Doha Bank Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

CONTENTS

Independent auditor's report to the shareholders of Doha Bank Q.P.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements presents fairly, in all material respects, the consolidated financial position of Doha Bank Q.P.S.C. ("the Parent" or "the Bank") and its subsidiaries (together 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 the IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of income for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with IESBA Code and ethical requirements in the state of Qatar.

Our audit approach

Overview

Key audit matter | *Impairment on loans and advances and off balance sheet facilities to customers*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment on loans and advances and off balance sheet facilities to customers Impairment allowances represent the directors' best estimate of the losses arising from credit risk and particularly from loans and advances and off balance sheet facilities to customers. As described in the material accounting policies to the consolidated financial statements, the impairment losses have been determined in accordance with IFRS 9. We focused on this area because the directors make complex and subjective judgements over both amount and timing of recognition of impairment, such as: • Determining criteria for significant increase in credit risk. • Choosing appropriate models and assumptions for the measurement of Expected Credit Losses (ECL) including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). • Establishing the relative weighting of forward-looking scenarios for each type of product/ market and the associated ECL. • Establishing groups of similar assets for the purpose of measuring the ECL. • Determining disclosure requirements in accordance with the IFRS 9. Further, loans and advances and off balance sheet facilities to customers are material within the overall context of the consolidated financial statements. The Group's gross loans and advances to customers that are subject to credit risk, include loans and advances to customers amounting to QR 61,799 million, and off-balance sheet facilities amounting to QR 12,991 million as at 31 December 2023, disclosed in note 10 and note 33 to the consolidated financial statements. Information on the credit risk and the Group's credit risk management is provided in note 4 to the consolidated financial statements.	Our audit procedures in relation to this key audit matter included the following: • Obtained an understanding of the methodology and accounting policy adopted to identify and calculate individual impairment allowance for stage 3 exposures, and tested a sample of such exposures against the methodology. • Assessed and tested on a sample basis the design and operating effectiveness of the relevant key controls around origination and approval, income recognition on loans and advances and off balance sheet facilities to customers, monitoring of credit exposures, and impairment calculation. • Evaluated the appropriateness of the Group's impairment provisioning policy in accordance with the requirements of IFRS 9. • Used our own internal experts to independently assess the reasonableness of the ECL methodology developed and applied by management including model risk parameters (PD, LGD, and EAD), forward-looking information, associated weighting, and staging as well as other assumptions around increase in credit risk and staging analysis. • Obtained an understanding of and tested the completeness and accuracy of the historical and current datasets used for the ECL calculation. • Tested a sample of loans and advances and off balance sheet facilities to customers to determine the appropriateness and application of staging criteria. • Obtained samples of the latest available credit reviews and checked that they include appropriate assessment and documentation of borrowers' ability to meet repayment obligations (principal, interest, and commission). • Evaluated the reasonableness of the consolidated financial statements disclosures in accordance with the requirements of IFRS 9 and QCB regulations.

Other information

The Directors are responsible for the other information. The other information comprises the Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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, on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, as amended by law number 8 of 2021 and QCB regulations, and for such internal control as the Directors determine 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, the Directors are 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 the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 scepticism 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.

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

- 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 the Directors.

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

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

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, as amended by law number 8 of 2021, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Bank has maintained proper books of account and the financial statements are in agreement therewith;
- The financial information included in the Board of Directors' report is in agreement with the books and records of the Bank; and
- Nothing has come to our attention, which causes us to believe that the Bank has breached any of the applicable provisions of the Qatar Commercial Companies Law number 11 of 2015, as amended by law number 8 of 2021, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2023.

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Waleed Tahtamouni
Auditor's registration number 370
Doha, State of Qatar
18 February 2024

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P. O. Box : 6689
Doha, State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 QR'000	2022 QR'000
Assets			
Cash and balances with central banks	8	**4,842,101**	3,668,161
Due from banks	9	**5,496,929**	8,650,888
Loans and advances to customers	10	**58,009,676**	58,078,974
Investment securities	11	**30,386,048**	24,963,875
Other assets	12	**1,891,010**	1,608,546
Investment in an associate	13	**10,224**	9,898
Property, furniture and equipment	14	**619,229**	664,649
Total assets		**101,255,217**	97,644,991
Liabilities and equity			
Liabilities			
Due to banks	15	**23,908,269**	19,239,053
Customers deposits	16	**51,572,773**	50,129,735
Debt securities	17	**2,588,373**	2,516,493
Other borrowings	18	**5,928,455**	8,891,053
Insurance Contract Liabilities*		**76,936**	60,803
Other liabilities	19	**2,736,390**	2,729,046
Total liabilities		**86,811,196**	83,566,183
Equity			
Share capital	20 (a)	**3,100,467**	3,100,467
Legal reserve	20 (b)	**5,110,152**	5,095,673
Risk reserve	20 (c)	**1,416,600**	1,312,600
Fair value reserve	20 (d)	**(86,452)**	(124,380)
Foreign currency translation reserve	20 (e)	**(82,249)**	(81,828)
Retained earnings		**985,503**	776,276
Net equity attributable to shareholders of the Bank		**10,444,021**	10,078,808
Instruments eligible as additional Tier 1 capital	20 (g)	**4,000,000**	4,000,000
Total equity		**14,444,021**	14,078,808
Total liabilities and equity		**101,255,217**	97,644,991

*Refer Note 38 for change in comparatives.

The consolidated financial statements were approved by the Board of Directors on 24 January 2024 and were signed on its behalf by:

Abdulrahman Bin Fahad Bin Faisal Al Thani
Group Chief Executive Officer

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jaber Al Thani
Managing Director

The attached notes 1 to 38 form integral part of these consolidated financial statements.
Independent auditors' report is set out on pages 1-5.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2023

	Notes	2023 QR'000	2022 QR'000
Interest income	21	**5,617,535**	3,945,219
Interest expense	22	**(3,469,992)**	(1,622,857)
Net interest income		**2,147,543**	2,322,362
Fee and commission income	23	**601,864**	572,327
Fee and commission expense	24	**(225,416)**	(201,263)
Net fee and commission income		**376,448**	371,064
Insurance revenue*		**67,508**	45,288
Insurance service expense*		**(31,067)**	(19,346)
Net expense from reinsurance contracts held*		**(31,642)**	(26,308)
Recovery from reinsurers from legal case	25	**64,320**	-
Insurance service results		**69,119**	(366)
Net foreign exchange gain	26	**104,640**	152,572
Net income from investment securities	27	**111,508**	25,269
Other operating income	28	**19,544**	37,735
		235,692	215,576
Net operating income		**2,828,802**	2,908,636
Staff costs	29	**(521,145)**	(501,081)
Depreciation	14	**(89,375)**	(99,903)
Net impairment reversal on investment securities		**4,222**	24,820
Net impairment loss on loans and advances to customers	10	**(892,360)**	(969,670)
Net impairment loss on other financial facilities		**31,017**	(256,311)
Other expenses	30	**(335,407)**	(293,047)
Loss on litigation	30.1	**(161,646)**	-
Total expenses and impairment		**(1,964,694)**	(2,095,192)
Profit before share of results of associate and tax		**864,108**	813,444
Share of results of associate		**555**	237
Profit before tax		**864,663**	813,681
Income tax expense	31	**(95,185)**	(48,306)
Profit for the year		**769,478**	765,375
Earnings per share:			
Basic and diluted earnings per share (QR per share)	32	**0.25**	0.25

**Refer Note 38 for change in comparatives.

The attached notes 1 to 38 form integral part of these consolidated financial statements.
Independent auditors' report is set out on pages 1-5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 QR'000	2022 QR'000
Profit for the year		**769,478**	765,375
Other comprehensive income			
Items that are or may be subsequently reclassified to statement of income:			
Foreign currency translation differences for foreign operations		**(421)**	(16,278)
Net movement in cash flow hedges - effective portion of changes in fair value		**(604)**	604
Movement in fair value reserve (debt instruments):			
Net change in fair value of debt instruments designated at FVOCI	20 (d)	**279,806**	(1,355,454)
Net amount transferred to consolidated statement of income	20 (d)	**(268,652)**	1,134,607
		10,129	(236,521)
Items that will not be reclassified subsequently to statement of income			
Net change in fair value of equity investments designated at FVOCI	20 (d)	**27,378**	(67,830)
Total other comprehensive income /(loss)		**37,507**	(304,351)
Total comprehensive income		**806,985**	461,024

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital QR'000	Legal reserve QR'000	Risk reserve QR'000	Fair value reserve QR'000	Foreign exchange translation reserve QR'000	Retained earnings QR'000	Total QR'000	Instrument eligible as additional Tier 1 capital QR'000	Total equity QR'000
Balance at 1 January 2023	**3,100,467**	**5,095,673**	**1,312,600**	**(124,380)**	**(81,828)**	**776,276**	**10,078,808**	**4,000,000**	**14,078,808**
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	**769,478**	**769,478**	-	**769,478**
Other comprehensive loss	-	-	-	**37,928**	**(421)**	-	**37,507**	-	**37,507**
Total comprehensive income for the year	-	-	-	**37,928**	**(421)**	**769,478**	**806,985**	-	**806,985**
Transfer to legal reserve	-	**14,479**	-	-	-	**(14,479)**	-	-	-
Transfer to risk reserve	-	-	**104,000**	-	-	**(104,000)**	-	-	-
Distribution of Tier 1 Capital notes	-	-	-	-	-	**(190,000)**	**(190,000)**	-	**(190,000)**
Contribution to social and sports fund	-	-	-	-	-	**(19,237)**	**(19,237)**	-	**(19,237)**
Transactions with shareholders:	-	-	-	-	-			-	
Dividends for the year 2022 (Note 20 (f))	-	-	-	-	-	**(232,535)**	**(232,535)**	-	**(232,535)**
Balance at 31 December 2023	**3,100,467**	**5,110,152**	**1,416,600**	**(86,452)**	**(82,249)**	**985,503**	**10,444,021**	**4,000,000**	**14,444,021**
Balance at 1 January 2022	3,100,467	5,094,607	1,029,600	163,693	(65,550)	933,136	10,255,953	4,000,000	14,255,953
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	765,375	765,375	-	765,375
Other comprehensive loss for the year	-	-	-	(288,073)	(16,278)	-	(304,351)	-	(304,351)
Total comprehensive income for the year	-	-	-	(288,073)	(16,278)	765,375	461,024	-	461,024
Transfer to legal reserve	-	1,066	-	-	-	(1,066)	-	-	-
Transfer to risk reserve	-	-	283,000	-	-	(283,000)	-	-	-
Distribution of Tier 1 Capital notes	-	-	-	-	-	(386,500)	(386,500)	-	(386,500)
Contribution to social and sports fund	-	-	-	-	-	(19,134)	(19,134)	-	(19,134)
Transactions with shareholders:									
Dividends for the year 2021 (Note 20 (f))	-	-	-	-	-	(232,535)	(232,535)	-	(232,535)
Balance at 31 December 2022	3,100,467	5,095,673	1,312,600	(124,380)	(81,828)	776,276	10,078,808	4,000,000	14,078,808

The Group has proposed a distribution on the Tier 1 Capital Notes amounting to QR 190 million for the year ended 31 December 2023 which is subject to approval of the QCB and the Group has paid QR 386.5 million including QR 196.5 million of 2021 in 2022.

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.
Independent auditors' report is set out on pages 1-5.

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 before tax		**864,663**	813,681
Adjustments for:			
Net impairment loss on loans and advances to customers	10	**892,360**	969,670
Net impairment reversal on investment securities		**(4,222)**	(24,820)
Net impairment loss on other financial facilities		**(31,017)**	256,311
Depreciation	14	**89,375**	99,903
Amortisation of financing cost		**15,745**	19,186
Dividend income		**(39,949)**	(38,693)
Net income from investment securities	27	**(71,559)**	13,424
Profit on sale of property, plant and equipment		**1,451**	(1)
Share of results of an associate	13	**(555)**	(237)
Cash flows before changes in operating assets and liabilities		**1,716,292**	2,108,424
Change in due from banks and balances with central banks		**(484,627)**	(1,323,843)
Change in loans and advances to customers		**(606,552)**	3,646,452
Change in other assets		**(350,624)**	(162,800)
Change in due to banks		**4,669,216**	(3,272,338)
Change in customers deposits		**1,443,038**	(226,214)
Change in other liabilities		**(129,988)**	67,907
Social and sports fund contribution		**(19,237)**	(17,594)
Income tax paid		**(27,025)**	(48,730)
Net cash flows generated from operating activities		**6,210,493**	771,264
Cash flows form investing activities			
Acquisition of investment securities		**(12,734,899)**	(7,361,188)
Proceeds from sale of investment securities		**7,426,109**	7,204,369
Acquisition of property, furniture and equipment	14	**(41,421)**	(12,113)
Dividend received		**39,949**	38,693
Proceeds from the sale of property, furniture and equipment		**120**	1
Net cash flows used in investing activities		**(5,310,142)**	(130,238)
Cash flows from financing activities			
Repayment from other borrowings	18	**(2,962,598)**	(846,468)
Proceeds from debt securities		**56,135**	605,573
Payment of lease liabilities		**(35,999)**	(38,186)
Distribution on Tier 1 capital notes		**(190,000)**	(386,500)
Dividends paid		**(232,535)**	(232,535)
Net cash flows used in financing activities		**(3,364,997)**	(898,116)
Net decrease in cash and cash equivalents		**(2,464,646)**	(257,090)
Cash and cash equivalents at 1 January		**7,101,210**	7,358,300
Cash and cash equivalents at 31 December	34	**4,636,564**	7,101,210
Operational cash flows from interest and dividend:			
Interest received		**5,517,055**	3,879,613
Interest paid		**3,170,728**	1,508,657
Dividends received	27	**39,949**	38,693

Non cash item disclosure:

Total addition to right of use assets and corresponding additions to lease laibilities amounted to QR 23 million as at 31 December 2023 (2022: QR 63 million)

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Independent auditors' report is set out on pages 1-5.

1 REPORTING ENTITY

Doha Bank Q.P.S.C. ("Doha Bank" or the "Bank") is an entity domiciled in the State of Qatar and was incorporated on 15 March 1979 as a Joint Stock Company under Emiri Decree No. 51 of 1978. The commercial registration of the Bank is 7115. The address of the Bank's registered office is Doha Bank Tower, Corniche Street, West Bay, P.O. Box 3818, Doha, Qatar.

Doha Bank is engaged in conventional banking activities and operates through its head office in Qatar (Doha) and has 18 local branches, 2 Corporate Service Centers (Retail Banking Group) and 1 Corporate Branch (Wholesale Banking Group), 5 overseas branches in the United Arab Emirates, State of Kuwait, the Republic of India and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany, Australia, Bangladesh, South Africa and Nepal. The consolidated financial statements for the year ended 31 December 2023 comprise the Bank and its subsidiaries (together referred to as "the Group").

The principal subsidiaries of the Group are as follows:

Company's name	Country of incorporation	Company's capital	Company's activities	Percentage of ownership	
				2023	2022
Sharq Insurance L.L.C.	Qatar	100,000	General Insurance	**100%**	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	**100%**	100%
DB Securities Limited	Cayman Island	182	Derivatives Transactions	**100%**	100%

The consolidated financial statements of the group for the year ended 31 December 2023 were authorized for issuance in accordance with the resolution of the board of directors on 24 January 2024.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group ("consolidated financial statements") have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"), including Interpretations issued by IFRS Interpretations Committee ("IFRS IC") applicable to the entities reporting under IFRS Accounting Standards.

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement of assets/liabilities within twelve months after the end of the reporting date ("current") and more than twelve months after the reporting date ("non-current") is presented in Note 4 (c).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following financial assets that have been measured at fair value:

- Investment securities designated at fair value through profit or loss ("FVTPL");
- Derivative financial instruments measured at FVTPL;
- Other financial assets designated at FVTPL;
- Investment securities measured at fair value through other comprehensive income ("FVOCI"); and
- Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value and cashflow hedge relationships to the extent of risks being hedged.

(c) Functional and presentation currency

The consolidated financial statements are presented in Qatari Riyals ("QR"), which is the Group's functional and presentation currency, unless otherwise indicated. Financial information presented in QR has been rounded to the nearest thousand.

2 BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS Standards (“IFRS Standards”) 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, and the accompanying disclosures, and the disclosure of contingent liabilities. 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as described in note 3(a).

(a) New, amended standards and interpretations

During the period, the below IFRS Accounting Standards and amendments to IFRS Accounting Standards have been applied by the Group in preparation of these consolidated financial statements. The below were effective from 1 January 2023:

- IFRS 17 Insurance contracts and amendments to IFRS 17 insurance contracts
- Classification of liabilities as current or non-current – Amendments to IAS 1
- Disclosure of accounting policies – Amendments to IAS 1 and IFRS practice statement 2
- Definition of accounting estimates – Amendments to IAS 8
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two), and various governments around the world have issued, or are in the process of issuing, legislation on this. On 2 February 2023, Law No. 11 of 2022 was published which affirmed the State of Qatar's obligations with respect to combating international tax avoidance. The Law further stated that Executive Regulations specifying the necessary provisions to meet the State's obligations provided that the minimum tax rate is not less than 15%, will be issued in due course. The Group is in the process of assessing the full impact of this.

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes.

IFRS 17, ‘Insurance contracts’

The group applied IFRS 17 with full restrospective approach, ‘Insurance contracts’ during the year which resulted in the significant changes in the accounting policies relating to the insurance activities of the Group, which are limited to its subsidiary. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

From the 3 Models under IFRS 17, namely The General Model, The Variable fee model and premium allocation approach, the Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues as the coverage period is less than 1 year in most cases. For the limited contracts in the engineering and casualty segments with a coverage period in excess of 1 year, a PAA eligibility assessment was conducted by the Group to conclude these were also eligible.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) New, amended standards and interpretations (continued)

For reinsurance contracts, all treaties which have a duration less than 12 months are measured under the PAA model. For treaties which have duration greater than twelve months, the PAA eligibility testing was carried out and the results were not material based on the selected materiality threshold of 1.5% of reinsurance premium. All excess of loss contracts are automatically eligible for the PAA due to their losses occurring basis and 1-year contract term.

On transition date, 1 January 2022, the Group:

- Has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has identified, recognized and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied.
- Derecognized any existing balances that would not exist had IFRS 17 always applied.
- Recognized any resulting net difference in equity.

The Group issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. Cash flows from insurance contracts are split into Liability for Incurred Claims ("LIC") and Liability for Remaining Coverage ("LRC").

Recognition, initial and subsequent measurement
Groups of insurance contracts issued are initially recognised at the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

The Group initially recognises a group of reinsurance contracts held it has entered into from the earlier of the following:
(a) For reinsurance contracts that provide proportionate coverage, at the later of:
(i) the beginning of the coverage period of the group of reinsurance contracts and
(ii) the initial recognition of any underlying contract.

(b) All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts.

However, if the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held, in this case, is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) New, amended standards and interpretations (continued)

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and
b. the Liability for Incurred Claims (“LIC”), comprising the fulfillment cash flows (“FCF”) related to past service allocated to the Group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a) increased for premiums received in the period;
b) decreased for insurance acquisition cash flows paid in the period;
c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses in the reporting period.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a) increased for ceding premiums paid in the period;
b) decreased for net ceding commissions received in the period;
c) decreased for the expected amounts of ceding premiums and ceding commissions recognized as net reinsurance expenses for the services received in the period

For the Liability for Incurred Claims “LIC”:

The Group estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Group presents the entire change in risk adjustment as part of insurance service results.

The Group establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported (“IBNR”) and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Group. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

<u>Recognition, initial and subsequent measurement (continued)</u>

The main assumption underlying these techniques is that the Group 's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

The Group has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. On the other hand, the Group has decided to discount the LIC for the time value of money as some portfolios have significant amounts of claims paid after 12 months of date of loss. Hence, for all contracts measured under the PAA, the Group has decided to allow for the time value of money in estimating the Liability for Incurred Claims ("LIC").

The fulfillment cashflows are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. As all contracts are measured under the PAA, unless the contracts are onerous, the FCF are only estimated for the measurement of the LIC.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) New, amended standards and interpretations (continued)

The estimates of future cash flows:
a) are based on a probability-weighted mean of the full range of possible outcomes;
b) are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and
c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Discount rates
The bottom-up approach was used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The Group will derive the yield curve from US Risk Free rates based on the peg that exists between the QR and USD and allowing for any changes in the expectations of the peg. Curve issued by the regulator will be used, Else EIOPA published rates will be considered Illiquidity premium will be calculated as difference of US Corporate bond yield and risk-free rate.

<u>Contract boundary</u>

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of Groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
   i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
   ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) New, amended standards and interpretations (continued)

Insurance acquisition costs and directly attributable expenses

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Group allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses. The Group amortises the insurance accquistion costs over the contract period.

Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on expected premium receipts. The default probability is derived from IFRS 9 Expected Loss Model.

Insurance service expenses
Insurance service expenses include the following:

a. incurred claims for the period.
b. other incurred directly attributable expenses.
c. insurance acquisition cash flows amortization.
d. changes that relate to past service – changes in the FCF relating to the LIC.
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Presentation of reinsurance contracts held
The Group presents separately the amounts recovered from the reinsurer and an allocation of the premiums paid. Reinsurance cash flows that are contingent on claims on the underlying contracts are treated as part of the claims that are expected to be reimbursed under the reinsurance contract held. Amounts recognised relating to recovery of losses are treated as amounts recovered from the reinsurer.

Net income (expenses) from reinsurance contracts held, comprising the following:

a. reinsurance expenses;
b. incurred claims recovery;
c. other incurred directly attributable insurance service expenses;
d. effect of changes in risk of reinsurer non-performance;
e. changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Insurance finance income or expenses
Insurance finance income or expenses comprise the change in the carrying amount of the groups of insurance contracts respectively arising from:

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) New, amended standards and interpretations (continued)

Onerous contract

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the discounted FCF determined under the General Measurement Model (“GMM”), with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised.

The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts. When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

The Group does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

Risk adjustment
IFRS 17 is principle based and does not provide guidance on appropriate techniques and methods to set the RA. However, a variety of methods are potentially available, including, but are not limited to, quantile techniques such as confidence level methods (“VaR”), cost of capital techniques, or even potentially simple techniques such as directly adding margins to assumptions or scenario modelling. The Group shall apply judgment in selecting RA calculation technique to ensure it satisfies requirements and provides concise and informative disclosure.

Derecognition of insurance contracts
An insurance contract is derecognised when it is:

a) extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
b) the contract is modified and additional criteria discussed below are met.

The Group’s total Insurance operations are less than 1% of the Group’s operations and hence disclosures required under IFRS 17 relating to the insurance activities of the Group are considered immaterial. Furthermore, impact on transition from IFRS 4 to IFRS 17 on the opening balance of the retained earnings is considered immaterial.

In addition, the Group has also assessed implication of IFRS 17 on other activities of the Group and has concluded that there are no material impact due to adoption of IFRS 17.

Standards issued but not yet effective

A number of standards and amendments to standards are issued but not yet effective and the Group has not adopted these in the preparation of these consolidated financial statements. The below standards may have an impact on the Group's consolidated financial statements, however, the Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates.

- Non-current liabilities with covenants – Amendments to IAS 1 (effective 1 January 2024)
- Lease liability in sale and leaseback – amendments to IFRS 16 (effective 1 January 2024)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("the Group") as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

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

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost including transaction costs directly related to acquisition of investment in associate.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated income statement; its share of post-acquisition movements in equity is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's share of the results of associates is based on financial statements and adjusted to conform to the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intergroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

The consolidated financial statements of the Group include the associate stated below:

Company's name	Country of incorporation and operation	Ownership interest %		Principal activity
		2023	2022	
Doha Brokerage and Financial Services Limited	India	**40.01%**	44.02%	Brokerage and asset management

(d) 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 denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the 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 income statement.

Changes in the fair value of investment securities denominated in a foreign currency classified as measured at FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equity instruments classified as measured at FVOCI are included in other comprehensive income.

Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'foreign currency translation reserve'.

When a foreign operation is disposed of, or partially disposed of when control is not retained, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Foreign operations (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale

(e) Financial assets and financial liabilities

(i) Recognition and initial measurement

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

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

A 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.

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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); 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.

Reclassifications

Financial assets are not reclassified 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.

Financial liabilities

The Group has classified and measured its financial liabilities at amortised cost.

(iii) Derecognition

Financial assets

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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets and financial liabilities (continued)

(iii) Derecognition (continued)

Financial assets (continued)

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 in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset 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.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, 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.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or 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 at a original discounting rate 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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets and financial liabilities (continued)

(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 currently enforceable 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.

(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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For the financial instruments that are not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value provided by the fund manager.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The fair value of unquoted derivatives is determined by discounted cash flows. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 5.

(vii) Identification and measurement of 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)

(e) Financial assets and financial liabilities (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 with the 12 months after the reporting date.

For corporate overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL not less than a 12 months period. These facilities do not have a fixed term or repayment structure and are managed on a revolving basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with revised repayment terms.

The Group applies three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the changes in credit quality since initial recognition.

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

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

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

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.

When discounting future cash flows, the original effective interest rate or an approximation thereof is used for most financial assets.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the 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.

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.

Financial guarantee contracts held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. If the Group determines that the guarantee is an integral element of the financial asset, then the Group considers the effect of the protection when measuring the fair value of the financial asset and when measuring ECL.

(f) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks 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, and are used by the Group in the management of its short-term commitments.

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

(g) Due from banks

Due from banks are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks are initially measured at cost, being the fair value of the consideration given. Following the initial recognition, due from banks are stated at amortised cost.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) 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 rate method, except for the financial assets which are classified to be measured at FVPL, which are measured at fair value with changes recognized immediately in the consolidated income statement. Following the initial recognition, loans and advances are stated at the amortised cost.

Write-off of loans and advances to customers

Loans and advances to customers (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. All write-offs of loans and advances to customers are recorded after obtaining approvals from the QCB for such write-offs.

(i) Investment securities

The 'investment securities' include:

- 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 measured at fair value with changes recognised immediately in profit or loss;
- Debt securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

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 and 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.

(j) Derivatives

Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Derivatives (continued)

On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect consolidated income statement.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of Interest Rate Swaps, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness. In hedges of Interest Rate Swaps, ineffectiveness may arise if the rate of interest changes from what was originally estimated, or if there are changes in the credit risk of the Bank or the derivative counterparty.

The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its exposure, therefore the hedged item is identified as a proportion of the outstanding exposure up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship. Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2023 and 2022.

Fair value hedges

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised in consolidated income statement, and is included in the other income line item. Amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are reclassified to consolidated statement of income in the periods when the hedged item affects in the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognised in consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Derivatives (continued)

Hedge accounting (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the consolidated statement of comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecase transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated statement of income.

Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in consolidated income statement.

Derivatives held for trading purposes

The Group's derivative trading instruments includes forward foreign exchange contracts. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the consolidated income statement.

(k) 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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

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 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 and capital work-in-progress are not depreciated.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Property and equipment (continued)

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

Buildings	20 - 30 years
Leasehold improvements, furniture and equipment	3 -10 years
Vehicles	5 - 8 years

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

(l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax 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.

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.

(m) 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.

(n) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(o) Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of income any fee income earned over the period, and the best estimate of the expenditure required settling any financial obligation arising as a result of the guarantees at the reporting date.

(p) Employee benefits

Defined benefit plan
The Group provides for end of service benefits in accordance with the employment policies of the Group. The provision is calculated on the basis of the individual's final salary and period of service at the reporting date. This provision is included in other provisions within other liabilities.

Defined contribution plan
With respect to Qatari and other GCC employees, the Group makes a contribution to the Qatari Pension Fund calculated on a percentage of the employees' salaries, in accordance with the Retirement and Pension Law No. 24 of 2002. The Group's obligations are limited to these contributions.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

In addition, in accordance with the provisions of IAS 19, management carries out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under Qatar Laws and policies of the Group. The expected liability at the date of leaving the service is discounted to net present value using an appropriate discount rate based on management's assumption of average annual increment/promotion costs. The present value of the obligation as at 31 December 2023 is not materially different from the provision computed in accordance with the Qatar Labour Law.

(q) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividends on ordinary shares and Tier 1 capital notes

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 the subsequent events note.

Coupons on Tier 1 capital notes are recognised in equity in the period in which they are approved by the QCB.

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liabilities.

For the financial assets that have become credit-impaired 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.

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.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on expected premium receipts. The default probability is derived from IFRS 9 Expected Loss Model.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

Insurance service expenses
Insurance service expenses include the following:

a. incurred claims for the period.
b. other incurred directly attributable expenses.
c. insurance acquisition cash flows amortization.
d. changes that relate to past service – changes in the FCF relating to the LIC.
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

The Group presents insurance income on net basis, which also includes financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;
b. incurred claims recovery;
c. other incurred directly attributable insurance service expenses;
d. effect of changes in risk of reinsurer non-performance;
e. changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Insurance finance income or expenses
Insurance finance income or expenses comprise the change in the carrying amount of the groups of insurance contracts respectively arising from:

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing 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 and service fees, which are expensed as the services are received.

Income from investment securities

Gains or losses on the sale 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.

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.

Income from investment securities measured at amortised cost is recognised based on the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive income is established.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxes are calculated based on applicable tax laws or regulations in the countries in which the Group operates. The provision for deferred taxation is made based on the evaluation of the expected tax liability. Currently there is no corporate tax applicable to the Bank in the State of Qatar. However, corporate tax is applicable on foreign branches operating outside the State of Qatar and to one subsidiary in the Qatar Financial Center.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) 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, adjusted for coupons declared on Tier 1 capital notes, by the weighted average number of ordinary shares outstanding during the year. 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.

(v) Segment reporting

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

(w) Repossessed collateral

Repossessed collateral against settlement of customer debts are stated within the consolidated statement of financial position under "Other assets" at their acquired value net of allowance for impairment. The repossessed collateral are not to be used in the Bank’s operations.

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Funds management

The Group is licensed by the Qatar Central Bank as founder for an exchange traded fund which is listed on the Qatar Stock Exchange. The financial statements of this entity is not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in Note 37.

(y) Appropriations for instruments eligible for additional capital

Appropriations for instruments eligible for additional capital are treated as dividends.

(z) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has decided to separate the lease and non-lease component in the underlying contracts based on their relative standalone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any prepaid and accrued lease expenses. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and is adjusted for extension in lease terms or cancellation of the leases.

The lease liability is initially measured at the present value of the lease payments which are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate, which is based on the weighted average rate applied in the Group's principal markets adjusted for the nature of the asset, lease term, security and any other relevant assumptions. The lease liability is subsequently measured at amortised cost using the effective interest method. The finance cost incurred related to the lease liabilities is included in the 'interest expense' in the consolidated income statement.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position. The deferred tax impact, if any, is recognized in accordance with the relevant tax regulations and is accounted under IAS 12.

4 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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. The key risks Group is exposed are to credit risk, liquidity risk, operational risk, insurance risk and market risk, which includes trading and non-trading 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.

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies such as the risk management department, internal audit committee, the credit committee, assets and liabilities committee responsible for managing and monitoring those risks.

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.

As part of its overall risk management, the Group also uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of authority within the Group.

The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits of risks that may be accepted, which are monitored on a daily basis.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, insurance risks, market risks and operational risk.

(b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations in accordance with the agreed terms. Credit risk makes up the largest part of the Group's risk exposure; therefore, the Group carefully manages its exposure to credit risk. Credit risk is attributed to financial instruments such as balance with central banks, due from banks, loans and advances to customers, debt securities and other bills, certain other assets and credit equivalent amounts related to off-balance sheet financial instruments.

Note 10 to the consolidated financial statements disclose the distribution of the loans and advances to customers by economic sectors. Note 4 (b) (iii) to the consolidated financial statements disclose the geographical distribution of the Group's credit exposure.

(i) Credit risk measurement

All credit policies are reviewed and approved by the Risk Management Department and the Board of Directors. The Risk Management team centrally approves all significant credit facilities and limits for all corporate, treasury and capital markets, financial institutions and SME clients of the Group. Such approvals are carried out in pursuance to a set of delegated Credit authority limits and in accordance with the Group's approved credit policy.

Furthermore, all credit facilities are independently administered and monitored by the Credit Control Department.

The Group further limits risk through diversification of its assets by geography and industry sectors. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The Group also follows the guidelines issued by Qatar Central Bank with regard to the granting of loans which limits exposure to counterparties.

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The amount and type of collateral required depend 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 cash, mortgages, local and international equities, financial guarantees and other tangible securities. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

The Group has a credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collaterals. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if the situation warrants.

(ii) Analysis of maximum exposure to credit risk before taking account of collateral held or other credit enhancements, net of impairment

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	2023 QR'000	2022 QR'000
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	**4,341,648**	3,068,314
Due from banks	**5,496,929**	8,650,888
Loans and advances to customers	**58,009,676**	58,078,974
Investment securities - debt	**29,559,192**	24,098,726
Other assets	**1,768,442**	1,386,291
Total as at 31 December	**99,175,887**	95,283,193
Other credit risk exposures (gross of impairment) are as follows:		
Guarantees	**9,924,957**	10,301,936
Letters of credit	**1,747,622**	2,233,659
Unutilised credit facilities	**1,318,689**	1,248,909
Total as at 31 December	**12,991,268**	13,784,504
	112,167,155	109,067,697

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Analysis of concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure based on carrying amounts without taking into account any collateral, held or other credit support, as categorized by geographical region. The Group has allocated exposures to regions based on the country of domicile of its counterparties.

	Qatar **QR'000**	**Other GCC** **QR'000**	**Other Middle East** **QR'000**	**Rest of the world** **QR'000**	**2023 Total** **QR'000**
Balances with central banks	**3,386,157**	**938,902**	**-**	**16,589**	**4,341,648**
Due from banks	**913,642**	**1,459,894**	**839,077**	**2,284,316**	**5,496,929**
Loans and advances to customers	**50,322,410**	**5,514,146**	**207,665**	**1,965,455**	**58,009,676**
Investment securities - debt	**23,802,345**	**5,556,791**	**-**	**200,056**	**29,559,192**
Other assets	**1,729,036**	**8,451**	**-**	**30,955**	**1,768,442**
	80,153,590	**13,478,184**	**1,046,742**	**4,497,371**	**99,175,887**

	Qatar QR'000	Other GCC QR'000	Other Middle East QR'000	Rest of the world QR'000	2022 Total QR'000
Balances with central banks	2,659,506	388,770	-	20,038	3,068,314
Due from banks	3,189,687	1,367,581	1,112,395	2,981,225	8,650,888
Loans and advances to customers	50,764,551	4,606,413	217,129	2,490,881	58,078,974
Investment securities - debt	21,033,642	2,308,901	-	756,183	24,098,726
Other assets	1,349,062	8,075	-	29,154	1,386,291
	78,996,448	8,679,740	1,329,524	6,277,481	95,283,193

	Qatar **QR'000**	**Other GCC** **QR'000**	**Other Middle East** **QR'000**	**Rest of the world** **QR'000**	**2023 Total** **QR'000**
Guarantees	**5,362,916**	**1,708,915**	**252,955**	**2,600,171**	**9,924,957**
Letters of credit	**1,085,299**	**199,470**	**28,594**	**434,259**	**1,747,622**
Unutilised credit facilities	**1,175,957**	**17,018**	**-**	**125,714**	**1,318,689**
	7,624,172	**1,925,403**	**281,549**	**3,160,144**	**12,991,268**

	Qatar QR'000	Other GCC QR'000	Other Middle East QR'000	Rest of the world QR'000	2022 Total QR'000
Guarantees	5,357,220	1,886,580	349,450	2,708,686	10,301,936
Letters of credit	1,161,840	226,303	400,357	445,159	2,233,659
Unutilised credit facilities	1,186,731	35,804	-	26,374	1,248,909
	7,705,791	2,148,687	749,807	3,180,219	13,784,504

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Analysis of concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors

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

	2023 QR'000	2022 QR'000
Funded and unfunded		
Government and related agencies	**30,498,424**	28,944,741
Industry	**537,506**	272,492
Commercial	**12,132,601**	11,748,678
Services	**20,853,438**	20,541,550
Contracting	**5,408,191**	5,542,886
Real estate	**20,056,897**	19,167,555
Personal	**7,103,258**	6,842,274
Others	**2,585,572**	2,223,017
Guarantees	**9,924,957**	10,301,936
Letters of credit	**1,747,622**	2,233,659
Unutilised credit facilities	**1,318,689**	1,248,909
	112,167,155	109,067,697

(iv) 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 risk rating mechanism linked to credit ratings published by international rating agencies. The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

Internal ratings

Bank internal credit rating as at 31 December 2023	**Internal credit rating**	**External credit rating ***
Investment grade	1 to 4	AAA to BAA3
Sub investment grade	5 to 8	BA1 to CA3
Credit impaired (Substandard, Doubtful and loss)	9 to 10	D

Bank internal credit rating as at 31 December 2022	Internal credit rating	External credit rating *
Investment grade	1 to 4	AAA to BAA3
Sub investment grade	5 to 8	BA1 to CA3
Credit impaired (Substandard, Doubtful and loss)	9 to 10	D

* or equivalent internal rating as per Moody's

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality (continued)

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

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Cash and balances with central banks (excluding cash on hand) and due from banks				
Investment grade - Aaa to Baa3	**7,300,925**	**82,688**	**-**	**7,383,613**
Sub-investment grade – Ba 1 to Ca3	**776,094**	**1,679,873**	**-**	**2,455,967**
Substandard	**-**	**-**	**19,941**	**19,941**
Doubtful	**-**	**-**	**-**	
Loss	**-**	**-**	**-**	
Loss allowance	**(1,609)**	**(5,120)**	**(14,214)**	**(20,943)**
Carrying amount	**8,075,410**	**1,757,441**	**5,727**	**9,838,578**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	QR'000	QR'000	QR'000	QR'000
Cash and balances with central banks (excluding cash on hand) and due from banks				
Investment grade -Aaa to Baa3	7,900,126	494,542	-	8,394,668
Sub-investment grade - Ba 1 to Ca3	665,573	2,659,510	-	3,325,083
Substandard	-	-	20,061	20,061
Doubtful	-	-	-	-
Loss	-	-	-	-
Loss allowance	(2,615)	(9,432)	(8,563)	(20,610)
Carrying amount	8,563,084	3,144,620	11,498	11,719,202

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Loans and advances to customers				
Investment grade -Aaa to Baa3	**9,321,158**	**937,127**	**-**	**10,258,285**
Sub-investment grade - Ba 1 to Ca3	**28,470,295**	**18,517,244**	**-**	**46,987,539**
Substandard	**-**	**-**	**1,370,117**	**1,370,117**
Doubtful	**-**	**-**	**16,155**	**16,155**
Loss	**-**	**-**	**3,163,618**	**3,163,618**
Loss allowance	**(92,255)**	**(999,945)**	**(2,693,838)**	**(3,786,038)**
Carrying amount	**37,699,198**	**18,454,426**	**1,856,052**	**58,009,676**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	QR'000	QR'000	QR'000	QR'000
Loans and advances to customers				
Investment grade -Aaa to Baa3	16,635,775	1,023,294	-	17,659,069
Sub-investment grade - Ba 1 to Ca3	21,917,358	17,990,030	-	39,907,388
Substandard	-	-	998,014	998,014
Doubtful	-	-	22,467	22,467
Loss	-	-	2,936,780	2,936,780
Loss allowance	(85,784)	(963,775)	(2,395,185)	(3,444,744)
Carrying amount	38,467,349	18,049,549	1,562,076	58,078,974

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Investment securities - debt				
Investment grade - Aaa to Baa3	**29,464,402**	**56,295**	**-**	**29,520,697**
Sub-investment grade - Ba 1 to Ca3	**39,797**	**-**	**-**	**39,797**
Substandard	**-**	**-**	**-**	**-**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**3,760**	**3,760**
Loss allowance	**(1,302)**	**-**	**(3,760)**	**(5,062)**
Carrying amount	**29,502,897**	**56,295**	**-**	**29,559,192**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	QR'000	QR'000	QR'000	QR'000
Investment securities - debt				
Investment grade - Aaa to Baa3	23,320,881	65,696	-	23,386,577
Sub-investment grade - Ba 1 to Ca3	558,832	137,463	-	696,295
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	23,769	23,769
Loss allowance	(1,441)	-	(6,474)	(7,915)
Carrying amount	23,878,272	203,159	17,295	24,098,726

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Loan commitments and financial guarantees				
Investment grade - Aaa to Baa3	**5,673,490**	**757,678.0**	**-**	**6,431,168**
Sub-investment grade - Ba1 to Ca3	**3,407,658**	**2,427,768**	**-**	**5,835,426**
Substandard	**-**	**-**	**724,674**	**724,674**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**
Loss allowance	**(8,735)**	**(5,880)**	**(541,585)**	**(556,200)**
Carrying amount	**9,072,413**	**3,179,566**	**183,089**	**12,435,068**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	QR'000	QR'000	QR'000	QR'000
Loan commitments and financial guarantees				
Investment grade - Aaa to Baa3	5,942,264	881,877	-	6,824,141
Sub-investment grade - Ba1 to Ca3	3,345,801	2,781,319	-	6,127,120
Substandard	-	-	833,243	833,243
Doubtful	-	-	-	-
Loss	-	-	-	-
Loss allowance	(7,162)	(9,917)	(552,287)	(569,366)
Carrying amount	9,280,903	3,653,279	280,956	13,215,138

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality (continued)

Collateral

The Group obtains collateral and other credit enhancements in the 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.

The Group's collateral are substantially based in Qatar. The collateral of the Group aggregated to QR 63,291 million as at 31 December 2023 based on valuations of these collaterals undertaken in line with the related internal approved policy of the Group (2022: QR 69,979 million). The value of the collateral held against credit-impaired loans and advances as at 31 December 2023 is QR 3,516 million (2022: QR 3,102 million). The Group does however assume haircuts on these valuations for the purpose of provisioning/ ECL calculations, which results in a fair value of QR 32,609 million and QR 1,786 million respectively as at 31 December 2023 (2022: QR 36,133 million and QR 1,576 million respectively).

Repossessed collateral

The Group's acquired properties held as collateral in settlement of debt has a carrying value of QR 88 million as at 31 December 2023 (2022: QR 88 million). The total income derived from the renting repossessed collateral amounted to QR 4.4 million for the year ended 31 December 2023 (2022: QR 4.1 million)

Write-off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB 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 standardized loans, write-off decisions are generally based on a product-specific past due status. The amount written off on loans and advances during the year was QR 924 million (2022: QR 869 million). Subsequent recoveries from such write offs are recognized on a cash basis.

(v) 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 notches downgrade for ratings from Aaa to Baa or one notch downgrade for ratings from Ba to Caa
(ii) Facilities restructured during previous twelve months due to financial difficulties of the borrower
(iii) Facilities overdue by 60 and 30 days as at the reporting date for corporate and retail loans respectively

For corporate exposure, the Group has considered historical information over a period of 5 years and judged that there is no correlation between signficant increase in the risk of a default occurring and financnial assets on which payment are more than 30 days past due, the historical evidence identify such correlation when payments are more than 60 days past due.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical correlation analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables were tested for both direction of association and level of association with the Group's own portfolio and market level default rates.

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.

Renegotiated financial assets

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

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 rated 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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Incorporation of forward looking information

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

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are updated from the World economic outlook: IMF country data and economic forecast periodically published by Economic Intelligence Unit, which provide the best estimate view of the economy and commodity prices over the coming one to five years. The Group also considers internal forecasts based on time series analysis for variables for which forecasts are not available. The macro-economic variable forecasts till remaining lifetime of the exposures post five years is obtained through time series analysis i.e. moving average/ mean reversion as applicable. The impact of these economic variables on the PD is obtained by using the merton-vasicek structural model for all the portfolio. Correlation analysis has been performed for selection of the key macro-economic variables based on the observed portfolio default rate.

The Group has considered the effect the probable economic uncertainties due the pandemic and other global events through the stressed scenario construction and weights. The Group has used latest economic forecasts published in October 2022, which includes the impact of economic contraction due to the pandemic followed by reasonable recovery. Hence, further stress on the Base scenario for including the effects of pandemic has not been considered. The cumulative probability of all the plausible downturn scenario considering the Base forecast as the starting point has been considered as the probability weight of the stressed scenario to address worries of further economic downturn due the re-emergence of pandemic and low demand. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations. The Group is closely monitoring the situation and has its business continuity planning ongoing to manage the potential business disruption due to current economic uncertainties.

In addition to the base economic scenario, the Group's Credit risk team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure plausible events are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2023 and 31 December 2023, for all portfolios the Group concluded that three scenarios that appropriately captured the uncertainties in the macro-economic forecasts i.e. Base scenario: considering the published macro-economic forecasts, improved scenario and stressed scenario: considering the long term observed volatility in macro-economic forecast. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking in account the range of possible outcomes each chosen scenario.

The scenario weights considered for the ECL calculation as of 31 December 2023 are Base Scenario: 70%, Improved Scenario: 15% and Stressed Scenario: 15% (2022: Base Scenario: 70%, Improved Scenario: 15% and Stressed Scenario: 15%).

The assessment of SICR is performed based on credit risk assessment following QCB rule and management assessment under each of the base, and the other scenarios, multiplied by the associated scenario weightings. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a 12-month ECL (Stage 1), or lifetime ECL (Stages 2). These ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Incorporation of forward looking information (continued)

As with any economic forecasts, the likelihoods of the Base forecast are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and the scenarios are considered to be capturing the uncertainties in the Base forecast.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 were Oil prices (2023: $84/Barrel, 2024: $81/ Barrel) and Private Sector Credit Concentration 64.6% (2023: 64.1%, 2024: 64.3%).

The Group has calculated ECL for wholesale borrowers at an individual financial instrument level and portfolio level for retail borrowers.

The Group has performed a sensitivity analysis on how ECL on the credit portfolio will change if the key assumptions used to calculate ECL change by a certain percentage. These variations are applied simultaneously to each probability weighted scenarios used to compute the expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios

	2023 **QR'000**	2022 QR'000
100% Base Case, loss allowance would be higher/ (lower) by	(61,291)	107,431
100% Upside Case, loss allowance would be higher/ (lower) by	(184,010)	(707,062)
100% Downside Case, loss allowance would be higher/ (lower) by	435,431	205,717

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 a consistent rate for unsecured facilities and considers the impact of collateral for secured facilities.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality (continued)

Loss allowance

The table overleaf show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instruments.

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Gross exposures subject to ECL - as at 31 December				
Loans and advances to customers	**37,791,453**	**19,454,371**	**4,549,890**	**61,795,714**
Investment securities (debt)	**29,504,199**	**56,295**	**3,760**	**29,564,254**
Loan commitments and financial guarantees	**9,081,148**	**3,185,446**	**724,674**	**12,991,268**
Due from banks and balances with central Banks	**8,077,019**	**1,762,560**	**19,941**	**9,859,520**
	84,453,819	**24,458,672**	**5,298,265**	**114,210,756**
Opening balance of ECL / impairment - as at 1 January				
Loans and advances to customers	**85,784**	**963,775**	**2,395,185**	**3,444,744**
Investment securities (debt)	**6,748**	**4,851**	**6,474**	**18,073**
Loan commitments and financial guarantees	**7,162**	**9,917**	**552,287**	**569,366**
Due from banks and balances with central Banks	**2,615**	**9,432**	**8,563**	**20,610**
	102,309	**987,975**	**2,962,509**	**4,052,793**
Net charge and transfers for the year (net of foreign currency translation)				
Loans and advances to customers*	**6,471**	**36,170**	**1,244,423**	**1,287,064**
Investment securities (debt)	**(1,853)**	**(4,545)**	**2,176**	**(4,222)**
Loan commitments and financial guarantees	**1,573**	**(4,037)**	**(29,481)**	**(31,945)**
Due from banks and balances with central Banks	**(1,006)**	**(4,312)**	**5,651**	**333**
	5,185	**23,276**	**1,222,769**	**1,251,230**
Write offs and other				
Loans and advances to customers	**-**	**-**	**(945,770)**	**(945,770)**
Investment securities (debt)	**-**	**-**	**(4,890)**	**(4,890)**
Loan commitments and financial guarantees	**-**	**-**	**18,779**	**18,779**
Due from banks and balances with central Banks	**-**	**-**	**-**	**-**
	-	**-**	**(931,881)**	**(931,881)**
Closing balance of ECL / impairment - as at 31 December				
Loans and advances to customers**	**92,255**	**999,945**	**2,693,838**	**3,786,038**
Investment securities (debt)***	**4,895**	**306**	**3,760**	**8,961**
Loan commitments and financial guarantees	**8,735**	**5,880**	**541,585**	**556,200**
Due from banks and balances with central Banks	**1,609**	**5,120**	**14,214**	**20,943**
	107,494	**1,011,251**	**3,253,397**	**4,372,142**

*stage 3 provision balance includes net interest suspended on loans and advances to customers amounting to QR 303 million.

**stage 3 provision includes a net transfer of provision from loan and commitment and financial guranteee to loans and advances amounting to QR 3.0 million

*** This balance includes expected credit loss on investment in debt securities accounted at FVOCI and amortised cost.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality (continued)

Loss allowance (continued)

There were no significant transfers between stages during the year.

	2022			
	Stage 1	Stage 2	Stage 3	Total
	QR'000	QR'000	QR'000	QR'000
Gross exposures subject to ECL - as at 31 December				
Loans and advances to customers	38,553,133	19,013,324	3,957,261	61,523,718
Investment securities (debt)	23,879,713	203,159	23,769	24,106,641
Loan commitments and financial guarantees	9,288,065	3,663,196	833,243	13,784,504
Due from banks and balances with central Banks	8,565,699	3,154,052	20,061	11,739,812
	80,286,610	26,033,731	4,834,334	111,154,675
Opening balance of ECL / impairment - as at 1 January				
Loans and advances to customers	146,709	852,297	1,966,006	2,965,012
Investment securities (debt)	11,086	25,333	6,474	42,893
Loan commitments and financial guarantees	8,594	5,382	343,596	357,572
Due from banks and balances with central Banks	4,444	426	-	4,870
	170,833	883,438	2,316,076	3,370,347
Net charge and transfers for the year (net of foreign currency translation)				
Loans and advances to customers*	(60,925)	111,478	1,306,475	1,357,028
Investment securities (debt)	(4,338)	(20,482)	-	(24,820)
Loan commitments and financial guarantees	(1,432)	4,535	223,171	226,274
Due from banks and balances with central Banks	(1,829)	9,006	8,563	15,740
	(68,524)	104,537	1,538,209	1,574,222
Write offs and other				
Loans and advances to customers	-	-	(877,296)	(877,296)
Investment securities (debt)	-	-	-	-
Loan commitments and financial guarantees	-	-	(14,480)	(14,480)
Due from banks and balances with central Banks	-	-	-	-
	-	-	(891,776)	(891,776)
Closing balance of ECL / impairment - as at 31 December				
Loans and advances to customers**	85,784	963,775	2,395,185	3,444,744
Investment securities (debt)***	6,748	4,851	6,474	18,073
Loan commitments and financial guarantees	7,162	9,917	552,287	569,366
Due from banks and balances with central Banks	2,615	9,432	8,563	20,610
	102,309	987,975	2,962,509	4,052,793

*stage 3 provision balance includes net interest suspended on loans and advances to customers amounting to QR 328 million.

**stage 3 provision includes a net transfer of provision from loan and commitment and financial guranteee to loans and advances amounting to QR 15 million.

*** This balance includes expected credit loss on investment in debt securities accounted at FVOCI and amortised cost.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind, in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities.

(i) Exposure to liquidity risk

The Group monitors its liquidity risk through two key ratios, the Liquidity Coverage Ratio (LCR) as per Basel Ill guidelines adopted by QCB to monitor the short term (30 days) resilience of the Group's liquidity and the Liquidity Ratio as per QCB's guidelines.

The Liquidity Coverage Ratio (LCR) computed as per Basel Ill guidelines adopted by QCB was 142.38% as at 31 December 2023 (2022: 201.47%).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on contractual maturity dates. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date, and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The Group routinely monitors assets and liabilities maturity profiles to ensure adequate liquidity is maintained.

	Carrying amount QR'000	Less than 1 month QR'000	1-3 months QR'000	3 months-1 year QR'000	Subtotal 1 year QR'000	Above 1 year QR'000
31 December 2023						
Cash and balances with central banks	4,842,101	1,664,479	-	-	1,664,479	3,177,622
Due from banks	5,496,929	2,628,523	392,097	1,479,365	4,499,985	996,944
Loans and advances to customers	58,009,676	5,561,333	1,633,185	4,908,867	12,103,385	45,906,291
Investment securities	30,386,048	933,347	1,502,957	2,230,322	4,666,626	25,719,422
Other assets	1,891,010	1,891,010	-		1,891,010	-
Investment in an associate	10,224	-	-		-	10,224
Property, furniture and equipment	619,229	-	-		-	619,229
Total	101,255,217	12,678,692	3,528,239	8,618,554	24,825,485	76,429,732
Due to banks	23,908,269	10,770,790	4,287,407	5,459,499	20,517,696	3,390,573
Customers deposits	51,572,773	18,812,525	14,356,634	13,062,877	46,232,036	5,340,737
Debt securities	2,588,373	767,623	-	-	767,623	1,820,750
Other borrowings	5,928,455	-	2,494,428	2,831,266	5,325,694	602,761
Other liabilities*	2,813,326	-	-	-	-	2,813,326
Total equity	14,444,021	-	-	-	-	14,444,021
Total	101,255,217	30,350,938	21,138,469	21,353,642	72,843,049	28,412,168
Maturity gap	-	(17,672,246)	(17,610,230)	(12,735,088)	(48,017,564)	48,017,564

*includes Insurance contract liabilities

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount QR'000	Less than 1 month QR'000	1-3 months QR'000	3 months-1 year QR'000	Subtotal 1 year QR'000	Above 1 year QR'000
31 December 2022						
Cash and balances with central banks	3,668,161	1,277,641	-	-	1,277,641	2,390,520
Due from banks	8,650,888	5,503,960	325,806	1,805,494	7,635,260	1,015,628
Loans and advances to customers	58,078,974	4,134,501	2,055,638	6,422,808	12,612,947	45,466,027
Investment securities	24,963,875	774,339	346,458	3,904,121	5,024,918	19,938,957
Other assets	1,608,546	1,608,546	-	-	1,608,546	-
Investment in an associate	9,898	-	-	-	-	9,898
Property, furniture and equipment	664,649	-	-	-	-	664,649
Total	97,644,991	13,298,987	2,727,902	12,132,423	28,159,312	69,485,679
Due to banks	19,239,053	7,183,404	7,415,069	1,859,709	16,458,182	2,780,871
Customers deposits	50,129,735	21,483,846	11,636,495	13,236,345	46,356,686	3,773,049
Debt securities	2,516,493	-	-	-	-	2,516,493
Other borrowings	8,891,053	-	946,790	2,068,372	3,015,162	5,875,891
Other liabilities*	2,789,849	2,789,849	-	-	2,789,849	-
Total equity	14,078,808	-	-	-	-	14,078,808
Total	97,644,991	31,457,099	19,998,354	17,164,426	68,619,879	29,025,112
Maturity gap	-	(18,158,112)	(17,270,452)	(5,032,003)	(40,460,567)	40,460,567

*includes Insurance contract liabilities

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises contractual expiry dates of the Group's contingent liabilities:

	Carrying amount QR'000	**Up to 3 months QR'000**	**3 months – 1 year QR'000**	**above 1 year QR'000**
31 December 2023				
Guarantees	**9,924,957**	**3,412,667**	**3,615,458**	**2,896,832**
Letters of credit	**1,747,622**	**434,228**	**1,283,344**	**30,050**
Unutilised credit facilities	**1,318,689**	**547,055**	**702,578**	**69,056**
Total	**12,991,268**	**4,393,950**	**5,601,380**	**2,995,938**

	Carrying amount QR'000	Up to 3 months QR'000	3 months – 1 year QR'000	Above 1 year QR'000
31 December 2022				
Guarantees	10,301,936	2,949,913	4,749,655	2,602,368
Letters of credit	2,233,659	741,568	1,454,605	37,486
Unutilised credit facilities	1,248,909	502,579	646,030	100,300
Total	13,784,504	4,194,060	6,850,290	2,740,154

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises the maturity profile of the Group's financial liabilities and derivatives at 31 December based on contractual undiscounted repayment obligations:

	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	Above 1 year QR'000
31 December 2023						
Non-derivative financial liabilities						
Due to banks	23,908,269	24,223,624	10,787,805	4,340,813	5,664,563	3,430,443
Customers deposits	51,572,773	52,246,897	18,838,930	14,476,404	13,426,506	5,505,057
Debt securities	2,588,373	2,687,226	767,858			1,919,368
Other borrowings	5,928,455	6,180,672	379	2,533,494	3,004,168	642,631
Other liabilities*	2,527,987	2,527,987	2,527,987	-	-	-
Total liabilities	86,525,857	87,866,406	32,922,959	21,350,711	22,095,237	11,497,499

*includes Insurance contract liabilities

Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

	Total QR'000	Up to 1 year QR'000	Above 1 year QR'000
Derivative financial instruments (FX forwards):			
Outflow	1,923,940	1,923,940	-
Inflow	5,334,681	5,334,681	-
Derivative financial instruments (interest swaps):			
Outflow	258,057	258,057	-
Inflow	707,175	707,175	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises the maturity profile of the Group's financial liabilities and derivatives at 31 December based on contractual undiscounted repayment obligations:

	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	Above 1 year QR'000
31 December 2022						
Non-derivative financial liabilities						
Due to banks	19,239,053	19,953,130	7,188,239	7,453,985	1,941,061	3,369,845
Customers deposits	50,129,735	50,410,555	21,506,150	11,700,139	13,418,972	3,785,294
Debt securities	2,516,493	2,662,413	-	-	-	2,662,413
Other borrowings	8,891,053	9,547,530	-	955,823	2,143,081	6,448,626
Other liabilities	2,672,657	2,672,657	2,672,657	-	-	-
Total liabilities*	83,448,991	85,246,285	31,367,046	20,109,947	17,503,114	16,266,178

*includes Insurance contract liabilities
Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

	Total QR'000	Up to 1 year QR'000	Above 1 year QR'000
Derivative financial instruments (FX forwards):			
Outflow	(3,711,885)	(3,663,338)	(48,547)
Inflow	11,920,081	8,209,631	3,710,450
Derivative financial instruments (interest swaps):			
Outflow	(24,625)	(24,625)	-
Inflow	733,593	733,593	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by Market Risk team. Regular reports are submitted to the Board of Directors and ALCO.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Financial Risk Management department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day review and monitoring.

The Group has adopted a detailed policy framework drafted in accordance with the Qatar Central Bank guidelines for governing investments portfolio including proprietary book. The governance structure includes policies including Treasury and Investment manual, Financial Risk policy and Hedging policy, etc. These policies define the limit structure along with the risk appetite under which the investment activities are undertaken. The limit's structure focuses on total investment limits which in accordance with QCB guidelines are 70% of Group's capital and reserves along with various sub limits such as position and stop loss limits for trading activities. The policies also define various structured sensitivity limits such as VaR and duration for different asset classes within the investment portfolio. The performance of the portfolio against these limits is updated regularly to senior management including ALCO and investment committee.

Investment Committee approve all the investment decision for the Group. Financial Risk Management department is vested with the responsibility of measuring, monitoring risk and reporting risk in the portfolio.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk

The principal risk to which the banking and 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 Treasury in its day-to-day monitoring activities.

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

Repricing in:

	Carrying amount QR'000	Less than 3 months QR'000	3-12 months QR'000	Above 1 year QR'000	Non-interest sensitive QR'000
31 December 2023					
Cash and balances with central banks	**4,842,101**	**1,164,113**	**-**	**-**	**3,677,988**
Due from banks	**5,496,929**	**4,196,986**	**857,885**	**-**	**442,058**
Loans and advances to customers	**58,009,676**	**56,155,171**	**688,510**	**-**	**1,165,995**
Investment securities	**30,386,048**	**2,526,961**	**2,114,049**	**24,918,182**	**826,856**
Other assets	**1,891,010**	**-**	**-**	**-**	**1,891,010**
Investment in an associate	**10,224**	**-**	**-**	**-**	**10,224**
Property, furniture and equipment	**619,229**	**-**	**-**	**-**	**619,229**
Total	**101,255,217**	**64,043,231**	**3,660,444**	**24,918,182**	**8,633,360**
Due to banks	**23,908,269**	**11,870,303**	**8,401,894**	**3,636,072**	**-**
Customers deposits	**51,572,773**	**30,177,532**	**12,279,859**	**1,481,774**	**7,633,608**
Debt securities	**2,588,373**	**767,623**	**1,820,750**	**-**	**-**
Other borrowings	**5,928,455**	**5,928,455**	**-**	**-**	**-**
Other liabilities*	**2,813,326**	**-**	**-**	**-**	**2,813,326**
Total equity	**14,444,021**	**-**	**-**	**4,000,000**	**10,444,021**
Total	**101,255,217**	**48,743,913**	**22,502,503**	**9,117,846**	**20,890,955**
Interest rate sensitivity gap	**-**	**15,299,318**	**(18,842,059)**	**15,800,336**	**(12,257,595)**
Cumulative interest rate sensitivity gap	**-**	**15,299,318**	**(3,542,741)**	**12,257,595**	**-**

*includes Insurance contract liabilities

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk (continued)

	Carrying amount QR'000	Less than 3 months QR'000	3-12 months QR'000	Above 1 year QR'000	Non-interest sensitive QR'000
31 December 2022					
Cash and balances with central banks	3,668,161	677,794	-	-	2,990,367
Due from banks	8,650,888	5,907,462	1,044,853	-	1,698,573
Loans and advances to customers	58,078,974	57,258,849	20,969	101,006	698,150
Investment securities	24,963,875	815,862	3,904,442	19,378,422	865,149
Other assets	1,608,546	-	-	-	1,608,546
Investment in an associate	9,898	-	-	-	9,898
Property, furniture and equipment	664,649	-	-	-	664,649
Total	97,644,991	64,659,967	4,970,264	19,479,428	8,535,332
Due to banks	19,239,053	13,453,491	2,319,478	3,466,084	-
Customers deposits	50,129,735	29,222,443	10,665,782	1,744,770	8,496,740
Debt securities	2,516,493	2,516,493	-	-	-
Other borrowings	8,891,053	8,621,251	269,802	-	-
Other liabilities*	2,789,849	-	-	-	2,789,849
Total equity	14,078,808	-	-	4,000,000	10,078,808
Total	97,644,991	53,813,678	13,255,062	9,210,854	21,365,397
Interest rate sensitivity gap	-	10,846,289	(8,284,798)	10,268,574	(12,830,065)
Cumulative interest rate sensitivity gap	-	10,846,289	2,561,491	12,830,065	-

*includes Insurance contract liabilities

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk (continued)

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bp) parallel fall or rise in all yield curves worldwide and a 10 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	10 bp parallel increase	10 bp parallel decrease
Sensitivity of net interest income		
At 31 December 2023	**28,053**	**(28,053)**
At 31 December 2022	14,203	(14,203)

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.

IBOR transation (Interest rate benchmark reforms)

A fundamental review and reform of major interest rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, lAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (IBOR") with an alternative Risk Free Rate ("RFR").

Management had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Bank has actively approached customers for awareness and led communication negotiations with affected counterparties. All of the impacted financial instruments have transitioned alternate reference rate. Impact on transition was QR 0.9 million.

In line with the regulatory guidance, the Group took necessary steps and completed transition on 30th June 2023 to alternative benchmarks.

Currency	**Benchmark Before Reform**	**Benchmark After Reform**	**31 December 2023**	**31 December 2022**
USD	USD LIBOR	SOFR	Completed	In progress
GBP	GBP LIBOR	SONIA	Completed	Completed
EURO	EONIA	ESTR	Completed	Completed
EURO	EURIBOR	EUROIBOR reformed	Completed	Completed
JPY	JPY LIBOR	TONAR / TORF	Completed	Completed
CHF	CHF LIBOR	SARON	Completed	Completed

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(iii) Exposure to other market risks

Currency risk

The Group is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intra-day positions, which are monitored daily. The Group had the following significant net exposures:

	2023 QR'000	2022 QR'000
Net foreign currency exposure:		
Pound Sterling	**43,292**	6,825
Euro	**81,403**	12,297
Kuwaiti Dinar	**35,838**	21,819
Japanese Yen	**127,414**	37,370
Other currencies	**246,340**	196,628

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a percentage increase or decrease in the Qatari Riyals against the relevant foreign currencies except for US Dollars which is pegged to the Qatari Riyal. The sensitivity analysis includes only outstanding foreign currency denominated items and the impact of a change in the exchange rates are as follows:

	Increase/ (decrease) in profit or loss	
	2023 QR'000	2022 QR'000
5% increase in currency exchange rate		
Pound Sterling	**2,165**	341
Euro	**4,070**	615
Kuwaiti Dinar	**1,792**	1,091
Japanese Yen	**6,371**	1,869
Other currencies	**12,317**	9,831

(iii) Exposure to other market risks

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The equity price risk exposure arises from equity securities classified as fair value through other comprehensive income and fair value through profit or loss.

The sensitivity analysis thereof is as follows:

	2023		2022	
	Effect on OCI QR'000	**Effect on income statement QR'000**	Effect on OCI QR'000	Effect on income statement QR'000
5% increase / (decrease) in Qatar Exchange	**± 15,872**	**-**	± 16,620	-
5% increase / (decrease) in Other than Qatar Exchange	**± 2,052**	**-**	± 1,530	-
	± 17,924	**-**	± 18,150	-

The above analysis has been prepared on the assumption that all other variables such as interest rate, foreign exchange rate, etc. are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Group has detailed policies and procedures that are regularly updated to ensure a robust internal control mechanism. The Group closely reviews the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation. The Group continues to invest in risk management and mitigation strategies, such as a robust control infrastructure, business continuity management or through risk transfer mechanisms such as insurance and outsourcing.

The Group has a well-defined Operational Risk Management Framework and an independent operational risk function. The Operational Risk Management Committee oversees the implementation of an effective risk management framework that encompasses appropriate systems, practices, policies and procedures to ensure the effectiveness of risk identification, measurement, assessment, reporting and monitoring within the group.

In addition, the Internal Audit department carries out an independent assessment and provides assurance of the actual functioning of the overall Operational Risk Management Framework.

The Group manages operational risk based on a framework that enables the determination of operational risk profile of business units and how it relates to risk measurement, risk mitigation and priorities.

The Group has its business continuity plan and developed response and recovery plans as part of five phases of its crisis management response to address the business disruption caused by the global pandemic on its operations and financial performance.

A number of techniques are applied to effectively manage the operational risk across the Group. These include:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, introduction process of new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by the Group to manage Group-wide operational risk;
- Reporting of any operational risk event, which is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are analyzed, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors; and
- Introduction of a bottom-up 'Control Risk Self-Assessment' across business and support units including subsidiaries and overseas branches. This approach results in detailed understanding of inherent and residual risks with evaluation of controls across the Group. Therefore, it enhances the determination of specific operational risk profile for the business and support units while corrective action points are captured and the changes of the operational risk profile are monitored on an ongoing basis.

(f) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly motor, fire and general accident, medical, marine and aviation risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire and general accident Property

For property insurance contracts the main risks are fire and business interruption. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has obtained necessary reinsurance covers to limit losses from individual claims.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Insurance risk (continued)

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Group has reinsurance cover for such claims to limit losses for any individual claim exceeding QR 500,000. The level of court awards for. deaths and to injured parties and the replacement costs of and repairs to motor vehicles are the key factors that influence the level of claims.

Marine and aviation

For marine and aviation insurance the main risks are loss or damage to marine hull, aviation craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine and aviation class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.The Group has obtained necessary reinsurance covers to limit losses from individual claims.

Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Concentration risk

The Group's insurance risk relates to policies written in the State of Qatar only.

Sources of uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, an element of the claims provision relates to incurred but not reported claims (IBNR) which are settled over a short to medium term period.

There are several variables that affect the amount and timing of cash flows from these contracts, these mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for the loss suffered by the policy holders or third parties (for third party liability covers).

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid as at the statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) 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.

The Group has complied with all its covenants from its financing arrangements wherever applicable.

The Group's regulatory capital position under Basel Ill and QCB regulations at 31 December was as follows:

	2023	2022
	QR'000	QR'000
Common Equity Tier 1 Capital	**10,134,433**	9,748,817
Additional Tier 1 Capital	**4,000,000**	4,000,000
Additional Tier 2 Capital	**898,413**	839,795
Total Eligible Capital	**15,032,846**	14,588,612

Risk weighted assets

	2023	2022
	QR'000	QR'000
Total risk weighted assets for credit risk	**71,652,702**	66,933,111
Risk weighted assets for market risk	**602,250**	444,351
Risk weighted assets for operational risk	**5,839,029**	5,797,199
Total risk weighted assets	**78,093,981**	73,174,661

	2023	2022
	QR'000	QR'000
Regulatory capital	**15,031,248**	14,588,612
Common equity tier 1 (CET1) ratio	**12.98%**	13.32%
Tier 1 Capital Ratio	**18.10%**	18.79%
Total capital adequacy ratio	**19.25%**	19.94%

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Capital management (continued)

The minimum requirements for Capital Adequacy Ratio under Basel Ill as per QCB regulations are as follows:

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Total 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
31 December 2023						
Actual	**12.98%**	**12.98%**	**18.10%**	**19.25%**	**19.25%**	**19.25%**
Minimum QCB limit	**6.00%**	**8.50%**	**10.50%**	**12.50%**	**12.50%**	**13.50%**
31 December 2022						
Actual	13.32%	13.32%	18.79%	19.94%	19.94%	19.94%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	12.50%	13.50%

5 USE OF ESTIMATES AND JUDGEMENTS

(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) Impairment 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 / Impairment, refer to note 4(b)(v).

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Where the fair values of financial assets and financial liabilities 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 markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting judgement 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: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuation techniques

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The group values investment in equity classified as level 3 based on the net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/ historical financial information.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group’s own credit risk.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(ii) Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities measured at fair value.

Quantitative disclosures fair value measurement hierarchy for financial assets and liabilities as at 31 December 2023:

	Date of valuation	**Level 1 QR'000**	**Level 2 QR'000**	**Level 3 QR'000**	**Total QR'000**
Financial assets measured at fair value:					
Investment securities measured at FVOCI	**31 Dec 2023**	**19,906,433**	**2,973,260**	**46,330**	**22,926,023**
Investment securities measured at FVTPL	**31 Dec 2023**	**26,992**	**-**	**-**	**26,992**
Derivative instruments:					
Interest rate swaps	**31 Dec 2023**	**-**	**707,175**		**707,175**
Forward foreign exchange contracts	**31 Dec 2023**	**-**	**76,817**		**76,817**
		19,933,425	**3,757,252**	**46,330**	**23,737,007**
Financial liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	**31 Dec 2023**	**-**	**258,057**	**-**	**258,057**
Forward foreign exchange contracts	**31 Dec 2023**	**-**	**27,282**	**-**	**27,282**
		-	**285,339**	**-**	**285,339**

There have been no transfers between Level 1, level 2 and Level 3 fair value measurement during the year.

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

	Date of valuation	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000	Total QR'000
Financial assets measured at fair value:					
Investment securities measured at FVOCI	31 Dec 2022	11,670,793	4,238,260	46,465	15,955,518
Investment securities measured at FVTPL	31 Dec 2022	19,198	-	6,280	25,478
Derivative instruments:					
Interest rate swaps	31 Dec 2022	-	733,593	-	733,593
Forward foreign exchange contracts	31 Dec 2022	-	394,667	-	394,667
		11,689,991	5,366,520	52,745	17,109,256
Financial liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2022	-	24,625	-	24,625
Forward foreign exchange contracts	31 Dec 2022	-	92,567	-	92,567
		-	117,192	-	117,192

During the reporting period 31 December 2023 and 31 December 2022, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(ii) Fair value measurement (continued)

Under level 3, the Group has designated FVOCI investments in a small portfolio of unlisted equity securities of non banking financial institution.

The Group chose this presentation alternative because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

The Management assumes that the fair value of financial assets and liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investment securities carried at amortised cost for which the fair value amounts to QR 7,270 million (2022: QR 8,781 million), which is derived using level 1 fair value hierarchy.

(iii) 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 3 (e) for further information.

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

(iv) Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as fair value hedges, the Group has determined that the hedged interest rate exposure relates to highly probable future cash flows.

(v) ECL / Impairment of investments in debt securities

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

(vi) Going concern

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

(vii) 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.

(viii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

6 OPERATING SEGMENTS

The Group organizes and manages its operations by two business segments, which comprise conventional banking and insurance activities.

Conventional Banking

- Corporate Banking provides a range of product and service offerings to business and corporate customers including funded and non-funded credit facilitates deposits to corporate customers. It also undertakes funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Retail Banking provides a diversified range of products and services to individuals. The range includes loans, credit cards, deposits and other transactions with retail customers.

Insurance Activities

Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment contribution, assets and liabilities, as included in the internal management reports that are reviewed by the management. Segment contribution is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

6 OPERATING SEGMENTS (CONTINUED)

(a) By operating segment

Details of each segment as of and for the year ended 31 December 2023 are stated below:

	2023					
	Corporate Banking QR'000	Retail Banking QR'000	Unallocated QR'000	Total QR'000	Insurance QR'000	Total QR'000
Net Interest income	1,974,880	172,663	-	2,147,543	-	2,147,543
Net Income from insurance activities					69,119	69,119
Net other operating income	377,278	217,187	19,544	614,009	(1,869)	612,140
Segmental revenue	2,352,158	389,850	19,544	2,761,552	67,250	2,828,802
Total expense				(1,207,939)	5,181	(1,202,758)
Net reversal on impairment of investment securities	4,222	-	-	4,258	(36)	4,222
Net impairment loss on loans and advances to customers	(837,625)	(54,735)	-	(892,360)	-	(892,360)
Net impairment loss on other financial facilities	(31,017)	-	-	31,017	-	31,017
Segmental profit				696,528	72,395	768,923
Share of results of the associate						555
Net profit for the year						769,478
Other information						
Assets	89,421,743	4,189,063	7,352,340	100,963,146	281,847	101,244,993
Investments in an associate	-	-	-	-	-	10,224
Total assets						101,255,217
Liabilities	75,076,117	10,318,957	1,310,479	86,705,553	105,643	86,811,196
Contingent liablities	12,842,803	148,465	-	12,991,268	-	12,991,268

Intra-group transactions are eliminated from this segmental information as at 31 December 2023 as follows: Assets: QR 151.1 million and Liabilities: QR 51.1 million (2022: Assets: QR 143.1 million and liabilities QR 43.1 million).

6 OPERATING SEGMENTS (CONTINUED)

(a) By operating segment (continued)

	2022					
	Corporate Banking QR'000	Retail Banking QR'000	Unallocated QR'000	Total QR'000	Insurance QR'000	Total QR'000
Net Interest income	2,147,939	174,423	-	2,322,362	-	2,322,362
Net loss from insurance activities	-	-	-	-	(366)	(366)
Net other operating income	310,605	240,921	37,735	589,261	(2,621)	586,640
Segmental revenue	2,458,544	415,344	37,735	2,911,623	(2,987)	2,908,636
Total expense				(950,993)	8,656	(942,337)
Net reversal on impairment of investment securities	24,820	-		24,820	-	24,820
Net impairment loss on loans and advances to customers	(938,302)	(31,368)	-	(969,670)	-	(969,670)
Net impairment loss on other financial facilities	(256,311)	-	-	(256,311)	-	(256,311)
Segmental profit				759,469	5,669	765,138
Share of results of the associate						237
Net profit for the year						765,375
Other information						
Assets	86,818,302	4,687,685	5,941,356	97,447,343	187,750	97,635,093
Investments in an associate						9,898
Total assets						97,644,991
Liabilities	71,859,482	10,409,669	1,212,245	83,481,396	84,787	83,566,183
Contingent liablities	13,749,875	34,629	-	13,784,504	-	13,784,504

6 OPERATING SEGMENTS (CONTINUED)

(b) Geographical areas

The following table shows the geographic distribution of the Group's operating income based on the geographical location of where the business is booked by the Group.

	Qatar QR'000	**Other GCC QR'000**	**India QR'000**	**Total QR'000**
2023				
Net operating income	**2,693,204**	**111,071**	**24,527**	**2,828,802**
Net profit	**966,261**	**(206,811)**	**10,028**	**769,478**
Total assets	**95,331,715**	**5,333,282**	**590,220**	**101,255,217**
Total liabilities	**81,843,248**	**4,533,811**	**434,137**	**86,811,196**

	Qatar QR'000	Other GCC QR'000	India QR'000	Total QR'000
2022				
Net operating income	2,779,339	88,761	40,536	2,908,636
Net profit / (loss)	854,638	(106,690)	17,427	765,375
Total assets	93,036,983	4,060,714	547,294	97,644,991
Total liabilities	79,867,140	3,296,651	402,392	83,566,183

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. The Group’s financial liabilities accounted at amortised cost approximate fair values.

	Fair value through profit or loss			Fair Value through other comprehensive income		Amortised cost	Total carrying amount	Fair value
	Debt QR’000	Equity QR’000	Derivatives QR’000	Debt QR’000	Equity QR’000	QR’000	QR’000	QR’000
31 December 2023								
Cash and balances with central banks	-	-	-	-	-	4,842,101	4,842,101	4,842,101
Due from banks	-	-	-	-	-	5,496,929	5,496,929	5,496,929
Positive fair value of derivatives	-	-	783,992	-	-	-	783,992	783,992
Loans and advances to customers	-	-	-	-	-	58,009,676	58,009,676	58,009,676
Investment securities:								
Measured at fair FVOCI	-		-	22,126,159	799,864	-	22,926,023	22,926,023
Measured at fair FVTPL	-	26,992	-	-	-	-	26,992	26,992
Measured at amortised cost	-	-	-	-	-	7,436,793	7,436,793	7,269,602
Other assets	-	-	-	-	-	984,450	984,450	984,450
	-	26,992	783,992	22,126,159	799,864	76,769,949	100,506,956	100,339,765
Negative fair value of derivatives	-	-	285,339	-	-	-	285,339	285,339
Due to banks	-	-	-	-	-	23,908,269	23,908,269	23,908,269
Customers deposits	-	-	-	-	-	51,572,773	51,572,773	51,572,773
Debt securities	-	-	-	-	-	2,588,373	2,588,373	2,588,373
Other borrowings	-	-	-	-	-	5,928,455	5,928,455	5,928,455
Other liabilities*	-	-	-	-	-	1,924,220	1,924,220	1,924,220
	-		285,339	-	-	85,922,090	86,207,429	86,207,429

*includes Insurance contract liabilities

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. The Group's financial liabilities accounted at amortised cost approximate fair values.

	Fair value through profit or loss			Fair Value through other comprehensive income		Amortised cost	Total carrying amount	Fair value
	Debt	Equity	Derivatives	Debt	Equity			
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
31 December 2022								
Cash and balances with central banks	-	-	-	-	-	3,668,161	3,668,161	3,668,161
Due from banks	-	-	-	-	-	8,650,888	8,650,888	8,650,888
Positive fair value of derivatives	-	-	1,128,260	-	-	-	1,128,260	1,128,260
Loans and advances to customers	-	-	-	-	-	58,078,974	58,078,974	58,078,974
Investment securities:								
Measured at fair FVOCI	-	-	-	15,115,847	839,671	-	15,955,518	15,955,518
Measured at fair FVTPL	-	25,478	-	-	-	-	25,478	25,478
Measured at amortised cost	-	-	-	-	-	8,982,879	8,982,879	8,780,637
Other assets	-	-	-	-	-	258,031	258,031	258,031
	-	25,478	1,128,260	15,115,847	839,671	79,638,933	96,748,189	96,545,947
Negative fair value of derivatives	-	-	117,192	-	-	-	117,192	117,192
Due to banks	-	-	-	-	-	19,239,053	19,239,053	19,239,053
Customers deposits	-	-	-	-	-	50,129,735	50,129,735	50,129,735
Debt securities	-	-	-	-	-	2,516,493	2,516,493	2,516,493
Other borrowings	-	-	-	-	-	8,891,053	8,891,053	8,891,053
Other liabilities*	-	-	-	-	-	2,141,493	2,141,493	2,141,493
	-	-	117,192	-	-	82,917,827	83,035,019	83,035,019

*includes Insurance contract liabilities

8 CASH AND BALANCES WITH CENTRAL BANKS

	2023 QR'000	2022 QR'000
Cash	**500,453**	599,847
Cash reserve with QCB*	**3,132,277**	2,345,767
Cash reserve with other central banks*	**45,258**	44,753
Other balances with central banks	**1,164,113**	677,794
	4,842,101	3,668,161

* Cash reserve with QCB and other central banks are mandatory reserves that are not available for use in the Group's day to day operations.

9 DUE FROM BANKS

	2023 QR'000	2022 QR'000
Current accounts	**433,240**	1,692,376
Placements	**1,949,110**	3,730,166
Loans to banks	**3,126,704**	3,242,759
Interest receivable	**8,818**	6,197
Impairment / Allowance for expected credit losses	**(20,943)**	(20,610)
	5,496,929	8,650,888

10 LOANS AND ADVANCES TO CUSTOMERS

(a) By type

	2023 QR'000	2022 QR'000
Loans	**58,210,082**	55,484,787
Overdrafts	**2,983,554**	5,670,274
Acceptances	**402,143**	185,633
Bills discounted	**31,602**	70,384
Other	**171,127**	115,458
	61,798,508	61,526,536
(Note-i)		
Less:		
Deferred profit	**(2,794)**	(2,818)
Expected credit losses on performing loans and advances to customers - (Stage 1 and 2)	**(1,092,200)**	(1,049,559)
Allowance for impairment on non performing loans and advances to customers - (Stage 3)	**(2,013,666)**	(1,731,811)
Interest in suspense	**(680,172)**	(663,374)
Net loans and advances to customers	**58,009,676**	58,078,974

The aggregate amount of non-performing loans and advances to customers amounted QR 4,550 million, which represents 7.36% of total loans and advances to customers (2022: QR 3,957 million, 6.43% of total loans and advances to customers).

During the year, the Group has written-off fully provided non-performing loans amounting to QR 924 million (2022: QR 869 million) as per Qatar Central Bank circular no. 68/2011 and in line with IFRS Accounting Standards requirements.

Specific impairment of loans and advances to customers includes QR 680 million of interest in suspense (2022: QR 663 million).

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(a) By type (continued)

Note-i:

	2023 QR'000	2022 QR'000
Government and related agencies	**736,649**	4,123,225
Corporate	**53,486,084**	50,121,225
Retail	**7,575,775**	7,282,086
	61,798,508	61,526,536

(b) By industry

	Loans QR'000	**Overdrafts QR'000**	**Bills discounted QR'000**	**Other QR'000**	**Total QR'000**
At 31 December 2023					
Government and related agencies	**734,227**	**2,422**	**-**	**-**	**736,649**
Non-banking financial institutions	**425,160**	**60,721**	**-**	**-**	**485,881**
Industry	**206,757**	**15,457**	**21,935**	**408**	**244,557**
Commercial	**11,222,975**	**1,311,186**	**8,732**	**391,695**	**12,934,588**
Services	**11,507,324**	**293,764**	**449**	**-**	**11,801,537**
Contracting	**5,160,758**	**594,885**	**-**	**10,040**	**5,765,683**
Real estate	**21,075,072**	**307,623**	**-**	**-**	**21,382,695**
Personal	**7,242,760**	**333,015**	**-**	**-**	**7,575,775**
Others	**635,049**	**64,481**	**486**	**171,127**	**871,143**
	58,210,082	**2,983,554**	**31,602**	**573,270**	**61,798,508**
Less: Deferred profit					**(2,794)**
Net impairment of loans and advances to customers including interest in suspense					**(3,786,038)**
					58,009,676

	Loans QR'000	Overdrafts QR'000	Bills discounted QR'000	Other QR'000	Total QR'000
At 31 December 2022					
Government and related agencies	1,326,967	2,796,258	-	-	4,123,225
Non-banking financial institutions	644,526	40,822	-	-	685,348
Industry	218,678	7,328	62,968	914	289,888
Commercial	11,174,150	1,144,655	3,223	176,692	12,498,720
Services	9,204,702	264,457	-	-	9,469,159
Contracting	5,266,327	623,348	-	7,072	5,896,747
Real estate	20,058,543	332,679	-	-	20,391,222
Personal	6,906,186	375,900	-	-	7,282,086
Others	684,708	84,827	4,193	116,413	890,141
	55,484,787	5,670,274	70,384	301,091	61,526,536
Less: Deferred profit					(2,818)
Net impairment of loans and advances to customers including interest in suspense					(3,444,744)
					58,078,974

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movement in ECL / impairment loss on loans and advances to customers

	2023 QR'000	2022 QR'000
Balance at 1 January	**3,444,744**	2,965,012
Foreign currency translation	**4,526**	(1,619)
Net charge for the year	**1,347,790**	1,405,692
Recoveries on credit impaired loans during the year	**(65,252)**	(47,045)
Net impairment losses recorded during the year ,.	**1,282,538**	1,358,647
Written off/transfers during the year	**(945,770)**	(877,296)
Balance at 31 December	**3,786,038**	3,444,744

The movement includes the effect of interest suspended on loans and advances to customers amounting to QR 303 million during the year (2022: QR 328 million).

The net impairment loss on loans and advances to customers in the income statements includes QR 87.0 million recovery from the loans and advances previously written off for the year ended 31 December 2023 (2022: QR 61.2 million).

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Movement in impairment loss on loans and advances to customers- sector wise

Reconciliations of the allowance for impairment losses for loans and advances to customers, by class, is as follows:

	Corporate lending			**SME lending**			**Retail lending**			**Real estate mortgage lending**			**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**	**Stage 1 QR'000**	**Stage 2 QR'000**	**Stage 3 QR'000**	**Stage 1 QR'000**	**Stage 2 QR'000**	**Stage 3 QR'000**
		Performing	**Credit impaired**		**Performing**	**Credit impaired**		**Performing**	**Credit impaired**		**Performing**	**Credit impaired**		**Performing**	**Credit impaired**
2023															
Balance at 1 January 2023	**30,343**	**730,454**	**2,043,602**	**645**	**13,869**	**85,601**	**20,939**	**36,134**	**123,786**	**33,857**	**183,318**	**142,196**	**85,784**	**963,775**	**2,395,185**
Transfer between stages	**8,018**	**(42,581)**	**103,599**	**(422)**	**(6,964)**	**(10,045)**	**(7,622)**	**(18,687)**	**54,746**	**28**	**68,232**	**(186,414)**	**2**	**-**	**(38,114)**
Net charge for the year	**11,751**	**206,965**	**1,088,668**	**(6)**	**10,109**	**86,421**	**(3,808)**	**(5,403)**	**68,275**	**(1,468)**	**(175,501)**	**104,425**	**6,469**	**36,170**	**1,347,790**
Recoveries on credit impaired loans during the year	**-**	**-**	**(40,188)**	**-**	**-**	**(2,898)**			**(16,463)**			**(5,703)**	**-**	**-**	**(65,252)**
Net impairment losses recorded during the year	**19,769**	**164,384**	**1,152,079**	**(428)**	**3,145**	**73,478**	**(11,430)**	**(24,090)**	**106,558**	**(1,440)**	**(107,269)**	**(87,692)**	**6,471**	**36,170**	**1,244,423**
Written off/transfers during the year	**-**	**-**	**(817,161)**	**-**	**-**	**(29,878)**	**-**	**-**	**(67,807)**	**-**	**-**	**(30,924)**	**-**	**-**	**(945,770)**
Balance at 31 December 2023	**50,112**	**894,838**	**2,378,520**	**217**	**17,014**	**129,201**	**9,509**	**12,044**	**162,537**	**32,417**	**76,049**	**23,580**	**92,255**	**999,945**	**2,693,838**

	Corporate lending			SME lending			Retail lending			Real estate mortgage lending			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	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000	Stage 1 QR'000	Stage 2 QR'000	Stage 3 QR'000
		Performing	Credit impaired		Performing	Credit impaired		Performing	Credit impaired		Performing	Credit impaired		Performing	Credit impaired
2022															
Balance at 1 January 2022	68,019	646,018	1,571,362	1,271	6,516	44,367	32,874	44,893	244,178	44,545	154,870	106,099	146,709	852,297	1,966,006
Transfer between stages	(41,841)	(70,272)	16,961	(691)	(33)	(45,134)	(11,935)	(8,759)	39,563	(13,759)	(72,125)	(11,055)	(68,226)	(151,189)	335
Net charge for the year	4,165	154,708	1,161,615	65	7,386	94,630	-	-	18,704	3,071	100,573	78,236	7,301	262,667	1,353,185
Recoveries on credit impaired loans during the year	-	-	(10,341)	-	-	(4,962)	-	-	(31,582)	-	-	(160)	-	-	(47,045)
Net impairment losses recorded during the year	(37,676)	84,436	1,168,235	(626)	7,353	44,534	(11,935)	(8,759)	26,685	(10,688)	28,448	67,021	(60,925)	111,478	1,306,475
Written off/transfers during the year	-	-	(695,995)	-	-	(3,300)	-	-	(147,077)	-	-	(30,924)	-	-	(877,296)
Balance at 31 December 2022	30,343	730,454	2,043,602	645	13,869	85,601	20,939	36,134	123,786	33,857	183,318	142,196	85,784	963,775	2,395,185

11 INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	2023 QR'000	2022 QR'000
Investment Securities measured at FVOCI* (a)	**22,716,872**	15,795,853
Investment Securities measured at FVTPL (b)	**26,992**	25,478
Investment Securities measured at amortised cost (c)	**7,379,052**	8,922,777
Interest receivable	**268,194**	227,682
	30,391,110	24,971,790
Net Impairment losses (ECL) on investment securities measured at amortised cost	**(5,062)**	(7,915)
Total	**30,386,048**	24,963,875

*Includes QR 3.9 million ECL on debt securities (2022: QR 10.2 million)

The Group has pledged State of Qatar Bonds amounting to QR 7,893 million (2022: QR 6,288 million) against repurchase agreements. The Counter party to the repo arrangements have recourse to the transferred assets only.

Investment securities at FVOCI with a carrying value of QR 17,117 million (2022: QR 8,829 million) have been designated in a fair value hedging arrangement through interest rate swap derivative.

(a) Fair Value Through Other Comprehensive Income

	2023		
	Quoted QR'000	**Unquoted QR'000**	**Total QR'000**
Equities	**753,534**	**46,330**	**799,864**
State of Qatar debt securities	**12,469,840**	**-**	**12,469,840**
Other debt securities	**9,447,168**	**-**	**9,447,168**
	22,670,542	**46,330**	**22,716,872**

	2022		
	Quoted QR'000	Unquoted QR'000	Total QR'000
Equities	793,206	46,465	839,671
State of Qatar debt securities	9,411,030	-	9,411,030
Other debt securities	5,545,152	-	5,545,152
	15,749,388	46,465	15,795,853

(b) Fair Value Through Profit or Loss

	2023		
	Quoted QR'000	**Unquoted QR'000**	**Total QR'000**
Mutual funds and equities	**26,992**	**-**	**26,992**
	26,992	**-**	**26,992**

	2022		
	Quoted QR'000	Unquoted QR'000	Total QR'000
Mutual funds and equities	19,198	6,280	25,478
	19,198	6,280	25,478

11 INVESTMENT SECURITIES (continued)

(c) Amortised Cost

	2023		
	Quoted QR'000	**Unquoted QR'000**	**Total QR'000**
By Issuer			
State of Qatar debt securities	**6,649,987**	**-**	**6,649,987**
Other debt securities	**449,730**	**279,335**	**729,065**
Net impairment loss	**(1,266)**	**(36)**	**(1,302)**
	7,098,451	**279,299**	**7,377,750**
By Interest Rate			
Fixed rate securities	**7,098,451**	**279,299**	**7,377,750**
Floating rate securities	**-**	**-**	**-**
	7,098,451	**279,299**	**7,377,750**

	2022		
	Quoted QR'000	Unquoted QR'000	Total QR'000
By Issuer			
State of Qatar debt securities	8,030,130	-	8,030,130
Other debt securities	497,961	394,686	892,647
Net impairment loss	(7,911)	(4)	(7,915)
	8,520,180	394,682	8,914,862
By Interest rate			
Fixed rate securities	8,520,180	394,682	8,914,862
Floating rate securities	-	-	-
	8,520,180	394,682	8,914,862

(d) Movement in ECL / impairment losses on investment securities

	2023 QR'000	2022 QR'000
Balance at 1 January	**7,915**	8,114
Provision for impairment loss created during the year	**(-2,853)**	(199)
Write off during the year	**-**	-
Balance at 31 December	**5,062**	7,915

The ECL for corporate Bond amounting to QR 1.3 million as at 31 December 2023 (2022: QR 1.4 million).

12 OTHER ASSETS

	2023 QR'000	2022 QR'000
Prepaid expenses	**33,634**	40,094
Repossessed collateral*	**88,085**	88,085
Positive fair value of derivatives (note 35)	**783,992**	1,128,260
Deferred tax asset	**849**	94,076
Sundry debtors	**1,361**	729
Collateral margin	**816,069**	91,675
Others	**167,020**	165,627
	1,891,010	1,608,546

* This represents the value of the properties acquired in settlement of debts. The fair values of these properties as at 31 December 2023 are not materially different from the carrying values.

13 INVESTMENT IN AN ASSOCIATE

	2023 QR'000	2022 QR'000
Balance at 1 January	**9,898**	10,758
Foreign currency translation	**(229)**	(1,097)
Share of results	**555**	237
Balance at 31 December	**10,224**	9,898

Name of the Company	Associates/Joint venture	Country	Company's Activities	Ownership % 2023	Ownership % 2022
Doha Brokerage and Financial Services	Associates	India	Brokerage and asset management	40.01%	44.02%

The financial position and results of the associate based on the latest audited financial statement for the year ended 31 March 2023 are as follows:

	2023 QR'000	2022 QR'000
31 December		
Total assets	**73,355**	73,874
Total liabilities	**55,088**	58,011
Total revenue	**14,585**	14,645
Profit	**1,387**	539
Share of profit	**555**	237

14 PROPERTY, FURNITURE AND EQUIPMENT

	Land and buildings QR'000	Leasehold improvements QR'000	Furniture and equipment QR'000	Vehicles QR'000	Work in progress QR'000	Total QR'000
Cost:						
Balance as at 1 January 2023	**1,140,097**	**206,906**	**596,631**	**15,037**	**31,309**	**1,989,980**
Additions / transfers	**39,090**	**13,275**	**11,713**	**632**	**(19,872)**	**44,838**
Capitalization WIP	**-**	**-**	**-**	**-**	**-**	**-**
Disposals / write-off	**-**	**(7,578)**	**(4,486)**	**(539)**	**-**	**(12,603)**
Balance at 31 December 2023	**1,179,187**	**212,603**	**603,858**	**15,130**	**11,437**	**2,022,215**
Depreciation:						
Balance as at 1 January 2023	**561,852**	**198,499**	**554,661**	**10,319**	**-**	**1,325,331**
Additions / transfers	**63,197**	**6,607**	**18,524**	**1,047**	**-**	**89,375**
Disposals / write-off	**-**	**(5,968)**	**(5,213)**	**(539)**	**-**	**(11,720)**
Balance at 31 December 2023	**625,049**	**199,138**	**567,972**	**10,827**	**-**	**1,402,986**
Net Book Value						
Balance at 31 December 2023	**554,138**	**13,465**	**35,886**	**4,303**	**11,437**	**619,229**

14 PROPERTY, FURNITURE AND EQUIPMENT (continued)

	Land and buildings QR'000	Leasehold improvements QR'000	Furniture and equipment QR'000	Vehicles QR'000	Work in progress QR'000	Total QR'000
Cost:						
Balance as at 1 January 2022	1,077,437	206,256	587,601	14,946	29,038	1,915,278
Additions / transfers	62,660	674	9,521	157	-	73,012
Capitalization WIP	-	-	-	-	2,271	2,271
Disposals / write-off	-	(24)	(491)	(66)	-	(581)
Balance at 31 December 2022	1,140,097	206,906	596,631	15,037	31,309	1,989,980
Depreciation:						
Balance as at 1 January 2022	495,248	189,676	531,679	9,402	-	1,226,005
Additions / transfers	66,604	8,847	23,473	979	-	99,903
Disposals / write-off	-	(24)	(491)	(62)	-	(577)
Balance at 31 December 2022	561,852	198,499	554,661	10,319	-	1,325,331
Net Book Value						
Balance at 31 December 2022	578,245	8,407	41,970	4,718	31,309	664,649

The Group leases branches, ATM machines, vehicles and computer equipment. Information about leases for which the Group is a lessee is presented below.

	Land and buildings QR'000	**Furniture and equipment QR'000**	**Vehicles QR'000**	**Total QR'000**
At 31 December 2023				
Right-of-use asset at 1 January	**198,746**	**349**	**4,248**	**203,343**
Additions	**22,256**	**98**	**528**	**22,882**
Depreciation charge for the year	**(31,852)**	**(419)**	**(878)**	**(33,149)**
Balance at 31 December	**189,150**	**28**	**3,898**	**193,076**

	Land and buildings QR'000	Furniture and equipment QR'000	Vehicles QR'000	Total QR'000
At 31 December 2022				
Right-of-use asset at 1 January	170,996	847	4,960	176,803
Additions	62,963	134	73	63,170
Depreciation charge for the year	(35,213)	(632)	(785)	(36,630)
Balance at 31 December	198,746	349	4,248	203,343

15 DUE TO BANKS

	2023 QR'000	2022 QR'000
Current accounts	**110,726**	289,383
Short-term loan from banks	**12,101,410**	11,385,181
Repo borrowings	**11,552,974**	7,501,110
Interest payable	**143,159**	63,379
	23,908,269	19,239,053

16 CUSTOMERS DEPOSITS

(a) By type

	2023 QR'000	2022 QR'000
Current and call deposits	**8,598,684**	9,637,664
Saving deposits	**2,623,230**	2,809,074
Time deposits	**39,886,809**	37,405,969
Interest payable	**464,050**	277,028
	51,572,773	50,129,735

(b) By sector

	2023 QR'000	2022 QR'000
Government and semi government agencies	**22,384,230**	15,788,728
Individuals	**10,936,605**	11,186,281
Corporates	**16,547,175**	21,984,441
Non-banking financial institutions	**1,240,713**	893,257
Interest payable	**464,050**	277,028
	51,572,773	50,129,735

17 DEBT SECURITIES

The Group has issued senior guaranteed unsecured debt notes as follows:

	2023 QR'000	2022 QR'000
Senior guaranteed notes	**2,573,737**	2,502,281
Interest payable	**14,636**	14,212
	2,588,373	2,516,493

Note
The Group has issued 500 million and CHF 175 million as at 31 December 2023 (2022: USD 500 million and CHF 175 million) senior unsecured debt under its updated EMTN programme.

The maturities of senior guarantees notes ranged from 2 years to 5 years (2022: 2 years to 5 years) and carries average fixed borrowing costs of 0.47% up to 2.38% per annum (2022: 0.47% up to 2.38% per annum).

The table below shows movement of the debt securities issued by the Group as at the end of the reporting period:

	2023 QR'000	2022 QR'000
Balance as at 1 January	**2,516,493**	1,891,734
Issuances/revaluation during the year	**54,416**	688,485
Net Repayments/amortization	**2,828**	(77,938)
Interest payable	**14,636**	14,212
	2,588,373	2,516,493

The table below shows the maturity profile of the debt securities outstanding as at the end of the reporting period.

	2023 QR'000	2022 QR'000
Years of maturity		
2024	**757,113**	688,486
2026	**1,831,260**	1,828,007
Total	**2,588,373**	2,516,493

18 OTHER BORROWINGS

	2023 QR'000	2022 QR'000
Term loan facilities	**5,810,413**	8,813,410
Interest payable	**118,042**	77,643
	5,928,455	8,891,053

The term loan facilities are mainly denominated in USD and carry average borrowing costs of 6.16% up to 6.49% per annum (2022: 3.93% up to 5.96% per annum).

The table below shows movement of the debt securities issued by the Group as at the end of the reporting period:

	2023 QR'000	2022 QR'000
Balance as at 1 January	**8,891,053**	9,737,521
Additions during the year	**309,528**	852,111
Repayments/renewed during the year	**(3,390,168)**	(1,776,222)
Interest payable	**118,042**	77,643
	5,928,455	8,891,053

The table below shows the maturity profile of other borrowings outstanding at the end of the reporting period

	2023 QR'000	2022 QR'000
Up to 1 year	**5,437,262**	2,851,469
Between 1 and 3 years	**491,193**	5,493,558
More than 3 years	**-**	546,026
	5,928,455	8,891,053

The table below shows the maturity profile of the other borrowings outstanding as at the end of the reporting period.

	2023 QR'000	2022 QR'000
Years of maturity		
2023	**5,437,262**	2,851,469
2024	**491,193**	5,311,876
2025	**-**	181,682
2026	**-**	546,026
Total	**5,928,455**	8,891,053

19 OTHER LIABILITIES

	2023 QR'000	2022 QR'000
Accrued expense payable	**68,657**	63,046
Provision for end of service benefits (note-i)	**160,840**	159,191
Staff provident fund	**33,420**	40,540
Tax payable	**5,890**	3,289
Negative fair value of derivatives (note 35)	**285,339**	117,192
Unearned income	**124,277**	132,055
Cash margins	**479,490**	399,109
Dividend payable	**23,636**	24,102
Unclaimed balances	**8,760**	13,477
Proposed transfer to social and sport fund	**19,237**	19,134
Lease liabilities (note-ii)	**202,186**	206,384
Allowance for Impairment for loan commitments and financial guarantees	**556,200**	569,366
Due in relation to acceptance	**402,143**	185,633
Others	**366,315**	796,528
Total	**2,736,390**	2,729,046

Note-i – Provision for end of service benefits

Movement of provision for end of service benefits was as follows:

	2023 QR'000	2022 QR'000
Balance at 1 January	**159,191**	147,963
Provision for the year	**21,246**	22,442
Provisions used during the year	**(19,597)**	(11,214)
Balance at 31 December	**160,840**	159,191

Note ii – Lease liabilities

The table below shows the maturity profile of lease liabilities:

	2023 QR'000	2022 QR'000
Upto 1 year	**40,357**	40,633
Above 1 year	**161,829**	165,751
Total	**202,186**	206,384

20 EQUITY

(a) Share capital

	Ordinary shares	
	2023 QR'000	2022 QR'000
Authorised number of ordinary shares (in thousands)		
On issue at the beginning of the reporting year	**3,100,467**	3,100,467
On issue at 31 December	**3,100,467**	3,100,467

At 31 December 2023, the authorised share capital comprised 3,100,467 ordinary shares (2022: 3,100,467 thousands). These instruments have a par value of QR 1 (2022: QR 1). All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

20 EQUITY (continued)

(b) Legal reserve

In accordance with Qatar Central Bank's Law No. 13 of 2012, 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 the Bank for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 11 of 2015, as amended by law number 8 of 2021 and is subject to the approval of QCB.

The legal reserve includes share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law 11 of 2015, as amended by law number 8 of 2021.

(c) Risk reserve

In accordance with the Qatar Central Bank regulations, a minimum requirement of 2.5% of the net loans and advances to customers, except for facilities granted to Government, is required as risk reserve to cover any contingencies.

The Group has transferred QR 104 million to its risk reserve during the year ended 31 December 2023 (2022: QR 283 million).

(d) Fair value reserve

This reserve comprises the fair value changes recognised on fair value through other comprehensive income (FVOCI) financial assets.

	Fair value through other comprehensive income QR'000	**Cash flow hedge QR'000**	**Total QR'000**
Balance as at 1 January	**(124,984)**	**604**	**(124,380)**
Impact of revaluation	**307,184**	**-**	**307,184**
Reclassified to income statement	**(268,652)**	**(604)**	**(269,256)**
Net movement during the year	**38,532**	**(604)**	**37,928**
Balance as at 31 December 2023 *	**(86,452)**	**-**	**(86,452)**

	Fair value through other comprehensive income QR'000	Cash flow hedge QR'000	Total QR'000
Balance as at 1 January	163,693	-	163,693
Impact of revaluation	(1,423,284)	604	(1,422,680)
Reclassified to income statement	1,134,607	-	1,134,607
Net movement during the year	(288,677)	604	(288,073)
Balance as at 31 December 2022*	(124,984)	604	(124,380)

* Includes net realised loss on equity investments classified as FVOCI.

(e) Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) Proposed Dividend

The Board of Directors of the Group has proposed a cash dividend of 7.5% of the paid up share capital amounting to QR 232.5 - QR 0.075 per share for the year ended 31 December 2023 (2022: 7.5% of the paid up share capital amounting to QR 232.5 million - QR 0.075 per share) which is subject to approval at the Annual General Meeting of the shareholders.

20 EQUITY (CONTINUED)

(g) Instrument eligible as additional capital

	2023 QR'000	2022 QR'000
Issued on 31 December 2013	**2,000,000**	2,000,000
Issued on 30 June 2015	**2,000,000**	2,000,000
	4,000,000	4,000,000

On 31 December 2013, the Group has issued regulatory Tier I capital notes totaling to QR 2 billion. On 30 June 2015, the Group has issued another series of regulatory Tier I capital notes totaling to QR 2 billion. These notes are perpetual, subordinated, unsecured and each has been priced at a fixed interest rate for the first six years and shall be repriced thereafter. The coupon is discretionary, non-cumualive and the event on non-payment is not considered as an event of default. The notes carry no maturity date and have been classified under Tier 1 capital. The Bank might be required to write-off the Note, if a "loss absorption" event is triggered. These Notes have been classified within total equity.

21 INTEREST INCOME

	2023 QR'000	2022 QR'000
Balance with central banks	**12,672**	45,765
Due from banks and non-banking financial institutions	**284,670**	119,099
Debt securities	**1,311,238**	848,136
Loans and advances to customers	**4,008,955**	2,932,219
	5,617,535	3,945,219

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	**4,623,859**	3,433,895
Financial assets measured at fair value at other comprehensive income	**993,676**	511,324
Total	**5,617,535**	3,945,219

22 INTEREST EXPENSE

	2023 QR'000	2022 QR'000
Due to banks & other Borrowings	**1,625,007**	610,846
Customers deposits	**1,793,442**	961,165
Debt securities	**46,748**	46,724
Others	**4,795**	4,122
	3,469,992	1,622,857

Others represent interest expense related to leased assets.

23 FEE AND COMMISSION INCOME

	2023 QR'000	2022 QR'000
Credit related fees	**77,917**	54,776
Brokerage fees	**413**	634
Bank services fee	**413,379**	395,788
Commission on unfunded facilities	**85,510**	98,904
Others	**24,645**	22,225
	601,864	572,327

The fees and commission income are recognized over time for the commission on unfunded facilities. All other fees are recognized at a point in time.

24 FEE AND COMMISSION EXPENSE

	2023 QR'000	2022 QR'000
Bank fees	**818**	493
Card related fees	**215,411**	190,697
Others	**9,187**	10,073
	225,416	201,263

25 INSURANCE SERVICE RESULTS

The group had incurred a claim in financial year 2019, in relation to which, Group had an ongoing legal case for recovery from its reinsurance partner. Post a favourable outcome in the court, the group made a net recovery of QR 64.3 million which has been seperately disclosed.

26 NET FOREIGN EXCHANGE GAIN

	2023 QR'000	2022 QR'000
Dealing in foreign currencies	**6,538**	13,722
Revaluation of assets and liabilities	**98,102**	138,850
	104,640	152,572

27 NET INCOME FROM INVESTMENT SECURITIES

	2023 QR'000	2022 QR'000
Net gain/(loss) from sale of investments measured at FVOCI	**83,340**	(12,013)
Dividend income	**39,949**	38,693
Changes in fair value of investment securities measured at FVTPL	**(11,781)**	(1,411)
	111,508	25,269

28 OTHER OPERATING INCOME

	2023 QR'000	2022 QR'000
Rental income	**12,889**	12,090
Others	**6,655**	25,645
	19,544	37,735

29 STAFF COSTS

	2023 QR'000	2022 QR'000
Staff cost	**489,457**	471,844
Staff pension fund costs	**9,292**	5,479
End of service benefits	**21,246**	22,442
Training	**1,150**	1,316
	521,145	501,081

30 OTHER EXPENSES

	2023 QR'000	2022 QR'000
Advertising	**12,869**	15,416
Professional fees*	**22,627**	25,460
Legal Expenses	**17,420**	12,555
Communication and insurance	**43,031**	41,854
Board of Directors' remuneration	**19,364**	15,300
Occupancy and maintenance	**25,793**	32,853
Computer and IT costs	**54,364**	51,903
Printing and stationery	**3,794**	3,671
Travel and entertainment costs	**2,101**	2,741
Others	**134,044**	91,294
	335,047	293,047

***Incudes Audit fees**
Total statutory audit fees for the year amounted to QR 1.3 million (2022: QR 1.2 million), while other assurance services and other services amounted to QR 0.9 million (2022: QR 0.8 million) and QR 1.7 million (2022: QR 1.6 million) respectively. Total consideration for the services provided by auditors for the year amounted to QR 3.9 million (2022: 3.6 million).

30.1 Loss on litigation

The Group during the year, in UAE had a legal case with one of the customers. After an unfavourable court verdict, the Group made a payment to the customer of QR 162 million.

31 TAX EXPENSE

	2023 QR'000	2022 QR'000
Current tax expense		
Current year	**1,870**	3,306
		3,306
Deferred tax expense		
Reversal of deferred tax on account of write off loans	**93,315**	45,000
Income tax expense	**95,185**	48,306

32 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing profit for the year attributable to the shareholders (further adjusted for coupons on Tier 1 capital notes) of the Group by the weighted average number of ordinary shares in outstanding during the year:

	2023 QR'000	2022 QR'000
Profit for the year attributable to the shareholders of the Group	**769,478**	765,375
Deduct: Interest on Tier 1 capital notes	**-**	-
Net profit attributable to shareholders of the Group	**769,478**	765,375
Weighted average number of outstanding shares (in thousands)	**3,100,467**	3,100,467
Basic and diluted earnings per share (QR)	**0.25**	0.25

Had the Group obtained QCB approval for the Tier 1 capital notes before the reporting period end, the earnings per share would have been as follows:

	2023 QR'000	2022 QR'000
Net profit attributable to shareholders of the Group	**769,478**	765,375
Deduct: Interest on Tier 1 capital notes subject to QCB approval	(190,000)	(190,000)
Adjusted net profit attributable to shareholders of the Group	**579,478**	575,375
Weighted average number of outstanding shares (in thousands)	**3,100,467**	3,100,467
Basic and diluted earnings per share (QR)	**0.19**	0.19

The weighted average number of shares are as follows:

	2023 QR'000	2022 QR'000
In thousands of shares		
Weighted average number of shares at 31 December	3,100,467	3,100,467

33 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2023 QR'000	2022 QR'000
Contingent liabilities		
Off balance sheet facilities		
Guarantees	**9,924,957**	10,301,936
Letters of credit	**1,747,622**	2,233,659
Unused facilities	**1,318,689**	1,248,909
	12,991,268	13,784,504
Other commitments		
Derivative financial instruments:		
Forward foreign exchange contracts	**7,203,662**	11,525,414
Interest rate swaps	**17,117,498**	8,996,579
Cash flow Hedge	**-**	182,075
	24,321,160	20,704,068
Total	**37,312,428**	34,488,572

Derivative financial instruments:
The derivative instruments are reflected at their fair value and are presented under other commitments at their notional amount.

33 CONTINGENT LIABILITIES AND OTHER COMMITMENTS (continued)

Unused facilities
Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire within a year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and Letters of credit
Guarantees and letters of credit commit the Group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

Lawsuits held against the Bank
In the opinion of the Group's management and the legal advisors, the level of provisions against these cases are sufficient to meet the obligations related to these cases at the end of the year.

34 CASH AND CASH EQUIVALENTS

	2023 **QR'000**	2022 QR'000
Cash and balances with central banks*	**1,664,567**	1,277,640
Due from banks and other financial institutions maturing within 3 months	**2,971,997**	5,823,570
	4,636,564	7,101,210

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

35 DERIVATIVES

	Positive fair value QR'000	Negative fair value QR'000	Notional Amount QR'000	Notional / expected amount by term to maturity: within 3 months QR'000	3 -12 months QR'000	1-5 years QR'000	More than 5 years QR'000
At 31 December 2023:							
Derivatives held for trading:							
Forward foreign exchange contracts	**76,817**	**27,282**	**7,203,662**	**4,826,198**	**2,377,464**	**-**	**-**
Derivatives held for fair value hedges:							
Interest rate swaps	**707,175**	**258,057**	**17,117,498**	**172,830**	**-**	**3,869,402**	**13,075,266**
Cashflow hedge	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**783,992**	**285,339**	**24,321,160**	**4,999,028**	**2,377,464**	**3,869,402**	**13,075,266**

	Positive fair value QR'000	Negative fair value QR'000	Notional Amount QR'000	Notional / expected amount by term to maturity: within 3 months QR'000	3 -12 months QR'000	1-5 years QR'000	More than 5 years QR'000
At 31 December 2022:							
Derivatives held for trading:							
Forward foreign exchange contracts	394,667	92,567	11,525,414	8,440,384	3,036,586	48,444	-
Derivatives held for fair value hedges:							
Interest rate swaps	732,983	24,625	8,996,579	258,547	760,345	1,729,207	6,248,480
Cashflow hedge	610	-	182,075	-	182,075	-	-
Total	1,128,260	117,192	20,704,068	8,698,931	3,979,006	1,777,651	6,248,480

36 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, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at arm's length commercial interest and commission rates and with collateral requirements.

The related party transactions and balances included in these consolidated financial statements are as follows:

	2023 QR'000	2022 QR'000
Assets:		
Loans and advances to customers	**1,177,976**	1,663,416
Investment in associate	**10,224**	9,898
Liabilities:		
Customers deposits	**591,351**	178,302
Unfunded items:		
Contingent liabilities and other commitments	**46,800**	373,442
Income statement items:		
Interest, commission and other income	**52,929**	39,898
Interest, commission and other expense	**11,463**	4,691
Share of results	**555**	237

The Group does not have loans and advances given to any associates or to shareholders holding more than 5% of the shares. No impairment losses have been recorded against balances outstanding during the year with key management personnel (including Board of Directors).

Key management personnel (including Board of Directors) compensation for the year comprised:

	2023 QR'000	2022 QR'000
Salaries and other benefits	**66,247**	64,423
End of service indemnity benefits and provident fund	**2,273**	2,270
	68,520	66,693

37 FUNDS MANAGEMENT

The Group is licensed by the Qatar Central Bank as founder for an exchange traded fund which is listed on the Qatar Stock Exchange.

As part of the Group's investment activities, the Group, as Founder holds investments totaling QR 24.6 million or 5.79% (2022: QR 21.6 million or 5.11%) of the QE INDEX ETF (QETF). The financial statements of these funds are not consolidated with the financial statements of the Group as these funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. However, the Group's share of equity in these funds is included in the investment securities of the Group.

38 Comparatives information

During the year, the Group adopted IFRS 17 for its insurance operations as a result of which Insurance Contract liabilities in the statement of financial position, Insurance revenue, Insurance service expense, and Net expense from reinsurance contracts held in statement of income were remeasured, disclosed and renamed and presented in line with the IFRS 17 requirements (refer note 3.a). The comparative figures have been reclassified in order to conform with the presentation of the current period. Such reclassifications did not have any impact on the previously reported equity and profits.

FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of financial position - Bank

	2023 **QR'000**	2022 QR'000
Assets		
Cash and balances with central banks	**4,842,098**	3,668,160
Due from banks	**5,434,598**	8,635,342
Loans and advances to customers	**58,009,676**	58,078,974
Investment securities	**30,275,453**	24,879,770
Other assets	**1,833,524**	1,563,763
Investment in subsidiary and in an associate	**110,224**	109,898
Property, furniture and equipment	**618,876**	664,440
Total assets	**101,124,449**	97,600,347
Liabilities and equity		
Liabilities		
Due to banks	**23,908,269**	19,239,053
Customers deposits	**51,623,843**	50,172,791
Debt securities	**2,588,373**	2,516,493
Other borrowings	**5,928,455**	8,891,053
Other liabilities	**2,707,692**	2,704,925
Total liabilities	**86,756,632**	83,524,315
Equity		
Share capital	**3,100,467**	3,100,467
Legal reserve	**5,080,853**	5,080,853
Risk reserve	**1,416,600**	1,312,600
Fair value reserve	**(80,636)**	(117,531)
Foreign currency translation reserve	**(82,249)**	(81,828)
Retained earnings	**932,782**	781,471
Total equity attributable to shareholders of the Bank	**10,367,817**	10,076,032
Instruments eligible as additional capital	**4,000,000**	4,000,000
Total equity	**14,367,817**	14,076,032
Total liabilities and equity	**101,124,449**	97,600,347

FINANCIAL STATEMENTS OF THE PARENT (CONTINUED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

Income statement - Bank

	2023 **QR'000**	2022 QR'000
Interest income	**5,617,535**	3,945,219
Interest expense	**(3,471,240)**	(1,623,302)
Net interest income	**2,146,295**	2,321,917
Fee and commission income	**601,864**	572,327
Fee and commission expense	**(225,416)**	(201,263)
Net fee and commission income	**376,448**	371,064
Net foreign exchange gain	**104,640**	152,572
Net income from investment securities	**126,088**	25,269
Other operating income	**22,661**	41,139
	253,389	218,980
Net operating income	**2,776,132**	2,911,961
Staff costs	**(507,094)**	(486,987)
Depreciation	**(89,261)**	(99,822)
Net impairment reversal on investment securities	**4,258**	24,820
Net impairment loss on loans and advances to customers	**(892,360)**	(969,670)
Net impairment reversal on other financial facilities	**31,017**	(256,311)
Other expenses	**(518,269)**	(315,878)
Total expenses and impairment	**(1,971,709)**	(2,103,848)
Profit before tax	**804,423**	808,113
Income tax expense	**(93,315)**	(48,306)
Profit for the year	**711,108**	759,807