Ahli Bank Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AHLI BANK Q.P.S.C.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Ahli Bank Q.P.S.C. (the "Bank"), and its subsidiaries (together referred to as the "Group") as at 31 December 2023, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

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

Key audit matters

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

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of loans and advances to customers	
At 31 December 2023, the Group reported total gross loans and advances of QR 36,429,104 thousands (2022: QR 35,561,553 thousands) and QR 2,134,857 thousands of expected credit loss provisions (ECL) (2022: QR 1,822,196 thousands), comprising QR 1,347,827 thousands of ECL against Stage 1 and 2 exposures (2022: QR 1,029,035 thousands) and QR 787,030 thousands against exposures classified under Stage 3 (2022: QR 793,161 thousands).	Our audit procedures included the following: • Read the Group's IFRS 9 impairment policy and assessed compliance with the requirements of IFRS 9.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AHLI BANK Q.P.S.C. (CONTINUED)

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

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Impairment of loans and advances to customers	
Due to the inherently judgmental nature of the computation of expected credit losses ("ECL") for loans and advances, there is a risk that the amount of ECL may be misstated. The key areas of judgement include: 1. The identification of exposure with a significant deterioration in credit quality; 2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic variables etc; and 3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model. Determining the adequacy of impairment allowance on loans and advances to customers is a key area of judgement for the management. The Qatar Central Bank ("QCB") regulations require banks to estimate impairment allowance in accordance with IFRS and the applicable provisions of QCB regulations. Notes 10 & 4 (b) (vi) to the consolidated financial statements provide details relating to the impairment of loans and advances. Due to the significance of loans and advances to customers, subjectivity in identifying impairment indicators and estimation uncertainty in measuring impairment allowances, this is considered a key audit matter.	• In addressing this key area, we have assessed and tested relevant controls over credit initiation, monitoring and settlement, and those relating to the calculation of impairment allowances. • Involved our internal specialist to assess the reasonableness of the ECL methodology including model risk parameters and challenged the significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates including any impact of the economic uncertainties. • Checked the completeness of the data used as input for the ECL model and the mathematical accuracy through the modelling processes. • For probability of default ("PD") used in the ECL calculation: - Evaluated the through-the-cycle ("TTC") PDs by selecting a sample of exposures and comparing against supporting evidence and IFRS 9 methodology. - Selected a sample of exposures and tested the conversion of TTC PDs to point in time ("PIT") PDs. • Tested the calculation of the Loss Given Default ("LGD") used by the Group in the ECL calculations. • Assessed the modelled calculation by re-performing ECL calculations on a sample basis. • Assessed the impairment allowance for individually impaired loans and advances (Stage 3) in accordance with IFRS. • Assessed the disclosures included in the consolidated financial statements and assessed their compliance with the requirements of IFRS.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AHLI BANK Q.P.S.C. (CONTINUED)

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

Other information included in the Group's 2023 annual report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRSs, 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.

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AHLI BANK Q.P.S.C. (CONTINUED)

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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

We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association or of the Qatar Commercial Companies Law No. 11 of 2015, whose certain provisions were subsequently amended by Law No.8 of 2021, during the financial year that would have had a material adverse effect on its financial position or performance.

Ziad Nader
of Ernst & Young
Qatar Auditor's Register Number: 258

Date: 4 February 2024
State of Qatar

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	*2023 QR'000*	*2022 QR'000*
ASSETS			
Cash and balances with central bank	8	1,855,428	1,806,925
Due from banks	9	14,760,032	3,768,484
Loans and advances to customers	10	34,753,943	34,032,233
Investment securities	11	8,381,744	8,339,404
Property and equipment	12	222,997	230,186
Other assets	13	490,025	398,169
TOTAL ASSETS		60,464,169	48,575,401
LIABILITIES			
Due to banks and central bank	14	15,001,235	3,988,316
Customer deposits	15	29,644,983	28,953,683
Debt securities	16 (a)	5,489,434	5,481,161
Other borrowings	16 (b)	1,461,745	1,459,508
Other liabilities	17	621,992	717,875
TOTAL LIABILITIES		52,219,389	40,600,543
EQUITY			
Share capital	18 (a)	2,551,146	2,551,146
Legal reserve	18 (b)	2,024,030	1,940,379
Risk reserve	18 (c)	753,108	753,108
Fair value reserve	18 (d)	(37,294)	(45,533)
Retained earnings		1,861,790	1,683,758
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		7,152,780	6,882,858
Instruments eligible for additional capital	19	1,092,000	1,092,000
TOTAL EQUITY		8,244,780	7,974,858
TOTAL LIABILITIES AND EQUITY		60,464,169	48,575,401

These consolidated financial statements were approved by the Board of Directors on 17 January 2024 and were signed on its behalf by:

Sh. Faisal Bin Abdul-Aziz Bin Jassem Al Thani
Chairman

Hassan Ahmed Alefrangi
Chief Executive Officer

ERNST & YOUNG
Doha - Qatar
04 FEB 2024
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The attached notes 1 to 34 form an integral part of these consolidated financial statements.

Ahli Bank Q.P.S.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023

	Notes	*2023* *QR'000*	*2022* *QR'000*
Interest income	20	3,210,394	2,060,324
Interest expense	21	(1,809,463)	(783,817)
NET INTEREST INCOME		1,400,931	1,276,507
Fee and commission income	22	152,555	171,289
Fee and commission expense		(5,224)	(4,772)
NET FEE AND COMMISSION INCOME		147,331	166,517
Foreign exchange gain - net	23	33,542	59,509
Net gain / (loss) on investment securities	24	4,047	(8,381)
Other operating income	25	3,139	3,880
TOTAL OPERATING INCOME		1,588,990	1,498,032
Staff costs	26	(185,764)	(177,619)
Depreciation	12	(26,892)	(30,104)
Net (impairment) / reversal of impairment on investment securities		(1,453)	611
Net impairment on loans and advances to customers		(360,076)	(386,803)
Net impairment on other financial assets		(4,302)	(3,817)
Impairment on repossessed collateral		(25,000)	-
Other expenses	27	(148,998)	(128,512)
		(752,485)	(726,244)
PROFIT FOR THE YEAR		836,505	771,788
Earnings per share (QR)	28	0.311	0.285

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 QR'000	2022 QR'000
Profit for the year		836,505	771,788
Other comprehensive income / (loss) for the year:			
Items that will be reclassified subsequently to income statement:			
Net change in fair value of debt instruments classified as FVOCI	18 (d)	8,239	(54,120)
Other comprehensive income / (loss) for the year		8,239	(54,120)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		844,744	717,668

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Notes	*Share capital QR'000*	*Legal reserve QR'000*	*Risk reserve QR'000*	*Fair value reserve QR'000*	*Retained earnings QR'000*	*Total equity attributable to equity holders of the Bank QR'000*	*Instruments eligible for additional capital QR'000*	*Total equity QR'000*
Balance as at 1 January 2023		2,551,146	1,940,379	753,108	(45,533)	1,683,758	6,882,858	1,092,000	7,974,858
Total comprehensive income for the year:									
Profit for the year		-	-	-	-	836,505	836,505	-	836,505
Other comprehensive income		-	-	-	8,239	-	8,239	-	8,239
Total comprehensive income for the year		-	-	-	8,239	836,505	844,744	-	844,744
Transfer to legal reserve	18 (b)	-	83,651	-	-	(83,651)	-	-	-
Transfer to social and sports fund	33	-	-	-	-	(20,913)	(20,913)	-	(20,913)
<u>Contributions by and distributions to equity holders of the Bank:</u>									
Dividends paid	18 (e)	-	-	-	-	(510,229)	(510,229)	-	(510,229)
Total contributions and distributions to equity holders of the Bank		-	-	-	-	(510,229)	(510,229)	-	(510,229)
Dividend paid for Tier 1 capital instruments		-	-	-	-	(43,680)	(43,680)	-	(43,680)
Balance at 31 December 2023		2,551,146	2,024,030	753,108	(37,294)	1,861,790	7,152,780	1,092,000	8,244,780

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

	Notes	*Share capital QR'000*	*Legal reserve QR'000*	*Risk reserve QR'000*	*Fair value reserve QR'000*	*Retained earnings QR'000*	*Total equity attributable to equity holders of the Bank QR'000*	*Instruments eligible for additional capital QR'000*	*Total equity QR'000*
Balance as at 1 January 2022		2,429,663	1,863,200	753,108	8,587	1,538,056	6,592,614	1,092,000	7,684,614
Total comprehensive income for the year:									
Profit for the year		-	-	-	-	771,788	771,788	-	771,788
Other comprehensive loss		-	-	-	(54,120)	-	(54,120)	-	(54,120)
Total comprehensive income for the year		-	-	-	(54,120)	771,788	717,668	-	717,668
Transfer to legal reserve	18 (b)	-	77,179	-	-	(77,179)	-	-	-
Transfer to social and sports fund	33	-	-	-	-	(19,295)	(19,295)	-	(19,295)
<u>Contributions by and distributions to equity holders of the Bank:</u>									
Bonus shares issued	18 (a)	121,483	-	-	-	(121,483)	-	-	-
Dividends paid		-	-	-	-	(364,449)	(364,449)	-	(364,449)
Total contributions and distributions to equity holders of the Bank		121,483	-	-	-	(485,932)	(364,449)	-	(364,449)
Dividend paid for Tier 1 capital instruments	19	-	-	-	-	(43,680)	(43,680)	-	(43,680)
Balance at 31 December 2022		2,551,146	1,940,379	753,108	(45,533)	1,683,758	6,882,858	1,092,000	7,974,858

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	2023 QR'000	2022 QR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		836,505	771,788
Adjustments for:			
Net impairment on loans and advances to customers		360,076	386,803
Net impairment / (reversal) on investment securities		1,453	(611)
Net impairment of impairment on other financial assets		4,302	3,817
Depreciation	12	26,892	30,104
Net gain on disposal / write off of property and equipment		(857)	-
Net loss on investment securities	24	3,243	17,485
Impairment on repossessed collateral		25,000	-
Profit before changes in operating assets and liabilities		1,256,614	1,209,386
Change in due from central bank		12,091	(21,442)
Change in due from banks		(6,175,250)	(309,400)
Change in loans and advances to customers		(1,081,786)	(849,466)
Change in other assets		(116,858)	(168,019)
Change in due to banks and central bank		11,012,919	739,469
Change in customer deposits		691,300	1,028,764
Change in other liabilities		(118,074)	(130,553)
Net cash from operating activities		5,480,956	1,498,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		(903,278)	(1,443,530)
Proceeds from sale or maturity of investment securities		864,481	1,646,589
Purchase of property and equipment	12	(18,846)	(25,112)
Net cash (used in) / from investing activities		(57,643)	177,947
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds / (repayments) of other borrowings and debt securities		10,511	(1,467,542)
Dividends paid		(510,229)	(364,449)
Dividend paid for Tier 1 capital instruments		(43,680)	(43,680)
Net cash used in financing activities		(543,398)	(1,875,671)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		4,879,915	(198,985)
Cash and cash equivalents as at 1 January		3,986,191	4,185,176
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30	8,866,106	3,986,191
Operational cash flows from interest and dividend			
Interest received		2,913,655	1,993,006
Interest paid		1,531,996	748,479
Dividends received		7,290	9,104

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

1 REPORTING ENTITY

Ahli Bank Q.P.S.C. ("the Bank" or "the Parent") is an entity domiciled in the State of Qatar and was incorporated in 1983 as a public shareholding company under Emiri Decree no. 40 of 1983. The commercial registration of the Bank is 8989. The address of the Bank's registered office is Suhaim Bin Hamad Street, Al Sadd Area in Doha (P.O. Box 2309, Doha, State of Qatar). The consolidated financial statements of the Bank for the year ended 31 December 2023 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in corporate and retail banking and brokerage activities and has 11 branches in State of Qatar.

The subsidiaries of the Bank are as follows:

Company's name	***Country of incorporation***	***Company's Capital***	***Company's activities***	***Percentage of ownership 2023***	*Percentage of ownership 2022*
Ahli Brokerage Company L.L.C. (CR No 47943)	Qatar	QR 50 million	Brokerage	**100**	100
ABQ Finance Limited	Cayman Islands	US $ 1	Debt issuance	**100**	100

2 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for the following material items on the consolidated statement of financial position, which are measured at fair value:

- Derivatives;
- Investments measured at fair value through profit or loss ('FVTPL');
- Financial investment measured at fair value through other comprehensive income ('FVOCI').

Functional and presentation currency
These consolidated financial statements are presented in Qatari Riyals ("QR"), which is the Parent's functional currency. Except as otherwise indicated, financial information presented in QR has been rounded to the nearest thousand.

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

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

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

3 MATERIAL ACCOUNTING POLICIES

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiary

The consolidated financial statements include the financial statements of Ahli Bank Q.P.S.C. and its subsidiaries. Subsidiary is an investee controlled by the Group. The financial statements of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group 'controls' an investee if it is exposed to, or has right to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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

On consolidation, the assets and liabilities in foreign operations are translated into reporting currency at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions.

(c) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and advances to customers, due from and due to banks, certificate of deposits and commercial papers, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A debt financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group’s management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' 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 interest (“the SPPI test”), 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, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration of the time value of money. Instruments failing SPPI will be measured at FVTPL.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification takes place from the start of the first reporting period following the change. The financial liabilities are never reclassified.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(iii) Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

A financial asset (in whole or in part) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- 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; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

The Group enters into transactions whereby it transfers assets recognised but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Modification of financial assets and liabilities

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

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

Financial liabilities
The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated income statement.

(v) Offsetting
Financial assets and liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(vi) Measurement principles

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.

The effective interest rate method
Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Fair value measurement
'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 5 (b) (i).

(vii) Impairment
The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments; and
- Loan commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(vii) 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.

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

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

• Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

• Stage 3: Loans considered credit impaired. The Bank records an allowance for the lifetime ECL.

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 loan 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 inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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

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

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

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

Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan 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.

(d) Cash and cash equivalents
Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

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

(e) Loans and advances to customers
Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method except for the financial assets which are classified to be measured at FVTPL, which are measured at fair value with changes recognised immediately in the consolidated income statement.

(f) Investment securities
The 'investment securities' includes:

- Debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Debt securities measured at FVOCI; and the transaction cost added to the investment.
- Equity investment securities designated as at FVOCI, and the transaction cost added to the investment.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest income using the effective interest method;
- Expected credit losses and reversals; and
- Foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement.

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting
In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that, have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

- ***Fair value hedges***

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized immediately in the consolidated income statement. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and recognized in the consolidated income statement.

As at 31 December 2023 and 2022, there was no fair value hedge.

- ***Cash flow hedges***

In relation to cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as cash flow hedge reserve in other comprehensive income. The gains or losses on cash flow hedges initially recognized in the consolidated statement of comprehensive income are transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognized in the consolidated statement of comprehensive income, are included in the initial measurement of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising in the fair value of the hedging instrument are taken directly to the consolidated income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires, is terminated, or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognized as cash flow hedge reserve in other comprehensive income is held therein until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized as cash flow hedge reserve in other comprehensive income is transferred to the consolidated income statement.

As at 31 December 2023 and 2022, there was no cash flow hedge.

(ii) Derivatives held for trading purposes
The Group's derivative trading instruments includes forward exchange contracts and interest rate and foreign currency swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, derivatives are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models as appropriate. The resulting gains or losses are included in the consolidated statement of income.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognised in other income / other expenses in profit or loss.

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

Depreciation
Depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land is not depreciated.

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

Buildings	20 years
Leasehold improvements	5 years
Furniture and equipment	3 – 7 years
Motor vehicles	5 years

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

Right-of-use assets and lease liabilities
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term lease. The Group recognizes lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of leased liabilities recognised. The estimated useful life of the right of use asset is 2 to 8 years. Right-of-use assets are depreciated on a straight-line basis over the lease term.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Property and equipment (continued)

Right-of-use assets and lease liabilities (continued)

Right-of-use assets (continued)
The carrying amounts of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying amount exceed the estimated recoverable amount, the asset is written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(i) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

(l) Employee termination benefits and pension funds

End of service gratuity plans (Defined benefits plan)
The Group provides for end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The provision of employees' end of service benefits is included in the other provisions within other liabilities.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Employee termination benefits and pension funds (continued)

Pension and provident fund plan (Defined contribution plan)
Under Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

(m) Share capital and reserves
Incremental cost directly attributable to the issue of an equity instrument is deducted from the initial measurement of the equity instruments.

(n) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in a separate note.

(o) Interest income and expense
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

For the financial assets that have become credit-impaired (Stage 3) subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the consolidated statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;

Interest income on investment (debt) securities measured at FVOCI and measured at amortised cost is calculated using effective interest rate method and is also included in interest income.

(p) Fees and commission income and expense
Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction the services are received. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Income from investment securities
Gains or losses on the disposal of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities but may be reclassified to another class of equity.

(r) Dividend income
Dividend income is recognised when the right to receive income is established.

(s) Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group, further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 capital by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The chief executive officer is the person that allocates resources to and assesses the performance of the operating segments of an entity. Income and expenses directly associated with each segment are included in determining operating segment performance.

(u) Fiduciary activities
Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

(v) Repossessed collateral
Repossessed collaterals in settlement of customers' debts are stated under "other assets" at carrying value of debts or fair value if lower. In its normal course of business, the Group engages to recover funds from the repossessed assets.

(w) Write-offs
Financial assets are written-off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written-off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

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

(y) Parent bank financial information
Statement of financial position and income statement of the Parent bank, disclosed as supplementary information, is prepared following the same accounting policies as mentioned above except for; investment in subsidiaries which are not consolidated and is carried at cost.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended standards
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) effective as of 1 January 2023 as noted below:

Description	*Effective from*
IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	1 January 2023
International tax reforms – Pillar two model rules (Amendments to IAS 12)	1 January 2023

The adoption of the new and amended standards and interpretations do not have a material impact on the consolidated financial statements of the Group.

Standard 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 that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	*Effective from*
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred indefinitely
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024

4 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

Risk management
The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions, and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products, and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk management (continued)

- **Risk management structure**

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

- **Executive committee**

The Executive Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies, and limits. It is responsible for the fundamental risk issues and managing and monitoring relevant risk decisions.

- **Risk management department**

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies, and limits, across the Group. Each business group has a decentralised department which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This function also ensures the complete capture of the risks in risk measurement and reporting systems.

- **Treasury**

Treasury is responsible for managing the Group’s assets and liabilities and the overall financial structure, as laid down by the Asset Liability Committee (ALCO) from time to time.

- **Internal audit**

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

Risk measurement and reporting systems

The Group’s risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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

The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, value-at-risk (“VaR”), liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for impairment on a quarterly basis.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business departments have access to necessary and up-to-date information.

Frequent briefing is given to the senior management and all other relevant members of the Group on the utilization of market limits, analysis of VaR, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management strategy, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk management (continued)

Risk mitigation (continued)
The risk profile is assessed before entering into any hedging transactions, which are authorised by the appropriate approval authority mechanism within the Group.

The Group actively uses collaterals to reduce its credit risks (see note 4 (b) credit risk below for more detail).

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

(b) Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. In the case of derivatives this is limited to positive fair values. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

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

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, mortgages over real estate properties, inventory, trade receivables, cash, and securities.
- For retail lending, mortgages over residential properties, cash, or securities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The Group also obtains corporate guarantees from parent companies for loans and advances to their subsidiaries.

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

	2023 QR'000	*2022 QR'000*
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central bank	**1,373,076**	1,355,911
Due from banks	**14,760,032**	3,768,484
Loans and advances to customers	**34,753,943**	34,032,233
Investment securities - debt	**8,152,039**	8,104,826
Other assets	**349,769**	232,282
Total as at 31 December	**59,388,859**	47,493,736
Other credit risk exposures are as follows:		
Contingent liabilities	**7,062,677**	8,298,432
Unutilized facilities	**11,381,045**	12,707,415
Total as at 31 December	**18,443,722**	21,005,847
Total credit risk exposure as at 31 December	**77,832,581**	68,499,583

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

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region.

At 31 December 2023	*Qatar QR'000*	*Other GCC QR'000*	*Europe QR'000*	*Rest of the world QR'000*	*Total QR'000*
Balances with central bank	**1,373,076**	**-**	**-**	**-**	**1,373,076**
Due from banks	**9,143,690**	**635,514**	**3,025,004**	**1,955,824**	**14,760,032**
Loans and advances to customers	**34,717,045**	**36,898**	**-**	**-**	**34,753,943**
Investment securities – debt	**7,416,151**	**440,785**	**175,524**	**119,579**	**8,152,039**
Other assets	**349,769**	**-**	**-**	**-**	**349,769**
Total	**52,999,731**	**1,113,197**	**3,200,528**	**2,075,403**	**59,388,859**
Other credit risk exposure are as follows:					
Guarantees and letters of credit	**6,922,054**	**1,091**	**17,437**	**122,095**	**7,062,677**
Unutilized facilities	**11,381,045**	**-**	**-**	**-**	**11,381,045**
Total	**18,303,099**	**1,091**	**17,437**	**122,095**	**18,443,722**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Geographical sectors (continued)

At 31 December 2022	*Qatar QR'000*	*Other GCC QR'000*	*Europe QR'000*	*Rest of the world QR'000*	*Total QR'000*
Balances with central bank	1,355,911	-	-	-	1,355,911
Due from banks	3,056,150	278,762	349,364	84,208	3,768,484
Loans and advances to customers	33,962,682	69,551	-	-	34,032,233
Investment securities – debt	7,443,733	540,831	-	120,262	8,104,826
Other assets	232,282	-	-	-	232,282
Total	46,050,758	889,144	349,364	204,470	47,493,736
Other credit risk exposure are as follows:					
Guarantees and letters of credit	8,170,779	11,091	17,548	99,014	8,298,432
Unutilized facilities	12,707,415	-	-	-	12,707,415
Total	20,878,194	11,091	17,548	99,014	21,005,847

(ii) Concentration of risks of financial assets with credit risk exposure

Industry sectors

The following table breaks down the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorized by the industry sectors of the Group's counterparties.

	Gross maximum exposure 2023 QR'000	***Net maximum exposure 2023 QR'000***	*Gross maximum exposure 2022 QR'000*	*Net maximum exposure 2022 QR'000*
Funded				
Government	**11,139,374**	**11,128,107**	8,531,193	8,521,762
Government agencies	**75,178**	**75,086**	161,067	160,984
Industry	**1,106,988**	**1,097,020**	1,329,699	1,319,102
Commercial	**9,937,787**	**9,549,437**	10,015,721	9,724,535
Services	**25,191,475**	**24,885,866**	15,065,549	14,783,544
Contracting	**4,987,322**	**4,101,204**	5,584,340	4,837,696
Real estate	**5,683,624**	**5,509,930**	5,518,993	5,384,181
Personal	**2,745,160**	**2,368,487**	2,744,826	2,384,949
Interest receivables	**673,722**	**673,722**	376,983	376,983
Total funded	**61,540,630**	**59,388,859**	49,328,371	47,493,736
Unfunded				
Government institutions & semi government agencies	**4,228,052**	**4,227,978**	4,281,809	4,281,730
Services	**1,516,619**	**1,515,043**	1,647,732	1,644,032
Commercial and others	**12,712,477**	**12,700,701**	15,088,453	15,080,085
Total unfunded	**18,457,148**	**18,443,722**	21,017,994	21,005,847
Total	**79,997,778**	**77,832,581**	70,346,365	68,499,583

Total maximum exposure net of tangible collateral is QR 30.6 billion (2022: QR 31.8 billion). The types of collateral obtained include cash, mortgages over real estate properties and pledges of shares.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system of which rating 1-7 relate to performing and 8-10 relate to non-performing. Within performing, ORR 1 to 4 represents investment grade, ORR 5 to 6 represents sub-investment grade and ORR 7 represent watchlist. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavours continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality (continued)

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

	2023				*2022*			
	Stage 1 QR'000	***Stage 2 QR'000***	***Stage 3 QR'000***	***Total QR'000***	*Stage 1 QR'000*	*Stage 2 QR'000*	*Stage 3 QR'000*	*Total QR'000*
Due from banks								
Investment grade - ORR 1 to 4	**14,581,886**	**-**	**-**	**14,581,886**	3,639,750	280	-	3,640,030
Sub-investment grade - ORR 5 to 7	**-**	**182,179**	**-**	**182,179**	-	129,465	-	129,465
Substandard - ORR 8	**-**	**-**	**-**	**-**	-	-	-	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-	-	-	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-	-	-	-
	14,581,886	**182,179**	**-**	**14,764,065**	3,639,750	129,745	-	3,769,495
Loss allowance	**(3,777)**	**(256)**	**-**	**(4,033)**	(506)	(505)	-	(1,011)
Carrying amount	**14,578,109**	**181,923**	**-**	**14,760,032**	3,639,244	129,240	-	3,768,484

	2023				*2022*			
	Stage 1 QR'000	***Stage 2 QR'000***	***Stage 3 QR'000***	***Total QR'000***	*Stage 1 QR'000*	*Stage 2 QR'000*	*Stage 3 QR'000*	*Total QR'000*
Loans and advances to customers								
Investment grade - ORR 1 to 4	**19,855,351**	**1,160,197**	**-**	**21,015,548**	18,430,791	1,435,823	-	19,866,614
Sub-investment grade - ORR 5 to 7	**9,544,478**	**5,414,690**	**-**	**14,959,168**	10,724,575	4,347,587	-	15,072,162
Substandard - ORR 8	**-**	**-**	**7,531**	**7,531**	-	-	25,908	25,908
Doubtful ORR 9	**-**	**-**	**7,491**	**7,491**	-	-	4,431	4,431
Loss - ORR 10	**-**	**-**	**899,062**	**899,062**	-	-	885,314	885,314
	29,399,829	**6,574,887**	**914,084**	**36,888,800**	29,155,366	5,783,410	915,653	35,854,429
Loss allowance	**(314,183)**	**(1,033,644)**	**(787,030)**	**(2,134,857)**	(239,347)	(789,688)	(793,161)	(1,822,196)
Carrying amount	**29,085,646**	**5,541,243**	**127,054**	**34,753,943**	28,916,019	4,993,722	122,492	34,032,233

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality (continued)

	2023				2022			
	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000
Investment securities - debt								
Investment grade - ORR 1 to 4	**7,777,182**	**-**	**-**	**7,777,182**	7,828,931	-	-	7,828,931
Sub-investment grade - ORR 5 to 7	**387,738**	**-**	**-**	**387,738**	287,323	-	-	287,323
Substandard - ORR 8	**-**	**-**	**-**	**-**	-	-	-	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-	-	-	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-	-	-	-
	8,164,920	**-**	**-**	**8,164,920**	8,116,254	-	-	8,116,254
Loss allowance	**(12,881)**	**-**	**-**	**(12,881)**	(11,428)	-	-	(11,428)
Carrying amount	**8,152,039**	**-**	**-**	**8,152,039**	8,104,826	-	-	8,104,826

	2023				2022			
	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Total QR'000
Loan commitments and financial guarantees								
Investment grade - ORR 1 to 4	**920,211**	**27,370**	**-**	**947,581**	1,298,059	98,987	-	1,397,046
Sub-investment grade - ORR 5 to 7	**978,695**	**195,629**	**-**	**1,174,324**	1,504,368	94,476	-	1,598,844
Substandard - ORR 8	**-**	**-**	**-**	**-**	-	-	-	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-	-	-	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-	-	-	-
	1,898,906	**222,999**	**-**	**2,121,905**	2,802,427	193,463	-	2,995,890
Loss allowance	**(9,041)**	**(4,386)**	**-**	**(13,427)**	(10,947)	(1,200)	-	(12,147)
Carrying amount	**1,889,865**	**218,613**	**-**	**2,108,478**	2,791,480	192,263	-	2,983,743

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Collateral
The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no discernible deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

- For corporate and small business lending: charges over real estate properties, inventory, and trade receivables and, in special circumstances, government guarantees
- For retail lending: mortgages over residential properties

The Group also obtains guarantees from parent companies for loans to their subsidiaries and obtains personal and corporate guarantees for other business loans.

The fair value of the collateral held against credit-impaired loans and advances as at 31 December 2023 is QR 676.9 million (2022: QR 613.6 million).

(v) Write-off policy
The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Group determines that the loan or security is uncollectible and after QCB's approval.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. During the year QR 121,672 thousands was written off (2022: Nil).

(vi) Inputs, assumptions, and techniques used for estimating impairment

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

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

i. Two grades downgrade for ratings from AAA to BAA or one notch downgrade for ratings from BA to CAA
ii. Facilities overdue by 45 days as applicable as at reporting date

Internal credit risk ratings
In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

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

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower is past due more than 90 days on any material credit obligation to the Group; or
- The borrower is internally rated 8, 9 or 10.

In assessing whether a borrower is in default, the Group also considers indicators that are:

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

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

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

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

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

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

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Also, the regulatory required minimum haircuts are applied on the eligible collaterals to arrive at the LGD. For unsecured portfolio, due to low default rates the Bank has currently decided to conservatively assume a LGD of 60%.

Forward looking information incorporated in ECL models
Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the Stage 1 and Stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically as per the IFRS 9 policy of the Group.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Forward looking information incorporated in ECL models (continued)
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In the case that none of the macro–economic parameters are statistically significant, or the results of forecasted PD are too deviated from the present forecast of the economic conditions, qualitative PD overlay is used by management based on portfolio analysis.

The Group calculated the PD based on the process described below:

1. Obtain the observed defaults rates (ODRs)

ODRs are computed for wholesale portfolio and each of the retail segment for which ECL is separately computed.

2. Obtain the value of the expected relevant economic variables

The various expected relevant economic indicators such as Nominal GDP, Oil & Gas product, good and service exports are sourced from IMF, World Economic Organization or any other data source as considered appropriate.

3. Transform the macroeconomic data from yearly to monthly data point

Historical and forecasted values of macroeconomic indicators considered for regression analysis purposes are generally provided at a yearly level. However, ODRs are computed at a monthly frequency. Accordingly, the Group interpolates the macroeconomics data. The Group has adopted the cubic spline interpolation technique for interpolation of economic variable data.

4. Perform regression analysis

Perform the ordinary least square (OLS) regression analysis of ODRs for the each of the portfolio on the historical observed value of the economic indicators.

5. Test the statistical significance of the model

Significance of the overall model as well as each of individual parameters are assessed based on various statistical tests such as adjusted R^2, F test and T test.

6. Forecast the Point in Time (PiT) default rate

Based on the projected value of the economic variables under different scenario and their coefficient value as determined based on the related regression analysis, Point in Time (PiT) average default rate is estimated for each of ECL computation segment for each of the projected years.

Approach for scenario analysis
QCB advises banks to arrive at the final ECL as the scenario weighted ECL under different macroeconomic scenarios. Considering the same, the Group has formulated the methodology for creation of macro-economic scenarios under the premise of economic baseline, upturn, and downturn condition.

Grouping of instruments for losses measured on a collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Based on the observed default rates, historical performance, and other internal statistical studies the Group calculates the ECL at a pool level for the below categories.

1. Mortgage loan
2. Personal loan to residents
3. Personal loan to expats
4. Auto loans
5. Retail overdrafts
6. Credit cards

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

	31 December 2023			
	Stage 1 QR' 000	*Stage 2 QR' 000*	*Stage 3 QR' 000*	*Total QR' 000*
Exposure subject to ECL				
- Loans and advances to customers	**29,399,829**	**6,574,887**	**914,084**	**36,888,800**
- Investment securities (Debt)	**8,164,920**	**-**	**-**	**8,164,920**
- Loan commitments and financial guarantees	**1,898,906**	**222,999**	**-**	**2,121,905**
- Due from banks	**14,581,886**	**182,179**	**-**	**14,764,065**
ECL opening balance as at 1 January 2023				
- Loans and advances to customers	**239,347**	**789,688**	**793,161**	**1,822,196**
- Investment securities (Debt)	**11,428**	**-**	**-**	**11,428**
- Loan commitments and financial guarantees	**10,947**	**1,200**	**-**	**12,147**
- Due from banks	**506**	**505**	**-**	**1,011**
	262,228	**791,393**	**793,161**	**1,846,782**
Net transfer between stages				
- Loans and advances to customers	**(3,836)**	**(34,322)**	**38,158**	**-**
- Investment securities (Debt)	**-**	**-**	**-**	**-**
- Loan commitments and financial guarantees	**-**	**-**	**-**	**-**
- Due from banks	**-**	**-**	**-**	**-**
	(3,836)	**(34,322)**	**38,158**	**-**
Charge (reversal) for the year (net)				
- Loans and advances to customers	**78,672**	**278,278**	**77,383**	**434,333**
- Investment securities (Debt)	**1,453**	**-**	**-**	**1,453**
- Loan commitments and financial guarantees	**(1,906)**	**3,186**	**-**	**1,280**
- Due from banks	**3,271**	**(249)**	**-**	**3,022**
	81,490	**281,215**	**77,383**	**440,088**
Written-off				
- Loans and advances to customers	**-**	**-**	**(121,672)**	**(121,672)**
- Investment securities (Debt)	**-**	**-**	**-**	**-**
- Loan commitments and financial guarantees	**-**	**-**	**-**	**-**
- Due from banks	**-**	**-**	**-**	**-**
	-	**-**	**(121,672)**	**(121,672)**
Closing balance - as at 31 December 2023				
- Loans and advances to customers	**314,183**	**1,033,644**	**787,030**	**2,134,857**
- Investment securities (Debt)	**12,881**	**-**	**-**	**12,881**
- Loan commitments and financial guarantees	**9,041**	**4,386**	**-**	**13,427**
- Due from banks	**3,777**	**256**	**-**	**4,033**
	339,882	**1,038,286**	**787,030**	**2,165,198**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Loss allowance (continued)

	31 December 2022			
	Stage 1 QR' 000	*Stage 2 QR' 000*	*Stage 3 QR' 000*	*Total QR' 000*
Exposure subject to ECL				
- Loans and advances to customers	29,155,366	5,783,410	915,653	35,854,429
- Investment securities (Debt)	8,116,254	-	-	8,116,254
- Loan commitments and financial guarantees	2,802,427	193,463	-	2,995,890
- Due from banks	3,639,750	129,745	-	3,769,495
ECL Opening balance as at 1 January 2022				
- Loans and advances to customers	211,834	393,592	782,473	1,387,899
- Investment securities (Debt)	12,039	-	-	12,039
- Loan commitments and financial guarantees	8,003	849	-	8,852
- Due from banks	182	307	-	489
	232,058	394,748	782,473	1,409,279
Net transfer between stages				
- Loans and advances to customers	15,946	45,363	(61,309)	-
- Investment securities (Debt)	-	-	-	-
- Loan commitments and financial guarantees	-	-	-	-
- Due from banks	-	-	-	-
	15,946	45,363	(61,309)	-
Charge (reversal) for the year (net)				
- Loans and advances to customers	11,567	350,733	71,997	434,297
- Investment securities (Debt)	(611)	-	-	(611)
- Loan commitments and financial guarantees	2,944	351	-	3,295
- Due from banks	324	198	-	522
	14,224	351,282	71,997	437,503
Written-off				
- Loans and advances to customers	-	-	-	-
- Investment securities (Debt)	-	-	-	-
- Loan commitments and financial guarantees	-	-	-	-
- Due from banks	-	-	-	-
	-	-	-	-
Closing balance - as at 31 December 2022				
- Loans and advances to customers	239,347	789,688	793,161	1,822,196
- Investment securities (Debt)	11,428	-	-	11,428
- Loan commitments and financial guarantees	10,947	1,200	-	12,147
- Due from banks	506	505	-	1,011
	262,228	791,393	793,161	1,846,782

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

(i) Management of liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

The Group's Asset and Liability Committee (ALCO) monitors the maturity profile on an overall basis with ongoing liquidity monitoring by the Treasury.

(ii) Maturity analysis (including all assets and liabilities)

31 December 2023	***Carrying amount QR' 000***	***Less than 1 month QR' 000***	***1-3 months QR' 000***	***3 months – 1 year QR' 000***	***1-5 years QR' 000***	***More than 5 years QR' 000***
Cash and balances with central bank	**1,855,428**	**916,212**	**283,137**	**287,565**	**368,514**	**-**
Due from banks	**14,760,032**	**8,074,799**	**4,839,379**	**1,845,854**	**-**	**-**
Loans and advances to customers	**34,753,943**	**1,330,092**	**1,548,591**	**6,751,041**	**6,443,902**	**18,680,317**
Investment securities	**8,381,744**	**744,524**	**341,059**	**1,064,562**	**5,750,070**	**481,529**
Property and equipment	**222,997**	**-**	**-**	**-**	**-**	**222,997**
Others assets	**490,025**	**28,310**	**352,909**	**108,806**	**-**	**-**
Total	**60,464,169**	**11,093,937**	**7,365,075**	**10,057,828**	**12,562,486**	**19,384,843**
Due to banks and central bank	**15,001,235**	**14,751,235**	**-**	**250,000**	**-**	**-**
Customer deposits	**29,644,983**	**8,012,957**	**4,378,933**	**8,132,263**	**9,120,830**	**-**
Debt securities	**5,489,434**	**17,694**	**26,036**	**1,817,009**	**3,628,695**	**-**
Other borrowings	**1,461,745**	**-**	**5,745**	**-**	**1,456,000**	**-**
Other liabilities	**621,992**	**114,130**	**261,118**	**170,958**	**75,786**	**-**
Total equity	**8,244,780**	**-**	**-**	**-**	**-**	**8,244,780**
	60,464,169	**22,896,016**	**4,671,832**	**10,370,230**	**14,281,311**	**8,244,780**
Difference	**-**	**(11,802,079)**	**2,693,243**	**(312,402)**	**(1,718,825)**	**11,140,063**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Maturity analysis (including all assets and liabilities) (continued)

31 December 2022	*Carrying amount QR' 000*	*Less than 1 month QR' 000*	*1-3 months QR' 000*	*3 months – 1 year QR' 000*	*1-5 years QR' 000*	*More than 5 years QR' 000*
Cash and balances with central bank	1,806,925	1,024,207	337,922	227,417	217,379	-
Due from banks	3,768,484	3,040,484	418,600	309,400	-	-
Loans and advances to customers	34,032,233	3,090,863	3,812,718	1,424,850	3,973,541	21,730,261
Investment securities	8,339,404	445,073	100,000	543,303	5,817,339	1,433,689
Property and equipment	230,186	-	-	-	-	230,186
Other assets	398,169	77,161	186,939	1,388	132,681	-
Total	48,575,401	7,677,788	4,856,179	2,506,358	10,140,940	23,394,136
Due to banks and central bank	3,988,316	3,930,334	57,982	-	-	-
Customer deposits	28,953,683	10,785,715	7,663,286	5,428,456	5,076,226	-
Debt securities	5,481,161	-	-	-	5,481,161	-
Other borrowings	1,459,508	-	-	-	1,459,508	-
Other liabilities	717,875	201,210	78,256	369,655	68,754	-
Total equity	7,974,858	-	-	-	-	7,974,858
Total	48,575,401	14,917,259	7,799,524	5,798,111	12,085,649	7,974,858
Difference	-	(7,239,471)	(2,943,345)	(3,291,753)	(1,944,709)	15,419,278

31 December 2023	***Carrying amount QR' 000***	***Gross undiscounted cash flows QR' 000***	***Less than 1 month QR' 000***	***1-3 months QR' 000***	***3 months – 1 year QR' 000***	***1-5 years QR' 000***	***More than 5 years QR' 000***
Non-derivative financial liabilities							
Due to banks and central bank	**15,001,235**	**15,002,210**	**14,743,922**	**-**	**258,288**	**-**	**-**
Customer deposits	**29,644,983**	**30,253,970**	**7,591,638**	**4,422,278**	**8,381,043**	**9,859,011**	**-**
Debt securities	**5,489,434**	**5,639,351**	**18,178**	**26,747**	**1,866,632**	**3,727,794**	**-**
Other borrowings	**1,461,745**	**1,676,035**	**5,427**	**10,330**	**48,147**	**1,612,131**	**-**
Total	**51,597,397**	**52,571,566**	**22,359,165**	**4,459,355**	**10,554,110**	**15,198,936**	**-**
Derivative financial instruments							
Risk Management:							
Outflow		**9,026,517**	**2,963,627**	**3,166,168**	**2,896,722**	**-**	**-**
Inflow		**(8,857,232)**	**(2,888,994)**	**(3,108,108)**	**(2,860,130)**	**-**	**-**
		52,740,851	**22,433,798**	**4,517,415**	**10,590,702**	**15,198,936**	**-**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Maturity analysis (including all assets and liabilities) (continued)

31 December 2022	*Carrying amount QR' 000*	*Gross undiscounted cash flows QR' 000*	*Less than 1 month QR' 000*	*1-3 months QR' 000*	*3 months – 1 year QR' 000*	*1-5 years QR' 000*	*More than 5 years QR' 000*
Non-derivative financial liabilities							
Due to banks and central bank	3,988,316	3,989,106	3,934,506	54,600	-	-	-
Customer deposits	28,953,683	29,469,681	10,806,308	7,727,682	5,550,805	5,384,886	-
Debt securities	5,481,161	5,760,245	9,914	19,897	89,321	5,641,113	-
Other borrowings	1,459,508	1,667,259	5,399	10,276	47,895	1,603,689	-
Total	39,882,668	40,886,291	14,756,127	7,812,455	5,688,021	12,629,688	-
Derivative financial instruments							
Risk Management:							
Outflow		1,883,417	385,655	573,716	924,046	-	-
Inflow		(1,899,842)	(385,226)	(577,935)	(936,681)	-	-
		40,869,866	14,756,556	7,808,236	5,675,386	12,629,688	-

(d) Market risks

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as interest rates commodities prices, foreign exchange rates and equity prices.

(i) Management of market risks

The Group manages its market risks within the regulatory framework of limits defined by the Qatar Central Bank. Setting the internal framework for the management of market risks and ensuring compliance with this methodology is the responsibility of the Asset and Liability Committee (ALCO) which consists of senior management including members of the Risk management function. The Group is exposed to interest rate risk created as a result of assets and liabilities mismatch or off-balance sheet instruments that mature or reprice over a given period.

Both interest rate gaps and foreign exchange rate fluctuations are managed within the prescribed board limits. All risk exposures are monitored and reported on a daily basis to senior management and any breaches are escalated immediately. In addition, all trading activity is continuously being monitored at ALCO level.

(ii) Exposure to interest rate risk – non-trading portfolios

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 financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolios (continued)

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

		Repricing in:					
31 December 2023	***Carrying amount QR' 000***	***Less than 3 months QR' 000***	***3-12 months QR' 000***	***1-5 years QR' 000***	***More than 5 years QR' 000***	***Non-interest sensitive QR' 000***	***Effective interest rate***
Cash and balances with central bank	**1,855,428**	**99,000**	**-**	**-**	**-**	**1,756,428**	**3.85%**
Due from banks	**14,760,032**	**12,895,963**	**1,845,854**	**-**	**-**	**18,215**	**5.50%**
Loans and advances to customers	**34,753,943**	**8,219,651**	**23,879,529**	**2,392,178**	**160,646**	**101,939**	**6.99%**
Investment securities	**8,381,744**	**855,878**	**1,064,562**	**5,750,070**	**481,529**	**229,705**	**3.83%**
Property and equipment	**222,997**	**-**	**-**	**-**	**-**	**222,997**	
Other assets	**490,025**	**-**	**-**	**-**	**-**	**490,025**	
	60,464,169	**22,070,492**	**26,789,945**	**8,142,248**	**642,175**	**2,819,309**	
Due to banks and central bank	**15,001,235**	**2,819,270**	**250,000**	**-**	**-**	**11,931,965**	**3.06%**
Customer deposits	**29,644,983**	**10,559,278**	**8,001,302**	**8,487,666**	**-**	**2,596,737**	**4.62%**
Debt securities	**5,489,434**	**43,731**	**1,817,009**	**3,628,694**	**-**	**-**	**2.49%**
Other borrowings	**1,461,745**	**1,461,745**	**-**	**-**	**-**	**-**	**6.23%**
Other liabilities	**621,992**	**-**	**-**	**-**	**-**	**621,992**	
Total equity	**8,244,780**	**-**	**-**	**-**	**-**	**8,244,780**	
	60,464,169	**14,884,024**	**10,068,311**	**12,116,360**	**-**	**23,395,474**	
Interest rate sensitivity gap		**7,186,468**	**16,721,634**	**(3,974,112)**	**642,175**	**(20,576,165)**	
Cumulative interest rate sensitivity gap		**7,186,468**	**23,908,102**	**19,933,990**	**20,576,165**	**-**	

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolios (continued)

		Repricing in:					
31 December 2022	*Carrying amount QR' 000*	*Less than 3 months QR' 000*	*3-12 months QR' 000*	*1-5 years QR' 000*	*More than 5 years QR' 000*	*Non-interest sensitive QR' 000*	*Effective interest rate*
Cash and balances with central bank	1,806,925	-	-	-	-	1,806,925	1.51%
Due from banks	3,768,484	3,397,629	309,400	-	-	61,455	2.21%
Loans and advances to customers	34,032,233	4,341,747	28,879,143	104,075	588,913	118,355	4.86%
Investment securities	8,339,404	310,495	543,303	5,817,339	1,433,689	234,578	3.75%
Property and equipment	230,186	-	-	-	-	230,186	
Other assets	398,169	-	-	-	-	398,169	
	48,575,401	8,049,871	29,731,846	5,921,414	2,022,602	2,849,668	
Due to banks and central bank	3,988,316	3,976,426	-	-	-	11,890	1.03%
Customer deposits	28,953,683	17,255,741	3,962,576	5,076,226	-	2,659,140	2.04%
Debt securities	5,481,161	43,731	-	5,437,430	-	-	2.55%
Other borrowings	1,459,508	3,508	-	1,456,000	-	-	2.84%
Other liabilities	717,875	-	-	-	-	717,875	
Total equity	7,974,858	-	-	-	-	7,974,858	
	48,575,401	21,279,406	3,962,576	11,969,656	-	11,363,763	
Interest rate sensitivity gap		(13,229,535)	25,769,270	(6,048,242)	2,022,602	(8,514,095)	
Cumulative interest rate sensitivity gap		(13,229,535)	12,539,735	6,491,493	8,514,095	-	

Sensitivity analysis
The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement and equity.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the interest sensitive of non-trading financial assets and financial liabilities held at 31 December 2023, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate for fair value through other comprehensive income financial assets at 31 December 2023 for the effects of the assumed changes in interest rates and based on the assumption that there are parallel shifts in the yield curve. The effect of decreases in interest rates is expected to have an equal and opposite effect of the increases shown.

		Sensitivity of net interest income	
Currency	***Change in basis points***	***2023 QR '000***	*2022 QR '000*
Qatari Riyal	25	**23,250**	**22,078**
Foreign currencies	25	**26,392**	**485**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolios (continued)

Sensitivity analysis (continued)
Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in consolidated statement of income; and
- Fair value reserves arising from increases or decreases in fair values of debt securities which are reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

(iii) Exposure to currency risk – non-trading portfolios

Foreign currency transactions
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group takes an exposure to the effect of fluctuation in prevailing foreign currency exchange rates on its consolidated financial position. The Board of Directors has set limits on the level of currency exposure, which are monitored daily.

The Group had the following net open positions at the year-end:

	2023 ***QR '000***	*2022* *QR '000*
Net foreign currency exposure:		
Pounds Sterling	**38**	142
Euro	**14,227**	480
USD	**776,258**	642,300
Other currencies	**21,168**	27,342
Total	**811,691**	670,264

Other currencies include an exposure to Egyptian Pounds (EGP) amounting to QR 48,368 thousand (2022: QR 58,983 thousand). This exposure arises from an investment made back in 2006.

The Group manages its currency exposures within limits laid down by the Board of Directors. Intra-day and overnight limits are laid down for each currency individually and in total. The Qatar Riyal is pegged to the US Dollar. Although the Group is not exposed to any currency risk due to the peg, limits are set for US Dollar exposures.

Other currency exposures are limited, hence, the Group is not significantly exposed to the other currencies.

	Sensitivity analysis			
	Increase / (decrease) in profit or loss		***Increase / (decrease) in other comprehensive income***	
1% change in currency exchange rate	***2023*** ***QR '000***	*2022* *QR '000*	***2023*** ***QR '000***	*2022* *QR '000*
Pound Sterling	**-**	1	-	-
Euro	**142**	5	-	-
Other currencies	**212**	273	-	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(iv) Exposure to equity price risks – non-trading portfolios

Equity price risk
Equity price risk arises from fluctuations in equity indices and prices. The Board has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Group's ALCO. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity, as a result of a change in the fair value of equity instruments held as fair value through profit and loss at the year-end, due to change in equity indices, with all other variables held constant, is as follows:

	Change in equity price %	***Effect on equity 2023 QR' 000***	*Effect on equity 2022 QR' 000*
Market index			
Qatar Exchange	10%	**16,898**	16,299

(e) Operational risks
Operational Risk is the loss resulting from inadequate or failed internal processes, people, and systems or from external events. The Bank manages its Operational Risk primarily through the Board approved Operational Risk Framework (ORF) consisting of the Operational Risk Policy (ORP) and the Operational Risk Committee (ORC), which has representation across all departments. The Bank utilizes a Basel III compliant approach known as 'Operational Risk Self-Assessment' (ORSA) process to assess, document and report the operational risks encountered in the course of normal business activity.

The ORC approves the ORSA every two years and reviews operational risks faced by various functions in the Bank on a regular basis throughout the year to track the status of open risks and pursuing appropriate controls wherever necessary. Furthermore, both compliance and internal audit perform independent periodic reviews to assess adequacy of check and controls at any given point in time.

The Bank has a robustly documented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP). These documents outline the procedures to be followed in a disaster scenario. The BCP aims to establish the level of impact upon the Bank's business activity of having to operate from a different site in the event of an emergency or natural disaster. This includes access to critical computer systems, connectivity to local area network, database servers, internet, intranet, and e-mails etc. This is a well-established process and takes place periodically throughout the year. The last Disaster Recovery (DR) test and Business Continuity (BC) was performed on 25 November 2023 and 12 October 2023 respectively. The completion of DR & BCP is signed off by all concerned departments to confirm tests were successfully carried out by them as well as a report circulated to all ORC members for their comments and reference. Both the BCP & DR processes were independently audited by one of the Big 4 auditors as per QCB requirements and were found to be thorough and well implemented.

Basic firefighting training is provided to staff fire wardens periodically with the assistance of Civil Defence Authority. An evacuation drill is normally conducted annually as part of safety and security procedures across the branches network.

(f) Capital management

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Regulatory capital (continued)
The Group's regulatory capital position under Basel III and QCB regulations at 31 December was as follows:

	2023 Basel III QR' 000	*2022 Basel III QR' 000*
Common Equity Tier 1 (CET 1) Capital	**6,493,153**	6,350,788
Tier 1 capital	**1,092,000**	1,092,000
Tier 2 capital	**453,455**	456,091
Total regulatory capital	**8,038,608**	7,898,879

Risk weighted assets

	2023 Basel III QR' 000	*2022 Basel III QR' 000*
Risk weighted assets for credit risk	**35,351,696**	35,889,752
Risk weighted assets for market risk	**35,395**	27,822
Risk weighted assets for operational risk	**2,814,881**	2,573,980
Total risk weighted assets	**38,201,972**	38,491,554

	CET 1 ratio without capital conservation buffer	*CET 1 ratio including capital conservation buffer*	*Tier 1 capital ratio including capital conservation buffer*	*Tier 2 capital ratio including capital conservation buffer*	*Total capital including capital conservation buffer and domestic systematic important bank buffer*	*Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge*
Minimum limit as per QCB	6.0%	8.50%	10.50%	12.50%	12.50%	13.89%
Actual **2023**	**17.00%**	**17.00%**	**19.86%**	**21.04%**	**21.04%**	**21.04%**
2022	16.50%	16.50%	19.34%	20.52%	20.52%	20.52%

5 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) 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.

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

(ii) Allowances for credit losses

Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. Refer to note 4 (b)(vi) inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

Investments in debt securities are evaluated for impairment on the basis described in the Material Accounting Policies section.

(iii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs, such as volatility, discount rates etc.

(iv) Right to use assets

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

(b) Critical accounting judgements in applying the Group's accounting policies

(i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the Material Accounting Policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments measured at fair value – Fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 December 2023	*Level 1 QR' 000*	*Level 2 QR' 000*	*Level 3 QR' 000*	*Total QR' 000*
Derivative assets held for risk management	-	**178,791**	-	**178,791**
Investment securities (FVTPL/FVOCI)	**934,696**	**59,770**	-	**994,466**
	934,696	**238,561**	-	**1,173,257**
Derivative liabilities held for risk management	-	**101**	-	**101**
	-	**101**	-	**101**

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(i) Valuation of financial instruments (continued)

Financial instruments measured at fair value – Fair value hierarchy (continued)

31 December 2022	*Level 1 QR' 000*	*Level 2 QR' 000*	*Level 3 QR' 000*	*Total QR' 000*
Derivative assets held for risk management	-	18,854	-	18,854
Investment securities (FVTPL/FVOCI)	1,022,691	70,385	-	1,093,076
	1,022,691	89,239	-	1,111,930
Derivative liabilities held for risk management	-	2,357	-	2,357
	-	2,357	-	2,357

During the year ending 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial instruments not measured at fair value
Fair value of investment securities measured at amortised cost amounting to QR 7,245,538 thousand as at 31 December 2023 (31 December 2022: QR 7,070,112 thousand), which is derived using level 1 fair value hierarchy.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to call accounts, demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Valuation techniques

Government debt securities
Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the Bank classifies those securities as Level 2. The Bank does not have Level 3 government securities where valuation inputs would be unobservable.

Equity instruments
The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Units held in funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions. Such instruments are generally Level 2.

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(i) Valuation of financial instruments (continued)

Valuation techniques (continued)

Foreign exchange contracts
Foreign exchange contracts include open spot contracts, foreign exchange forward contracts and over the counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Group classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation, or the unobservable inputs used are not significant to the measurement (as a whole).

(ii) Financial asset and liability classification
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 4 (b) for further information.

Details of the Group's classification of financial assets and liabilities are given in note 7.

(iii) Impairment of investments in debt securities
Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. Refer to note 4 (b) (vi) inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

(iv) Useful lives of property and equipment
The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear, and tear, technical or commercial obsolescence.

6 OPERATING SEGMENTS

For management purposes, the Group is organised into two major operating segments:

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Retail and private banking and wealth management	Principally handling individual customers' deposit and current accounts, providing consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. Private banking and wealth management represents servicing high net worth individuals through a range of investment products, funds, credit facilities, trusts, and alternative investments.
Corporate banking, treasury, investments, and brokerage subsidiary	Principally handling loans and other credit facilities, and deposit and current accounts for corporate and institutional customers and providing money market, trading, and treasury services, as well as management of the Group's funding. The brokerage services are offered through the wholly owned subsidiary, Ahli Brokerage Company L.L.C.

6 OPERATING SEGMENTS (CONTINUED)

(i) Information about operating segments

2023	***Retail & private banking and wealth management QR'000***	***Corporate banking, treasury, investments and brokerage subsidiary QR'000***	***Total QR'000***
Net interest income	**223,444**	**1,177,487**	**1,400,931**
Net fee, commission and other income	**87,472**	**100,587**	**188,059**
Total segment operating income	**310,916**	**1,278,074**	**1,588,990**
Other material non-cash items:			
Net impairment losses	**(68,802)**	**(297,029)**	**(365,831)**
Reportable segment profit	**77,688**	**758,817**	**836,505**
Reportable segment assets	**7,521,250**	**52,942,919**	**60,464,169**
Reportable segment liabilities	**16,805,142**	**35,414,247**	**52,219,389**

2022	*Retail & private banking and wealth management QR'000*	*Corporate banking, treasury, investments and brokerage subsidiary QR'000*	*Total QR'000*
Net interest income	228,584	1,047,923	1,276,507
Net fee, commission and other income	83,210	138,315	221,525
Total segment operating income	311,794	1,186,238	1,498,032
Other material non-cash items:			
Net reversal of impairment / (impairment losses)	9,570	(399,579)	(390,009)
Reportable segment profit	169,598	602,190	771,788
Reportable segment assets	7,995,286	40,580,115	48,575,401
Reportable segment liabilities	16,005,506	24,595,037	40,600,543

* There is no inter group transactions in the above segmental information.
* The Group operates only within the State of Qatar.

7 FINANCIAL ASSETS AND LIABILITIES

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Fair value through profit or loss			*Fair value through other comprehensive income*				
	Debt instruments QR' 000	*Equity instruments QR' 000*	*Derivative instruments QR' 000*	*Debt instruments QR' 000*	*Equity instruments QR' 000*	*Amortised cost QR' 000*	*Total carrying amount QR' 000*	*Fair value QR' 000*
31 December 2023								
Cash and balances with central bank	**-**	**-**	**-**	**-**	**-**	**1,855,428**	**1,855,428**	**1,855,428**
Due from banks	**-**	**-**	**-**	**-**	**-**	**14,760,032**	**14,760,032**	**14,760,032**
Derivative assets	**-**	**-**	**178,791**	**-**	**-**	**-**	**178,791**	**178,791**
Loans and advances to customers	**-**	**-**	**-**	**-**	**-**	**34,753,943**	**34,753,943**	**34,753,943**
Investment securities:								
Measured at fair value	**-**	**218,303**	**-**	**764,761**	**11,402**	**-**	**994,466**	**994,466**
At amortised cost	**-**	**-**	**-**	**-**	**-**	**7,322,460**	**7,322,460**	**7,245,538**
	-	**218,303**	**178,791**	**764,761**	**11,402**	**58,691,863**	**59,865,120**	**59,788,198**
Derivative liabilities	**-**	**-**	**101**	**-**	**-**	**-**	**101**	**101**
Due to banks and central bank	**-**	**-**	**-**	**-**	**-**	**15,001,235**	**15,001,235**	**15,001,235**
Customer deposits	**-**	**-**	**-**	**-**	**-**	**29,644,983**	**29,644,983**	**29,644,983**
Debt securities	**-**	**-**	**-**	**-**	**-**	**5,489,434**	**5,489,434**	**5,489,434**
Other borrowings	**-**	**-**	**-**	**-**	**-**	**1,461,745**	**1,461,745**	**1,461,745**
	-	**-**	**101**	**-**	**-**	**51,597,397**	**51,597,498**	**51,597,498**

7 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Accounting classifications and fair values (continued)

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities

	Fair value through profit or loss			*Fair value through other comprehensive income*				
	Debt instruments QR' 000	*Equity instruments QR' 000*	*Derivative instruments QR' 000*	*Debt instruments QR' 000*	*Equity instruments QR' 000*	*Amortised cost QR' 000*	*Total carrying amount QR' 000*	*Fair value QR' 000*
31 December 2023								
Cash and balances with central bank	-	-	-	-	-	1,806,925	1,806,925	1,806,925
Due from banks	-	-	-	-	-	3,768,484	3,768,484	3,768,484
Derivative assets	-	-	18,854	-	-	-	18,854	18,854
Loans and advances to customers	-	-	-	-	-	34,032,233	34,032,233	34,032,233
Investment securities:								
Measured at fair value	-	223,176	-	858,498	11,402	-	1,093,076	1,093,076
At amortised cost	-	-	-	-	-	7,181,406	7,181,406	7,070,112
	-	223,176	18,854	858,498	11,402	46,789,048	47,900,978	47,789,684
Derivative liabilities	-	-	2,357	-	-	-	2,357	2,357
Due to banks and central bank	-	-	-	-	-	3,988,316	3,988,316	3,988,316
Customer deposits	-	-	-	-	-	28,953,683	28,953,683	28,953,683
Debt securities	-	-	-	-	-	5,481,161	5,481,161	5,481,161
Other borrowings	-	-	-	-	-	1,459,508	1,459,508	1,459,508
	-	-	2,357	-	-	39,882,668	39,885,025	39,885,025

8 CASH AND BALANCES WITH CENTRAL BANK

	2023 ***QR' 000***	*2022* *QR' 000*
Cash	**482,352**	451,014
Cash reserve with QCB*	**1,267,727**	1,279,818
Other balances with QCB	**105,349**	76,093
Total	**1,855,428**	1,806,925

*The cash reserve with QCB is mandatory reserve not available for use in the Group's Day to day operations.

9 DUE FROM BANKS

	2023 ***QR' 000***	*2022* *QR' 000*
Current accounts	**18,221**	61,455
Placements	**14,609,516**	3,700,284
	14,627,737	3,761,739
Interest receivables	**136,328**	7,756
Allowance for impairment – IFRS 9	**(4,033)**	(1,011)
Total	**14,760,032**	3,768,484

10 LOANS AND ADVANCES TO CUSTOMERS

a) By type	***2023*** ***QR' 000***	*2022* *QR' 000*
Loans	**34,678,719**	33,442,143
Overdrafts	**1,462,175**	1,781,380
Bills discounted	**112,399**	145,240
Acceptances	**96,159**	117,820
Other loans	**79,652**	74,970
	36,429,104	35,561,553
Interest receivables	**459,696**	292,876
Allowance for impairment of loans and advances to customers – Performing (Stage 1 and 2)	**(1,347,827)**	(1,029,035)
Allowance for impairment of loans and advances to customers – Non-performing (Stage 3)	**(787,030)**	(793,161)
Net loans and advances to customers (note 10 (a) (i))	**34,753,943**	34,032,233

The aggregate amount of non-performing loans and advances to customers amounted to QR 914,084 thousand, which represents 2.51% of total loans and advances to customers as at 31 December 2023 (2022: QR 915,653 thousand, 2.57% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR 240,145 thousand of interest in suspense as at 31 December 2023 (2022: QR 192,592 thousand).

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Note i: By operating segments

	2023 ***QR' 000***	*2022* *QR' 000*
Government and related agencies	**2,797,062**	287,338
Corporate	**25,398,361**	26,816,631
Retail	**6,098,824**	6,635,388
Gross loans less impairment	**34,294,247**	33,739,357
Interest receivables	**459,696**	292,876
	34,753,943	34,032,233

b) By industry

At 31 December 2023:	***Loans*** ***QR' 000***	***Overdrafts*** ***QR' 000***	***Bills discounted*** ***QR' 000***	***Acceptances*** ***QR' 000***	***Other loans*** ***QR' 000***	***Total*** ***QR' 000***
Government and related agencies	**2,519,371**	**277,710**	**-**	**-**	**-**	**2,797,081**
Industry	**1,047,119**	**57,614**	**175**	**1,948**	**133**	**1,106,989**
Commercial	**8,845,475**	**455,849**	**12,113**	**37,038**	**543**	**9,351,018**
Services	**9,418,513**	**323,262**	**12,041**	**3,205**	**890**	**9,757,911**
Contracting	**4,529,940**	**314,763**	**88,070**	**53,968**	**581**	**4,987,322**
Real estate	**5,678,204**	**4,937**	**-**	**-**	**483**	**5,683,624**
Personal	**2,640,097**	**28,040**	**-**	**-**	**77,022**	**2,745,159**
	34,678,719	**1,462,175**	**112,399**	**96,159**	**79,652**	**36,429,104**
Interest receivables						**459,696**
Allowance for impairment of loans and advances to customers						**(2,134,857)**
						34,753,943

At 31 December 2022:

	Loans *QR' 000*	*Overdrafts* *QR' 000*	*Bills discounted* *QR' 000*	*Acceptances* *QR' 000*	*Other loans* *QR' 000*	*Total* *QR' 000*
Government and related agencies	25,769	261,590	-	-	-	287,359
Industry	1,275,180	46,584	2,134	5,695	107	1,329,700
Commercial	9,294,685	425,909	17,075	45,207	564	9,783,440
Services	9,961,757	339,224	10,000	1,235	679	10,312,895
Contracting	4,751,313	651,216	115,881	65,683	247	5,584,340
Real estate	5,483,249	35,743	-	-	1	5,518,993
Personal	2,650,190	21,114	150	-	73,372	2,744,826
	33,442,143	1,781,380	145,240	117,820	74,970	35,561,553
Interest receivables						292,876
Allowance for impairment of loans and advances to customers						(1,822,196)
						34,032,233

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in impairment provisions on loans and advances to customers

	2023 ***QR' 000***	*2022* *QR' 000*
Balance as at 1 January	**1,822,196**	1,387,899
Provisions made during the year	**621,903**	682,438
Recoveries during the year	**(187,570)**	(248,141)
	434,333	434,297
Written-off during the year	**(121,672)**	-
Balance at 31 December	**2,134,857**	1,822,196

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in impairment provisions on loans and advances to customers (continued)

By internal business segment

2023	***Corporates***			***Retail***			***Total***		
	Stage 1 QR' 000	***Stage 2 QR' 000***	***Stage 3 QR' 000***	***Stage 1 QR' 000***	***Stage 2 QR' 000***	***Stage 3 QR' 000***	***Stage 1 QR' 000***	***Stage 2 QR' 000***	***Stage 3 QR' 000***
Balance as at 1 January 2023	**237,875**	**709,017**	**671,659**	**1,472**	**80,671**	**121,502**	**239,347**	**789,688**	**793,161**
Charge for the year	**121,614**	**284,937**	**56,044**	**27,332**	**37,206**	**94,770**	**148,946**	**322,143**	**150,814**
Recoveries during the year	**(72,005)**	**(59,791)**	**(14,304)**	**(2,105)**	**(18,396)**	**(20,969)**	**(74,110)**	**(78,187)**	**(35,273)**
Written-off during the year	**-**	**-**	**(84,661)**	**-**	**-**	**(37,011)**	**-**	**-**	**(121,672)**
Balance at 31 December 2023	**287,484**	**934,163**	**628,738**	**26,699**	**99,481**	**158,292**	**314,183**	**1,033,644**	**787,030**

2022	*Corporates*			*Retail*			*Total*		
	Stage 1 QR' 000	*Stage 2 QR' 000*	*Stage 3 QR' 000*	*Stage 1 QR' 000*	*Stage 2 QR' 000*	*Stage 3 QR' 000*	*Stage 1 QR' 000*	*Stage 2 QR' 000*	*Stage 3 QR' 000*
Balance as at 1 January 2022	186,174	317,214	657,745	25,661	76,377	124,728	211,835	393,591	782,473
Charge for the year	79,242	523,690	69,386	1,758	5,751	2,611	81,000	529,441	71,997
Recoveries during the year	(27,541)	(131,887)	(55,472)	(25,947)	(1,457)	(5,837)	(53,488)	(133,344)	(61,309)
Balance at 31 December 2022	237,875	709,017	671,659	1,472	80,671	121,502	239,347	789,688	793,161

The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations.

11 INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	2023 ***QR' 000***	*2022* *QR' 000*
Investments measured at fair value through profit or loss (FVTPL)	**218,303**	223,176
Investments measured at fair value through other comprehensive income (FVOCI)	**776,163**	869,900
Investments measured at amortised cost (AC)	**7,322,460**	7,181,405
	8,316,926	8,274,481
Interest receivables	**77,699**	76,351
Impairment loss on debt securities	**(12,881)**	(11,428)
	8,381,744	8,339,404

a) Fair value through profit or loss (FVTPL)

	2023		*2022*	
	Quoted ***QR' 000***	***Unquoted*** ***QR' 000***	*Quoted* *QR' 000*	*Unquoted* *QR' 000*
Mutual funds and equities	**169,935**	**48,368**	164,192	58,984

During the year, the Group recorded dividend of QR 7,290 thousand (2022: QR 9,104 thousand) on these securities.

b) Fair value through other comprehensive income (FVOCI)

	2023		*2022*	
	Quoted ***QR' 000***	***Unquoted*** ***QR' 000***	*Quoted* *QR' 000*	*Unquoted* *QR' 000*
State of Qatar debt securities	**200,000**	**-**	272,774	-
Other debt securities	**564,761**	**-**	585,724	-
Equities	**-**	**11,402**	-	11,402
	764,761	**11,402**	858,498	11,402

c) Amortised Cost

	2023		*2022*	
	Quoted ***QR' 000***	***Unquoted*** ***QR' 000***	*Quoted* *QR' 000*	*Unquoted* *QR' 000*
State of Qatar debt securities	**6,216,957**	**-**	6,067,965	-
Other debt securities	**1,105,503**	**-**	1,113,440	-
	7,322,460	**-**	7,181,405	-

12 PROPERTY AND EQUIPMENT

	Land and building QR' 000	*Leasehold improvements QR' 000*	*Furniture and equipment QR' 000*	*Motor vehicles QR' 000*	*Rights of use of assets QR' 000*	*Capital work in progress QR' 000*	*Total QR' 000*
Cost:							
As at 1 January 2023	**217,091**	**121,519**	**219,648**	**78**	**30,039**	**51,593**	**639,968**
Acquisitions	**-**	**6,817**	**12,029**	**-**	**-**	**-**	**18,846**
Disposals	**-**	**(10,489)**	**(3,117)**	**-**	**-**	**-**	**(13,606)**
Write off	**-**	**-**	**-**	**-**	**(9,433)**	**-**	**(9,433)**
At 31 December 2023	**217,091**	**117,847**	**228,560**	**78**	**20,606**	**51,593**	**635,775**
Accumulated depreciation							
As at 1 January 2023	**79,901**	**106,192**	**202,163**	**78**	**21,448**	**-**	**409,782**
Disposal	**-**	**(10,328)**	**(3,066)**	**-**	**-**	**-**	**(13,394)**
Writeoff	**-**	**-**	**-**	**-**	**(10,502)**	**-**	**(10,502)**
Depreciation for the year	**6,486**	**5,631**	**10,640**	**-**	**4,135**	**-**	**26,892**
At 31 December 2023	**86,387**	**101,495**	**209,737**	**78**	**15,081**	**-**	**412,778**
Net carrying amounts:							
At 31 December 2023	**130,704**	**16,352**	**18,823**	**-**	**5,525**	**51,593**	**222,997**

12 PROPERTY AND EQUIPMENT (CONTINUED)

	Land and building QR' 000	*Leasehold improvements QR' 000*	*Furniture and equipment QR' 000*	*Motor vehicles QR' 000*	*Rights of use of assets QR' 000*	*Capital work in progress QR' 000*	*Total QR' 000*
Cost:							
As at 1 January 2022	217,091	112,616	209,519	78	23,959	51,593	614,856
Acquisitions	-	8,903	10,129	-	6,080	-	25,112
At 31 December 2022	217,091	121,519	219,648	78	30,039	51,593	639,968
Accumulated depreciation							
As at 1 January 2022	73,412	100,397	189,036	78	16,755	-	379,678
Depreciation for the year	6,489	5,795	13,127	-	4,693	-	30,104
At 31 December 2022	79,901	106,192	202,163	78	21,448	-	409,782
Net carrying amounts:							
At 31 December 2022	137,190	15,327	17,485	-	8,591	51,593	230,186

13 OTHER ASSETS

	2023 *QR' 000*	*2022* *QR' 000*
Profit receivable (Islamic)	**4,025**	4,113
Prepaid expenses	**32,576**	33,206
Positive fair value of derivatives (Note 31)	**178,791**	18,854
Sundry debtors	**155,825**	204,931
Advances and deposits	**1,115**	1,115
Repossessed collateral	**107,681**	132,681
Others	**10,012**	3,269
	490,025	398,169

14 DUE TO BANKS AND CENTRAL BANK

	2023 *QR' 000*	*2022* *QR' 000*
Current accounts	**11,931,965**	11,834
Deposits	**3,060,058**	3,973,100
	14,992,023	3,984,934
Interest payables	**9,212**	3,382
	15,001,235	3,988,316

15 CUSTOMER DEPOSITS

a) By type	*2023* *QR' 000*	*2022* *QR' 000*
Current and call deposits	**2,937,017**	3,392,186
Saving deposits	**1,037,874**	1,028,757
Time deposits	**25,223,417**	24,355,465
	29,198,308	28,776,408
Interest payables	**446,675**	177,275
	29,644,983	28,953,683

b) By sector	*2023* *QR' 000*	*2022* *QR' 000*
Government	**9,630,343**	6,034,539
Government and semi government agencies	**933,695**	5,288,224
Corporate	**8,686,576**	8,952,272
Retail	**9,947,694**	8,501,373
	29,198,308	28,776,408
Interest payables	**446,675**	177,275
	29,644,983	28,953,683

16. (a) DEBT SECURITIES

	2023 QR' 000	2022 QR' 000
3.125% Euro Medium Term Note – Maturing in September 2024	**1,817,903**	1,815,108
1.875% Euro Medium Term Note – Maturing in September 2025	**1,817,009**	1,815,215
2.00% Euro Medium Term Note – Maturing in July 2026	**1,810,791**	1,807,107
	5,445,703	5,437,430
Interest payables	**43,731**	43,731
	5,489,434	5,481,161

16. (b) OTHER BORROWINGS

	2023 QR' 000	2022 QR' 000
Term loan facilities	**1,461,745**	1,459,508

The table below shows the other borrowings of the Bank as at 31 December 2023 and 2022:

		2023		2022	
Currency	***Coupon rate***	***Maturity***	***Amount QR '000***	*Maturity*	*Amount QR '000*
USD	3 MONTH SOFR +110 Bps	**April 2026**	**1,456,000**	April 2026	1,456,000
	Interest payables		**5,745**		3,508
			1,461,745		1,459,508

17 OTHER LIABILITIES

	2023 QR' 000	2022 QR' 000
Accrued expense payable	**143,250**	129,582
Other provisions (Refer (i) below)	**46,533**	47,449
Bills payable	**16,420**	9,596
Negative fair value of derivatives (Note 31)	**101**	2,357
Unearned income (Commission received in advance)	**75,072**	91,467
Cash margins	**135,672**	176,117
Dividend payables	**8,656**	2,812
Social and sports fund	**20,913**	19,295
Staff pension fund	**1,998**	1,380
Due in relation to acceptances	**96,158**	117,820
Allowance for impairment for loan commitments and financial guarantees	**13,427**	12,147
Others	**63,792**	107,853
	621,992	717,875

17 OTHER LIABILITIES (CONTINUED)

(i) Other provisions

	2023		
	Staff indemnity QR' 000	***Legal provision QR' 000***	***Total QR' 000***
Balance as at 1 January	**47,422**	**27**	**47,449**
Provisions made	**7,080**	**-**	**7,080**
	54,502	**27**	**54,529**
Provisions utilised	**(7,996)**	**-**	**(7,996)**
Balance at 31 December	**46,506**	**27**	**46,533**

	2022		
	Staff indemnity QR' 000	*Legal provision QR' 000*	*Total QR' 000*
Balance as at 1 January	45,094	26	45,120
Provisions made	5,273	1	5,274
	50,367	27	50,394
Provisions utilised	(2,945)	-	(2,945)
Balance at 31 December	47,422	27	47,449

18 CAPITAL AND RESERVES

(a) Share capital

	Ordinary shares	
	2023 QR' 000	*2022 QR' 000*
On issue as at 1 January	**2,551,146**	2,429,663
New shares issued (bonus issue)	**-**	121,483
On issue at 31 December	**2,551,146**	2,551,146

At 31 December 2023, the authorised share capital comprised 2,551,146 thousand ordinary shares (2022: 2,551,146 thousand). These instruments have a par value of QR 1. All issued shares are fully paid.

Qatar Investment Authority holds 47.71% of the ordinary shares of the Bank with the remaining shares held by members of the public and institutions (52.29%).

Bonus issue
No bonus shares were issued in 2023. On 27 February 2022, the Bank issued bonus shares (121,483,151 ordinary shares) at the rate of one share for every twenty shares held by the ordinary shareholders upon obtaining approval from the shareholders in the Annual General Meeting held on 27 February 2022.

(b) Legal reserve
In accordance with Qatar Central Bank's Law No. 13 of 2012 as amended, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid-up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law and is subject to the approval of QCB. In the year ended 31 December 2023, the Group has transferred QR 83,651 thousand being 10% of the net profits (2022: QR 77,179 thousand).

18 CAPITAL AND RESERVES (CONTINUED)

(c) Risk reserve
In accordance with Qatar Central Bank circular 102/2011, 2.5% of the net loans and advances to customers is required to be maintained, except for facilities granted to government and facilities against cash collateral. No transfer was made to risk reserve for the year ended 31 December 2023 (2022: Nil).

(d) Fair value reserve
This reserve comprises the fair value changes recognised on financial assets measured at FVOCI.

	2023 ***QR' 000***	*2022* *QR' 000*
As at 1 January	**(45,533)**	8,587
Net change in fair value of debt instruments classified as FVOCI	**8,239**	(54,120)
At 31 December	**(37,294)**	(45,533)

(e) Proposed dividend
A cash dividend of QR 0.25 per share amounting to QR 637,787 thousand has been proposed by the Board of Directors for the year ended 31 December 2023 (2022: QR 0.20 per share amounting to QR 510,229 thousand).

The above proposed cash dividend is subject to the approval of the shareholders in their Annual General Meeting.

19 INSTRUMENTS ELIGIBLE FOR ADDITIONAL CAPITAL

	2023 ***QR'000***	*2022* *QR'000*
Issued on 17 February 2021	**1,092,000**	1,092,000

The Group had issued regulatory Tier I capital notes totalling to QR 1.092 billion. These notes are perpetual, subordinated, unsecured and have been priced at a fixed rate for the first five years and shall be re-priced thereafter. The notes carry no maturity date and have been classified as additional Tier 1 capital. The dividend is discretionary and is non-cumulative.

20 INTEREST INCOME

	2023 ***QR' 000***	*2022* *QR' 000*
Balances with Qatar Central Bank	**14,086**	2,660
Due from banks	**338,110**	40,836
Debt securities	**295,023**	307,607
Loans and advances to customers	**2,563,175**	1,709,221
	3,210,394	2,060,324

The amounts reported above include interest income, calculated using the effective interest method, that relate to the following items:

	2023 ***QR' 000***	*2022* *QR' 000*
Financial assets measured at amortised cost	**3,173,967**	2,011,366
Financial assets measured at fair value	**36,427**	48,958
Total	**3,210,394**	2,060,324

21 INTEREST EXPENSE

	2023 QR' 000	2022 QR' 000
Due to banks	**317,685**	80,351
Customer deposits	**1,356,105**	558,430
Others	**135,673**	145,036
	1,809,463	783,817

The amounts reported above include interest expense, calculated using the effective interest method, on financial liabilities at amortised cost.

22 FEE AND COMMISSION INCOME

	2023 QR' 000	2022 QR' 000
Credit related fees	**86,975**	91,411
Brokerage fees	**2,862**	6,526
Banking services	**12,612**	15,702
Commission on unfunded facilities	**46,461**	52,757
Others	**3,645**	4,893
	152,555	171,289

23 FOREIGN EXCHANGE GAIN - NET

	2023 QR' 000	2022 QR' 000
Dealing in foreign currencies	**34,185**	59,507
Revaluation of assets and liabilities, including derivatives	**(643)**	2
	33,542	59,509

24 NET GAIN / (LOSS) ON INVESTMENT SECURITIES

	2023 QR' 000	2022 QR' 000
Net loss on investments including fair value loss on FVTPL	**(3,243)**	(17,485)
Dividend income	**7,290**	9,104
	4,047	(8,381)

25 OTHER OPERATING INCOME

	2023 QR' 000	2022 QR' 000
Rental income	**3,097**	3,861
Others	**42**	19
	3,139	3,880

26 STAFF COSTS

	2023 ***QR' 000***	*2022* *QR' 000*
Basic salaries	**80,171**	76,554
Staff pension fund costs	**3,748**	3,835
Staff indemnity costs	**9,742**	8,026
Training	**820**	577
Others	**91,283**	88,627
	185,764	177,619

27 OTHER EXPENSES

	2023 ***QR' 000***	*2022* *QR' 000*
Professional fees	**13,343**	11,725
Communication and insurance	**19,903**	19,131
Board of directors' remuneration	**12,875**	12,500
Occupancy and maintenance	**11,935**	10,738
Computer and IT costs	**30,272**	26,493
Marketing expenses	**9,460**	6,910
Printing and stationery	**2,173**	3,505
Others	**49,037**	37,510
	148,998	128,512

28 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year:

	2023	*2022*
Profit for the year attributable to the equity holders of the Bank **-** QR '000	**836,505**	771,788
Less: Dividend paid for Tier 1 capital instruments QR '000	**(43,680)**	(43,680)
	792,825	728,108
Weighted average number of shares	**2,551,146,170**	2,551,146,170
Basic and diluted earnings per share (QR)	**0.311**	0.285

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

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

	2023	*2022*
Qualifying weighted average shares as at 1 January	**2,551,146,170**	2,429,663,019
Bonus shares issued	**-**	121,483,151
Qualifying weighted average shares at 31 December	**2,551,146,170**	2,551,146,170

29 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

a) Contingent liabilities

	2023 ***QR' 000***	*2022* *QR' 000*
Unutilized facilities - cancellable and non-cancellable	**11,390,830**	12,714,869
Guarantees	**6,649,651**	7,706,667
Letters of credit	**416,667**	596,458
	18,457,148	21,017,994

b) Other commitments

	2023 ***QR' 000***	*2022* *QR' 000*
Forward foreign exchange contracts	**7,985,062**	1,433,067

Unutilized facilities
Commitments to extend credit represent contractual commitments to make loans and revolving credits. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and letters of credit
Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credits, advance payment guarantees and endorsements liabilities from bills rediscounted.

30 CASH AND CASH EQUIVALENTS

	2023 ***QR' 000***	*2022* *QR' 000*
Cash and balances with Qatar Central bank	**587,701**	588,562
Money market placements with original maturity of less than 3 months	**8,278,405**	3,397,629
	8,866,106	3,986,191

* Cash and balances with Qatar central bank do not include the mandatory cash reserve.

31 DERIVATIVES

			Notional / expected amount by term to maturity				
At 31 December 2023:	***Positive fair value QR' 000***	***Negative fair value QR' 000***	***Notional amount QR' 000***	***Within 3 months QR' 000***	***3 - 12 months QR' 000***	***1-5 years QR' 000***	***More than 5 years QR' 000***
Derivatives held for trading / fair value hedges:							
Forward foreign exchange contracts	**178,791**	**101**	**7,985,062**	**6,060,942**	**1,924,120**	**-**	**-**
Total	**178,791**	**101**	**7,985,062**	**6,060,942**	**1,924,120**	**-**	**-**

			Notional / expected amount by term to maturity				
At 31 December 2022:	*Positive fair value QR' 000*	*Negative fair value QR' 000*	*Notional amount QR' 000*	*Within 3 months QR' 000*	*3 - 12 months QR' 000*	*1-5 years QR' 000*	*More than 5 years QR' 000*
Derivatives held for trading / fair value hedges:							
Forward foreign exchange contracts	18,854	2,357	1,433,067	1,433,067	-	-	-
Total	18,854	2,357	1,433,067	1,433,067	-	-	-

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

31 DERIVATIVES (CONTINUED)

Derivative product types
Forwards exchange contracts are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Forwards exchange contracts are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Derivatives held for trading purposes
Most of the Group's derivative trading activities relate to customer driven transactions as well as positioning and arbitrage. Positioning involves managing positions with the expectation of profiting from favourable movements in prices, rates, or indices. Arbitrage involves identifying and profiting from price differentials between markets or products.

Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall consolidated statement of financial position exposures.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. Hedging of interest rate risk is also carried out by monitoring the duration of assets and liabilities and entering into interest rate swaps to hedge net interest rate exposures. Since hedging of net positions does not qualify for special hedge accounting, related derivatives are accounted for the same way as trading instruments.

32 FIDUCIARY ACTIVITIES

The Group provides investment brokerage and custody services to customers. Those assets that are held in a fiduciary capacity are excluded from these consolidated financial statements and amount to QR 84,468 thousands as at 31 December 2023 (2022: QR 85,483 thousand).

33 SOCIAL AND SPORTS FUND

During the year, the Group made an appropriation of QR 20,913 thousand (31 December 2022: QR 19,295 thousand) representing 2.5% of the profit for the year ended 31 December 2023, pursuant to the Law No. 13 of 2008 and further clarifications for the Law issued in 2010 and 2023.

34 RELATED PARTIES

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

The Group enters into transactions with major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled, or significantly influenced by such parties. All the loans, advances, and financing activities to related parties are given at market rates and these are performing and free of any allowance for possible credit losses.

34 RELATED PARTIES (CONTINUED)

The balances of related parties included in the consolidated financial statements are as follows:

	2023		*2022*	
	Board of Directors QR' 000	***Shareholders QR' 000***	*Board of Directors QR' 000*	*Shareholders QR' 000*
Assets:				
Loans and advances to customers	**34,668**	**-**	13,357	-
Liabilities:				
Customer deposits	**3,585,668**	**1,582,737**	2,335,753	1,535,302
Unfunded items:				
Letters of guarantee, letters of credit, commitments, and indirect credit facilities	**16,842**	**-**	28,775	-
Income statement items:				
Interest and fee and commission income	**3,549**	**-**	20,584	-
Interest and fee and commission expense	**195,506**	**88,097**	62,162	36,853
Board of Directors' remuneration	**12,875**	**-**	12,500	-

a) Transactions with key management personnel

Key management personnel (other than Board of Directors) and their immediate relatives have transacted with the Group during the year as follows:

	2023 QR' 000	*2022 QR' 000*
Other loans	**4,983**	5,584

Key management personnel compensation for the year ended comprised:

	2023 QR' 000	*2022 QR' 000*
Salaries and short-term employee benefits	**30,651**	28,817
Post-employment benefits	**4,927**	5,903
	35,578	34,720

FINANCIAL STATEMENTS OF THE PARENT BANK

a) Statement of Financial Position – Parent Bank

	31 December 2023 QR' 000	*31 December 2022 QR' 000*
ASSETS		
Cash and balances with central bank	**1,855,428**	1,806,924
Due from banks	**14,760,032**	3,768,484
Loans and advances to customers	**34,753,943**	34,032,233
Investment securities	**8,381,744**	8,339,404
Investment in subsidiaries	**50,000**	50,000
Property and equipment	**222,324**	230,021
Other assets	**489,689**	397,448
TOTAL ASSETS	**60,513,160**	48,624,514
LIABILITIES		
Due to banks and central bank	**15,001,235**	3,988,316
Customer deposits	**29,684,502**	28,999,289
Borrowings from a subsidiary	**5,489,434**	5,481,161
Other borrowings	**1,461,745**	1,459,508
Other liabilities	**622,789**	715,429
TOTAL LIABILITIES	**52,259,705**	40,643,703
EQUITY		
Share capital	**2,551,146**	2,551,146
Legal reserve	**2,016,664**	1,939,688
Risk reserve	**753,108**	753,108
Fair value reserve	**(37,294)**	(45,533)
Retained earnings	**1,877,831**	1,690,402
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**7,161,455**	6,888,811
Instruments eligible for additional capital	**1,092,000**	1,092,000
TOTAL EQUITY	**8,253,455**	7,980,811
TOTAL LIABILITIES AND EQUITY	**60,513,160**	48,624,514

FINANCIAL STATEMENTS OF PARENT BANK (CONTINUED)

b) Income Statement – Parent Bank

For the year ended 31 December	***2023***	*2022*
	QR' 000	*QR' 000*
Interest income	**3,210,394**	2,060,324
Interest expense	**(1,811,294)**	(784,789)
Net interest income	**1,399,100**	1,275,535
Net fee and commission income	**144,511**	160,031
Foreign exchange gain - net	**33,542**	59,509
Net gain / (loss) on investment securities	**4,047**	(8,381)
Other operating income	**3,139**	3,880
Net operating income	**1,584,339**	1,490,574
Staff costs	**(182,170)**	(175,066)
Depreciation	**(26,613)**	(29,893)
Impairment loss on financial assets	**(365,831)**	(390,009)
Other expenses	**(170,497)**	(125,841)
Profit for the year	**839,228**	769,765