3,968	8,127	198	406
EUR	(1,743)	93,732	(87)	4,687
KWD	32	32	2	2

26.8.3 Commodities price risk

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

26.9 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.

26.10 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.

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

26.11 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 2023	31 December 2022
Total risk weighted assets	6,376,132	5,604,889
Share capital	1,120,000	1,120,000
Share premium	80,003	80,003
Other reserve	9,439	-
Retained earnings / (accumulated losses)	30,206	(52,383)
Non-controlling interest	(9,402)	(12,216)
Intangible assets	(2,554)	(1,951)
Other adjustments	12,580	18,281
Total qualifying capital and reserve funds	1,240,272	1,151,734
 Total capital resources expressed as a percentage of total risk weighted assets	 19.45%	 20.55%

The Bank is subject to a 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%.

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

27.1 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.

27.2 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.

	Positive fair value	Negative fair value	Notional amount	Less than 3 months	3 to 12 months
31 December 2023					
Unilateral promise to buy/ sell currencies	257	(20,242)	995,117	995,117	-
	257	(20,242)	995,117	995,117	-
31 December 2022					
Unilateral promise to buy/ sell currencies	Positive fair value 3,924	Negative fair value (10,694)	Notional amount 443,468	Less than 3 months 327,296	3 to 12 months 116,172
	3,924	(10,694)	443,468	327,296	116,172

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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are accounted for under the historical cost method with the exception of investments at fair value. 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
<i>31 December 2023</i>				
Investments carried at fair value				
- at fair value through equity	1,561,946	-	79,385	1,641,331
- at fair value through income statement	3,214	-	421,764	424,978
Investments in real estate carried at fair value	-	-	264,262	264,262
Investments in funds carried at fair value	78,850	-	194,560	273,410
Net gains and losses included in the consolidated statement of changes in equity	26,593	-	(15,097)	11,496
Net gains and losses included in the consolidated income statement	1,556	-	20,918	22,474
<i>31 December 2022</i>				
Equity investments				
- 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	(19,382)	-	-	(19,382)
Net gains and losses included in the consolidated income statement	(20,001)	-	(24,376)	(44,377)

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Shari'a-compliant-risk-management instruments related assets and liabilities, as disclosed in Note 27, 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 101.0 million (31 December 2022: QAR 170.7 million) and is derived using Level 1 fair value hierarchy.

Valuation technique used in the fair value measurement at 31 December 2023 and 2022 for level 3 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	
			2023	2022
Investments at fair value through income statement	Discounted cash flows	Growth rate Discount rate	1.5% to 3.5% 13.4% to 15.4%	1.5% to 3.5% 12.9% to 14.9%

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	Total gain / (losses)			At 31 December 2023	
		recorded in consolidated income statement / equity				
		2023	Additions	Disposals		
<i>Equity investments</i>						
- at fair value through equity	99,458	(28,991)	8,918	-	79,385	
- at fair value through income statement	585,254	20,920	139,066	(128,916)	616,324	
	684,712	(8,071)	147,984	(128,916)	695,709	
 Total losses recorded in consolidated income statement / equity						
At 1 January 2022	income statement / equity	Additions	Disposals	At 31 December 2022		
<i>Equity investments</i>						
- 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	

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2023 (2022: none).

29. 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 for acquiring 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 include 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 costs 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 does not possess detailed information thereof. Consequently, disclosure of segment assets and liabilities are not presented in these consolidated financial statements.

29. SEGMENT INFORMATION (Continued)

Below is the information about operating segments:

<i>For the year ended 31 December 2023</i>	Alternative			Total
	Investments	Private Bank	Other	
INCOME				
Income from financing assets	1,125	10,297	-	11,422
Income from placements with financial institutions	-	133,012	-	133,012
Profit on the financing liabilities	-	(55,694)	-	(55,694)
Net income from financing assets	1,125	87,615	-	88,740
Fee income	25,088	35,847	-	60,935
Dividend income	4,110	16,713	-	20,823
Profit on Sukuk investments	-	72,597	-	72,597
Gain/ (loss) on re-measurement of investments at fair value through income statement	(3,047)	8,916	-	5,869
Gain on disposal of equity investments	7,387	-	-	7,387
Net foreign exchange gain	4,213	3,455	-	7,668
Other income, net	1,004	5,312	17,695	24,011
Total Income Before Return To Unrestricted	39,880	230,455	17,695	288,030
Return to unrestricted investment account holders	-	(92,970)	-	(92,970)
TOTAL INCOME	39,880	137,485	17,695	195,060
EXPENSES				
Staff costs	(2,320)	(63,756)	-	(66,076)
Depreciation and amortization	(1,226)	(4,290)	(613)	(6,129)
Other operating expenses	(4,211)	(15,793)	(1,053)	(21,057)
TOTAL EXPENSES	(7,757)	(83,839)	(1,666)	(93,262)
(Provision for) / reversal of impairment on financing assets, net of recoveries	9,711	(11,551)	-	(1,840)
Reversal of impairment on other financial assets	-	2,706	-	2,706
NET INCOME BEFORE INCOME TAX	41,834	44,801	16,029	102,664
Income tax expense	-	-	-	-
NET INCOME FROM CONTINUING OPERATIONS	41,834	44,801	16,029	102,664
DISCONTINUED OPERATIONS				
Profit / (loss) from discontinued operations, net of tax	4,112	(10,285)	-	(6,173)
NET PROFIT FOR THE YEAR	45,946	34,516	16,029	96,491

29. SEGMENT INFORMATION (Continued)

<i>For the year ended 31 December 2022</i>	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	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)
Reversal of impairment on financing assets, net of recoveries	21,224	40,151	-	61,375
Reversal of impairment on other financial assets	-	9,425	-	9,425
NET PROFIT BEFORE INCOME TAX	23,582	48,529	8,576	80,687
Income tax expense	-	-	-	-
NET PROFIT 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 FOR THE YEAR	23,582	52,326	8,576	84,484

29. 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.

<i>For the year ended 31 December 2023</i>	Qatar	Others	Total
INCOME			
Income from financing assets	10,297	1,125	11,422
Income from placements with financial institutions	133,012	-	133,012
Profit on the financing liabilities	(55,694)	-	(55,694)
Net income from financing assets	87,615	1,125	88,740
Fee income	47,407	13,528	60,935
Dividend income	4,367	16,456	20,823
Profit on Sukuk investments	2,799	69,798	72,597
Gain on re-measurement of investments at fair value through income statement	1,029	4,840	5,869
Gain on disposal of equity investments	7,387	-	7,387
Net foreign exchange gain	7,668	-	7,668
Other income, net	24,011	-	24,011
Total Income Before Return To Unrestricted Investment Account Holders	182,283	105,747	288,030
Return to unrestricted investment account holders	(92,970)	-	(92,970)
TOTAL INCOME	89,313	105,747	195,060
EXPENSES			
Expenses from non-banking activities			
Staff costs	(66,076)	-	(66,076)
Depreciation and amortisation	(6,129)	-	(6,129)
Other operating expenses	(21,057)	-	(21,057)
TOTAL EXPENSES	(93,262)	-	(93,262)
(Provision for) / reversal of impairment on financing assets, net of recoveries	(11,551)	9,711	(1,840)
Reversal of impairment on other financial assets	2,706	-	2,706
NET PROFIT FROM CONTINUING OPERATIONS	(12,794)	115,458	102,664
DISCONTINUED OPERATIONS			
Profit / (loss) from discontinued operations, net of tax	4,112	(10,285)	(6,173)
NET PROFIT FOR THE YEAR	(8,682)	105,173	96,491

29. SEGMENT INFORMATION (Continued)

<i>For the year ended 31 December 2022</i>	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 Investment Account Holders	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 amortization	(5,172)	-	(5,172)
Other operating expenses	(41,764)	-	(41,764)
TOTAL EXPENSES	(105,753)	-	(105,753)
Reversal of impairment on financing assets, net of recoveries	41,131	20,244	61,375
Reversal of impairment on other financial assets	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 FOR THE YEAR	15,245	69,239	84,484