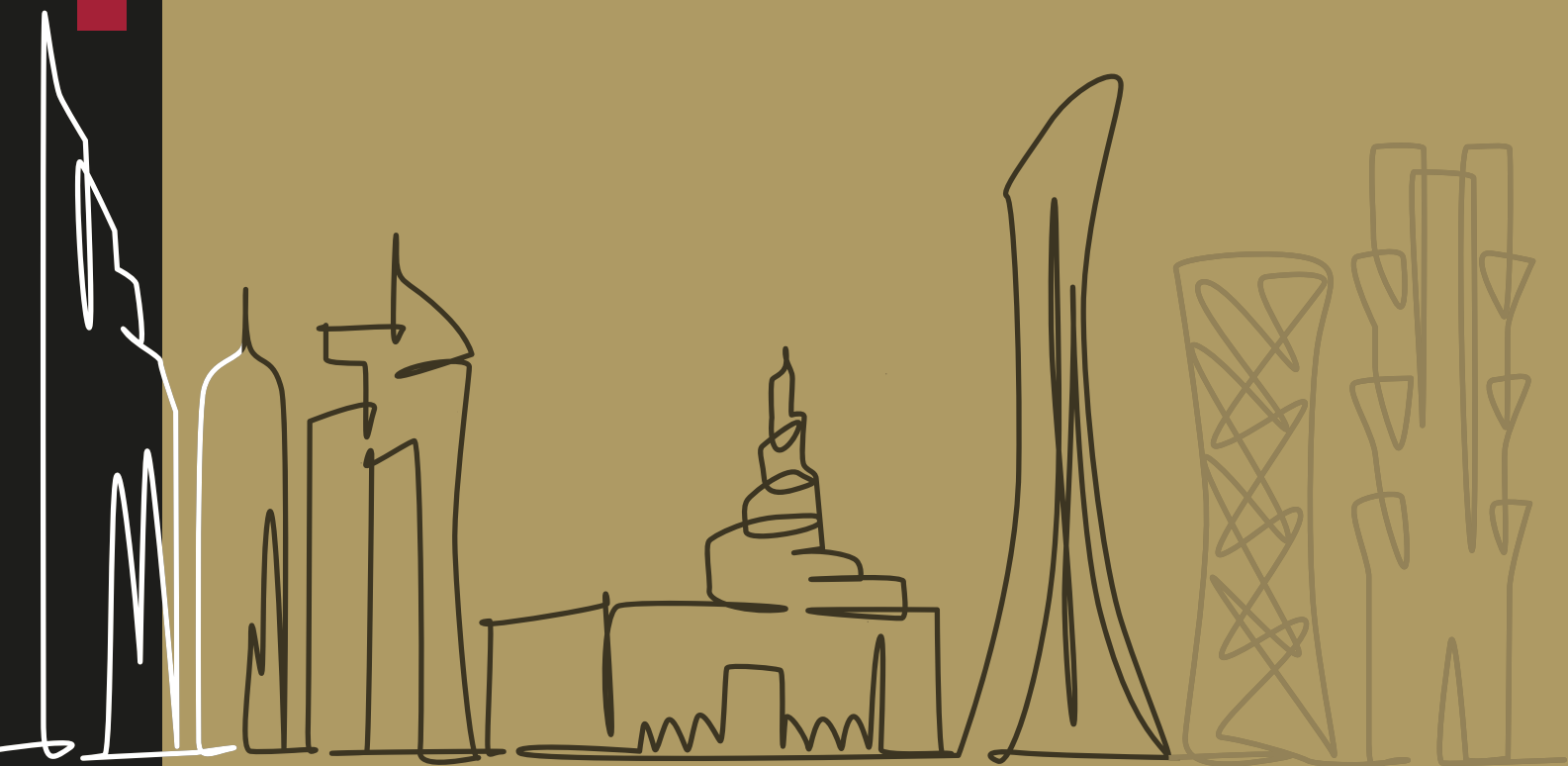


Consolidated Financial Statements

2022

**PARTNERS
IN VALUE CREATION**



QInvest LLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

QInvest LLC

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QINVEST L.L.C.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of QInvest LLC (the 'Bank') and its subsidiaries (together referred to as the "Group") as at 31 December 2022, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of changes in restricted investment accounts and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key audit matter

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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

Key audit matter	How our audit addressed the key audit matter
Valuation of financing assets, investment securities and investments in real estate	
<p>Due to the inherently judgmental nature of the computation of fair value of investment securities, financing assets and investments in real estate, there is a risk that the fair value and related gain or loss recorded in the consolidated financial statements may be misstated.</p> <p>The key areas of judgement include:</p> <ul style="list-style-type: none"> • The valuation method and discount rates applied in terms of determining the fair value of these assets • Assumptions used in the fair value calculation such as prospective financial information, expected future cash flows, expected market conditions, location of the property etc. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Agreeing the valuation of the quoted investment securities and investments in funds to externally quoted prices or reports received from Fund managers. • Evaluating the valuation of investment securities and investments in real estate where fair values have been arrived at based on options, binding offers and other arrangements the group has with external parties.

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

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

Key audit matter (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Valuation of financing assets, investment securities and investments in real estate</i>	
<ul style="list-style-type: none"> The COVID-19 pandemic and the war in Ukraine has significantly impacted the management's determination of fair values. The assumptions regarding the economic outlook are more uncertain which increases the level of judgement required by the Group in calculating the fair values. <p>Note 30 to the consolidated financial statements provides details relating to the fair value of investment securities, financing assets and investments in real estate.</p> <p>Due to the significance of investment securities, financing assets, and investments in real estate and the subjectivity and estimation uncertainty in determining their fair values, this is considered a key audit matter.</p>	<ul style="list-style-type: none"> Involving internal valuation specialists to assist us in performing the following for the assets where fair value was determined based on management experts' valuations: <ul style="list-style-type: none"> making inquiries of the management to obtain an understanding of the process of developing the valuations and the source of data used in their valuation; assessing the consistency of the valuation basis and appropriateness of the methodology used, based on their knowledge about the investments; challenging the Group's valuation methodologies (including the appropriateness of the projected cash flows, discount rates, growth rates, and the impact of the COVID-19 pandemic and war in Ukraine); Challenging the reasonableness of the forecast of recoverable cash flows, realization of collateral, and other possible sources of repayment. Testing the consistency of key assumptions and comparing them to progress against business plans and our own understanding of the relevant industry and business environment. Evaluating the competence and capabilities of the management experts who performed the valuations. Assessing the adequacy of the Group's disclosures in relation to the valuation of financing assets, investment securities, and investments in real estate.

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

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

In preparing the consolidated financial statements, 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.

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

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

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

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

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



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

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

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

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 legal and other 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.

Ernst & Young
Ernst & Young

Date: 30 January 2023
State of Qatar



QInvest LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	31 December 2022 QAR '000	31 December 2021 QAR '000
Assets		
Cash and bank balances	111,623	181,166
Placements with banks	521,837	147,959
Financing assets	463,536	432,316
Investment securities	2,761,766	2,791,778
Investments in real estate	922,058	406,111
Investment in associates	63,399	124,321
Assets held for sale	-	231,089
Other assets	339,911	220,595
Total assets	5,184,130	4,535,335
Liabilities and equity		
Liabilities		
Placements from financial institutions	461,406	321,397
Financing liabilities	2,795,964	2,181,354
Liabilities associated with assets held for sale	-	150,711
Other liabilities	208,455	109,593
Total liabilities	3,465,825	2,763,055
Equity		
Share capital	1,961,720	1,961,720
Share premium	7,800	7,800
Other reserves	(144,900)	(58,509)
Accumulated losses	(113,952)	(150,816)
Equity attributable to the shareholders of the Bank	1,710,668	1,760,195
Non-controlling interests	7,637	12,085
Total equity	1,718,305	1,772,280
Total liabilities and equity	5,184,130	4,535,335
Off-balance sheet items		
Restricted investment accounts	380,191	1,746,246

These consolidated financial statements were approved by the Board of Directors on 16 January 2023 and were signed on its behalf by:

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

Hussein Fakherddine
Chief Executive Officer

Hussain Abdulla
Chief Executive Officer

Supplementary information to the consolidated financial statements, not subject to audit.

QInvest LLC

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	31 December 2022 QAR '000	31 December 2021 QAR '000
Fee and commission income, net	29,194	65,535
Net gain (loss) from financing assets	28,931	(3,047)
Net gain from investments	236,185	142,146
Share of results of associates	5,893	6,297
Other losses	(14,611)	(6,792)
Total operating revenue	285,592	204,139
Staff costs	(91,439)	(92,947)
General and administrative expenses	(25,396)	(25,012)
Depreciation and amortization	(3,793)	(2,180)
Total operating expenses	(120,628)	(120,139)
Operating profit	164,964	84,000
Finance expenses	(110,500)	(61,236)
Impairment and credit losses	(6,200)	(3,516)
Profit (loss) on assets held for sale	11,246	(13,646)
Profit before tax	59,510	5,602
Income tax	(3,180)	200
Profit for the year	56,330	5,802
Attributable to:		
Shareholders of the Bank	54,896	7,509
Non-controlling interests	1,434	(1,707)
	56,330	5,802

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Supplementary information to the consolidated financial statements, not subject to audit.

QInvest LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31 December 2022 US\$ '000	31 December 2021 US\$ '000
Assets			
Cash and bank balances	3	30,666	49,771
Placements with banks	4	143,362	40,648
Financing assets	6	127,345	118,768
Investment securities	7	758,727	766,972
Investments in real estate	8	253,313	111,569
Investment in associates	9	17,417	34,154
Assets held for sale	25	-	63,486
Other assets	10	93,381	60,603
Total assets		1,424,211	1,245,971
Liabilities and equity			
Liabilities			
Placements from financial institutions		126,760	88,296
Financing liabilities	11	768,122	599,273
Liabilities associated with assets held for sale	25	-	41,404
Other liabilities	12	57,267	30,108
Total liabilities		952,149	759,081
Equity			
Share capital	13	538,934	538,934
Share premium		2,143	2,143
Other reserves	14	(39,808)	(16,074)
Accumulated losses		(31,305)	(41,433)
Equity attributable to the shareholders of the Bank		469,964	483,570
Non-controlling interests		2,098	3,320
Total equity		472,062	486,890
Total liabilities and equity		1,424,211	1,245,971
Off-balance sheet items			
Restricted investment accounts		104,448	479,738

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These consolidated financial statements were approved by the Board of Directors on 16 January 2023 and were signed on its behalf by:

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

Hussein Fakherddine
Chief Executive Officer

Hussain Abdulla
Chief Executive Officer

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	Notes	31 December 2022 US\$ '000	31 December 2021 US\$ '000
Fee and commission income, net	15	8,021	18,004
Net gain (loss) from financing assets	16	7,948	(837)
Net gain from investments	17	64,886	39,051
Share of results of associates	9	1,619	1,730
Other losses		(4,014)	(1,866)
Total operating revenue		78,460	56,082
Staff costs	18	(25,121)	(25,535)
General and administrative expenses	19	(6,977)	(6,871)
Depreciation and amortization		(1,042)	(599)
Total operating expenses		(33,140)	(33,005)
Operating profit		45,320	23,077
Finance expenses		(30,357)	(16,823)
Impairment and credit losses		(1,703)	(966)
Profit (loss) on assets held for sale	25	3,090	(3,749)
Profit before tax		16,350	1,539
Income tax	20	(874)	55
Profit for the year		15,476	1,594
Attributable to:			
Shareholders of the Bank		15,082	2,063
Non-controlling interests		394	(469)
		15,476	1,594

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QInvest LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	<i>Attributable to shareholders of the Bank</i>					<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Other Reserves (Note 14)</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
As at 1 January 2022	538,934	2,143	(16,074)	(41,433)	483,570	3,320	486,890
Profit for the year	-	-	-	15,082	15,082	394	15,476
Net realized loss on fair value through equity investments	-	-	-	(4,954)	-	-	-
Net change in fair value of fair value through equity investments	-	-	(75,484)	-	(75,484)	-	(75,484)
Fair value gain on investments in real estate	-	-	4,348	-	4,348	-	4,348
Share of reserves of equity accounted associate	-	-	(782)	-	(782)	-	(782)
Effective portion of changes in fair value of hedges	-	-	53,465	-	53,465	-	53,465
Foreign currency translation differences of foreign operations	-	-	(10,235)	-	(10,235)	-	(10,235)
Net movement in non-controlling interests	-	-	-	-	-	(1,616)	(1,616)
As at 31 December 2022	538,934	2,143	(39,808)	(31,305)	469,964	2,098	472,062

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QInvest LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022

	Attributable to shareholders of the Bank					Non-controlling interests US\$ '000	Total equity US\$ '000
	Share capital US\$ '000	Share premium US\$ '000	Other Reserves (Note 14) US\$ '000	Accumulated losses US\$ '000	Total US\$ '000		
As at 1 January 2021	607,965	2,143	(10,048)	(63,433)	536,627	-	536,627
Profit (loss) for the year	-	-	-	2,063	2,063	(469)	1,594
Net realized loss on fair value through equity investments	-	-	7,976	(7,976)	-	-	-
Net change in fair value through equity investments	-	-	(25,158)	-	(25,158)	-	(25,158)
Share of reserves of equity accounted associates	-	-	306	-	306	-	306
Effective portion of changes in fair value of hedges	-	-	14,840	-	14,840	-	14,840
Foreign currency translation differences of foreign operations	-	-	(3,990)	-	(3,990)	-	(3,990)
Net movement in non-controlling interests	-	-	-	-	-	3,789	3,789
Share buy-back (Note 13)	(69,031)	-	-	27,913	(41,118)	-	(41,118)
As at 31 December 2021	538,934	2,143	(16,074)	(41,433)	483,570	3,320	486,890

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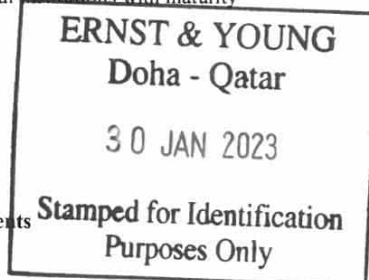
The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

QInvest LLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	31 December 2022 US\$ '000	31 December 2021 US\$ '000
Operating activities			
Profit before tax		16,350	1,539
<i>Adjustments:</i>			
Share of results of associates	9	(1,619)	(1,730)
Net foreign exchange losses		5,329	295
Gain on disposal of investments in real estate	8	(17,979)	-
Fair value loss on investments in real estate		8,293	-
Depreciation and amortization		1,042	599
Net change in fair value of fair value through income statement investments		(2,421)	(3,847)
Impairment loss on investment in associate	9	1,690	-
(Gain) loss on assets held for sale		(3,090)	3,749
Net realised gain on disposal of fair value through income statement investments		(1,559)	(215)
Profit on disposal of a subsidiary	17	(7,319)	-
Impairments and credit losses on Sukuk	7	13	966
Net fair value changes on financing assets	16	7,189	15,766
Provision for employees' end of service benefits	12	1,126	845
Net operating profit before changes in operating assets and liabilities		7,045	17,967
Change in other assets		8,795	2,867
Change in other liabilities		25,113	(4,369)
Cash flows from operating activities		40,953	16,465
Employees' end of service benefits paid	12	(1,646)	(551)
Net cash flows from operating activities		39,307	15,914
Investing activities			
Purchase of investment securities		(283,470)	(323,484)
Acquisition of investments in real estate		(194,981)	-
Proceeds from disposal of assets held for sale		25,331	-
Proceeds from disposal of a subsidiary	17	9,483	-
Proceeds from disposal of investments in real estate		63,187	-
Proceeds from disposal of investment securities		209,440	200,194
Net movement in financing assets		(658)	(1,123)
Net movement in investment in associates		549	587
Purchase of equipment and intangible assets		(472)	(177)
Net cash flows used in investing activities		(171,591)	(124,003)
Financing activities			
Net movement in placements from financial institutions with maturity of over three months		(33,413)	25,908
Net movement in financing liabilities		168,849	161,620
Unclaimed dividend payments		(26)	(222)
Net movement in non-controlling interests		(1,616)	-
Share buy-back		-	(41,118)
Net cash flows from financing activities		133,794	146,188
Net movement in cash and cash equivalents		1,510	38,099
Cash and cash equivalents at 1 January		90,419	52,320
Cash and cash equivalents at 31 December	5	91,929	90,419



The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

QInvest LLC

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the year ended 31 December 2022

	<i>Movements during the year</i>				<i>Balance at 31 December 2022 US\$ '000</i>
	<i>Balance at 1 January 2022 US\$ '000</i>	<i>Net repayments/ transfers US\$ '000</i>	<i>Net revaluation gain US\$ '000</i>	<i>Net realized income US\$ '000</i>	<i>Agency fees US\$ '000</i>
Restricted investment accounts	479,738	(402,190)	11,643	16,451	(1,194)
					104,448

	<i>Movements during the year</i>				<i>Balance at 31 December 2021 US\$ '000</i>
	<i>Balance at 1 January 2021 US\$ '000</i>	<i>Net investments US\$ '000</i>	<i>Net revaluation gain US\$ '000</i>	<i>Net realized income US\$ '000</i>	<i>Agency fees US\$ '000</i>
Restricted investment accounts	455,335	19,151	1,796	5,848	(2,392)
					479,738

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The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

QInvest LLC (“QInvest” or “the Bank”), and its subsidiaries (together referred to as the “Group”) is an Islamic investment bank, which has been established as a limited liability company in the Qatar Financial Centre. The Bank was authorized by the Qatar Financial Centre Regulatory Authority (“QFCRA”) on 30 April 2007, under approval number 00048. Its registered office is at 39th Floor, Tornado Tower, Street No. 213, Majlis Al Tawoon Street, Zone 60, West Bay, Doha, State of Qatar.

The Bank is authorized by the QFCRA to conduct the following regulated activities:

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

The authorisation applies to regulated activities undertaken in or from the Qatar Financial Centre and, subject to certain restrictions and conditions relating to retail customers and in relation to specified products.

The Bank’s activities are regulated by the QFCRA and are supervised by a Sharia’a Supervisory Board (“SSB”).

The consolidated financial statements of the Group and for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 16 January 2023.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with the Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) as modified by the QFCRA. In accordance with the requirement of AAOIFI, for matters where AAOIFI does not have an accounting standard or guidance, the Group seeks guidance from the International Financial Reporting Standards (the IFRSs).

QFCRA letter dated 24 September 2020 (“QFCRA circular”) modified the requirements of FAS 33 “Investments in Sukuk, shares and similar instruments” and FAS 30 “Impairment, credit losses and onerous commitments” and required Islamic Banks to follow principles of IFRS 9 “Financial Instruments” in respect of equity-type investments carried at Fair Value Through Equity. As required by QFCRA circular the Bank adopted it from the effective date of 1 January 2020 by making necessary amendments to the accounting policies.

The Group has complied with the Islamic Sharia’a Rules and Principles as determined by the Sharia’a Supervisory Board of the Bank and the applicable provisions of the QFCRA rules.

These consolidated financial statements have been prepared under the historical cost convention, except for financial investments classified as investments at fair value through equity, investments at fair value through income statement, financing assets and other debt instruments classified as fair value through income statement, derivative financial instruments and investments in real estate that have been measured at fair value.

These consolidated financial statements are presented in US Dollars thousands (“US\$ ‘000”), except where otherwise stated, which is the Group’s presentation and functional currency.

The management of the Group has decided to present the consolidated statement of financial position and consolidated statement of income in Qatari Riyals as well. Those two statements are disclosed at the beginning of these consolidated financial statements as supplementary information and do not form part of the audited consolidated financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.2 Changes in accounting policies and disclosures*****New standards adopted by the Group***

The following new standards have been adopted by the Group in preparation of these consolidated financial statements.

<i>Topic</i>	<i>Effective date</i>
IAS 29 - Financial Reporting in Hyperinflationary Economies	30 June 2022
FAS 37 - Financial Reporting by Waqf Institutions	1 January 2022
FAS 38 - Wa'ad, Khiyar and Tahawwut	1 January 2022

The adoption of these new standards does not have a significant impact on the Group other than as mentioned below.

IAS 29 – Financial Reporting in Hyperinflationary Economies

On the basis of the inflation data published by International Monetary Fund (IMF) World Economic Outlook (WEO) in October 2022, Turkey has become hyperinflationary economy beginning 30 June 2022 with a forecast of an annual inflation rate of 73% (2023: 37%) and a 3-year cumulative inflation rate of 171% (2023: 223%). The Turkish Statistical Institute reported a 3-year and 12-month cumulative rate of inflation of 145% and 83%, respectively, as of September 2022. Consequently, this would require application of IAS 29 Financial Reporting in Hyperinflationary Economies, that requires purchasing power adjustment to the carrying values of the non-monetary assets and liabilities and to items in the consolidated statement of income with respect to subsidiaries of the Group operating in Turkey. However, the application of this standard did not have a material impact on these consolidated financial statements as the Group's exposure to Turkish Lira denominated non-monetary assets and liabilities is immaterial.

FAS 37 -Financial Reporting by Waqf Institutions

The objective of this standard is to establish principles of financial reporting by Waqfs institutions, which are established and operated in line with Shari'ah principles and rules. This standard shall be applicable on all type of Waqf institutions and other institutions constituted on the concept of Waqf, and operating in line with Shari'ah principles and rules, irrespective of their legal status, including virtual Waqf institutions. The application of FAS 37 did not have a material impact on these consolidated financial statements.

FAS 38 Wa'ad, Khiyar and Tahawwut

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (IFIs). This standard applies to accounting and financial reporting for all transactions involving Wa'ad, Khiyar or Tahawwut arrangements carried out under Shari'ah principles and rules, as provided in this standard.

The standard classifies Wa'ad and Khiyar arrangements into the following categories and provides related accounting and disclosure requirements:

- a. Ancillary Wa'ad or Khiyar – where the Wa'ad or Khiyar is associated with an Islamic finance arrangement, and is related to the structure of the transaction, e.g. a promise by the purchase orderer attached to a Murabaha transaction or a promise to purchase after the end of the Ijarah term in an Ijarah Muntahia Bittamleek transaction or option of seeing in a sale transaction;
- b. Product Wa'ad or Khiyar – where the Wa'ad or Khiyar is used as a stand-alone Islamic finance arrangement in itself e.g. foreign exchange forward promise or an option of cancellation of sale with Arboun. This may, inter-alia, take the following forms, in line with Shari'ah principles and rules:
 - i. Promise to make a sale contract, or promise to enter into an Ijarah transactions;
 - ii. Option for revocation of sale contract – with or without Arboun;
 - iii. Re-purchase option (RePO) – through a permissible Wa'ad or Khiyar; and
 - iv. Tahawwut arrangement – whereby a Wa'ad or Khiyar, or a series of Wa'ad and Khiyar is used for hedging arrangement.

The application of FAS 38 did not have a material impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.2 Changes in accounting policies and disclosures (continued)*****Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<i>Topic</i>	<i>Effective date</i>
FAS 1 (Revised 2021) - General Presentation and Disclosures in the Financial Statements	1 January 2023
FAS 39 - Financial Reporting for Zakah	1 January 2023
FAS 40 - Financial Reporting for Islamic Finance Windows	1 January 2023

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

AAOIFI has issued the revised FAS 1 in 2021. The revised FAS 1 supersedes the previous FAS 1- General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements.

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently assessing the impact of the new standard to the consolidated financial statements.

FAS 39 - Financial Reporting for Zakah

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

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently assessing the impact of the new standard to the consolidated financial statements.

FAS 40 - Financial Reporting for Islamic Finance Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services Offered by Conventional Financial Institutions".

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently assessing the impact of the new standard to the consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2022. The consolidation of the subsidiaries is required regardless of the nature of activities of the said entity. Therefore, consolidation is applied where the nature of activities of the subsidiary is dissimilar to the Group. The financial statements of the subsidiaries are prepared for the same reporting year as of the Bank, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.3 Basis of consolidation (continued)**

When the Group has less than a majority of the voting or similar rights of an investee, or when rights in an entity are accorded through instruments other than shares, the Group will consider if there is a "Control" and hence consolidation is required. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses annually whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated statement of income. Any investment retained is recognized at fair value.

The Group's principal subsidiaries at 31 December 2022 are set out below:

<i>Name</i>	<i>Principal Business Activity</i>	<i>Country of Incorporation</i>	<i>% Effective shareholding</i>	
			<i>31 December 2022</i>	<i>31 December 2021</i>
QInvest Portfoy Yonetimi A.S.	Asset Management	Turkey	100%	100%
Verdi Luxembourg S.a.r.l.	Investment in real estate	Luxembourg	100%	100%
Q Liquidity Limited	Placements	Cayman Islands	100%	100%
QInvest Holding Mauritius	Investment holding company	Mauritius	100%	100%
QInvest IBFin LLC	To provide financing facility	State of Qatar (QFC)	100%	100%
QInvest Euro PE QFC LLC	Investment holding company	State of Qatar (QFC)	100%	100%
Q Tomahawk LLC	Investment holding company	Cayman Islands	100%	100%
QInvest Refin LLC	To provide financing facility	State of Qatar (QFC)	100%	100%
Q Alloy S.a.r.l	To provide financing facility	Luxemburg	100%	100%
Q Magnolia LLC	Investment holding company	Cayman Island	100%	100%
BOH LLC	Investment holding company	State of Qatar (QFC)	100%	100%
Alloy Holdco LLC	Investment holding company	State of Qatar (QFC)	100%	100%
QInvest RE-Equity LLC	Investment holding company	State of Qatar (QFC)	100%	100%
Admiral Holdco LLC	Holding company	State of Qatar (QFC)	100%	100%
Admiral Operations Limited	Vessel operating company	Cayman Islands	75%	75%
Q Medallion L.L.C.	Holding company	State of Qatar (QFC)	85%	-

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in consolidated statement of income or as a change in the equity. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. Upon initial recognition, the Group elects whether to measure the investment at fair value through profit or loss or equity method.

The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Intangible assets identified upon acquisition of associates are included at fair value and amortized over the useful life of the intangible assets.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

Investment in associates (continued)

The consolidated statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of income.

Upon loss of significant influence over the associate over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.

Functional and presentational currency

The consolidated financial statements are presented in Unites States Dollars, which is the Group's functional and presentation currency. 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.

The management of the Group has decided to present the consolidated financial position and consolidated statement of income in Qatari Riyals as well. Those two statements are disclosed at the beginning of the consolidated financial statements as a supplementary information which do not form part of the audited consolidated financial statements.

The official currency of the State of Qatar, the Group's country of domicile, is the Qatar Riyal. Certain domestic transactions are conducted in Qatari Riyals, which is pegged to the United States Dollar. The Bank maintains its financial records and prepares its financial statements in United States Dollars as majority of its operations are in United States Dollars.

Transactions and balances

Transactions in foreign currencies are translated into Unites States Dollars at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Translation differences on the Bank's net investment in foreign subsidiaries and associates are included in the foreign currency translation reserve within equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to consolidated statement of changes in shareholders' equity under "Investments fair value reserve".

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

Functional and presentational currency (continued)

Group companies

The results and financial position of all the Group's subsidiaries (none of which has the currency of a hyper-inflationary economy) are translated into the presentational currency of the Group as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) 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
- (iii) all resulting exchange differences are recognized as a separate component in the consolidated statement of changes in shareholders' equity under "Foreign currency translation reserve".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to consolidated statement of changes in shareholders' equity within the "Investments translation reserve". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gain or loss on sale.

Revenue recognition

Income from financing assets

Profit from financing transactions is recognized when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognized 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 recognized when the realisation is reasonably certain or when actually realized. Income related to non-performing accounts is excluded from the consolidated statement of income.

Income from short-term placements and sukuk investments

Income from short-term placements and sukuk investments is recognized on a time-apportioned basis over the period of the contract.

Fee and commission income

Fees and commission are generally recognized on an accrual basis when the service has been provided. Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses are recognized on completion of the underlying transaction. Performance-linked fees or fee components are recognized when the performance criteria are fulfilled.

Placement fees

Placement fees for arranging a financing are recognized as income when the financing has been arranged (being the performance of the significant act in relation to this category of revenue).

Dividends

Dividends are recognized when the right to receive payments is established.

Rental income

Rental income from investment in property lease assets is recognized on the basis of contractual amounts receivable on a time apportioned basis.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Revenue recognition (continued)****Financial investments**

Financial investments comprise of investments at fair value through income statement, investments carried at amortized cost and investments at fair value through equity. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

Investments carried at amortized cost

Investments which have fixed or determinable payments that the Group manages on a contractual yields basis are classified as "*investments carried at amortized cost*". Such investments are initially recognized and subsequently carried at cost, less impairment in value. Any gain or loss on such investment is recognized in the consolidated statement of income, when the investment is derecognized or impaired.

Investments at fair value through income statement

Investment securities carried as fair value through income statement includes investments held for trading purposes and investments designated as fair value through income statement. These are initially recognized at cost, being the fair value of the consideration given and are subsequently re-measured at fair value. All related realized and unrealized gains or losses are reported in the consolidated statement of income.

Investment at fair value through equity

Investment securities carried as fair value through equity includes:

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

These are initially recognized at cost, being the fair value of the consideration given and transaction costs and subsequently remeasured at fair value on individual basis.

The Group may elect to present in statement of changes in equity changes in the fair value of certain investments in equity-type instruments that are not held for trading. The Group may make an irrevocable election to designate a particular investment.

Gains and losses on such instruments are never subsequently reclassified to the consolidated statement of income, including on disposal. However, cumulative gains and losses recognized in fair value reserve are transferred to retained earnings on disposal of an investment. Dividends, when representing a return on such investments, continue to be recognized in the consolidated statement of income.

Derivatives held for risk management purposes and hedge accounting

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks including unilateral promise to buy/sell currencies, profit rate risk and equity price risk.

At inception of the hedging relationship, the management undertake a formal designation and documentation. This includes the Group's risk management objective underlying, the hedging relationship and how that fits within the overall risk management strategy. The documentation also includes an identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements. IFRS 9 also requires documentation of the hedge ratio and potential sources of ineffectiveness.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Derivatives held for risk management purposes and hedge accounting (continued)**

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Group performs a hedge effectiveness assessment as at the inception of the hedging relationship and subsequently on every reporting period.

The Group documents at its inception of the transaction, the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Net investment hedge

The Group uses Sharia'a compliant forward foreign exchange contracts as a hedge of its exposure to foreign exchange risk on its net investments in foreign subsidiaries, associates and jointly controlled entities.

On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the consolidated statement of income.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect income statement, the effective portion of changes in the fair value of the derivative is recognized in equity in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in consolidated statement of income. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Fair value hedges

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

Fair value measurement

The Group measures financial instruments, such as, financial investments, derivatives, financing assets and non-financial assets such as investments in real estate, at fair value at each reporting date.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- | | |
|--|-------------|
| • Disclosures for valuation methods, significant estimates and assumptions | Notes 26,30 |
| • Quantitative disclosures of fair value measurement hierarchy | Note 30 |
| • Investments in real estate | Note 8 |
| • Financial instruments (including those carried at amortized cost) | Note 29 |

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value is determined for each investment individually in accordance with the valuation policies as set out below:

- (i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.
- (ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sells transactions with third parties that are either completed or are in progress. Alternately, fair value is determined by reference to the current market value of similar investments, options that the Group has entered with counter parties, the net present value of estimated future cash flows, or other relevant valuation method including sum of parts methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) For financing assets, fair value is determined when the contractual terms of the Murabaha receivables does not give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. Fair value is based on the net present value of estimated future cash flows.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Fair value measurement (continued)**

- (v) For investments in real estate, the fair value is determined in consideration of the options that the Group has entered with external parties and capitalization of current and projected income at market-based yields making adjustment for voids, tenant incentives and any capital costs required to maintain projected income streams, or other relevant valuation method including residual land valuation method.

Date of recognition of financial transactions

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Investments in real estate

Properties held for rental, capital appreciation, or both, are classified as investments in real estate. Investments in real estate are initially recorded at cost, which is the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognized as fair value reserve in the consolidated statement of changes in shareholders' equity.

Losses arising from changes in the fair values of investments in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognized in the consolidated statement of income. If there are unrealized losses that have been recognized in the consolidated statement of income in previous financial periods, the current period unrealized gain shall be recognized in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

Financing assets***Murabaha***

On initial recognition Murabaha receivables are classified and measured at:

- Amortized cost when the contractual terms of the Murabaha receivables give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding; or
- Fair value through income statement ("FVTIS") when the contractual terms of the Murabaha receivables does not give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Assessment whether contractual cash flows are solely payments of principal and yield

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Yield' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and yield, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of profit rates.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Placements from financial institutions**

The Group's placements from financial institutions include Wakala payables on which return payable to customers is agreed in the wakala agreement and money market borrowings with original maturity of less than three months. The Group can use the funds received under wakala agreements at its own discretion. Placement from financial institutions are recognized initially at fair value net of directly attributable transaction costs and are subsequently measured at amortized cost. The amortization of transactions cost is included as finance costs in the consolidated statement of income.

Financing liabilities

The Group's financing liabilities includes Murabaha payables or other sharia compliant financing instruments. Financing liabilities are recognized initially at fair value net of directly attributable transaction costs and are subsequently measured at amortized cost. The amortization of transactions cost is included as finance costs in the consolidated statement of income.

Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

Furniture and fittings	10
Computer equipment	3-5
Office equipment	5
Vehicles	5

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in equity, in such case, it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years as per tax laws prevalent in the country of incorporation of subsidiaries of the Group.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The applicable tax law for the Bank is the QFC tax law applicable from 1 January 2010. Tax is levied at the rate of 10% on local source taxable income.

Impairment***Impairment of financial assets******Identification and measurement of impairment***

The Group recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTIS:

- Investment in debt type instruments;
- Other financial assets – Bank balances and placements with Banks and financial institutions; and
- Other financial assets – other receivables that are not due on demand and with insignificant financing component

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

Impairment (continued)

Impairment of financial assets (continued)

Identification and measurement of impairment (continued)

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

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

Measurement of ECL

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

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

The determination of the FAS 30 provision results is based on the following methods:

1) Cash shortfall method

A cash shortfall is the difference between:

- the cash flows due to the entity in accordance with the contract; and
- the cash flows that the entity expects to receive.

Because the estimation of credit losses considers the amount and timing of payments, a cash shortfall arises even if the entity expects to be paid in full but later than the date on which payment is contractually due. This delay gives rise to an ECL, except to the extent that the entity expects to receive additional yield in respect of the late payment that compensates it for the delay at a rate at least equal to the effective profit rate.

Cash shortfalls are identified as follows:

- For 12-month ECLs: Cash shortfalls resulting from default events that are possible in the next 12 months (or a shorter period if the expected life is less than 12 months) i.e. not just the cash shortfalls that are expected over the next 12 months.
- For lifetime ECLs: Cash shortfalls resulting from default events that are possible over the expected life of the financial instrument.

The term 'cash shortfalls' refers to overall shortfalls against contractual terms, and not just shortfalls on particular dates when cash is received or due. Therefore, cash shortfalls consider later recoveries of missed payments.

The Group has not defined a relative or absolute threshold for staging assessment to differentiate a 12 month and life-time ECL as the calculation of cash shortfall is based on a probability weighted estimate of expected cash flows that would be recovered from a facility. The Group currently has a rating method that assigns 5 rating grades on assessment of credit quality after origination. '1' being of higher credit quality 'exceeds base line' and '5' being in default / watch list.

For a higher quality of financing (say rating grade 1), the probability weighted estimate that expected recoveries could lead to a cash shortfall is the lowest whereas it would increase exponentially as it slides down the rating scale to default (Grade 5).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Impairment (continued)***Measurement of ECL (continued)***1) Cash shortfall method (continued)**

The cash shortfall calculations incorporate the following steps:

- Expected collection of cash flows over the contractual term;
- Cash flows from recovery of collateral if foreclosure is required to collect cash flows;
- As the portfolio is mainly quasi-PE and Mezzanine financing, the base case cash flows from the business are considered to be the most optimistic work out scenario for the bank and the 2 additional recovery scenarios are built from a risk averse perspective that the timing and extent of cash flows could differ from contractual terms;
- Expected cash flows are discounted using the original effective rate of the facility;
- The risk rating plays a role in the severity of changes to the expected cash flows in the 2 scenarios; and
- A probability-weighted outcome is calculated to assess the final recoverable amount.

As each facility of the Group has specified sources of cash collection and expectation of market events, the assessment is specific to each individual asset and requires judgement.

2) Externally rated exposures

The Bank generally invests its treasury and liquidity portfolio in rated exposures. Under this approach, probability of default ("PD") and loss given default ("LGD") are based on external measures and exposure at default ("EAD") is based on contractual terms of each asset. This method is widely used and considered reasonable given the Bank would not have adequate internal experience to model an ECL outcome.

However, if in any investment is made in an unrated exposure, the following treatments will be considered:

- Issuer rating as an proxy of the issue rating; or
- Where issue and issuer are not rated, a proxy rating of BBB- (S&P) or the country rating of the exposure (whichever is lower) will be considered

Following approach has been adopted:

- The 12 months through the cycle (TTC) probability of default (PD) corresponding to external ratings of instrument will be obtained from the published reports of the rating agencies (S&P, Moody's or Fitch). The TTC PDs will be required to be updated every year against each external rating grade. In case, certain investments are rated other than the above-mentioned rating agencies, then they will be mapped to equivalent rating grades of S&P, Moody's or Fitch.
- The PIT PDs will be estimated through the application of Merton-Vasicek Single factor model using TTC PD linked to the External Rating of the issue/issuer and Gross domestic products (GDP) growth rate of the country of risk (i.e. country of investment).
- GDP growth rate will be considered as a composite index of the economic activity across the country of risk. It has been assumed that GDP growth rate is a robust reflection of the state of economy which results into systematic risk (a common risk to all the issuer in the economy).
- GDP growth rate forecasts for the successive 5 years will be available from international monetary fund (IMF) published World economic outlook (WEO) data. GDP growth rate growth rates beyond 5 years are forecast using mean reversion technique.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Impairment (continued)*****Measurement of ECL (continued)*****3) *Simplified approach***

The Group applies simplified approach to measure the loss allowance for other financial assets including fee income receivables, deposit, margin, receivable from third parties and others.

The expected credit losses on other financial assets are estimated on a case to case basis by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Credit-impaired financial assets

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

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

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

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

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

The exposure to the home country sovereign i.e. Qatar is considered to be low risk and fully recoverable and hence no ECL is measured.

Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Group has identified the ECL on the financing asset commitment / off balance sheet component separately from those on the drawn component: the Group presents a loss allowance for drawn components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Loss allowance for drawn components is presented as a provision in other liabilities.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing the financing assets impairment allowance account accordingly. The write-back is recognized in the consolidated statement of income.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Impairment (continued)*****Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Non-current assets held for sale

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets on pro-rata basis. Impairment losses on an asset's initial classification as 'held for sale' and subsequent gains or losses on re-measurement are recognized in the consolidated statement of income. Gains are not recognized in excess of any cumulative impairment loss.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- i) the rights to receive cash flows from the asset have expired;
- ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; or
- iii) the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) 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 recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Summary of significant accounting policies (continued)****Employees' end of service benefits and pension fund**

The Bank provides end of service benefits determined in accordance with its regulations and based on employees' salaries and the number of years of service at the reporting date. The Bank also contributes to the GCC national employees' pension accounts with the different GCC Pension Authorities. Pension funds are held and managed by the appropriate Pension Authority. The scheme is mandatory under the state pension law for employees who are GCC nationals. The percentage of employee and employer contribution varies as per the relevant GCC pension laws and the employees receive this money after retirement. This process is governed by the GCC pension laws and administered by the General Retirement and Social Insurance Authority in Qatar. This is a defined contribution plan as the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Other provisions

Provisions for legal claims are recognized when the Group has legal claims or obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group accounts for provisions to be charged to the consolidated statement of income for any potential claim or for any expected impairment of assets, taking into consideration the value of the potential claim or expected impairment and its likelihood.

Investment fund portfolios

Investment fund portfolios represent funds belonging to the Group's customers for which the Group has assumed investment management responsibility in accordance with the terms or conditions of the fund. Such funds are invested on behalf of the customers by the Group which acts as an agent or a trustee and accordingly such funds and the attributable investment income or loss are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or commission.

Equity of restricted investment account holders

Equity of restricted investment account holder balances are those where the depositors instruct the Group to invest the funds in specific investments or at predetermined terms. These funds are invested by the Group in its own name under the terms of a specific Wakala/Mudaraba contract entered into with the customer.

The assets funded by these funds are managed in a fiduciary capacity by the Group for which the Group earns Wakail/Mudarib fee are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these assets except within the conditions laid down in the Wakala/Mudaraba contract.

Assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continued use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Assets (or disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

All the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements. If the criteria for held for sale is no longer met, the Group 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, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale and its recoverable amount at the date of any subsequent decision not to sell. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

Ijarah asset

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

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

The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, which coincides with the end of the Ijarah term.

Net Ijarah liability

The net Ijarah liability comprises of the gross Ijarah liability and deferred Ijarah cost (shown as a contra-liability). After the commencement date, the Group measures the net Ijarah liability by reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals made. The deferred Ijarah cost is amortized in consolidated statement of income over the Ijarah terms on a time-proportionate basis using the effective rate of return method.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances and placements with banks, that have a maturity of less than three months. Restricted deposits and placements are excluded from cash and cash equivalents.

Zakah

The responsibility of payment of Zakah is on individual shareholders of the Bank.

Shari'a Supervisory Board

The Group's activities are subject to the supervision of a Shari'a Supervisory Board consisting of three members appointed by the general assembly of shareholders.

Earnings prohibited by Shari'a

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

Offsetting

Financial assets and financial liabilities should not be offset unless there is an enforceable or legal right to set off the recognized amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is party to a number of arrangements, including master netting agreements, which gives it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts on net basis, the respective assets and liabilities are presented on a gross basis.

Placements with banks and other financial institutions

Placements with banks and other financial institutions are stated at amortized cost net of any amounts written off and the provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

3 CASH AND BANK BALANCES

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Cash in hand	3	4
Balances with banks	<u>30,663</u>	<u>49,767</u>
	<u>30,666</u>	<u>49,771</u>

Balances with banks are non-profit bearing and no lien or restrictions are placed on them.

4 PLACEMENTS WITH BANKS

Placements with banks are made for short term period as part of the treasury management function. This includes placements with original maturity of less than three months amounting to US\$ 133 million as at 31 December 2022 (2021: US\$ 41 million).

5 CASH AND CASH EQUIVALENTS

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Cash and bank balances	30,666	49,771
Placements with banks	143,362	40,648
Less: Placements from financial institutions (with maturity of less than three months)	(71,879)	-
Placements with banks - restricted (original maturity of more than three months)	<u>(10,220)</u>	<u>-</u>
	<u>91,929</u>	<u>90,419</u>

6 FINANCING ASSETS

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Murabaha - Fair value through income statement	<u>127,345</u>	<u>118,768</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

7 INVESTMENT SECURITIES

	Notes	31 December 2022 US\$ '000	31 December 2021 US\$ '000
Equity			
Fair value through income statement	7.1	325,095	297,392
Fair value through equity	7.2	407,202	464,680
		732,297	762,072
Sukuk and other debt type instruments			
Fair value through income statement	7.3	2,981	3,820
Amortized cost		40,983	18,601
Less: Expected credit loss		(17,534)	(17,521)
	7.3	23,449	1,080
		758,727	766,972

7.1 Fair value through income statement

	31 December 2022 US\$ '000	31 December 2021 US\$ '000
Fund type investments	127,420	121,955
Others	197,675	175,437
	325,095	297,392

7.2 Fair value through equity

	31 December 2022 US\$ '000	31 December 2021 US\$ '000
Fund type investments	317,584	363,650
Others	89,618	101,030
	407,202	464,680

7.3 Sukuk and other debt type instruments

	31 December 2022			31 December 2021		
	Fixed profit rate US\$ '000	Floating profit rate US\$ '000	Total US\$ '000	Fixed profit rate US\$ '000	Floating profit rate US\$ '000	Total US\$ '000
Fair value through income statement	2,981	-	2,981	3,820	-	3,820
Amortized cost (net)	23,449	-	23,449	1,080	-	1,080
	26,430	-	26,430	4,900	-	4,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

7 INVESTMENT SECURITIES (CONTINUED)

7.4 Expected credit loss against amortized cost investments:

	<i>31 December 2022</i>			
	<i>Stage 1: 12-month ECL US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired US\$ '000</i>	<i>Stage 3: Lifetime ECL credit- impaired US\$ '000</i>	<i>Total ECL US\$ '000</i>
ECL balance at the beginning of the year	-	-	17,521	17,521
Impairment during the year	13	-	-	13
Balance at the end of the year	13	-	17,521	17,534

	<i>31 December 2021</i>			
	<i>Stage 1: 12-month ECL US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired US\$ '000</i>	<i>Stage 3: Lifetime ECL credit- impaired US\$ '000</i>	<i>Total ECL US\$ '000</i>
ECL balance at the beginning of the year	-	-	17,521	17,521
Impairment during the year	-	-	-	-
Balance at the end of the year	-	-	17,521	17,521

Notes:

- (i) The ratings of Sukuks at amortized cost are given in Note 29 to these consolidated financial statements. The fair value of Sukuks at amortized cost as at 31 December 2022 is US\$ 24 million (31 December 2021: US\$ 1 million).
- (ii) The fair value hierarchy of investment securities is disclosed in Note 30 to these consolidated financial statements.
- (iii) The Group has US\$ 328 million (2021: US\$ 394 million) of investment securities custodied with the financial institutions that provided certain profit bearing financing liabilities to the Group subsidiaries.

8 INVESTMENTS IN REAL ESTATE

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
At 1 January	111,569	116,317
Foreign exchange translation adjustments	(4,084)	(4,748)
Additions	194,981	-
Disposals	(45,208)	-
Fair value changes, net	(3,945)	-
At 31 December	253,313	111,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

8 INVESTMENTS IN REAL ESTATE (CONTINUED)*Notes:*

- (i) During the year, the Group has acquired new real estate investments for a total consideration of US\$ 195 million and disposed real estate investments with a carrying value of US\$ 45.2 million. The related gain is disclosed in Note 17 to these consolidated financial statements.
- (ii) The Group has pledged certain investment properties as collateral for a certain profit bearing financing liability as disclosed in Note 11 to these consolidated financial statements.
- (iii) Fair value methodology applied in determining the fair value of these assets has been disclosed in Note 30.

9 INVESTMENT IN ASSOCIATES

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
At 1 January	34,154	38,258
Disposals / transfers during the year	(13,783)	(6,683)
Share of results of associates	1,619	1,730
Share on fair value reserves movement (Note 14)	(782)	306
Dividends received	(549)	(549)
Net movement in foreign currency translation reserve	(3,242)	1,092
At 31 December	17,417	34,154

In October 2022, the Group has disposed of 8% ownership interest on Ambit Private Limited for a consideration of US\$ 6.9 million. Consequently, the Group has lost its significant influence over the entity and the remaining ownership amounting to US\$ 6.9 million was accounted for as a financial asset measured at fair value through equity. Also, the Group recognized impairment loss of US\$ 1.69 million with respect to the investment in associate during the year.

QInvest LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

9 INVESTMENT IN ASSOCIATES (CONTINUED)

The tables below provide summarized financial information of associates. The information disclosed reflects the amounts presented in the financial statements of the relevant associates. Adjustments for differences at year-end are reflected and made by the Group when using the equity method.

<i>Name of entity</i>	<i>Damaan Islamic Insurance Company US\$ '000</i>
Country of incorporation	<i>Qatar</i>
% of ownership interest	<i>10.0%</i>
Summarized financial information	
Summarized financial position	
Total assets	168,720
Total liabilities	46,365
Equity	<u>122,355</u>
Group's carrying amount of the investments	<u>17,417</u>
Summarized income statement	
Revenue	28,758
Profit	16,505
Other comprehensive income	(7,822)
Group's share of profit for the year	<u>1,619</u>
Group's share of reserves	<u>(782)</u>

The associates of the Group as of 31 December 2021:

<i>Name of entity</i>	<i>Ambit Private Limited US\$ '000</i>	<i>Damaan Islamic Insurance Company US\$ '000</i>	<i>Total US\$ '000</i>
Country of incorporation	<i>India</i>	<i>Qatar</i>	
% of ownership interest	<i>14.9%</i>	<i>10.0%</i>	
Summarized financial information			
Summarized financial position			
Total assets	246,756	168,551	415,307
Total liabilities	(120,029)	(48,993)	(169,022)
Equity	<u>126,727</u>	<u>119,558</u>	<u>246,285</u>
Group's carrying amount of the investments	<u>17,056</u>	<u>17,098</u>	<u>34,154</u>
Summarized income statement			
Revenue	67,154	24,475	91,629
Profit	12,966	13,633	26,599
Other comprehensive income	-	3,064	3,064
Group's share of profit for the year	<u>1,932</u>	<u>1,363</u>	<u>3,295</u>
Group's share of reserves	<u>-</u>	<u>306</u>	<u>306</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

10 OTHER ASSETS

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Positive fair value of derivative instruments (i)	44,889	11,870
Non-banking operations (ii)	12,139	14,630
Deferred tax asset	10,277	9,752
Fee, commission and other receivables – net (iii)	9,284	11,816
Security deposit and margin call receivables (iv)	7,102	4,690
Prepayments and advances	5,436	2,907
Right-of-use asset (v)	3,148	3,880
Intangible assets – net	845	946
Equipment – net	261	112
	<u>93,381</u>	<u>60,603</u>

(i) Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments. 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. These notional amounts, therefore, are not indicative of the Group's exposure to credit risk, which is generally limited to the positive or negative fair value of the derivatives.

	<i>31 December 2022</i>			<i>31 December 2021</i>		
	<i>Positive fair value US\$ '000</i>	<i>Negative fair value US\$ '000</i>	<i>Notional amount US\$ '000</i>	<i>Positive fair value US\$ '000</i>	<i>Negative fair value US\$ '000</i>	<i>Notional amount US\$ '000</i>
a) Held as fair value hedges						
Forward foreign exchange contracts	-	-	-	244	-	7,053
Profit rate swaps	1,011	-	40,000	177	-	40,000
Collar	-	-	-	-	400	20,000
	<u>1,011</u>	<u>-</u>	<u>40,000</u>	<u>421</u>	<u>400</u>	<u>67,053</u>
b) Held as hedge of net investment in foreign operations						
Forward foreign exchange contracts	2,071	(6,519)	161,557	5,737	6	175,702
	<u>2,071</u>	<u>(6,519)</u>	<u>161,557</u>	<u>5,737</u>	<u>6</u>	<u>175,702</u>
c) Derivatives used as cash flow hedges						
Profit rate swaps	41,807	(511)	522,000	5,594	1,447	510,000
Swaption	-	-	-	118	-	60,000
	<u>41,807</u>	<u>(511)</u>	<u>522,000</u>	<u>5,712</u>	<u>1,447</u>	<u>570,000</u>
	<u>44,889</u>	<u>(7,030)</u>	<u>723,557</u>	<u>11,870</u>	<u>1,853</u>	<u>812,755</u>

(ii) This represents repossessed collateral obtained as a result of settlement of a financing asset.

(iii) The Group recognized an impairment of US\$ 966 thousand on certain other receivables in 2021.

(iv) Security deposits amounting to US\$ 7 million (2021: US\$ 4 million) includes cash collateral against a financing liability and initial deposit requirements for investment securities.

QInvest LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

10 OTHER ASSETS (CONTINUED)

- (v) Right of use asset

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
At 1 January	3,880	-
Amortisation	(732)	-
Additions	-	3,880
At 31 December	<u>3,148</u>	<u>3,880</u>

11 FINANCING LIABILITIES

- (i) Financing liabilities consist of Murabaha financing facilities availed by QInvest amounting to US\$ 475 million (2021: US\$ 354 million) and other financing facilities obtained by the Group entities amounting to US\$ 293 million (US\$ 245 million). Financing liabilities availed by the Group entities are non-recourse to QInvest and have recourse limited to respective entity's assets.
- (ii) Financing liabilities are presented in the consolidated financial statements at amortized cost using effective profit rate. Refer to Note 28 for maturity analysis.

12 OTHER LIABILITIES

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Margins	21,456	968
Staff related accruals	8,299	6,155
Negative fair value of derivative instruments (Note 10 (i))	7,030	1,853
Employees' end of service benefits (i)	5,132	5,652
Accrued expenses	3,494	3,628
Liabilities related to right of use asset (ii)	3,148	3,880
Dividend payable	972	998
Non-banking operation (iii)	118	357
Deferred tax liability	-	1,242
Others	7,618	5,375
	<u>57,267</u>	<u>30,108</u>

Notes:

- (i) Movement in employees' end of service benefits is as follows:

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Balance at 1 January	5,652	5,358
Charge for the year (Note 18)	1,126	845
Payments made during the year	(1,646)	(551)
	<u>5,132</u>	<u>5,652</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

12 OTHER LIABILITIES (CONTINUED)*Notes (continued):*

(ii) Movement in liabilities related to right of use asset is as follows:

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
<i>Gross Ijarah liabilities:</i>		
At 1 January	4,189	-
Additions	-	4,189
Payments	(626)	-
	<u>3,563</u>	<u>4,189</u>
<i>Deferred Ijarah cost:</i>		
At 1 January 2022	309	-
Additions	106	309
	<u>415</u>	<u>309</u>
Net liabilities related to right of use asset	<u>3,148</u>	<u>3,880</u>

(iii) This represents liabilities associated with a repossessed collateral as disclosed in Note 10(ii).

13 SHARE CAPITAL**13.1 Share capital**

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Authorized capital		
1,000 million shares of US\$ 1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid-up capital		
539 million shares of US\$ 1 each (2021: 539 million shares of US\$ 1 each)	<u>538,934</u>	<u>538,934</u>

All shares issued are of the same class and carry equal rights.

The shareholding structure of the Bank is as follows:

	<i>31 December 2022</i>		<i>31 December 2021</i>	
	<i>% holding</i>	<i>Number of shares</i>	<i>% holding</i>	<i>Number of shares</i>
Qatar Islamic Bank Q.P.S.C	65.62%	353,625,000	65.62%	353,625,000
Qatar Armed Forces	2.78%	15,000,000	2.78%	15,000,000
Dubai Islamic Bank	1.21%	6,500,000	1.21%	6,500,000
Others	30.39%	163,809,029	30.39%	163,809,029
	<u>100%</u>	<u>538,934,029</u>	<u>100%</u>	<u>538,934,029</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

13 SHARE CAPITAL (CONTINUED)**13.2 Share buy back**

The extra ordinary general meeting held on 20 February 2019, pursuant to the QFC Companies Regulations and Bank's articles of association, had generally authorized the Board of Directors of the Bank, for a period of up to three years from the date of passing the resolution, to implement the Share Buy-back on behalf of the Bank, in such proportions, subject to such conditions and at such times, as the Board shall deem desirable.

In 2019, 97,392,095 shares were bought back at a price of US\$0.65 per share. The Treasury Shares were cancelled and the Issued Share Capital of the Bank was reduced by US\$ 97,392,095 representing 97,392,095 shares of US\$1 per share.

In 2020, the Board of Directors of the Bank resolved to acquire, by way of a tender offer to the Bank's shareholders (the Tender Offer), 80,000,000 shares in the Bank at a price of US\$0.58 per share.

In January 2021, the Bank bought back 61,212,590 shares at a price of US\$0.58 per share based on the tender offers received from the shareholders. The Treasury Shares were cancelled, and the Issued Share Capital of the Bank was reduced by US\$ 61,212,590 representing 61,212,590 shares of US\$1 per share.

In October 2021, the Bank bought back 7,818,428 shares at a price of US\$0.70 per share based on the tender offers received from the shareholders. The Treasury shares were cancelled, and the Issued Share Capital of the Bank was reduced by US\$ 7,818,428 representing 7,818,428 shares of US\$ 1 per share.

The total gain related to the shares bought back in prior year, net of transaction cost, amounting to US\$ 27.9 million was recognized in the consolidated statement of changes in equity for the year ended 31 December 2021.

14 OTHER RESERVES

The movement in the other reserves for the year ended 31 December 2022 and 2021 as follows:

	<i>Foreign currency translation reserve US\$ '000</i>	<i>Net foreign investments hedging reserve US\$ '000</i>	<i>Cash flow hedge reserve US\$ '000</i>	<i>Cumulative changes in fair value US\$ '000</i>	<i>Total US\$ '000</i>
As at 1 January 2022	(31,696)	28,233	4,057	(16,668)	(16,074)
Foreign operations – foreign currency translation differences	(15,359)	-	-	-	(15,359)
Reclassified to consolidated statement of income upon loss of significant influence of an associate	5,124	-	-	-	5,124
Effective portion of changes in fair value of hedges	-	14,879	38,586	-	53,465
Net realized loss on fair value through equity investments	-	-	-	4,954	4,954
Gain in fair value of investments in real estates	-	-	-	4,348	4,348
Net change in fair value through equity investments	-	-	-	(75,484)	(75,484)
Share of reserves of equity accounted associates (Note 9)	-	-	-	(782)	(782)
As at 31 December 2022	(41,931)	43,112	42,643	(83,632)	(39,808)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

14 OTHER RESERVES (CONTINUED)

The movement in the other reserves for the year ended 31 December 2021:

	<i>Foreign currency translation reserve US\$ '000</i>	<i>Net foreign investments hedging reserve US\$ '000</i>	<i>Cash flow hedge reserve US\$ '000</i>	<i>Cumulative changes in fair value US\$ '000</i>	<i>Total US\$ '000</i>
As at 1 January 2021	(27,706)	21,639	(4,189)	208	(10,048)
Foreign operations – foreign currency translation differences	(3,990)	-	-	-	(3,990)
Effective portion of changes in fair value of hedges	-	6,594	8,246	-	14,840
Net realized loss on fair value through equity investments	-	-	-	7,976	7,976
Net change in fair value through equity investments	-	-	-	(25,158)	(25,158)
Share of reserves of equity accounted associates (Note 9)	-	-	-	306	306
As at 31 December 2021	<u>(31,696)</u>	<u>28,233</u>	<u>4,057</u>	<u>(16,668)</u>	<u>(16,074)</u>

14.1 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and translation of investments classified and measured at fair value through equity.

14.2 Fair value reserve

The investments fair value reserve includes the cumulative net change in the fair value of fair value through equity investments and gain in the change in the fair value of investments in real estate. This also includes the Bank's share of the fair value changes on fair value through equity investments of associate.

14.3 Hedging reserves

The hedging reserves are used to record gains or losses on derivatives that are designated and qualify as net investment in foreign operations hedges and cash flow hedges that are recognized in the reserves. Amounts are reclassified to income statement when the associated hedged transaction affects income statement.

15 FEE AND COMMISSION INCOME, NET

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Advisory and other fee income, net	3,566	12,810
Asset management fees, net	<u>4,455</u>	<u>5,194</u>
	<u>8,021</u>	<u>18,004</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

16 NET GAIN (LOSS) FROM FINANCING ASSETS

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Income from financing assets	15,137	14,929
Net fair value changes on financing assets	<u>(7,189)</u>	<u>(15,766)</u>
	<u>7,948</u>	<u>(837)</u>

17 NET GAIN FROM INVESTMENTS

	<i>Notes</i>	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Net income from financial investments	17.1	34,616	32,871
Net income from investments in real estate	17.2	22,951	6,180
Gain on disposal of a subsidiary	17.3	<u>7,319</u>	<u>-</u>
		<u>64,886</u>	<u>39,051</u>

17.1 Net income from financial investments

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Income from 'fair value through equity' investments		
Dividend income	<u>20,344</u>	<u>24,173</u>
Income from financial assets classified as fair value through income statement – equity type		
Fair value changes	3,806	3,847
Realized gain and dividend income	<u>9,830</u>	<u>4,176</u>
	<u>13,636</u>	<u>8,023</u>
Income from investments at amortized cost		
Profit from Sukuk and other debt instrument	504	94
Gain on sale	<u>-</u>	<u>75</u>
	<u>504</u>	<u>169</u>
Income from derivative financial instruments		
Income from derivatives	<u>132</u>	<u>506</u>
	<u>34,616</u>	<u>32,871</u>

17.2 Net income from investments in real estate

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Rental income from investments in real estate	13,265	6,180
Gain on sale of investments in real estate (note 8)	17,979	-
Fair value loss on investments in real estate	<u>(8,293)</u>	<u>-</u>
	<u>22,951</u>	<u>6,180</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

17 NET GAIN FROM INVESTMENTS (CONTINUED)**17.3 Gain from disposal of a subsidiary**

During the year, the Bank entered into a Joint Venture (JV) transaction to form a Shari'a compliant asset management entity in Qatar. The Bank will provide the necessary infrastructure and market reach to the Epicure Islamic Investment Management LLC ("the JV entity") and the JV partner will provide the necessary asset management expertise and capabilities. As part of the arrangement, the Bank has contributed its selective asset management business to the JV entity and has sold 51% of its ownership interest in the JV entity to the JV partner. The consideration received from the disposal of the subsidiary amounted to US\$ 9.5 million. The remaining 49% shareholding in the JV entity has been measured at fair value through income statement.

18 STAFF COSTS

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Salaries	10,536	11,944
Other staff costs	13,459	12,746
End of service benefits (Note12)	1,126	845
	<u>25,121</u>	<u>25,535</u>

19 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Legal, professional and Sharia expenses	3,344	2,689
IT and communication expenses	1,643	1,540
Travel related expenses	643	444
Advertisement and marketing expenses	545	45
Premises cost	353	1,693
Other expenses	449	460
	<u>6,977</u>	<u>6,871</u>

20 INCOME TAX

The major components are:

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Current income tax:		
Current income tax (expense) reversal	(2,548)	209
Deferred income tax:		
Relating to temporary differences	<u>1,674</u>	<u>(154)</u>
Income tax (expense) reversal	<u>(874)</u>	<u>55</u>

Management has recorded a deferred tax asset from taxable losses up to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

21 CONTINGENT LIABILITIES, COMMITMENTS AND PROVISIONS

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Investment commitments	<u>121,426</u>	<u>58,685</u>
Forward foreign exchange contracts	<u>161,557</u>	<u>182,755</u>
Profit rate swaps and other derivatives	<u>562,000</u>	<u>630,000</u>
Other contingent liabilities	<u>22,540</u>	<u>24,130</u>
Unutilized financing commitment	<u>-</u>	<u>1,164</u>

22 RELATED PARTY TRANSACTIONS

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 entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group.

The following table provides the total amount of transactions that have been entered into with related parties during the year ended 31 December 2022 and 31 December 2021, as well as balances with related parties as at 31 December 2022 and 31 December 2021:

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Statement of financial position:		
<i>Assets:</i>		
Placements and bank balances	37,885	41,668
Other assets	118	169
Statement of income:		
Fee and commission income	301	392
Placement income	718	263
Off balance sheet items:		
Forward foreign exchange contracts outstanding	70,543	141,149
Restricted investment accounts	15,686	47,093

Compensation of key management personnel

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, controlling and directing the activities of the Group.

	<i>31 December 2022 US\$ '000</i>	<i>31 December 2021 US\$ '000</i>
Salaries and other benefits	<u>4,042</u>	<u>4,592</u>

23 ZAKAH

Pursuant to the decision of the shareholders' in the first General Assembly of the Bank on 28 May 2008, the Bank is required to calculate and notify individual shareholders of their pro-rata share of the Zakah payable per share. These calculations are approved by Qatar Zakat fund.

Zakah is directly borne by the shareholders. The Bank does not deduct or pay Zakah on behalf of its shareholders. The Zakah payable for 2022 would be US\$ 0.010 (2021: US\$ 0.016) for every share held.

24 SHARIA'A SUPERVISORY BOARD

The Group's Sharia'a Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Sharia'a principles and specific fatwa, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Sharia'a principles.

25 ASSETS AND LIABILITIES HELD FOR SALE

On 30 July 2021, the Bank repossessed collaterals as a settlement of a financing asset. These repossessed collaterals mainly represent hydropower plants and associated liabilities. These assets held for sale were disposed off during the year.

	<i>31 December 2021 US\$ '000</i>
Assets held for sale	
Property, plant and equipment	60,025
Cash and bank balances	3,461
	<u>63,486</u>
Liabilities associated with assets held for sale	
Financing liabilities	30,400
Other liabilities	11,004
	<u>41,404</u>

During the year, the Group disposed of the repossessed collaterals classified as non-current assets held for sale for a consideration of US\$ 25.3 million. Consequently, a net total gain of US\$ 3.09 million was recognised in the consolidated statement of income. As a part of the transaction, non-controlling interest amounting to US\$3.2 million has been settled during the year.

26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Impairment of financial instruments

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.

26 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**Judgments (continued)*****Operating lease commitments – Group as lessor***

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Consolidation of a structured entity

The Group has incorporated number of entities in different jurisdictions to facilitate the acquisition of targeted investments. Such entities are owned by third party administrator to manage the day-to-day administrative activities of these entities. The Group control these entities through various rights and legal agreements. Therefore, in preparation of consolidated financial statements these entities have been consolidated by the Group.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of non-financial assets

The Group estimates the useful life of non-financial assets with finite lives by taking account of the expected pattern of economic benefit that the Group expects to derive from the asset. This is based on the judgment of the Group entities after taking into consideration the useful lives of similar assets of comparable entities.

Financial investment classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying the financial investments at fair value through income statement, the Group has determined that the investment is either held for short term gains or is designated as fair value through income statement on initial recognition;
- Equity investments that would otherwise be measured at fair value through income statement, to present subsequent changes in fair value through equity
- In classifying financial investments at amortized cost, the Group has determined that the investment which have fixed or determinable payments that group manages on contractual yield basis.

Techniques used for estimating impairment***Expected cash flows***

The amount of cash flows that are expected from foreclosure are cash flows that the entity actually expects to receive in the future. Because expected cash flows are a probability-weighted estimate, they include possible scenarios in which the cash flows recoverable from collateral decrease (or, where relevant, increase).

Cash shortfall

A cash shortfall is the difference between:

- the cash flows due to the entity in accordance with the contract; and
- the cash flows that the entity expects to receive.

26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**Incorporation of forward-looking information**

The above cash shortfall method derives a net loss value (shortfall) for each account and hence separate components such as PD and LGD are not modelled. The future recoveries of cash flows are expected to reflect the macro-economic forecasts for the period. E.g. If liquidation of collateral or sale of underlying business drives the collection, the values should be reflective of likely recoverable amounts in the respective forecast periods for each scenario. Such adjustments can be made in the form of haircuts or multipliers to expected cash flows.

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

- credit risk gradings;
- Product type; and
- geographic location of the borrower.

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

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Valuation of investments

The fair value of unquoted investments classified and measured as fair value through income statement and fair value through equity for which market value is not readily available is either determined by management or independent valuation specialists using various valuation techniques. The valuation techniques employed include using a market multiples approach, a discounted cash flow analysis and a comparable transaction approach amongst others. These techniques require the use of certain assumptions and estimates about expected future cash flows, revenues, profits expected market conditions and discount of lack of marketability. Management ensures that in all cases these assumptions are reasonable and realistic and where necessary adjusted by the provision based on the probability of success over completion of an event or condition.

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

The Group engages independent valuation specialist to assess the fair value of its assets.

Valuation of financing assets

Financing assets measured at fair value are valued using income approach, following variables are considered:

- Cash flow projections: Cash flows reflecting market participants view on the asset (e.g. Collateral's highest and best use as per current market conditions);
- Expected term of exit: Based on highest IRR value to investor (could be shorter or longer);
- Risk adjustments/perception: Market perception, typically higher and short turnaround view of an incoming investor, factors current illiquidity and economic risk perceptions; and
- Expected return: High, based on risk perception of an incoming investor (a market rate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Going concern

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

27 SEGMENT INFORMATION

The Group's assets and liabilities are monitored by management on the basis of industry segment and geographic location.

For management purposes, the Group is divided into the below mentioned industry segments which are as follows:

- Banks and other financial institutions
- Real estate and construction
- Transport and logistics
- Services
- Oil and gas
- Others

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations, e.g., common property & equipment, cash functions and development projects and related payables, net of intra-group transactions.

Management monitors the operating results of the industry segments separately to make decisions about resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

27 SEGMENT INFORMATION (CONTINUED)

The following tables summarize the industry and geographical concentration of Group assets, liabilities and related performance:

(a) By industry segment

31 December 2022	Banks and other financial institutions US\$ '000	Real estate and construction US\$ '000	Transport and logistics US\$ '000	Services US\$ '000	Oil and gas US\$ '000	Other US\$ '000	Total carrying value US\$ '000
Assets							
Cash and bank balances	30,666	-	-	-	-	-	30,666
Placements with banks	143,362	-	-	-	-	-	143,362
Financing assets	-	127,345	-	-	-	-	127,345
Investment securities	470,326	186,496	72,571	29,334	-	-	758,727
Investments in real estate	-	253,313	-	-	-	-	253,313
Investment in associates	17,417	-	-	-	-	-	17,417
Other assets	73,984	3,310	-	-	12,139	3,949	93,382
Total assets	735,755	570,464	72,571	29,334	12,139	3,949	1,424,212
Liabilities							
Placements from financial institutions	126,760	-	-	-	-	-	126,760
Financing liabilities	768,122	-	-	-	-	-	768,122
Other liabilities	30,981	3,595	-	-	118	22,574	57,268
Total liabilities	925,863	3,595	-	-	118	22,574	952,150
Consolidated statement of income items							
Revenue	39,574	44,914	(8,368)	4,333	(1,993)	-	78,460
Expenses, impairment and tax	(32,673)	(264)	2	3,090	-	(33,139)	(62,984)
Profit / (loss)	6,901	44,650	(8,366)	7,423	(1,993)	(33,139)	15,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

27 SEGMENT INFORMATION (CONTINUED)

(a) By industry segment (continued)

31 December 2021	Banks and other financial institutions US\$ '000	Real estate and construction US\$ '000	Transport and logistics US\$ '000	Services US\$ '000	Oil and gas US\$ '000	Other US\$ '000	Total carrying value US\$ '000
Assets							
Cash and bank balances	49,771	-	-	-	-	-	49,771
Placements with banks	40,648	-	-	-	-	-	40,648
Financing assets	-	118,768	-	-	-	-	118,768
Investment securities	471,163	205,135	72,411	10,305	-	7,958	766,972
Investments in real estate	-	111,569	-	-	-	-	111,569
Investment in associates	34,154	-	-	-	-	-	34,154
Assets held for sale	-	-	-	63,486	-	-	63,486
Other assets	35,126	5,649	-	-	14,630	5,198	60,603
Total assets	630,862	441,121	72,411	73,791	14,630	13,156	1,245,971
Liabilities							
Placements from financial institutions	88,296	-	-	-	-	-	88,296
Financing liabilities	599,273	-	-	-	-	-	599,273
Liabilities associated with assets held for sale	-	-	-	41,404	-	-	41,404
Other liabilities	2,788	7,113	-	-	357	19,850	30,108
Total liabilities	690,357	7,113	-	41,404	357	19,850	759,081
Consolidated statement of income items							
Revenue	41,710	19,618	700	(3,415)	(1,660)	(871)	56,082
Expenses, impairment and tax	(14,524)	(3,076)	-	(3,749)	-	(33,139)	(54,488)
Profit / (loss)	27,186	16,542	700	(7,164)	(1,660)	(34,010)	1,594

QInvest LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 SEGMENT INFORMATION (CONTINUED)

(b) By geography

31 December 2022	GCC countries US\$ '000	Europe US\$ '000	North America US\$ '000	South Asia US\$ '000	Other regions US\$ '000	Total carrying value US\$ '000
Assets						
Cash and bank balances	2,530	9,069	18,638	-	429	30,666
Placements with banks	128,162	15,200	-	-	-	143,362
Financing assets	-	77,791	49,554	-	-	127,345
Investment securities	128,873	174,191	435,543	7,139	12,981	758,727
Investments in real estate	204,371	48,942	-	-	-	253,313
Investment in associates	17,417	-	-	-	-	17,417
Other assets	65,318	7,450	428	6,879	13,307	93,382
Total assets	546,671	332,643	504,163	14,018	26,717	1,424,212
Liabilities						
Placements from financial institutions	126,760	-	-	-	-	126,760
Financing liabilities	527,675	240,447	-	-	-	768,122
Other liabilities	55,506	477	-	-	1,285	57,268
Total liabilities	709,941	240,924	-	-	1,285	952,150
Consolidated statement of income items						
Revenue	53,493	(658)	29,090	(3,360)	(105)	78,460
Expenses, impairment and tax	(56,949)	(6,909)	(64)	(1,690)	2,628	(62,984)
(Loss) / Profit	(3,456)	(7,567)	29,026	(5,050)	2,523	15,476

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 SEGMENT INFORMATION (CONTINUED)

(b) By geography (continued)

31 December 2021	GCC countries US\$ '000	Europe US\$ '000	North America US\$ '000	South Asia US\$ '000	Other regions US\$ '000	Total carrying value US\$ '000
Assets						
Cash and bank balances	3,890	24,252	21,332	-	297	49,771
Placements with banks	40,021	-	-	-	627	40,648
Financing assets	-	77,568	41,200	-	-	118,768
Investment securities	125,390	217,344	410,122	-	14,116	766,972
Investments in real estate	50,250	61,319	-	-	-	111,569
Investment in associates	17,098	-	-	17,056	-	34,154
Assets held for sale	-	-	-	-	63,486	63,486
Other assets	29,645	6,761	1,689	6,645	15,863	60,603
Total assets	266,294	387,244	474,343	23,701	94,389	1,245,971
Liabilities						
Placements from financial institutions	63,285	-	25,011	-	-	88,296
Financing liabilities	304,727	294,546	-	-	-	599,273
Liabilities associated with assets held for sale	-	-	-	-	41,404	41,404
Other liabilities	21,795	7,197	-	-	1,116	30,108
Total liabilities	389,807	301,743	25,011	-	42,520	759,081
Consolidated statement of income items						
Revenue	22,237	6,817	29,376	367	(2,715)	56,082
Expenses, impairment and tax	(45,043)	(4,896)	(55)	-	(4,494)	(54,488)
(Loss) / Profit	(22,806)	1,921	29,321	367	(7,209)	1,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table sets out the maturity profile of the Group's assets, liabilities and forward foreign exchange contracts. The contractual maturities of assets, liabilities and forward foreign exchange contracts have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained. Placement from financial institutions have been extended subsequently to the year-end and certain financing liabilities are expected to be refinanced. Other cashflows included in the maturity analysis are not expected to change significantly.

The maturity profile of the Group's assets and liabilities as at 31 December 2022 is as follows:

	Up to 3 months US\$ '000	3 to 6 months US\$ '000	6 months to 1 year US\$ '000	1 to 3 years US\$ '000	Over 3 years US\$ '000	Total US\$ '000
Cash and bank balances	30,666	-	-	-	-	30,666
Placements with banks	133,142	-	10,220	-	-	143,362
Financing assets	-	-	-	127,345	-	127,345
Investment securities	1,331	-	6,903	25,100	725,393	758,727
Investments in real estate	-	-	-	-	253,313	253,313
Investment in associates	-	-	-	-	17,417	17,417
Other assets	12,923	16,980	16,984	29,256	17,239	93,382
Total Assets	178,062	16,980	34,107	181,701	1,013,362	1,424,212
Liabilities						
Placements from financial institutions	71,877	-	54,883	-	-	126,760
Financing liabilities	16,266	7,453	52,388	143,823	548,192	768,122
Other liabilities	43,184	1,609	6,832	511	5,132	57,268
Total Liabilities	131,327	9,062	114,103	144,334	553,324	952,150
Maturity Gap	46,735	7,918	(79,996)	37,367	460,038	472,062

QInvest LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

28 MATURITY OF ASSETS AND LIABILITIES (CONTINUED)

The maturity profile of the Group's assets and liabilities as at 31 December 2021 is as follows:

	Up to 3 months US\$ '000	3 to 6 months US\$ '000	6 months to 1 year US\$ '000	1 to 3 years US\$ '000	Over 3 years US\$ '000	Total US\$ '000
Assets						
Cash and bank balances	49,771	-	-	-	-	49,771
Placements with banks	40,648	-	-	-	-	40,648
Financing assets	-	-	-	118,768	-	118,768
Investment securities	-	-	-	4,900	762,072	766,972
Investments in real estate	-	-	-	-	111,569	111,569
Investment in associates	-	-	-	-	34,154	34,154
Assets held for sale	-	-	63,486	-	-	63,486
Other assets	11,599	8,149	16,574	2,824	21,457	60,603
Total Assets	102,018	8,149	80,060	126,492	929,252	1,245,971
Liabilities						
Placements from financial institutions	78,281	10,015	-	-	-	88,296
Financing liabilities	-	-	-	326,985	272,288	599,273
Liabilities associated with assets held for sale	-	-	41,404	-	-	41,404
Other liabilities	13,163	365	9,482	1,447	5,651	30,108
Total Liabilities	91,444	10,380	50,886	328,432	277,939	759,081
Maturity Gap	10,574	(2,231)	29,174	(201,940)	651,313	486,890

The undiscounted cash flows on the Group's financing liabilities and placements from financial institutions on the basis of their earliest possible contractual maturity up to 12 months is US\$ 279 million (2021: US\$ 101 million) and over 12 months is US\$ 756 million (2021: US\$ 627 million).

29 FINANCIAL RISK MANAGEMENT**Overview**

Financial instruments of the Group represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, placements with financial and other institutions, investment securities portfolios, derivative financial instruments, financing assets, and certain other assets of the Group. Financial liabilities include wakala deposits, financing liabilities, derivative financial instruments and certain other liabilities. Accounting policies for financial instruments are set out in Note 2 to these consolidated financial statements.

The Group has exposure to various risks from its use of financial instruments. These risks can be broadly classified as:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk; and
- Regulatory and legal risks.

This note provides details on the Group's exposure to each of the above-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management and governance framework of the Group

The Group's risk management process is an integral part of the organization's culture and is embedded into the organization's practices as well as in all those involved in the risk management process. The Board of Directors ("Board"), Board Risk, Audit and Compliance Committee ("BRACC"), senior management, risk officers, and line managers contribute to the effective Group-wide risk management.

The risk governance structure is headed by the Board which has overall responsibility for the establishment and oversight of QInvest's risk management framework. The Board and its sub-committees are responsible for approving the Bank's risk management methodology, strategic plans and risk management policies in accordance with the industry advancements and international best practice standards.

The next level of the Board committees has delegated powers for monitoring the risk-taking activities of the Group. These committees are the BRACC, the Board Investment Committee ("BIC"), and the Nomination and Remuneration Committee. In turn, the risk appetite and risk tolerance set by the Board are cascaded across the institution and are taken into account in developing business goals and objectives.

As part of an effective system of control, key management decisions are made by more than one individual, in the form of a non-board management committee, as follows:

Investment Committee ("IC") is the primary executive committee of the Group that is responsible for the following:

- a) General management issues including performance review against the budget, and oversight on implementation of the strategic business plan.
- b) Evaluates proposals for investments and credits, divestiture of assets and valuation of investments. The committee also ensures compliance with investment criteria as well as investment procedures at each phase of the investment process.
- c) Oversees management of market risks, translates investment strategy directions into asset allocation guidelines, and reviews and manages the capital adequacy, liquidity position and funding alternatives.
- d) Reviews the effectiveness of the operational risk management processes and procedures in respect of IT, Compliance, and Asset Liability Management ("ALM"), with the purpose of mitigating these risks.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management and governance framework of the Group (continued)

Asset and Liability Committee (“ALCO”) is a sub-committee of the IC, which is responsible for setting and implementing the ALM policy, capital planning and proactive management of liquidity risk and market risk to which the Group is exposed. The authority of ALCO includes:

- a) Active management of the funding profile in line with the Bank’s objectives, with a focus on the entire balance sheet;
- b) Balance sheet and cash flow review and forecasting;
- c) Design and implementation of foreign exchange and profit-rate hedging strategies;
- d) Periodic review of Treasury Money Market limits and placement strategies;
- e) Review and approval of derivative exposure limits; and
- f) Design and implementation of the liquidity and capital strategy of the firm.

The risk management functions are carried out by the identified control departments who liaise with the Chief Executive Officer for the day-to-day management of specific risks. These control departments include Risk Management, Compliance, Legal and Finance, and are manned by dedicated risk specialists in various disciplines to deal with the pertinent business risk exposures of the Group. In line with suitable governance policies, Risk Management Department (“RMD”) and Compliance department have independent reporting lines to BRACC that allow them to provide their impartial view on the business activities taken by the Group.

Credit quality

The Group follows an internal rating mechanism for grading relationships under financing assets.

The Group utilises a scale ranging from 1 to 5 for credit relationships, with 1 to 3 denoting performing grades, 4 denoting watch-list assets and 5 representing severely underperforming and in certain cases non-performing financings.

All credits are assigned a rating in accordance with the defined criteria.

The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group.

Credit risk

Credit risk is the risk that an obligor or counterparty will fail to meet its contractual obligations in accordance with the agreed terms. For Risk Management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor exposure, business line exposure, country and economic sector risk etc.).

With respect to the credit risk arising from balances with banks, placements and other receivables, the Group’s exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the carrying amount of these assets in the statement of financial position. Exposures are considered of good credit standing and management believe that it is minimal risk of default, thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

Definition of credit default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL when the borrower becomes past due on its contractual payments and there are other clear qualitative indicators, subject to a thorough review by the RMD.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk (continued)****Definition of credit default and cure (continued)**

As part of the qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events may include:

- Internal rating of the borrower indicating default or near-default;
- The borrower requesting emergency funding from the Bank;
- The borrower having past-due liabilities to public creditors or employees;
- A material decrease in the underlying collateral value where the recovery of the financing assets is expected from the sale of the collateral;
- A material decrease in the borrower's turnover or the loss of a major customer;
- A covenant breach not waived by the Bank;
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy; and
- Debtor's listed debt or equity suspended at the primary exchange

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present and shows significant improvement. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Management of credit risk

The Board has granted approval to the Group to engage in credit and investment related activities for approved products and is ultimately responsible for approving and periodically reviewing the credit and investment strategies and policies of the Group along with the SSB. The Board defines and sets the Group's overall levels of risk appetite, risk diversification and asset allocation strategies applicable to each Islamic financing instrument, economic activity, geographical spread, currency and tenor. The Bank is responsible for applying Sharia governance. The SSB reviews the Bank's activities to ensure that all products and investment transactions comply fully with the rules and principles of Islamic Sharia'a and is responsible to issue Fatwas accordingly.

The Board has delegated its responsibility of overall risk management to various Board and senior management committees. The Board Investment Committee ("BIC") is responsible for the implementation and oversight of the Bank's investments and credit strategies, which have been approved by the Board. It is also responsible for approving the investments which are above the limit authorized to the non-board approving authorities. The IC evaluates credit and investment proposals and also exercises oversight on compliance with investment criteria, limits and investment procedures. The RMD is responsible for reviewing and scrutinizing the Group's risk management policies and procedures. The IC also reviews proposed guidelines on all risk and governance issues.

The RMD is responsible for the oversight and monitoring of the Group's credit risk, including:

- a) Formulating credit and investment policies in consultation with business units, covering credit and investment assessment, and risk reporting. RMD also facilitates establishment of the authorization structure for the approval and renewal of credit facilities. Approval / authorization limits are also allocated to Executive Management. Larger facilities require approval by BIC and/or the Board of Directors based on the authority limits structure of the Group.
- b) Reviewing and assessing credit and investment exposures prior to investments or facilities being committed. Exercising oversight for limiting concentrations of exposure to counterparties, countries and economic sectors.
- c) Exercising oversight and ongoing monitoring of credit and investment exposures, market risk exposures and operational risk management.
- d) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of investment and credit risk.
- e) The RMD works alongside the investment banking department at all stages of a deal cycle from pre-investment, due diligence, exit and provides an independent review of every transaction. A fair evaluation of the investments takes place quarterly with input provided by the investment banking department and reviewed by IC. Regular audits of business units and group credit process are undertaken by Internal Audit.

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As at and for the year ended 31 December 2022

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The gross maximum exposure of financial assets to credit risk as at 31 December 2022 was as follows:

	Bank balances US\$ '000	Placements with banks US\$ '000	Financing assets US\$ '000	*Sukuk and other debt instrument US\$ '000	Other financial assets US\$ '000	Total carrying value US\$ '000
Neither past due nor impaired	30,666	143,362	127,345	25,363	63,427	390,163
Past due but not impaired	-	-	-	-	-	-
Individually impaired	-	-	-	18,601	1,268	19,869
Gross carrying amount	30,666	143,362	127,345	43,964	64,695	410,032
Expected credit loss						
Lifetime	-	-	-	-	-	-
Stage 1	-	-	-	(13)	-	(13)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	(17,521)	(1,268)	(18,789)
Total allowance for impairment	-	-	-	(17,534)	(1,268)	(18,802)
Net carrying amount	30,666	143,362	127,345	26,430	63,427	391,230

*Represents gross carrying amount of financial assets carried at amortized and fair value of financial assets carried at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk (continued):

The gross maximum exposure of financial assets to credit risk as at 31 December 2021 was as follows:

	Bank balances US\$ '000	Placements with banks US\$ '000	Financing assets US\$ '000	*Sukuk and other debt instrument US\$ '000	Other financial assets US\$ '000	Total carrying value US\$ '000
Neither past due nor impaired	49,771	40,648	118,768	3,820	28,015	241,022
Past due but not impaired	-	-	-	-	-	-
Individually impaired	-	-	-	18,601	1,268	19,869
Gross carrying amount	49,771	40,648	118,768	22,421	29,283	260,891
Expected credit loss	-	-	-	-	-	-
Lifetime	-	-	-	-	-	-
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	(17,521)	(1,268)	(18,789)
Total allowance for impairment	-	-	-	(17,521)	(1,268)	(18,789)
Net carrying amount	49,771	40,648	118,768	4,900	28,015	242,102

*Represents gross carrying amount of financial assets carried at amortized and fair value of financial assets carried at fair value.

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29 FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk coverage for investments**

Investment securities comprise of sukuk and debt type instruments issued by institutions that the Group considers to have acceptable credit risk and liquidity profile. The sukuk and debt type instruments investments are subject to a comprehensive risk limit framework which includes limits on exposures to countries, sectors and issuers and also transaction limits. Given these criteria, management expects to minimize the credit risk relating to investments.

Credit risk coverage for financings

Financings comprise of financing assets extended to corporate clients, either on bilateral or syndicated basis, where the obligors exhibit an acceptable level of credit risk. Financing facilities are usually secured by tangible collateral and/or security packages (e.g., physical assets, company shares, etc.) and are subject to financial covenants.

Financing facilities are subject to a comprehensive risk limit framework which includes limits on exposures to product types, countries and sectors. Given these criteria, management expects to mitigate the credit risks relating to financings.

The table below presents an analysis of the net exposure of financial assets to credit risk by rating agency designation.

Rating	<i>Carrying value as at 31 December 2022 US\$ '000</i>	<i>Carrying value as at 31 December 2021 US\$ '000</i>
A	13,409	9,684
A-	111,959	83,515
A+	92,410	8,181
AA+	285	-
BB	87	-
BB+	5,115	-
BB-	2,730	3,755
BBB	464	32
BBB+	21,270	4,778
BBB-	-	-
CCC+	-	-
Not rated	143,501	132,157
Total	391,230	242,102

Write-off policy

The Group writes off receivables and investment balances (and any related allowances for impairment losses) when the Group determines that the receivables or investments are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the payee or issuer's financial position such that the payee or issuer can no longer meet the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Concentration risk

Concentration risk is any single exposure or group of exposures with the potential to produce losses material enough to threaten the Group's health or ability to maintain its core operations. Such concentrations include:

- Significant exposures to an individual counterparty or group of related counterparties;
- Credit exposures to counterparties in the same economic sector or geographical region;
- Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity; and
- Indirect credit exposures arising from the Group's credit risk mitigation activities (e.g. exposure to a single collateral type or to credit protection provided by a single counterparty).

29 FINANCIAL RISK MANAGEMENT (CONTINUED)**Concentration risk (continued)**

Exposure to significant counterparties:

Significant exposure is identified as aggregate exposure to a counterparty equal or exceeding 10% of capital resources. The significant counterparty exposure as at 31 December 2022 was related to real estate financing assets amounted to US\$ 127.3 million (2021: US\$ 77.6 million) representing 27% (2021: 16%) of shareholders equity. Significant exposure is identified as aggregate exposure to a counterparty equal to or exceeding 10% of capital resources.

Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its funding requirements and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board is responsible for approving the ALM policy of the Group. In turn, the Board may delegate part of its responsibilities to sub-committees and senior management. The Board has delegated the responsibilities of ALM to the IC and ALCO.

The IC and ALCO are responsible for the overall asset and liability management function of the Group. The IC and ALCO set guidelines for the overall management of the liquidity and risk adjusted rate of return by recommending policies, setting limits and guidelines and monitoring the risk and liquidity profile of the Group regularly. The IC and ALCO also determine the financing liability and funding strategy of the Group in order to maximize profit and minimize risk. The ALCO is responsible for overseeing the adherence to regulatory liquidity ratios and preparation of a short-term liquidity reports.

Exposure to liquidity risk

The Group's liquid assets include cash and cash equivalents, sovereign and high quality sukuks and marketable securities. Appropriate haircuts are applied to the valuation of these assets to ensure that a sufficient buffer is maintained for any market price fluctuation. The table below lists the liquidity indicators that the Group monitors regularly.

<i>Indicators</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Liquid assets/ total equity	<u>41%</u>	<u>19%</u>
Illiquid + long term investments / total assets	<u>86%</u>	<u>93%</u>

The maturity profile of the Group's assets and liabilities is shown in Note 28.

Market risk**Management of market risk**

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. As a matter of general policy, all trading positions on its assets and liabilities are being monitored on a daily basis by both business and control areas. Any material movements on the trading portfolios are addressed appropriately. The Group seeks to manage currency risk by continually monitoring exchange rates. Overall authority for market risk is vested in the IC. ALCO is responsible for the design and implementation of FX and profit rate hedging strategies. RMD is responsible for the development of detailed risk management policies (subject to review and approval by the IC) and for the regular review of their implementation.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risk (continued)*****IBOR reform***

Following the decision by global regulators to phase out IBORs, the publication of GBP, JPY, CHF and EUR Libors ceased after December 31, 2021, while most of the USD Libor tenors (i.e., overnight, one-month, three-months, six-months and 12-month tenors) continue to be published until June 30, 2023.

The Bank has an active transition project sponsored by the Treasury. The project provides regular progress updates to the Management and Asset Liability Committee. During 2022, the Bank commenced the transition of its Libor exposures to Risk Free Rates (RFRs) and has identified processes and procedures to support the transition.

The Bank has been proactively rotating new USD denominated contracts into Overnight (O/N) SOFR or Term SOFR in 2022, and actively engaging with counterparts for legacy exposures to transition from Libor to O/N SOFR or Term SOFR either upon contract renewal or after June 30, 2023. The Bank remains confident that it has the operational capacity to successfully complete this transition exercise ahead of the scheduled cessation date for Libor.

Market risk has the following main components:

- Profit rate risk;
- Foreign exchange risk; and
- Price risk;

Profit rate risk

Profit rate risk arises when there is a mismatch between positions which are subject to profit rate adjustment within a period. In the Group's funding and investment activities, fluctuations in profit rates are reflected in profit margins and earnings.

Exposure to profit rate risk

Profit rate risk is the risk that the relative value of a profit-bearing asset and liabilities, whether fixed or floating, will worsen due to movements in market-based benchmark profit rates. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of the financial instrument because of a change in market profit rates. The Group holds a mixture of both floating and fixed profit rate assets, comprising financing facilities, placements with other financial institutions and investments in sukuk and debt type instruments. ALCO is responsible for reviewing the profit rate risk profile and deciding if a hedge of residual profit rate risk is required.

Profit rate risk sensitivity analysis

The Group monitors the sensitivity of the Group's financial instruments by way of subjecting them to standard scenarios that include a 100 basis point (bp) parallel fall or rise in all pertinent yield curves. An analysis of the Group's income statement sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	<i>100 bps parallel increase / (decrease) US\$'000</i>
At 31 December 2022	<u>(5,977)</u>
At 31 December 2021	<u>(5,524)</u>

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29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Profit rate risk profile

The following table sets out the profit rate risk profile of the Group's assets and liabilities as at 31 December 2022:

	<i>Carrying amount US\$'000</i>	<i>Less than 3 months US\$'000</i>	<i>3 to 12 months US\$'000</i>	<i>1 to 5 years US\$'000</i>	<i>Over 5 years US\$'000</i>	<i>Not profit sensitive US\$'000</i>
Assets						
Cash and bank balances	30,666	-	-	-	-	30,666
Placements with banks	143,362	133,142	10,220	-	-	-
Financing assets	127,345	-	-	127,345	-	-
Investment securities	758,727	1,330	-	25,100	-	732,297
Investments in real estate	253,313	-	-	-	-	253,313
Investment in associates	17,417	-	-	-	-	17,417
Other assets	93,382	-	-	-	-	93,382
Total	1,424,212	134,472	10,220	152,445	-	1,127,075
Liabilities						
Placements from financial institutions	126,760	126,760	-	-	-	-
Financing liabilities	768,122	738,978	29,144	-	-	-
Other liabilities	57,268	-	-	-	-	57,268
Total	952,150	865,738	29,144	-	-	57,268
Profit rate sensitivity gap		(731,266)	(18,924)	152,445	-	
Cumulative profit rate sensitivity gap		(731,266)	(750,190)	(597,745)	(597,745)	

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29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Profit rate risk profile (continued)

The following table sets out the profit rate risk profile of the Group's financial assets and liabilities as at 31 December 2021:

	<i>Carrying amount US\$ '000</i>	<i>Less than 3 months US\$ '000</i>	<i>3 to 12 months US\$ '000</i>	<i>1 to 5 years US\$ '000</i>	<i>Over 5 years US\$ '000</i>	<i>Not profit sensitive US\$ '000</i>
Assets						
Cash and bank balances	49,771	-	-	-	-	49,771
Placements with banks	40,648	40,648	-	-	-	-
Financing assets	118,768	-	-	118,768	-	-
Investment securities	766,972	-	3,569	2,600	-	760,803
Investments in real estate	111,569	-	-	-	-	111,569
Investment in associates	34,154	-	-	-	-	34,154
Assets held for sale	63,486	-	-	-	-	63,486
Other assets	60,603	-	-	-	-	60,603
Total	1,245,971	40,648	3,569	121,368	-	1,080,386
Liabilities						
Placements from financial institutions	88,296	78,280	10,016	-	-	-
Financing liabilities	599,273	568,308	-	30,965	-	-
Liabilities associated with assets held for sale	41,404	-	30,400	-	-	11,004
Other liabilities	30,108	-	-	-	-	30,108
Total	759,081	646,588	40,416	30,965	-	41,112
Profit rate sensitivity gap		(605,940)	(36,847)	90,403	-	
Cumulative profit rate sensitivity gap		(605,940)	(642,787)	(552,384)	(552,384)	

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29 FINANCIAL RISK MANAGEMENT (CONTINUED)**Foreign exchange risk**

The Group is exposed to foreign exchange risk on financial assets and financial liabilities that are denominated in a currency other than the functional currency of the Group.

Exposure to foreign currency exchange risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The Group had the following significant net exposures denominated in foreign currencies that are not pegged to US\$:

	<i>31 December 2022 US\$'000</i>	<i>31 December 2021 US\$'000</i>
Euro	<u>660</u>	<u>763</u>
Pound Sterling	<u>(8,985)</u>	<u>1,556</u>
Indian Rupee	<u>13,782</u>	<u>23,071</u>
Others	<u>5,019</u>	<u>6,241</u>

The exposures to Euro, Pound Sterling and Indian Rupee are primarily from the Group's net investment exposure to the foreign currency denominated assets and liabilities of, investment in associate, financial assets designated at fair value through income statement and fair value through equity investments. The Group generally uses forward foreign exchange contracts to hedge the foreign currency risk on its net investment in foreign operations.

Foreign exchange risk sensitivity analysis:

The table below indicates the effect of a reasonably possible movement of the currency rate against the US\$ on the net profit for the year, with all other variables held constant:

	<i>31 December 2022 US\$'000</i>	<i>31 December 2021 US\$'000</i>
5% change in currency exchange rate		
Euro	<u>33</u>	<u>38</u>
Pound Sterling	<u>(449)</u>	<u>78</u>
Indian Rupee	<u>689</u>	<u>1,154</u>
Others	<u>251</u>	<u>312</u>

Equity price risk

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

1% change in the market indices would have an effect of US\$ 1.2 million (2021: US\$ 1.9 million) in the equity and USD\$ 27 thousand in the income statement (2021: US\$ 35 thousand).

Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial loss, reputational damage, legal penalty and regulatory censure. The Bank manages Operational Risk through appropriate controls (such as segregation of duties, checks and balances, and the work of audit and compliance) and an Operational Risk Management (ORM) framework.

The RMD is responsible for designing and developing QInvest's ORM framework, including associated tools and training to support ORM implementation. This framework adopts a three-pronged approach – (a) self-analysis by each Bank department through the Operational Risk Self-Assessment (ORSA) process, (b) loss event/data reporting, and (c) issue tracking. Oversight of the ORM is exercised by RMD and IC.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)**Operational risk (continued)**

QInvest has also developed a Business Continuity Plan (BCP) to facilitate the resumption and continuation of business in the event of a disaster impacting the bank's Head Office. In particular, the Bank transfers data outside Qatar on a daily basis into a cloud-based system managed by a reputable international service provider. This enables the Bank to re-build data and resume operations from outside Qatar in the event of an "in-country" disaster.

Other risks

Legal risk is addressed through the effective use of internal and external legal advisers. Reputational risk is addressed by effective procedures being drafted and implemented around all areas concerning press and publicity releases, document production and website design.

Regulatory and legal risks

The Compliance department is responsible for helping management identify and manage compliance and regulatory risks. It reports directly to the BRACC and focuses on the implementation of a control framework which helps ensure the appropriate regulatory response in relation to legislation and requirements arising in Qatar and in other locations.

Capital management

Capital represents the shareholders' investment and is a key strategic resource which supports the Group's risk-taking business activities. In line with Group's financial objective, management strives to deploy this resource in an efficient and disciplined manner to earn competitive returns. Capital also reflects financial strength and security to the Group's creditors and depositors. Capital management is fundamental to the Group's risk management philosophy, and takes into account economic and regulatory requirements.

The Group's regulator, 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 positive prescribed ratio of total capital to total risk-weighted assets. The minimum ratio prescribed by the QFCRA is 10.5%.

For calculating regulatory capital, the Group is following the QFCRA approaches for credit, market and operational risk management.

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital includes ordinary share capital, share premium, retained earnings, translation reserve, investment fair value reserve relating to unrealized gains on equity instruments classified as fair value through equity, associates and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes instruments issued by the entity that meet the criteria for inclusion in Tier 2 capital, share premium, certain financing assets provisions and other regulatory adjustments applied in calculation of Tier 2 capital.

The Group's policy is at all times to exceed the minimum capital requirements of the QFCRA. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. There have been no material changes in the Group's management of capital during the year. Furthermore, ALCO actively reviews changes in the firm's capital position and monitors changes to capital adequacy profile following review of periodic stress tests.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the internal capital requirements may be adjusted to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently from those responsible for the operation and is subject to review by the Senior Management.

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29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital position as per QFCRA Basel III rules is as below:

	<i>31 December 2022 US\$'000</i>	<i>31 December 2021 US\$'000</i>
Risk weighted exposure	<u>2,233,097</u>	<u>2,134,929</u>
Total qualifying tier 1 capital and reserve funds	<u>401,756</u>	<u>469,757</u>
Qualifying Tier 2 capital and reserve funds	<u>-</u>	<u>-</u>
Total qualifying capital and reserve funds	<u>401,756</u>	<u>469,757</u>
Capital adequacy ratio	<u>18%</u>	<u>22%</u>

QInvest LLC

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30 FAIR VALUE MEASUREMENT

30.1 Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

Fair value and classification of financial instruments at 31 December 2022:

	Designated as at fair value through income statement US\$'000	Mandatorily measured at fair value through income statement US\$'000	Fair value through equity US\$'000	Amortized cost investment securities US\$'000	Financial assets and liabilities at amortized cost US\$'000	Total carrying value US\$'000	Fair value US\$'000
Financial assets							
Cash and bank balances	-	-	-	-	30,666	30,666	30,666
Placements with banks	-	-	-	-	143,362	143,362	143,362
Financing assets	-	127,345	-	-	-	127,345	127,345
Investment securities	325,095	2,981	407,202	23,449	-	758,727	759,218
Other financial assets	-	-	-	-	63,427	63,427	63,427
Total	325,095	130,326	407,202	23,449	237,455	1,123,527	1,124,018
Financial liabilities							
Placements from financial institutions	-	-	-	-	126,760	126,760	126,760
Financing liabilities	-	-	-	-	768,122	768,122	768,122
Other financial liabilities	-	-	-	-	49,586	49,586	49,586
Total	-	-	-	-	944,468	944,468	944,468

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As at and for the year ended 31 December 2022

30 FAIR VALUE MEASUREMENT (CONTINUED)**30.1 Fair values (continued)**

Fair value and classification of financial instruments at 31 December 2021:

	Designated as at fair value through income statement US\$ '000	Mandatorily measured at fair value through income statement US\$ '000	Fair value through equity US\$ '000	Amortized cost investment securities US\$ '000	Financial assets and liabilities at amortized cost US\$ '000	Total carrying value US\$ '000	Fair value US\$ '000
Financial assets							
Cash and bank balances	-	-	-	-	49,771	49,771	49,771
Placements with banks	-	-	-	-	40,648	40,648	40,648
Financing assets	-	118,768	-	-	-	118,768	118,768
Investment securities	297,392	3,820	464,680	1,080	-	766,972	766,972
Other financial assets	-	-	-	-	28,015	28,015	28,015
Total	297,392	122,588	464,680	1,080	118,434	1,004,174	1,004,174
Placements from financial institutions	-	-	-	-	599,273	599,273	599,273
Financial liabilities	-	-	-	-	88,296	88,296	88,296
Wakala deposits	-	-	-	-	20,199	20,199	20,199
Other financial liabilities	-	-	-	-	-	-	-
Total	-	-	-	-	707,768	707,768	707,768

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As at and for the year ended 31 December 2022

30 FAIR VALUE MEASUREMENT (CONTINUED)**30.1 Fair values (continued)**

The management assessed that cash and short-term deposits, other receivables, other payables, due to bank and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate financing assets and other debt type instruments are evaluated by the Group based on parameters such as profit rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2022, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values. Depending on the nature and level of adjustments needed to the value, the Group considers these financial assets as Level 3.
- Fair value of the quoted sukuk is based on price quotations at the reporting date.
- Fair value of the unquoted shares has been estimated using appropriate valuation methodologies. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- The Group investments in real estate assets which have been valued using valuation methodologies such as investment method, income capitalization method and land residual value method. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these real estate assets.
- The Group also has investment in real estate which have been valued based on the put option exercisable from reporting date.
- Fair value of quoted financial assets is derived from quoted market prices in active markets.
- Certain unquoted fair value through income statement based on put option and binding offers and categorized at level 3.
- Certain unquoted fair value through equity investments may be kept at par being cost equal to their fair value and categorized at level 3.
- The Group enters into derivative financial instruments with various counterparties for hedging purpose, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly, foreign exchange forward contracts. The Group use observable inputs or the counterparty banks valuations to measure the fair value of the derivative financial instruments. Such financial assets and liabilities are classified as level 2.
- The Group invests in limited partnerships which are not quoted in an active market and the NAV of these funds may be used as an input into measuring their fair value. Depending on the nature and level of adjustments needed to the NAV and the level of trading, the Group classifies these funds as Level 3.

Description of significant unobservable inputs to valuation:

Valuation techniques and models used on level 3 investments were mainly DCF and Market comparable approach models and have used various inputs to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Sensitivity to changes in inputs may vary depending on the nature of the identified inputs. Assumptions and inputs used in valuation techniques include risk-free rate and benchmark profit rates or WACC, credit spreads and other factors used in estimating the discount rates, equity prices, foreign currency exchange rates and expected price volatilities and correlations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 FAIR VALUE MEASUREMENT (CONTINUED)**30.2 Determination of fair value and fair value hierarchy**

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2022:

	<i>Fair value</i> <i>US\$'000</i>	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1) US\$'000</i>	<i>Significant observable inputs (Level 2) US\$'000</i>	<i>Significant unobservable inputs (Level 3) US\$'000</i>
Assets				
Fair value through income statement investments	328,076	2,742	3,415	321,919
Fair value through income statement financing assets	127,345	-	-	127,345
Fair value through equity investments	407,202	121,310	204,120	81,772
Derivative instruments	44,889	-	44,889	-
Investments in real estate	253,313	-	-	253,313
Total	1,160,825	124,052	252,424	784,349
Liabilities				
Derivative instruments	7,030	-	7,030	-

2021:

	<i>Fair value</i> <i>US\$'000</i>	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1) US\$'000</i>	<i>Significant observable inputs (Level 2) US\$'000</i>	<i>Significant unobservable inputs (Level 3) US\$'000</i>
Assets				
Fair value through income statement investments	301,212	3,569	57,790	239,853
Fair value through income statement financing assets	118,768	-	-	118,768
Fair value through equity investments	464,680	196,393	208,159	60,128
Derivative instruments	11,870	-	11,870	-
Investments in real estate	111,569	-	-	111,569
Total	1,008,099	199,962	277,819	530,318
Liabilities				
Derivative instruments	1,853	-	1,853	-

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30 FAIR VALUE MEASUREMENT (CONTINUED)**30.2 Determination of fair value and fair value hierarchy (continued)***(i) Unquoted sharia'a funds*

The investments classified within Level 2 are unlisted sharia'a funds. Shares in unlisted sharia'a funds are valued by reference to the latest confirmed net asset value (NAV) per Share of the relevant investment funds or, if unavailable, the estimated net asset value of the relevant underlying scheme.

These confirmations are received from the administrator of each of these investment funds. If these are unavailable, the value is estimated by the Directors or their delegate with a view to establishing the probable realisation value of such investment.

(ii) Unlisted managed funds

The Group invests in managed funds, including private equity funds, real estate funds which are not quoted in an active market and which may be subject to restrictions on redemptions. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as Level 3.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of assets categorized within Level 3 between the beginning and the end of the reporting period:

	<i>Fair value through income statements investments US\$'000</i>	<i>Financing assets measured at fair value US\$'000</i>	<i>Fair value through equity investments US\$'000</i>	<i>Investments in real estate US\$'000</i>	<i>Total US\$'000</i>
Balance as at 1 January 2022	239,853	118,768	60,128	111,569	530,318
Total gains and losses recognized in income statement	8,972	7,948	-	(8,293)	8,627
Total gains and losses recognized in fair value reserve	-	-	(17,067)	4,348	(12,719)
Purchases	109,246	629	39,396	194,981	344,252
Disposals	(36,153)	-	(684)	(45,208)	(82,045)
Foreign currency losses	-	-	-	(4,084)	(4,084)
Balance as at 31 December 2022	321,918	127,345	81,773	253,313	784,349
	<i>Fair value through income statements investments US\$'000</i>	<i>Financing assets measured at fair value US\$'000</i>	<i>Fair value through equity investments US\$'000</i>	<i>Investments in real estate US\$'000</i>	<i>Total US\$'000</i>
Balance as at 1 January 2021	204,446	140,735	37,057	116,317	498,555
Total gains and losses recognized in income statement	3,375	(837)	-	-	2,538
Total gains and losses recognized in fair value reserve	-	-	(4,098)	-	(4,098)
Purchases	64,586	2,724	27,896	-	95,206
Disposals	(32,554)	-	(727)	-	(33,281)
Settlement	-	(23,854)	-	-	(23,854)
Foreign currency losses	-	-	-	(4,748)	(4,748)
Balance as at 31 December 2021	239,853	118,768	60,128	111,569	530,318

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31 CASH DIVIDENDS TO THE EQUITY HOLDERS OF THE BANK

The Board of Directors have not proposed a cash dividend for the year ended 31 December 2022 (2021: Nil).

32 ASSETS UNDER MANAGEMENT

The Group's investment activities include "Asset Management" including "Discretionary Portfolio Management" (DPM), Funds under Management and other Restricted Investment Accounts. At the reporting date, the Group had total Assets under Management of US\$ 609 million (31 December 2021: US\$ 1,098 million). These included DPM and restricted investment accounts of US\$ 124 million (2021: US\$ 480 million) and Funds under Management of US\$ 484 million (2021: US\$ 618 million). DPM and restricted investment accounts are reported as part of Consolidated Statement of Changes in Restricted Investment Accounts. The financial statements of these funds are not consolidated with the financial statements of the Group. However, the Group's share of equity in these funds is included in the financial investments of the Group.

33 SUBSEQUENT EVENTS

No subsequent events were reported after the reporting period.

34 IMPACT OF RUSSIA-UKRAINE CONFLICT

The evolving Russia-Ukraine situation does not impact the Group directly, as it has no operating presence in those countries; exposures to both countries are negligible and no meaningful additional risk provisioning is currently anticipated in this context. Indirect effects, such as financial market volatility, sanctions-related knock-on effects investors and joint venture partners cannot be disregarded. In worse economic situation impact due to this incident might have a significant impact on the Group's consolidated financial position and the performance. Situation is still evolving, and the management is currently assessing whether there is any potential impact on the consolidated financial position and the performance.