Consolidated Financial Statements

As at and For the Year Ended

31 December 2021

KPMG
Zone 25 C Ring Road
Street 230, Building 246
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: +974 4436 7411
Website: home.kpmg/qa

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Qatar National Bank (Q.P.S.C.)

Opinion

We have audited the consolidated financial statements of Qatar National Bank (Q.P.S.C.) (the 'Bank') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Impairment of financial assets

See notes 4(b), 8, 9, 10, 11, 15 and 20 in the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
We focused on this area because: • Impairment of financial assets involves: - complex accounting requirements, including assumptions, estimates and judgements underlying the determination of impairment; - ECL modelling risk over methodology and design decisions; - susceptibility to management bias when making judgements to determine expected credit loss outcomes; and - complex disclosure requirements. • The COVID-19 pandemic has also impacted the management's determination of ECL. The assumptions regarding the economic outlook remain uncertain which increases the level of judgement required by the Group in calculating the ECL, and the associated audit risk. • The Group's financial assets, both on and off-balance sheet, subject to credit risk were QAR 1,259,462 million, as at 31 December 2021, which constitutes a material portion of the consolidated statement of financial position. Furthermore, the total impairment recognized by the Group on these financial assets amounted to QAR 7,224 million, in the year ended 31 December 2021, which represents 54% of the net profit of the Group, hence a material portion of the consolidated statement of income.	Our audit procedures in this area included the following, among others: • Evaluating the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, our business understanding, and industry practice. • Confirming our understanding of management's processes, systems and controls implemented, including controls over ECL model development. • Identifying and testing the relevant controls. • Involving information risk management (IRM) specialists to test IT systems and relevant controls. • Evaluating the reasonableness of management's key judgements and estimates made in the provision calculations, including selection of methods, models, assumptions and data sources in light of the impact of the COVID-19 pandemic. • Involving financial risk management (FRM) specialists to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates, including the impact of the COVID-19 pandemic. • Involving valuation specialists to evaluate the inputs, assumptions and techniques used by the valuers engaged by the Group for the valuation of real estate collateral, relating to the determination of ECL including the impact of the COVID-19 pandemic.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

	• Assessing the completeness, accuracy and relevance of input data used. • Evaluating the appropriateness and testing the mathematical accuracy of ECL models applied. • Evaluating the reasonableness of and testing the post-model adjustments particularly in light of the volatility caused due to impact of the COVID-19 pandemic. • Performing detailed credit risk assessment of a sample of performing and non-performing loans and advances. • Assessing the adequacy of the Group's disclosures in relation to IFRS 9 by reference to the requirements of the relevant accounting standards.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's Annual Report, but does not include the Bank's consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the statement of the Chairman which forms part of the Annual Report, and the remaining sections of the Annual Report are 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 have obtained prior to the date of this auditors' 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.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' 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 auditors' 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 ISA 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 ISA, we exercise professional judgement 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.
- 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 Board of Directors.
- Conclude on the appropriateness of the Board of 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 auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Requirements

As required by the Qatar Commercial Companies Law No. 11 of 2015, we also report that:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith.
- We have read the statement of the Chairman to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Bank.
- We are not aware of any violations of the applicable provisions of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Bank's Articles of Association and any amendments thereto having occurred during the year which might have had a material effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2021.

18 January 2022
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry Number 251
Licensed by QFMA: External
Auditors' License No. 120153

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	2021 QR000	2020 QR000
ASSETS			
Cash and Balances with Central Banks	8	88,551,288	81,550,978
Due from Banks	9	69,055,144	65,127,820
Loans and Advances to Customers	10	763,652,041	723,795,174
Investment Securities	11	142,821,328	123,383,569
Investments in Associates	12	7,467,009	7,064,652
Property and Equipment	13	5,156,806	5,405,040
Intangible Assets	14	3,886,786	3,946,963
Other Assets	15	12,447,209	14,740,864
Total Assets		**1,093,037,611**	**1,025,015,060**
LIABILITIES			
Due to Banks	16	111,441,572	87,953,723
Customer Deposits	17	785,511,524	738,737,586
Debt Securities	18	40,088,927	42,573,503
Other Borrowings	19	26,138,239	27,901,487
Other Liabilities	20	29,800,702	30,947,042
Total Liabilities		**992,980,964**	**928,113,341**
EQUITY			
Issued Capital	22	9,236,429	9,236,429
Legal Reserve	22	25,326,037	25,326,037
Risk Reserve	22	10,000,000	9,000,000
Fair Value Reserve	22	(1,169,550)	(1,811,051)
Foreign Currency Translation Reserve	22	(23,613,712)	(18,617,295)
Other Reserves	22	46,141	166,050
Retained Earnings	22	59,117,808	52,509,508
Total Equity Attributable to Equity Holders of the Bank		**78,943,153**	**75,809,678**
Non - Controlling Interests	23	1,113,494	1,092,041
Instruments Eligible for Additional Tier 1 Capital	24	20,000,000	20,000,000
Total Equity		**100,056,647**	**96,901,719**
Total Liabilities and Equity		**1,093,037,611**	**1,025,015,060**

These consolidated financial statements were approved by the Board of Directors on 11 January 2022 and were signed on its behalf by:

Ali Ahmed Al-Kuwari
Chairman of the Board of Directors

Khalifa

Abdulla Mubarak Al-Khalifa
Group Chief Executive Officer

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

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Qatar National Bank (Q.P.S.C.)
Consolidated Income Statement
For the Year Ended 31 December 2021

	Notes	2021 QR000	2020 QR000
Interest Income	25	44,736,163	43,773,079
Interest Expense	26	(21,700,043)	(22,777,721)
Net Interest Income		**23,036,120**	**20,995,358**
Fee and Commission Income	27	4,535,149	3,971,535
Fee and Commission Expense		(1,322,326)	(955,431)
Net Fee and Commission Income		**3,212,823**	**3,016,104**
Net Foreign Exchange Gain	28	1,331,118	1,150,875
Income from Investment Securities	29	125,985	205,607
Other Operating Income		237,229	62,282
Operating Income		**27,943,275**	**25,430,226**
Staff Expenses	30	(3,382,058)	(3,399,935)
Depreciation	13	(615,699)	(664,164)
Other Expenses	31	(2,294,345)	(2,141,391)
Net ECL / Impairment Losses on Loans and Advances to Customers	10	(7,066,008)	(5,825,419)
Net ECL / Impairment Losses on Investment Securities		(55,851)	(69,004)
Net ECL / Impairment Losses on Other Financial Assets		(102,639)	(142,783)
Amortisation of Intangible Assets		(79,113)	(76,804)
Other Provisions		(51,705)	(36,161)
		(13,647,418)	**(12,355,661)**
Share of Results of Associates	12	370,208	109,734
Profit Before Income Taxes		**14,666,065**	**13,184,299**
Income Tax Expense	32	(1,389,965)	(1,101,638)
Profit for the Year		**13,276,100**	**12,082,661**
Attributable to:			
Equity Holders of the Bank		13,211,123	12,002,867
Non - Controlling Interests		64,977	79,794
Profit for the Year		**13,276,100**	**12,082,661**
Basic and Diluted Earnings Per Share (QR)	33	1.32	1.19

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2021

	2021 QR000	2020 QR000
Profit for the Year	**13,276,100**	**12,082,661**
Other Comprehensive Income that is or may be Reclassified to the Consolidated Income Statement in Subsequent Periods:		
Foreign Currency Translation Differences for Foreign Operations	(5,020,969)	(2,274,562)
Share of Other Comprehensive Income of Associates	(119,981)	(97,059)
Effective Portion of Changes in Fair Value of Cash Flow Hedges	222,657	216,006
Effective Portion of Changes in Fair Value of Net Investment in Foreign Operation	713,760	(785,132)
Investments in Debt Instruments Measured at FVOCI		
Net Change in Fair Value	(354,934)	248,203
Net Amount Transferred to Income Statement	-	(67,359)
Other Comprehensive Income that will not be Reclassified to the Consolidated Income Statement in Subsequent Periods:		
Net Change in Fair Value of Investments in Equity Instruments Designated at FVOCI	61,914	(95,320)
Total Other Comprehensive Loss for the Year, net of Income Tax	**(4,497,553)**	**(2,855,223)**
Total Comprehensive Income for the Year	**8,778,547**	**9,227,438**
Attributable to:		
Equity Holders of the Bank	8,738,785	9,244,555
Non - Controlling Interests	39,762	(17,117)
Total Comprehensive Income for the Year	**8,778,547**	**9,227,438**

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2021

	Equity Attributable to Equity Holders of the Bank										
	Issued Capital	**Legal Reserve**	**Risk Reserve**	**Fair Value Reserve**	**Foreign Currency Translation Reserve**	**Other Reserves**	**Retained Earnings**	**Equity Attributable to Equity Holders of the Bank**	**Non Controlling Interests**	**Instruments Eligible for Additional Tier 1 Capital**	**Total**
	QR000	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**
Balance at 1 January 2021	**9,236,429**	**25,326,037**	**9,000,000**	**(1,811,051)**	**(18,617,295)**	**166,050**	**52,509,508**	**75,809,678**	**1,092,041**	**20,000,000**	**96,901,719**
Total Comprehensive Income for the Year											
Profit for the Year	-	-	-	-	-	-	13,211,123	13,211,123	64,977	-	13,276,100
Total Other Comprehensive Income / (Loss)	-	-	-	643,988	(4,996,417)	(119,909)	-	(4,472,338)	(25,215)	-	(4,497,553)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**643,988**	**(4,996,417)**	**(119,909)**	**13,211,123**	**8,738,785**	**39,762**	**-**	**8,778,547**
Reclassification of Net Change in Fair Value of Equity Instruments upon Derecognition	-	-	-	(2,487)	-	-	2,487	-	-	-	-
Transfer to Risk Reserve	-	-	1,000,000	-	-	-	(1,000,000)	-	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	(259,143)	(259,143)	-	-	(259,143)
Transactions Recognised Directly in Equity											
Dividend for the Year 2020 (Note 22)	-	-	-	-	-	-	(4,156,393)	(4,156,393)	-	-	(4,156,393)
Dividend Appropriation for Instruments Eligible for Additional Capital	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	-	(1,000,000)
Other Movements	-	-	-	-	-	-	(189,774)	(189,774)	(18,309)	-	(208,083)
Total Transactions Recognised Directly in Equity	**-**	**-**	**-**	**-**	**-**	**-**	**(5,346,167)**	**(5,346,167)**	**(18,309)**	**-**	**(5,364,476)**
Balance at 31 December 2021	**9,236,429**	**25,326,037**	**10,000,000**	**(1,169,550)**	**(23,613,712)**	**46,141**	**59,117,808**	**78,943,153**	**1,113,494**	**20,000,000**	**100,056,647**
Balance at 1 January 2020	**9,236,429**	**25,326,037**	**8,500,000**	**(1,347,274)**	**(16,439,210)**	**263,729**	**48,059,481**	**73,599,192**	**1,119,976**	**20,000,000**	**94,719,168**
Total Comprehensive Income for the Year											
Profit for the Year	-	-	-	-	-	-	12,002,867	12,002,867	79,794	-	12,082,661
Total Other Comprehensive (Loss) / Income	-	-	-	(482,548)	(2,178,085)	(97,679)	-	(2,758,312)	(96,911)	-	(2,855,223)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(482,548)**	**(2,178,085)**	**(97,679)**	**12,002,867**	**9,244,555**	**(17,117)**	**-**	**9,227,438**
Reclassification of Net Change in Fair Value of Equity Instruments upon Derecognition	-	-	-	18,771	-	-	(18,771)	-	-	-	-
Transfer to Risk Reserve	-	-	500,000	-	-	-	(500,000)	-	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	(219,467)	(219,467)	-	-	(219,467)
Transactions Recognised Directly in Equity											
Dividend for the Year 2019	-	-	-	-	-	-	(5,541,857)	(5,541,857)	-	-	(5,541,857)
Dividend Appropriation for Instruments Eligible for Additional Capital	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	-	(1,000,000)
Other Movements	-	-	-	-	-	-	(272,745)	(272,745)	(10,818)	-	(283,563)
Total Transactions Recognised Directly in Equity	**-**	**-**	**-**	**-**	**-**	**-**	**(6,814,602)**	**(6,814,602)**	**(10,818)**	**-**	**(6,825,420)**
Balance at 31 December 2020	**9,236,429**	**25,326,037**	**9,000,000**	**(1,811,051)**	**(18,617,295)**	**166,050**	**52,509,508**	**75,809,678**	**1,092,041**	**20,000,000**	**96,901,719**

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2021

	Notes	2021 QR000	2020 QR000
Cash Flows from Operating Activities			
Profit Before Income Taxes		14,666,065	13,184,299
Adjustments for:			
Interest Income		(44,736,163)	(43,773,079)
Interest Expense		21,700,043	22,777,721
Depreciation	13	615,699	664,164
Net ECL / Impairment Losses on Loans and Advances to Customers	10	7,066,008	5,825,419
Net ECL / Impairment Losses on Investment Securities		55,851	69,004
Net ECL / Impairment Losses on Other Financial Assets		102,639	142,783
Other Provisions		100,290	93,162
Dividend Income	29	(47,198)	(48,365)
Net Gain on Sale of Property and Equipment		(49,406)	(17,881)
Net Gain on Sale of Investment Securities	29	(59,492)	(120,745)
Amortisation of Intangible Assets		79,113	76,804
Net Amortisation of Premium or Discount on Investments		(970,336)	(1,629,308)
Net Share of Results of Associates		(256,673)	(63,830)
		(1,733,560)	**(2,819,852)**
Changes in:			
Due from Banks		(5,063,696)	1,558,999
Loans and Advances to Customers		(81,430,647)	(56,876,857)
Other Assets		(10,678,206)	(6,135,498)
Due to Banks		32,175,130	11,825,389
Customer Deposits		82,244,426	57,835,092
Other Liabilities		(866,094)	2,227,437
Cash from Operations		**14,647,353**	**7,614,710**
Interest Received		43,974,692	35,952,097
Interest Paid		(21,580,593)	(17,964,730)
Dividends Received		47,198	48,365
Income Tax Paid		(1,245,157)	(864,513)
Other Provisions Paid		(56,863)	(44,880)
Net Cash from Operating Activities		**35,786,630**	**24,741,049**
Cash Flows from Investing Activities			
Acquisition of Investment Securities		(96,932,320)	(111,997,115)
Proceeds from Sale / Redemption of Investment Securities		74,114,534	85,139,198
Investment in an Associate		(305,578)	-
Additions to Property and Equipment	13	(1,173,874)	(1,167,928)
Proceeds from Disposal of Property and Equipment		64,505	20,681
Net Cash used in Investing Activities		**(24,232,733)**	**(28,005,164)**
Cash Flows from Financing Activities			
Payment of Coupon on Instrument Eligible for Additional Tier 1 Capital		(1,000,000)	(1,000,000)
Proceeds from Issuance of Debt Securities	18	8,748,885	12,142,592
Repayment of Debt Securities	18	(10,754,896)	(3,815,091)
Proceeds from Issuance of Other Borrowings	19	11,259,064	17,710,213
Repayment of Other Borrowings	19	(10,419,936)	(15,325,322)
Payment of Lease Liabilities		(239,951)	(274,052)
Dividends Paid		(4,162,715)	(5,533,350)
Net Cash (used in) / from Financing Activities		**(6,569,549)**	**3,904,990**
Net Increase in Cash and Cash Equivalents		**4,984,348**	**640,875**
Effects of Exchange Rate Fluctuations on Cash Held		(807,228)	(885,380)
Cash and Cash Equivalents at 1 January		102,483,340	102,727,845
Cash and Cash Equivalents at 31 December	39	**106,660,460**	**102,483,340**

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Qatar National Bank (Q.P.S.C.) ('QNB' or 'the Bank' or 'the Parent Bank') was incorporated in the State of Qatar on 6 June 1964 as a Joint Stock Company under Amiri Decree No. 7 issued in 1964. The registered office of the Bank is in Doha, State of Qatar.

The Bank together with its subsidiaries (together referred to as the 'Group') is engaged in conventional and Islamic banking activities operating through its branches, associates and subsidiaries.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of Incorporation	Year of Incorporation/ Acquisition	Ownership %
QNB International Holdings Limited	Luxembourg	2004	100%
CSI QNB Property	France	2008	100%
QNB Capital LLC	Qatar	2008	100%
QNB Suisse S.A.	Switzerland	2009	100%
QNB Syria	Syria	2009	50.8%
QNB Finance Ltd.	Cayman Islands	2010	100%
QNB Indonesia	Indonesia	2011	92.5%
QNB Financial Services	Qatar	2011	100%
Al-Mansour Investment Bank	Iraq	2012	54.2%
QNB India Private Limited	India	2013	100%
QNB Tunisia	Tunisia	2013	99.99%
QNB ALAHLI	Egypt	2013	95.0%
QNB Finansbank	Turkey	2016	99.88%
QNB (Derivatives) Limited	Cayman Islands	2017	100%

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

b) Basis of Measurements

The consolidated financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:
- Derivative Financial instruments
- Investments measured at fair value through profit or loss ('FVPL')
- Other Financial assets designated at fair value through profit or loss ('FVPL')
- Financial investment measured at fair value through other comprehensive income ('FVOCI')
- Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships to the extent of risks being hedged.

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual figures 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the effects of adoption of new standards as described in note 3(ab).

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of the reporting period.

(i) Business Combinations

For acquisitions meeting the definition of a business under IFRS 3, the acquisition method of accounting is used as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the total of:
- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired, including any assets which the acquiree has not previously recognized, and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the consolidated income statement.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognised in the consolidated income statement. It is then considered in the determination of goodwill.

(ii) Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

The accounting policies of subsidiaries have been aligned to the Group accounting policies.

(iii) Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated income statement. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group’s accounting policy for financial instruments, depending on the level of influence retained.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of Consolidation (continued)

(iv) Non-Controlling Interests and Transactions therewith

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Bank are reported in the consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profit or loss attributable to non-controlling interests. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

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

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are transferred to the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is transferred to the consolidated income statement where appropriate.

(v) Transactions Eliminated on Consolidation

Intra-group balances, transactions and unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated only to the extent that there is no Expected Credit Loss (ECL) or impairment.

(vi) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted using the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in the associate). The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, its share of post-acquisition movements in other comprehensive income of the associate 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. Dilution gains and losses in associates are recognised in the consolidated income statement.

For preparation of the consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used.

The Group's share of the results of associates is based on the financial statements made up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform with the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee.

(vii) Funds Management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Foreign Currency

(i) Foreign Currency Transactions and Balances

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency and are translated into the respective functional currencies of the operations at the spot exchange rates on 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 on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated into the functional currency at the spot exchange rate on 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 on 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 the consolidated 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.

(ii) 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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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.

c) Financial Assets and Financial Liabilities

(i) Recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(ii) Classification and Initial Measurement

Financial Assets

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

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

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 FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which a financial 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; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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

Assessment of 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(ii) Classification and Initial Measurement (continued)

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.

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.

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 (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the consolidated income statement, except in case of equity investment securities designated as at FVOCI, where this difference is recognised in OCI and 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.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

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.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. 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 expire.

Interest Rate Benchmark Reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(iii) Derecognition (continued)

– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

(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.

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 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 ECL / impairment losses. In other cases, it is presented as interest income.

Financial Liabilities

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

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(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 rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for ECL / impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(vi) Measurement Principles (continued)

- Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market of the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which the Group has access to as at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid prices). For unlisted investments, the Group recognises any change in the fair value, when they have reliable indicators to support such a change.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value adjusted for market characteristics reported as at the end of the reporting period.

Assets and long positions are measured at bid price; liabilities and short positions are measured at asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and includes adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

(vii) Expected Credit Losses (ECL) / Impairment

The Group recognises loss allowances for expected credit losses (ECL) / impairment on the following financial instruments that are not measured at FVPL:
- Financial assets that are debt instruments; and
- Loan commitments and financial guarantee contracts.

No ECL / impairment loss is recognised on equity instruments. Impairment and ECL are used interchangeably throughout these consolidated financial statements.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(vii) Expected Credit Losses (ECL) / 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 / impairment 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.

d) 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 original maturities of three months or less that are subject to an insignificant risk of change 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.

e) 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.

f) 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 recognised immediately in the consolidated income statement. Following the initial recognition, loans and advances are stated at the amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Loans and Advances to Customers (continued)

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's consolidated financial statements.

g) 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 FVPL or designated as at FVPL; these are measured at fair value with fair value changes recognised immediately in consolidated income statement;
- 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 the consolidated income statement in the same manner as for financial assets measured at amortised cost:
- Interest revenue using the effective interest method;
- ECL / impairment 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. 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 reclassified to consolidated income statement and no ECL / impairment is recognised in consolidated income statement. Dividends are 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.

h) Derivatives

(i) 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 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. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instrument(s) and hedged item(s), 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 instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and on an ongoing basis. 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 the consolidated income statement.

For the purpose of evaluation of hedge effectiveness, the Group has applied relief required Interbank Offered Rate (IBOR) Reforms Phase 2 amendments.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Derivatives (continued)

(i) Derivatives Held for Risk management Purposes and Hedge Accounting (continued)

Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the consolidated income statement, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to the consolidated income statement as a reclassification adjustment in the same period as the hedged cash flows affect the consolidated income statement and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated income statement.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to the consolidated income statement as a reclassification adjustment when the forecast transaction occurs and affects the consolidated income statement. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the consolidated income statement as a reclassification adjustment.

Hedges of a Net Investment in Foreign Operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated income statement.

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 the consolidated income statement.

Hedges directly affected by interest rate benchmark reform

The Group has adopted the Phase 2 amendments and retrospectively applied them from 1 January 2021.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

– designating an alternative benchmark rate as the hedged risk;
– updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
– updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met:

– it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
– the original hedging instrument is not derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Derivatives (continued)

(i) Derivatives Held for Risk management Purposes and Hedge Accounting (continued)

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in other comprehensive income for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

(ii) Derivatives Held for Trading Purposes

The Group’s derivative trading instruments includes forward foreign exchange contracts and interest rate swaps. 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 the reporting date and the corresponding fair value changes are taken to the consolidated income statement.

i) Property and Equipment

(i) Recognition and Measurement

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

(ii) 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 the consolidated income statement as incurred.

(iii) Depreciation

The depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment as this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land is not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Property and Equipment (continued)

(iii) Depreciation (continued)

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

	Years
Buildings	10 to 50
Equipment and Furniture	3 to 12
Motor Vehicles	4 to 7
Leasehold Improvements	4 to 10

Freehold land is stated at cost.

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

j) Intangible Assets

Goodwill that arises upon the acquisition of subsidiaries is included under intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Intangible assets also include Core Deposit Intangibles (‘CDI’) acquired in a business combination which are recognised at fair value at the acquisition date. CDI has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of CDI and licences over their estimated useful life ranging between 6 and 12 years. Intangible assets (such as operating licenses) with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the Cash Generating Unit (‘CGU’) level.

k) 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflow from continuing use, that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated, so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

The Group’s corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date, for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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.

m) Financial Guarantees

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

n) Employee Benefits

Defined Benefit Plan - Expatriate Employees

The Group makes a provision for all termination indemnity payable to employees in accordance with its regulations, calculated on the basis of the individual's final salary and period of service at the end of the reporting period. The expected costs of these benefits are accrued over the period of employment. The provision for employees' termination benefits is included in other provisions within other liabilities.

Defined Contribution Scheme - Qatari Employees

With respect to Qatari employees, the Group makes a contribution to the State administered Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of staff expenses and is disclosed in note 30.

o) 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

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt as a separate disclosure.

p) Interest Income and Expense

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

For the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Interest Income and Expense (continued)

Interest income and expense include:

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

- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income / expense;

- The ineffective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of interest rate risk; and

- Fair value changes in qualifying derivatives and related hedged items, related to hedge ineffectiveness, in fair value hedges of interest rate risk.

q) Fee and Commission Income and Expense

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

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction and service fee, which are recognised in the consolidated income statement as an expense as the services are received.

r) Income from Investment Securities

Gains or losses on the sale of investment securities are recognised in the consolidated income statement as the difference between fair value of the consideration received and the carrying amount of the investment securities, except in case of equity securities designated as at FVOCI, where any cumulative gain / loss recognised in OCI is not recognised in the consolidated income statement on derecognition of such securities.

s) Dividend Income

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

t) Taxation

Taxes are calculated based on tax laws and regulations in jurisdictions in which the Group operates. The amount of the tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. The parent company operations inside Qatar are not subject to income tax. QNB Capital LLC's operations are subject to tax as per the Qatar Financial Centre Authority tax regulations. QNB Financial Services Limited's operations are subject to income tax based on non-resident share of owners in the parent company. Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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 equity holders of the Bank, further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 Capital, if any, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Group management committees to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

w) Fiduciary Activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporates and other institutions. These assets and any income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

x) Repossessed Collateral

Repossessed collateral against settlement of customers' debts are stated within the consolidated statement of financial position under 'Other assets' at their acquisition value net of allowance for impairment.

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

y) Comparatives

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

z) Appropriations for Instruments Eligible for Additional Capital

Appropriations for Instruments Eligible for Additional Capital are treated as dividends.

aa) 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 has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (where the leased asset value is less than USD 10,000) and short-term leases (where the lease term is less than 12 months). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ab) New Amendments to Standards

The following amendments to IFRS have been applied by the Group in preparation of these consolidated financial statements. The below were effective from 1 January 2021:

Amendment to Standards	Effective date
COVID-19 Related Rent Concessions (Amendment to IFRS 16)	1 January 2021
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

Effective from 1 January 2021, the Group has adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). These amendments provide practical relief from certain requirements in IFRS. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

The Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Group applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark based cash flows of the hedged item or hedging instrument:

- the Group amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge was amended to reflect the changes that were required by the reform, the amount accumulated in the cash flow hedge reserve was deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

ac) Standards issued but not yet effective

The forthcoming requirements of new Standard and amendments to existing Standards are applicable for future reporting periods. The Group will adopt these on annual periods beginning on or after the effective date.

Standards / Amendment to Standards	Effective date
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments amendments to IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred indefinitely

4. FINANCIAL RISK MANAGEMENT

I. Financial Instruments

Definition and Classification

Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks, investment securities, loans and advances to customers and banks and certain other financial assets. Financial liabilities include customer deposits, due to banks and certain other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-balance sheet items and derivative financial instruments.

Note 3 explains the accounting policies used to recognise and measure the major financial instruments and their related income and expense.

II. Risk Management

a) Risk Management Framework

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

Risk Management Structure

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

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

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

Internal Audit

Risk management processes throughout the Group are audited by the Group Internal Audit function, as part of each audit which examines both the adequacy and compliance with the procedures, in addition to the specific audit of the Group risk function itself as per the approved audit plan.

Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Group Board Audit and Compliance Committee.

Risk Mitigation

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

The effectiveness of all hedge relationships is monitored by Risk Management on a monthly basis. In a situation of hedge ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

4. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk

The Group manages its credit risk exposure through diversification of its investments, capital markets and lending and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains collaterals where appropriate. The types of collaterals obtained may include cash, treasury bills and bonds, mortgages over real estate properties and pledges over shares.

The Group uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products.

Note 10 discloses the distribution of loans and advances and financing activities by industry wise sector. Note 35 discloses the geographical distribution of the Group's assets and liabilities.

The table below shows the maximum exposure to credit risk on the consolidated statement of financial position and certain off-balance sheet items. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

	Gross Maximum Exposure	
	2021	**2020**
Cash and Balances with Central Banks (Excluding Cash on Hand)	74,028,756	66,049,493
Due from Banks	69,055,144	65,127,820
Loans and Advances to Customers	763,652,041	723,795,174
Investment Securities (Debt)	141,107,511	121,839,906
Other Assets	9,665,040	7,671,361
	1,057,508,492	**984,483,754**
Guarantees	59,317,692	60,184,700
Letters of Credit	47,431,344	37,708,265
Unutilised Credit Facilities	95,204,291	115,240,205
Total	**1,259,461,819**	**1,197,616,924**

Risk Concentration for Maximum Exposure to Credit Risk by Industry Sector

An industry sector analysis of the Group’s financial assets and contingent liabilities, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross Maximum Exposure 2021	Net Maximum Exposure 2021	Gross Maximum Exposure 2020	Net Maximum Exposure 2020
Government	186,621,711	-	157,656,180	-
Government Agencies	196,457,210	108,390,427	249,102,348	75,783,276
Industry	47,952,520	43,984,917	44,036,895	40,069,292
Commercial	117,208,441	105,731,855	97,181,489	85,704,903
Services	327,315,583	275,262,236	287,566,118	244,100,255
Contracting	13,664,553	9,543,469	13,900,905	10,561,389
Real Estate	104,528,441	78,065,346	60,562,802	35,958,273
Personal	62,442,338	37,437,212	71,994,217	53,859,187
Others	1,317,695	1,024,911	2,482,800	697,669
Guarantees	59,317,692	59,317,692	60,184,700	60,184,700
Letters of credit	47,431,344	47,431,344	37,708,265	37,708,265
Unutilised Credit Facilities	95,204,291	95,204,291	115,240,205	115,240,205
Total	**1,259,461,819**	**861,393,700**	**1,197,616,924**	**759,867,414**

Credit Quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 4- represents investment grade, ORR 5+ to 7+ represents sub-investment grade and 7 and 7- represent watch list. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavours continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

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

Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment Grade - ORR 1 to 4	128,070,437	-	-	128,070,437
Sub-investment Grade - ORR 5 to 7	13,448,589	1,665,675	-	15,114,264
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
	141,519,026	**1,665,675**	**-**	**143,184,701**
Loss Allowance				(100,801)
Carrying Amount				**143,083,900**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment Grade - ORR 1 to 4	119,749,876	-	-	119,749,876
Sub-investment Grade - ORR 5 to 7	10,257,906	1,244,050	-	11,501,956
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
	130,007,782	**1,244,050**	**-**	**131,251,832**
Loss Allowance				(74,519)
Carrying Amount				**131,177,313**

Loans and Advances to Customers

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment Grade - ORR 1 to 4	584,557,838	13,223,064	-	597,780,902
Sub-investment Grade - ORR 5 to 7	135,086,013	38,671,354	-	173,757,367
Substandard - ORR 8	-	-	4,373,976	4,373,976
Doubtful - ORR 9	-	-	2,186,600	2,186,600
Loss - ORR 10	-	-	11,784,039	11,784,039
	719,643,851	**51,894,418**	**18,344,615**	**789,882,884**
Loss Allowance				(26,230,843)
Carrying Amount				**763,652,041**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment Grade - ORR 1 to 4	544,251,471	379,150	-	544,630,621
Sub-investment Grade - ORR 5 to 7	142,131,978	42,781,074	-	184,913,052
Substandard - ORR 8	-	-	4,631,148	4,631,148
Doubtful - ORR 9	-	-	2,065,130	2,065,130
Loss - ORR 10	-	-	9,114,862	9,114,862
	686,383,449	**43,160,224**	**15,811,140**	**745,354,813**
Loss Allowance				(21,559,639)
Carrying Amount				**723,795,174**

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Investment Securities (Debt)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	89,903,373	-	-	89,903,373
Sub-investment Grade - ORR 5 to 7	50,968,502	327,308	-	51,295,810
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	72,063	72,063
	140,871,875	**327,308**	**72,063**	**141,271,246**
Loss Allowance				(232,844)
Carrying Amount				**141,038,402**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	76,738,350	-	-	76,738,350
Sub-investment Grade - ORR 5 to 7	45,043,143	145,620	-	45,188,763
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	72,432	72,432
	121,781,493	**145,620**	**72,432**	**121,999,545**
Loss Allowance				(178,581)
Carrying Amount				**121,820,964**

Loan commitments and Financial Guarantees

	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	113,496,229	228,112	-	113,724,341
Sub-investment Grade - ORR 5 to 7	82,141,686	6,311,337	-	88,453,023
Substandard - ORR 8	-	-	95,239	95,239
Doubtful - ORR 9	-	-	23,150	23,150
Loss - ORR 10	-	-	200,661	200,661
	195,637,915	**6,539,449**	**319,050**	**202,496,414**
Loss Allowance				(543,087)
Carrying Amount				**201,953,327**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	122,665,676	99,431	-	122,765,107
Sub-investment Grade - ORR 5 to 7	84,682,129	5,859,007	-	90,541,136
Substandard - ORR 8	-	-	56,274	56,274
Doubtful - ORR 9	-	-	33,706	33,706
Loss - ORR 10	-	-	283,738	283,738
	207,347,805	**5,958,438**	**373,718**	**213,679,961**
Loss Allowance				(546,791)
Carrying Amount				**213,133,170**

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Write off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are recognised when cash is received. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-offs are subject to regulatory approvals, if any.

Collateral

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no material deterioration in the quality of collateral held by the Group, beyond what was observed in markets, where QNB Group is present. In addition, there were no changes in collateral policies of the Group.

The value of the collateral held against credit-impaired loans and advances as at 31 December 2021 is QR5,779 million (2020: QR7,623 million). The Group has a policy of Loan to Value (LTV) ratio of 60%.

The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2021 is QR659.6 million (2020: QR469.0 million).

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.

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.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

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

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.

Incorporation of forward-looking information

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macro - economic parameters are statistically significant or the results of forecasted PDs are deviated significantly from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analysing the portfolio as per the diagnostic tool.

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.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group uses mathematical function which links the credit cycle index (CCI) with PD as a key input to ECL. 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 provided by the Group’s Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of instrument, a mean reversion approach has been used.

Scenarios are incorporated through the forward looking factors selected which are essentially credit cycle index factors (CCI) that are conditioned and then used as an input to the various ECL components. The CCI calculation is derived through the construction of suitable credit cycles based on economic variables that can be used as proxy to describe credit activities within each country of operation. CCI can be derived from a number of historical factors, such as risky yields, credit growth, credit spreads, default or NPL rates data. Interdependency exists between macro-economic factors as well as risk drivers for a range of scenarios and the CCI, given its integral part in driving the economic or business cycles. Qatar scenarios included the following assumptions:

	2021	**2020**
Average oil price range (USD / Barrel)	40 - 64	19 - 44.9
GDP Growth Rate	-1.25% to 1.8%	-4.4% to -1.5%
Inflation	-0.9% to 1.0%	0.7% to 1.9%

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

The following weightings were assigned to each macro-economic scenario at QNB parent company level which are based on the CCI:

	2021	2020
Upside Case	5%	0%
Base Case	80%	55%
Downside Case	15%	45%

The table below shows the loss allowance on loans and advances to customers assuming each forward-looking scenario (e.g. base, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios.

	2021	2020
100% Upside case, loss allowance would be higher / (lower) by	(760,395)	(824,000)
100% Base case, loss allowance would be higher / (lower) by	(189,554)	(295,000)
100% Downside case, loss allowance would be higher / (lower) by	756,924	557,000

These estimates are based on comparisons performed during the year.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.
2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual’s assets for the unsecured portion of the exposure.
3) Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include credit risk grading, product type and geographic location of the borrower. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Loss allowance

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

Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks

	2021			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	53,701	20,818	-	74,519
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	42,498	(11,858)	-	30,640
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(4,396)	38	-	(4,358)
Balance at 31 December	**91,803**	**8,998**	**-**	**100,801**

	2020			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	41,651	9,572	-	51,223
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	14,441	11,058	-	25,499
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(2,391)	188	-	(2,203)
Balance at 31 December	**53,701**	**20,818**	**-**	**74,519**

Loans and Advances to Customers

	2021			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	1,427,951	3,186,651	16,945,037	21,559,639
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(49,362)	49,362	-	-
Transfers to Stage 3	-	(291,158)	291,158	-
ECL / Impairment Allowance for the Year, net	224,552	1,045,776	6,829,675	8,100,003
Amounts Written Off	-	-	(1,378,113)	(1,378,113)
Foreign Currency Translation	(173,050)	(608,116)	(1,269,520)	(2,050,686)
Balance at 31 December	**1,430,091**	**3,382,515**	**21,418,237**	**26,230,843**

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Loans and Advances to Customers

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total ECL / Impairment**
Balance at 1 January	1,246,620	2,694,380	12,835,228	16,776,228
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(82,829)	82,829	-	-
Transfers to Stage 3	-	(396,954)	396,954	-
ECL / Impairment Allowance for the Year, net	370,228	988,612	5,513,855	6,872,695
Amounts Written Off	-	-	(1,318,718)	(1,318,718)
Foreign Currency Translation	(106,068)	(182,216)	(482,282)	(770,566)
Balance at 31 December	**1,427,951**	**3,186,651**	**16,945,037**	**21,559,639**

Investment Securities (Debt)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total ECL / Impairment**
Balance at 1 January	76,735	25,219	76,627	178,581
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(2,007)	2,007	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	42,308	18,034	(4,491)	55,851
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(1,515)	-	(73)	(1,588)
Balance at 31 December	**115,521**	**45,260**	**72,063**	**232,844**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total ECL / Impairment**
Balance at 1 January	56,902	5,291	76,600	138,793
Transfers to Stage 1	-	-	-	
Transfers to Stage 2	(6,593)	6,593	-	-
Transfers to Stage 3	-	(177)	177	-
ECL / Impairment Allowance for the Year, net	28,596	13,512	26,896	69,004
Amounts Written Off	-	-	(27,237)	(27,237)
Foreign Currency Translation	(2,170)	-	191	(1,979)
Balance at 31 December	**76,735**	**25,219**	**76,627**	**178,581**

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Loan Commitments and Financial Guarantees

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total ECL / Impairment**
Balance at 1 January	276,015	137,470	133,306	546,791
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(120)	120	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	55,136	(16,179)	33,042	71,999
Amounts Written Off	-	-	(27,152)	(27,152)
Foreign Currency Translation	(35,453)	(2,560)	(10,538)	(48,551)
Balance at 31 December	**295,578**	**118,851**	**128,658**	**543,087**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total ECL / Impairment**
Balance at 1 January	213,251	75,150	158,758	447,159
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(719)	719	-	-
Transfers to Stage 3	-	(1,070)	1,070	-
ECL / Impairment Allowance for the Year, net	67,109	68,662	(18,487)	117,284
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(3,626)	(5,991)	(8,035)	(17,652)
Balance at 31 December	**276,015**	**137,470**	**133,306**	**546,791**

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

c) Market Risk

The Group takes on exposure to market risks from interest rates, foreign exchange rates and equity prices due to general and specific market movements. 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 on the value of risk that may be accepted, which is monitored on a daily basis.

Equity Price Risk

Equity price risk, is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The effect on equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price %	Effect on Other Comprehensive Income 2021	2020
Market Indices			
Qatar Exchange	±5	14,043	11,888

Foreign Exchange Risk

The Group takes on exposure to the effect of fluctuations in prevailing foreign currency exchange rates on its financial position. The Group has a set of limits on the level of currency exposure, which are monitored daily. The Group has the following significant net exposures denominated in foreign currencies which are subject to market risk:

	QR	US$	Euro	Pound Sterling	Other Currencies	Total
At 31 December 2021:						
Assets	262,385,531	492,068,907	122,214,014	59,475,371	156,893,788	**1,093,037,611**
Liabilities and Equity	268,599,200	489,000,082	122,550,694	59,168,701	153,718,934	**1,093,037,611**
Net Exposure	**(6,213,669)**	**3,068,825**	**(336,680)**	**306,670**	**3,174,854**	**-**
At 31 December 2020:						
Assets	288,052,794	431,128,086	119,991,589	46,411,911	139,430,680	**1,025,015,060**
Liabilities and Equity	276,328,203	444,731,503	120,270,161	46,270,348	137,414,845	**1,025,015,060**
Net Exposure	**11,724,591**	**(13,603,417)**	**(278,572)**	**141,563**	**2,015,835**	**-**

The table below indicates the effect of a reasonably possible movement of the currency rate against the Qatari Riyal on the income statement, with all other variables held constant:

	Change in Currency Rate	Effect on Consolidated Income Statement	
Currency	**%**	**2021**	**2020**
US$	+2	61,377	(272,068)
Euro	+3	(10,100)	(8,357)
Pound Sterling	+2	6,133	2,831
Egyptian Pound	+3	539	524
Turkish Lira	+3	6,190	6,398
Other Currencies	+3	88,517	53,553
US$	-2	(61,377)	272,068
Euro	-3	10,100	8,357
Pound Sterling	-2	(6,133)	(2,831)
Egyptian Pound	-3	(539)	(524)
Turkish Lira	-3	(6,190)	(6,398)
Other Currencies	-3	(88,517)	(53,553)

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

c) Market Risk (continued)

Interest rate risk

Interest rate risk reflects the risk of a change in interest rates, which might affect future earnings or the fair value of financial instruments. Exposure to interest rate risk is managed by the Group using, asset and liability management and, where appropriate, various derivatives. Maturities of assets and liabilities have been determined on the basis of contractual pricing. The following table summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures:

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
At 31 December 2021:							
Cash and Balances with Central Banks	38,013,529	-	-	-	50,537,759	88,551,288	
Due from Banks	55,444,474	3,161,941	123,838	2,143,417	8,181,474	69,055,144	0.62%
Loans and Advances	493,821,774	202,718,503	32,997,126	7,464,985	26,649,653	763,652,041	4.44%
Investments	58,642,788	15,234,941	45,276,977	19,715,578	11,418,053	150,288,337	7.47%
Other Assets	-	-	-	-	21,490,801	21,490,801	
Total Assets	**645,922,565**	**221,115,385**	**78,397,941**	**29,323,980**	**118,277,740**	**1,093,037,611**	
Due to Banks	85,912,218	20,797,971	4,377,162	86,465	267,756	111,441,572	1.29%
Customer Deposits	494,840,733	136,729,226	54,476,092	8,114,958	91,350,515	785,511,524	2.60%
Debt Securities	4,274,065	3,490,549	19,301,114	12,458,148	565,051	40,088,927	3.09%
Other Borrowings	26,022,307	9,586	11,808	3,715	90,823	26,138,239	1.20%
Other Liabilities	-	-	-	-	29,800,702	29,800,702	
Total Equity	-	-	-	-	100,056,647	100,056,647	
Total Liabilities and Equity	**611,049,323**	**161,027,332**	**78,166,176**	**20,663,286**	**222,131,494**	**1,093,037,611**	
Balance Sheet Items	34,873,242	60,088,053	231,765	8,660,694	(103,853,754)	-	
Off-Balance Sheet Items	19,196,470	(5,504,942)	(14,933,201)	3,454,500	(2,212,827)	-	
Interest Rate Sensitivity Gap	**54,069,712**	**54,583,111**	**(14,701,436)**	**12,115,194**	**(106,066,581)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**54,069,712**	**108,652,823**	**93,951,387**	**106,066,581**	**-**	**-**	
At 31 December 2020:							
Cash and Balances with Central Banks	27,913,197	-	-	-	53,637,781	81,550,978	
Due from Banks	57,910,813	1,811,574	278,110	-	5,127,323	65,127,820	0.74%
Loans and Advances	481,221,081	171,410,130	40,293,352	7,350,037	23,520,574	723,795,174	4.90%
Investments	43,757,356	20,376,037	37,344,273	18,592,815	10,377,740	130,448,221	8.33%
Other Assets	-	-	-	-	24,092,867	24,092,867	
Total Assets	**610,802,447**	**193,597,741**	**77,915,735**	**25,942,852**	**116,756,285**	**1,025,015,060**	
Due to Banks	59,817,908	23,769,263	4,129,419	5,665	231,468	87,953,723	1.50%
Customer Deposits	463,524,570	138,948,148	39,292,749	8,177,172	88,794,947	738,737,586	2.69%
Debt Securities	11,121,418	3,652,247	15,058,930	12,138,464	602,444	42,573,503	3.35%
Other Borrowings	27,844,912	7,296	22,294	-	26,985	27,901,487	1.63%
Other Liabilities	-	-	-	-	30,947,042	30,947,042	
Total Equity	-	-	-	-	96,901,719	96,901,719	
Total Liabilities and Equity	**562,308,808**	**166,376,954**	**58,503,392**	**20,321,301**	**217,504,605**	**1,025,015,060**	
Balance Sheet Items	48,493,639	27,220,787	19,412,343	5,621,551	(100,748,320)	-	
Off-Balance Sheet Items	19,196,470	(5,504,942)	(14,933,201)	3,454,500	(2,212,827)	-	
Interest Rate Sensitivity Gap	**67,690,109**	**21,715,845**	**4,479,142**	**9,076,051**	**(102,961,147)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**67,690,109**	**89,405,954**	**93,885,096**	**102,961,147**	**-**	**-**	

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

c) Market Risk (continued)

The following table demonstrates the sensitivity to a possible and reasonable change in interest rates, with all other variables held constant, of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities including the effect of hedging instruments.

	Increase in Basis Points	Sensitivity of Net Interest Income	Decrease in Basis Points	Sensitivity of Net Interest Income
2021				
Currency				
Qatari Riyal	10	87,074	10	(87,074)
US$	10	19,082	10	(19,082)
Euro	10	(8,908)	10	8,908
Pound Sterling	10	4,239	10	(4,239)
Other Currencies	10	4,365	10	(4,365)

	Increase in Basis Points	Sensitivity of Net Interest Income	Decrease in Basis Points	Sensitivity of Net Interest Income
2020				
Currency				
Qatari Riyal	10	105,138	10	(105,138)
US$	10	12,930	10	(12,930)
Euro	10	(13,010)	10	13,010
Pound Sterling	10	1,789	10	(1,789)
Other Currencies	10	6,407	10	(6,407)

Inter Bank Offered Rate (IBOR) Reforms

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that have been and will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposures and the relevant reference rates with expected transition date(s) are as follows:

Currency	IBOR	Alternative Reference Rate	Transition date
USD	USD LIBOR (3 / 6 Months)	Secured Overnight Financing Rate (SOFR)	June 2023
GBP	GBP LIBOR	Sterling Overnight Index Average (SONIA)	December 2021
EUR	EURIBOR / EUR LIBOR	Euro Short-Term Rate (€STR)	December 2021
CHF	CHF LIBOR	Swiss Average Rate Overnight (SARON)	December 2021
JPY	JPY LIBOR	Tokyo Overnight Average Rate (TONAR)	December 2021

The Group closely monitors the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. In response to the announcements, the Group has set up an IBOR Steering Committee comprised of the various work streams including risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Group Chief Business Officer. The aim is to effect an orderly transition of legacy transactions onto risk free rate based repricing indices, and to enable a smooth adoption for new transactions. The IBOR Steering Committee oversights the IBOR transition process in its entirety, including product development, legal considerations, system enhancements, operational readiness, staff awareness and customer communication.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

c) Market Risk (continued)

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed principally to LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

Hedge Accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2021. The Group's hedged items and hedging instruments continue to be indexed principally to LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual. The Group's LIBOR cash flow hedging relationships extend beyond the anticipated cessation date for LIBOR.

Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause.

The following table shows the contracts depending on the inclusion of fallback language and and the expected transition. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

As at 31 December 2021

	Not subject to IBOR under transition or already incorporate ARR	Subject to IBOR under transition without fallback clauses		Subject to IBOR under transition with fallback clauses	Total
		USD LIBOR - maturity before expected transition	USD LIBOR - maturity after expected transition		
Cash and Balances with Central Banks	87,065,225	-	-	1,486,063	88,551,288
Due from Banks	68,803,893	-	-	251,251	69,055,144
Loans and Advances	256,073,852	6,998,836	73,393,064	427,186,289	763,652,041
Investments	102,444,399	-	-	47,843,938	150,288,337
Other Assets	21,490,801	-	-	-	21,490,801
Total Assets	**535,878,170**	**6,998,836**	**73,393,064**	**476,767,541**	**1,093,037,611**
Due to Banks	108,263,714	-	70,588	3,107,270	111,441,572
Customer Deposits	785,511,524	-	-	-	785,511,524
Debt Securities	36,987,711	-	3,101,216	-	40,088,927
Other Borrowings	20,121,579	1,092,150	1,456,200	3,468,310	26,138,239
Other Liabilities	29,112,647	-	-	688,055	29,800,702
Total Liabilities	**979,997,175**	**1,092,150**	**4,628,004**	**7,263,635**	**992,980,964**
Interest Rate Swaps	16,441,718	-	-	94,991,873	111,433,591
Cross Currency Swaps	98,307,079	-	-	10,827,972	109,135,051
Total Derivatives	**114,748,797**	**-**	**-**	**105,819,845**	**220,568,642**

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

c) Market Risk (continued)

As at 31 December 2020

	Not subject to IBOR under transition or already incorporate ARR	Subject to IBOR under transition without fallback clauses		Subject to IBOR under transition with fallback clauses	Total
		USD LIBOR - maturity before expected transition	USD LIBOR - maturity after expected transition		
Cash and Balances with Central Banks	77,476,632	-	-	4,074,346	81,550,978
Due from Banks	64,868,604	-	-	259,216	65,127,820
Loans and Advances	360,793,294	16,429,868	33,224,392	313,347,620	723,795,174
Investments	95,683,865	-	-	34,764,356	130,448,221
Other Assets	24,092,867	-	-	-	24,092,867
Total Assets	**622,915,262**	**16,429,868**	**33,224,392**	**352,445,538**	**1,025,015,060**
Due to Banks	83,000,343	-	114,880	4,838,500	87,953,723
Customer Deposits	738,737,586	-	-	-	738,737,586
Debt Securities	32,790,156	6,662,115	3,121,232	-	42,573,503
Other Borrowings	1,518,548	13,833,900	1,456,200	11,092,839	27,901,487
Other Liabilities	30,947,042	-	-	-	30,947,042
Total Liabilities	**886,993,675**	**20,496,015**	**4,692,312**	**15,931,339**	**928,113,341**
Interest Rate Swaps	14,688,574	-	-	104,797,597	119,486,171
Cross Currency Swaps	108,838,182	-	-	11,603,432	120,441,614
Total Derivatives	**123,526,756**	**-**	**-**	**116,401,029**	**239,927,785**

The Group expects to have a minimal impact because the transition is done and expected to be done on economically equivalent rates and therefore no modification gain or loss will take place.

d) Liquidity Risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Group has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

d) Liquidity Risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 2021:						
Cash and Balances with Central Banks	44,822,662	-	-	-	43,728,626	88,551,288
Due from Banks	59,941,734	1,896,064	4,020,654	965,375	2,231,317	69,055,144
Loans and Advances	101,204,371	21,105,043	64,941,939	281,496,736	294,903,952	763,652,041
Investments	8,029,309	8,075,158	13,213,921	49,694,558	71,275,391	150,288,337
Other Assets	9,792,883	1,090,729	1,541,994	8,038,770	1,026,425	21,490,801
Total Assets	**223,790,959**	**32,166,994**	**83,718,508**	**340,195,439**	**413,165,711**	**1,093,037,611**
Due to Banks	41,410,803	25,565,087	20,713,371	21,915,130	1,837,181	111,441,572
Customer Deposits	319,615,186	56,669,798	100,413,126	292,037,094	16,776,320	785,511,524
Debt Securities	149,884	-	7,040,724	20,435,139	12,463,180	40,088,927
Other Borrowings	76,667	1,093,209	3,351,179	21,617,184	-	26,138,239
Other Liabilities and Equity	17,034,857	2,289,573	5,375,697	1,908,820	103,248,402	129,857,349
Total Liabilities and Equity	**378,287,397**	**85,617,667**	**136,894,097**	**357,913,367**	**134,325,083**	**1,093,037,611**
On-Balance Sheet Gap	**(154,496,438)**	**(53,450,673)**	**(53,175,589)**	**(17,717,928)**	**278,840,628**	**-**
Contingent and Other Items	**89,730,790**	**32,619,927**	**37,373,568**	**33,916,258**	**20,383,293**	**214,023,836**
At 31 December 2020:						
Cash and Balances with Central Banks	40,951,732	-	-	-	40,599,246	81,550,978
Due from Banks	53,606,418	7,925,190	1,405,589	2,190,623	-	65,127,820
Loans and Advances	96,407,324	25,020,417	58,500,313	187,861,136	356,005,984	723,795,174
Investments	3,832,435	7,517,728	16,533,277	42,687,748	59,877,033	130,448,221
Other Assets	13,033,236	400,910	1,189,723	8,155,930	1,313,068	24,092,867
Total Assets	**207,831,145**	**40,864,245**	**77,628,902**	**240,895,437**	**457,795,331**	**1,025,015,060**
Due to Banks	23,702,869	16,190,259	23,620,314	22,227,774	2,212,507	87,953,723
Customer Deposits	250,649,193	69,455,430	133,060,377	265,922,482	19,650,104	738,737,586
Debt Securities	265,737	124,271	10,846,133	19,196,973	12,140,389	42,573,503
Other Borrowings	70,160	7,376	11,320,290	16,503,661	-	27,901,487
Other Liabilities and Equity	19,415,527	1,359,028	1,887,587	4,124,076	101,062,543	127,848,761
Total Liabilities and Equity	**294,103,486**	**87,136,364**	**180,734,701**	**327,974,966**	**135,065,543**	**1,025,015,060**
On-Balance Sheet Gap	**(86,272,341)**	**(46,272,119)**	**(103,105,799)**	**(87,079,529)**	**322,729,788**	**-**
Contingent and Other Items	**91,989,521**	**32,750,242**	**46,088,632**	**35,885,268**	**21,928,438**	**228,642,101**

Other assets includes property and equipment and intangible assets.

The liquidity coverage ratio maintained by the Group as at 31 December 2021 is 147% (2020: 164%), as against the minimum requirement of 100% for the year ended 31 December 2021 (100% for 31 December 2020) as per QCB regulations.

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

d) Liquidity Risk (continued)

Maturity analysis of undiscounted cash flows

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

	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
At 31 December 2021:						
Due to Banks	41,568,592	25,679,525	21,106,675	22,073,157	1,954,889	112,382,838
Customer Deposits	320,642,175	57,391,073	103,458,863	297,192,574	26,342,819	805,027,504
Debt Securities	156,979	161,189	7,066,041	20,454,382	12,584,429	40,423,020
Other Borrowings	76,667	1,152,756	3,568,906	22,391,049	-	27,189,378
Lease Liabilities	61,701	16,119	71,203	404,832	62,294	616,149
Derivative Financial Instruments						
- Contractual Amounts						
Payable - Forward Contracts	36,460,573	59,931,293	22,828,097	5,102,923	-	124,322,886
Receivable - Forward Contracts	(36,622,465)	(59,946,431)	(23,331,913)	(5,096,044)	-	(124,996,853)
Payable/(Receivable) - Others	(635,578)	951,324	1,120,930	556,052	(7,418,106)	(5,425,378)
Total Liabilities	**361,708,644**	**85,336,848**	**135,888,802**	**363,078,925**	**33,526,325**	**979,539,544**
At 31 December 2020:						
Due to Banks	27,921,155	16,397,513	24,266,902	23,004,504	2,298,600	93,888,674
Customer Deposits	251,734,678	70,401,504	135,982,400	271,009,133	29,714,887	758,842,602
Debt Securities	274,054	439,565	10,992,312	20,976,693	12,571,513	45,254,137
Other Borrowings	70,160	74,363	11,484,876	17,148,926	-	28,778,325
Lease Liabilities	14,319	19,276	79,309	483,868	87,546	684,318
Derivative Financial Instruments						
- Contractual Amounts						
Payable - Forward Contracts	52,047,998	42,126,509	10,898,287	346,771	-	105,419,565
Receivable - Forward Contracts	(50,816,106)	(41,427,002)	(10,665,689)	(365,760)	-	(103,274,557)
Payable/(Receivable) - Others	(660,045)	(259,796)	1,258,229	625,052	(9,383,836)	(8,420,396)
Total Liabilities	**280,586,213**	**87,771,932**	**184,296,626**	**333,229,187**	**35,288,710**	**921,172,668**

(All amounts are shown in thousands of Qatari Riyals)

4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

e) Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel and other risks having an operational risk impact. The Group seeks to minimise actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

f) Other Risks

Other risks to which the Group is exposed are regulatory risk, legal risk and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues, that are considered to have reputational repercussions for the Group, with guidelines and policies being issued as appropriate.

The Group provides custody and corporate administration to third parties in relation to mutual funds marketed or managed by the Group. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 37 lists the funds marketed by the Group.

g) Capital Management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank in supervising the Group.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

Capital Adequacy

	2021	**2020**
Common Equity Tier 1 (CET 1) Capital	75,905,083	73,485,795
Eligible Additional Tier 1 (AT1) Capital Instruments	20,000,000	20,000,000
Additional Tier 1 Capital	78,664	84,021
Additional Tier 2 Capital	5,560,003	5,267,427
Total Eligible Capital	**101,543,750**	**98,837,243**
Risk Weighted Assets for Credit Risk	446,010,514	446,945,612
Risk Weighted Assets for Market Risk	8,827,758	5,265,239
Risk Weighted Assets for Operational Risk	44,542,881	43,095,707
Total Risk Weighted Assets	**499,381,153**	**495,306,558**
CET 1 Ratio*	**14.2%**	**14.0%**
Tier 1 Capital Ratio*	**18.2%**	**18.1%**
Total Capital Ratio*	**19.3%**	**19.1%**

*The above ratios are calculated based on Total Eligible Capital, net of proposed dividends.
The minimum requirements for Capital Adequacy Ratio under Basel III for QNB as per QCB regulations are as follows:

	Without Capital Conservation Buffer	**Capital Conservation Buffer**	**Additional DSIB charge**	**ICAAP Capital Charge**	**Total**
Minimum limit for CET 1 ratio	6.0%	2.5%	2.50%	0.0%	**11.00%**
Minimum limit for Tier 1 capital ratio	8.0%	2.5%	2.50%	0.0%	**13.00%**
Minimum limit for Total capital ratio	10.0%	2.5%	2.50%	1.0%	**16.00%**

(All amounts are shown in thousands of Qatari Riyals)

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) Allowances for Credit Losses

Assessment 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.

(ii) Determining Fair Value

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 the accounting policies. 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.

(iii) Valuation of Financial Instruments

The Group's accounting policy on fair value measurements is discussed in the significant 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.

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, Black-Scholes and polynomial option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia 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.

(All amounts are shown in thousands of Qatari Riyals)

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

a) Key Sources of Estimation Uncertainty (Continued)

(iii) Valuation of Financial Instruments (continued)

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

	Level 1	Level 2	Level 3	Total
At 31 December 2021:				
Derivative Assets Held for Risk Management	-	7,308,699	-	7,308,699
Investment Securities	29,375,351	1,292,818	-	30,668,169
Total	**29,375,351**	**8,601,517**	**-**	**37,976,868**
Derivative Liabilities Held for Risk Management	602	5,630,316	-	5,630,918
Total	**602**	**5,630,316**	**-**	**5,630,918**
At 31 December 2020:				
Derivative Assets Held for Risk Management	50	5,505,932	-	5,505,982
Investment Securities	35,860,571	1,202,063	-	37,062,634
Total	**35,860,621**	**6,707,995**	**-**	**42,568,616**
Derivative Liabilities Held for Risk Management	1,430	5,856,817	-	5,858,247
Total	**1,430**	**5,856,817**	**-**	**5,858,247**

There have been no transfers between Level 1 and Level 2 (2020: Nil).

Financial assets and liabilities not measured at fair value, for which fair value is disclosed, would be largely classified as Level 2 in fair value hierarchy.

b) Critical Accounting Judgements in Applying the Group's Accounting Policies

i) Going concern

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

(ii) Financial Asset and Liability Classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 7 for further information.

(iii) 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 cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

(iv) ECL / Impairment of Investments in Equity and 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 Inputs, assumptions and techniques used for estimating ECL / impairment of financial assets for more information.

(All amounts are shown in thousands of Qatari Riyals)

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

b) Critical Accounting Judgements in Applying the Group's Accounting Policies (continued)

(v) 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 and technical or commercial obsolescence.

(vi) Useful Lives of Intangible Assets

The Group’s management determines the estimated useful life of its intangible assets for calculating amortisation. This estimate is determined after considering the expected economic benefits to be received from the use of intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(vii) 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.

(viii) Funds Management

All the funds are governed by the respective regulations where the appointment and removal of fund managers is controlled through respective regulations and the Group’s aggregate economic interest in each fund is not significant. As a result, the Group has concluded that it acts as an agent for the investors in these funds, and therefore has not consolidated these funds.

(ix) Provision for employee's end of service benefits

The Group measures its obligation for the post-employment benefits of its employees based on the provisions of the Qatar Labour Law and contractual obligations. These results are not materially different from the requirements of IAS 19.

6. OPERATING SEGMENTS

The Group organises and manages its operations through four main business segments, as described below, which are the Group’s strategic business units. For each strategic business units, the Group management committee reviews internal management reports on at least a quarterly basis. The strategic business units offer different products and services and are managed separately because they require different strategies.

Corporate Banking
Corporate banking includes loans, deposits, investment and advisory services and other products and services with corporate customers and undertaking the Group’s 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.

Consumer banking
Consumer banking includes loans, deposits and other diversified range of products and services to retail customers.

Asset and Wealth Management
Assets and wealth management includes loans, deposits, assets management, brokerage and custody services to high net worth customers.

International Banking
International banking includes loans, deposits and other products and services with corporate and individual customers in the Group’s international locations.

(All amounts are shown in thousands of Qatari Riyals)

6. OPERATING SEGMENTS (Continued)

	Qatar Operations					
	Corporate Banking	Consumer Banking	Asset and Wealth Management	International Banking	Unallocated and Intra-group Transactions	Total
At 31 December 2021:						
Revenue:						
Net Interest Income	13,534,875	631,876	685,806	8,125,109	58,454	23,036,120
Net Fee and Commission Income	683,280	278,407	255,571	1,973,915	21,650	3,212,823
Net Foreign Exchange Gain	519,935	181,070	119,031	520,821	(9,739)	1,331,118
Income from Investment Securities	35,588	-	(5,020)	95,417	-	125,985
Other Operating Income	-	33	555	236,654	(13)	237,229
Share of Results of Associates	313,170	-	-	57,038	-	370,208
Total Segment Revenue	**15,086,848**	**1,091,386**	**1,055,943**	**11,008,954**	**70,352**	**28,313,483**
Reportable Segment Profit	**9,619,197**	**246,193**	**767,917**	**2,845,416**	**(267,600)**	**13,211,123**
Reportable Segment						
Investments	88,219,189	-	418	54,601,721	-	142,821,328
Loans and Advances	569,199,466	9,378,918	20,823,887	164,249,770	-	763,652,041
Customer Deposits	366,131,210	34,807,445	38,510,009	346,062,860	-	785,511,524
Assets	789,387,825	35,980,010	39,846,075	564,810,584	(336,986,883)	1,093,037,611
At 31 December 2020:						
Revenue:						
Net Interest Income	10,988,233	669,620	994,925	8,287,177	55,403	20,995,358
Net Fee and Commission Income	676,021	173,901	264,423	1,892,894	8,865	3,016,104
Net Foreign Exchange Gain	627,078	168,772	118,768	232,843	3,414	1,150,875
Income from Investment Securities	37,313	-	(1,145)	169,439	-	205,607
Other Operating Income	3,834	13	611	55,851	1,973	62,282
Share of Results of Associates	58,789	-	-	50,945	-	109,734
Total Segment Revenue	**12,391,268**	**1,012,306**	**1,377,582**	**10,689,149**	**69,655**	**25,539,960**
Reportable Segment Profit	**7,492,405**	**330,395**	**1,222,221**	**3,224,195**	**(266,349)**	**12,002,867**
Reportable Segment						
Investments	76,462,342	-	566	46,920,661	-	123,383,569
Loans and Advances	504,772,502	9,378,067	31,257,900	178,386,705	-	723,795,174
Customer Deposits	348,398,614	32,998,292	53,607,586	303,733,094	-	738,737,586
Assets	691,408,086	34,046,785	55,317,688	548,181,974	(303,939,473)	1,025,015,060

(All amounts are shown in thousands of Qatari Riyals)

7. FINANCIAL ASSETS AND LIABILITIES

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

	Fair value through profit or loss - mandatory		Fair value through other comprehensive income		Amortised Cost	Total Carrying Amount	Fair Value
	Debt instruments	Equity instruments	Debt instruments	Equity instruments			
At 31 December 2021:							
Cash and Balances with Central Banks	-	-	-	-	88,551,288	88,551,288	88,551,288
Due from Banks	-	-	-	-	69,055,144	69,055,144	69,055,144
Loans and Advances	-	-	-	-	763,652,041	763,652,041	762,022,852
Investment Securities:							
At Fair Value	50,402	234,307	28,903,950	1,479,510	-	30,668,169	30,668,169
At Amortised Cost	-	-	-	-	112,153,159	112,153,159	113,787,479
	50,402	**234,307**	**28,903,950**	**1,479,510**	**1,033,411,632**	**1,064,079,801**	**1,064,084,932**
Due to Banks	-	-	-	-	111,441,572	111,441,572	111,441,572
Customer Deposits	-	-	-	-	785,511,524	785,511,524	785,533,787
Debt Securities	-	-	-	-	40,088,927	40,088,927	40,128,136
Other Borrowings	-	-	-	-	26,138,239	26,138,239	26,118,515
	-	**-**	**-**	**-**	**963,180,262**	**963,180,262**	**963,222,010**
At 31 December 2020:							
Cash and Balances with Central Banks	-	-	-	-	81,550,978	81,550,978	81,550,978
Due from Banks	-	-	-	-	65,127,820	65,127,820	65,127,820
Loans and Advances	-	-	-	-	723,795,174	723,795,174	722,138,187
Investment Securities:							
At Fair Value	142,661	146,257	35,376,310	1,397,406	-	37,062,634	37,062,634
At Amortised Cost	-	-	-	-	86,320,935	86,320,935	87,771,854
	142,661	**146,257**	**35,376,310**	**1,397,406**	**956,794,907**	**993,857,541**	**993,651,473**
Due to Banks	-	-	-	-	87,953,723	87,953,723	87,953,723
Customer Deposits	-	-	-	-	738,737,586	738,737,586	738,759,706
Debt Securities	-	-	-	-	42,573,503	42,573,503	42,510,124
Other Borrowings	-	-	-	-	27,901,487	27,901,487	27,908,762
	-	**-**	**-**	**-**	**897,166,299**	**897,166,299**	**897,132,315**

(All amounts are shown in thousands of Qatari Riyals)

8. CASH AND BALANCES WITH CENTRAL BANKS

	2021	2020
Cash	14,522,532	15,501,485
Cash Reserve with Qatar Central Bank	20,304,244	20,271,711
Other Balances with Qatar Central Bank	20,437,212	19,561,356
Balances with Other Central Banks	33,253,087	26,209,313
Accrued Interest	40,382	11,947
Allowance for Impairment	(6,169)	(4,834)
Total	**88,551,288**	**81,550,978**

Cash reserve with Qatar Central Bank is a mandatory reserve and cannot be used to fund the Group's day-to-day operations. Balances with Other Central Banks include mandatory reserves amounting to QR23,424 million (2020: QR20,328 million) which cannot be used to fund the Group's day-to-day operations.

9. DUE FROM BANKS

	2021	2020
Current Accounts	15,398,205	9,896,494
Placements	51,221,076	55,001,394
Loans	2,143,417	-
Accrued Interest	387,078	299,617
Allowance for Impairment	(94,632)	(69,685)
Total	**69,055,144**	**65,127,820**

10. LOANS AND ADVANCES TO CUSTOMERS

	2021	2020
a) By Type		
Loans	703,184,195	670,910,892
Overdrafts	72,659,681	64,138,497
Bills Discounted	6,351,837	3,033,856
	782,195,713	**738,083,245**
Accrued Interest	7,750,961	7,336,182
Deferred Profit	(63,790)	(64,614)
Expected Credit Losses - Performing Loans and Advances to Customers - Stage 1 and 2	(4,812,606)	(4,614,602)
Impairment on Non-performing Loans and Advances to Customers - Stage 3	(21,418,237)	(16,945,037)
Net Loans and Advances to Customers	**763,652,041**	**723,795,174**

The aggregate amount of non-performing loans and advances to customers amounted to QR18,345 million, which represents 2.3% of total loans and advances (2020: QR15,811 million, 2.1% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR3,063 million of interest in suspense (2020: QR2,383 million).

b) By Industry

At 31 December 2021:	**Loans and Advances**	**Overdrafts**	**Bills Discounted**	**Total**
Government	47,585,612	45,492,182	-	93,077,794
Government Agencies	190,803,569	1,988,782	-	192,792,351
Industry	38,836,361	2,366,799	523,729	41,726,889
Commercial	105,429,136	5,567,734	1,410,869	112,407,739
Services	193,529,585	10,127,961	2,613,982	206,271,528
Contracting	12,845,672	678,383	171,903	13,695,958
Real Estate	60,912,328	3,216,793	815,138	64,944,259
Personal	60,043,734	3,170,922	803,514	64,018,170
Others	949,159	50,125	12,702	1,011,986
Total	**710,935,156**	**72,659,681**	**6,351,837**	**789,946,674**

(All amounts are shown in thousands of Qatari Riyals)

10. LOANS AND ADVANCES TO CUSTOMERS (Continued)

b) By Industry (continued)

At 31 December 2020:	Loans and Advances	Overdrafts	Bills Discounted	Total
Government	45,650,497	27,835,403	-	73,485,900
Government Agencies	180,190,591	2,321,686	-	182,512,277
Industry	41,203,052	3,901,566	281,393	45,386,011
Commercial	95,508,163	4,079,141	620,983	100,208,287
Services	177,330,495	8,812,058	1,125,452	187,268,005
Contracting	13,516,947	726,524	88,826	14,332,297
Real Estate	58,889,991	3,165,284	386,992	62,442,267
Personal	63,568,670	13,167,073	489,067	77,224,810
Others	2,388,668	129,762	41,143	2,559,573
Total	**678,247,074**	**64,138,497**	**3,033,856**	**745,419,427**

The amounts include interest receivable and exclude ECL / impairment and deferred profit.

c) ECL / Impairment on Loans and Advances to Customers

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance as at 1 January 2021	14,667,613	2,422,398	4,405,431	64,197	21,559,639
Foreign Currency Translation	(969,167)	(613,018)	(466,192)	(2,309)	(2,050,686)
Allowances Made during the Year	8,429,685	455,888	959,591	17,476	9,862,640
Recoveries during the Year	(1,113,674)	(356,612)	(288,895)	(3,456)	(1,762,637)
Written off / Transfers during the Year	(1,263,902)	(35,725)	(78,486)	-	(1,378,113)
Balance as at 31 December 2021	**19,750,555**	**1,872,931**	**4,531,449**	**75,908**	**26,230,843**
Balance as at 1 January 2020	9,878,877	2,657,388	4,177,912	62,051	16,776,228
Foreign Currency Translation	(243,254)	(343,934)	(182,464)	(914)	(770,566)
Allowances Made during the Year	7,735,291	567,458	818,797	8,497	9,130,043
Recoveries during the Year	(1,657,172)	(212,377)	(382,387)	(5,412)	(2,257,348)
Written off / Transfers during the Year	(1,046,129)	(246,137)	(26,427)	(25)	(1,318,718)
Balance as at 31 December 2020	**14,667,613**	**2,422,398**	**4,405,431**	**64,197**	**21,559,639**

ECL / impairment allowance and recoveries for the year includes interest in suspense and recoveries of balances previously written off amounting to QR1,034 million (2020: QR1,047 million).

d) Net ECL / Impairment during the Year	2021	2020
Corporate Lending	(6,359,786)	(5,263,009)
Small Business Lending	(4,891)	(334,026)
Consumer Lending	(687,452)	(225,379)
Residential Mortgages	(13,879)	(3,005)
Total	**(7,066,008)**	**(5,825,419)**

Impairment loss excludes interest in suspense.

11. INVESTMENT SECURITIES

	Notes	2021	2020
Investments measured at Fair Value Through Profit or Loss (FVPL)	11a	284,709	288,918
Investments measured at Fair Value Through Other Comprehensive Income (FVOCI)	11b	29,860,133	36,267,165
Investments measured at Amortised Cost (AC), net	11c	110,439,259	85,058,061
Accrued interest		2,237,227	1,769,425
Total		**142,821,328**	**123,383,569**

The carrying amount and fair value of securities under repurchase agreements amounted to QR41,949 million and QR41,738 million respectively (2020: QR 37,611 million and QR 38,869 million respectively).

(All amounts are shown in thousands of Qatari Riyals)

11. INVESTMENT SECURITIES (Continued)

a) Investments measured at Fair Value Through Profit or Loss

	2021		2020	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
Mutual Funds and Equities	234,307	-	146,257	-
Debt Securities	50,402	-	142,661	-
Total	**284,709**	**-**	**288,918**	**-**

b) Investments measured at Fair Value Through Other Comprehensive Income

	2021		2020	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
Mutual Funds and Equities	1,218,995	260,515	1,133,336	264,070
State of Qatar Debt Securities	16,691,062	-	21,561,136	-
Other Debt Securities	11,689,561	-	13,308,623	-
Total	**29,599,618**	**260,515**	**36,003,095**	**264,070**

Fixed rate securities amounted to QR26,019 million (2020: QR32,492 million) and floating rate securities amounted to QR2,362million (2020: QR2,378 million).

The above is net of impairment allowance in respect of debt securities amounting to QR Nil (2020: QR Nil).

Expected credit loss of QR18.7 million (2020: QR18.9 million), pertaining to FVOCI debt securities is part of fair value reserve in equity.

c) Investments measured at Amortised Cost

	2021		2020	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
By Issuer				
State of Qatar Debt Securities	20,879,358	-	13,617,892	-
Other Debt Securities	48,019,265	41,540,636	36,432,645	35,007,524
Total	**68,898,623**	**41,540,636**	**50,050,537**	**35,007,524**
By Interest Rate				
Fixed Rate Securities	64,561,687	245,698	45,539,963	3,988,964
Floating Rate Securities	4,336,936	41,294,938	4,510,574	31,018,560
Total	**68,898,623**	**41,540,636**	**50,050,537**	**35,007,524**

The above is net of impairment allowance in respect of debt securities amounting to QR214.1 million (2020: QR159.6 million).

12. INVESTMENTS IN ASSOCIATES

	2021	**2020**
Balance as at 1 January	7,064,652	7,116,602
Foreign Currency Translation	(52,972)	(24,742)
Share of results	370,208	109,734
Investment during the year	305,578	-
Cash Dividend	(113,535)	(45,904)
Other Movements / Disposals	(106,922)	(91,038)
Balance as at 31 December	**7,467,009**	**7,064,652**

Name of Associate	**Country**	**Principal business**	**Ownership % 2021**	**Ownership % 2020**
Housing Bank for Trade and Finance	Jordan	Banking	38.6	34.5
Al Jazeera Finance Company	Qatar	Financing	20.0	20.0
Commercial Bank International	UAE	Banking	40.0	40.0
Senouhi Company for Construction Materials	Egypt	Construction	-	23.0
Ecobank Transnational Incorporated	Togo	Banking	20.1	20.1
Bantas	Turkey	Security Services	33.3	33.3
Cigna Finans	Turkey	Pension Fund	49.0	49.0

(All amounts are shown in thousands of Qatari Riyals)

12. INVESTMENTS IN ASSOCIATES (Continued)

The table below shows the summarised financial information of the Group's investment in direct and material Associates:

	Total Assets	Total Liabilities	Equity	Group's Share of Profit / (Loss)	Market Price per Share (QR)
Balance as at 30 September 2021					
Housing Bank for Trade and Finance	41,905,512	35,790,077	6,115,435	156,727	19.31
Commercial Bank International	17,494,530	15,049,320	2,445,210	(7,751)	0.64
Ecobank Transnational Incorporated	96,170,346	88,446,603	7,723,743	159,643	0.05
Balance as at 31 December 2020					
Housing Bank for Trade and Finance	42,649,044	36,683,258	5,965,786	82,713	15.00
Commercial Bank International	17,339,024	14,915,549	2,423,475	(4,879)	0.74
Ecobank Transnational Incorporated	94,432,651	87,050,762	7,381,889	(27,306)	0.06

13. PROPERTY AND EQUIPMENT

Balance as at 1 January 2021	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Cost:					
Balance as at 1 January	5,125,782	870,877	3,308,169	92,451	9,397,279
Additions	747,195	19,884	369,558	37,237	1,173,874
Disposals	(8,984)	(15,795)	(19,486)	(2,237)	(46,502)
Foreign Currency Translation / Others	(698,106)	(113,577)	(742,389)	(11,997)	(1,566,069)
	5,165,887	**761,389**	**2,915,852**	**115,454**	**8,958,582**
Accumulated Depreciation:					
Balance as at 1 January	852,540	712,392	2,378,671	48,636	3,992,239
Charged during the Year	229,821	35,706	329,278	20,894	615,699
Disposals	(459)	(11,112)	(17,608)	(2,224)	(31,403)
Foreign Currency Translation / Others	(139,653)	(90,062)	(543,018)	(2,026)	(774,759)
	942,249	**646,924**	**2,147,323**	**65,280**	**3,801,776**
Net Carrying Amount as at 31 December 2021	**4,223,638**	**114,465**	**768,529**	**50,174**	**5,156,806**
Balance as at 1 January 2020					
Cost:					
Balance as at 1 January	4,911,932	995,620	3,380,777	63,810	9,352,139
Additions	664,146	41,793	427,645	34,344	1,167,928
Disposals	(65,573)	(3,931)	(14,767)	(1,768)	(86,039)
Foreign Currency Translation / Others	(384,723)	(162,605)	(485,486)	(3,935)	(1,036,749)
	5,125,782	**870,877**	**3,308,169**	**92,451**	**9,397,279**
Accumulated Depreciation:					
Balance as at 1 January	690,809	807,611	2,441,442	34,535	3,974,397
Charged during the Year	258,703	51,200	338,722	15,539	664,164
Disposals	(65,071)	(3,363)	(13,399)	(1,406)	(83,239)
Foreign Currency Translation / Others	(31,901)	(143,056)	(388,094)	(32)	(563,083)
	852,540	**712,392**	**2,378,671**	**48,636**	**3,992,239**
Net Carrying Amount as at 31 December 2020	**4,273,242**	**158,485**	**929,498**	**43,815**	**5,405,040**

(All amounts are shown in thousands of Qatari Riyals)

13. PROPERTY AND EQUIPMENT (Continued)

Details of right-of-use assets included in afore-mentioned class of assets are as follows:

	Land & Buildings	Equipment & Furniture	Motor Vehicles	Total
Balance as at 1 January 2021	532,657	14,016	20,455	**567,128**
Additions	132,054	2,281	12,628	**146,963**
Disposals	(3,900)	-	-	**(3,900)**
Depreciation	(171,991)	(9,761)	(14,775)	**(196,527)**
Foreign Currency Translation / Others	(59,754)	(97)	(3,826)	**(63,677)**
Balance as at 31 December 2021	**429,066**	**6,439**	**14,482**	**449,987**

	Land & Buildings	Equipment & Furniture	Motor Vehicles	Total
Balance as at 1 January 2020	572,689	23,497	23,343	**619,529**
Additions	204,102	6,547	14,389	**225,038**
Disposals	-	-	(16)	**(16)**
Depreciation	(204,833)	(16,005)	(13,608)	**(234,446)**
Foreign Currency Translation / Others	(39,301)	(23)	(3,653)	**(42,977)**
Balance as at 31 December 2020	**532,657**	**14,016**	**20,455**	**567,128**

14. INTANGIBLE ASSETS

	Goodwill	Core Deposit Intangibles	Operating licence	Total
Cost				
Balance as at 1 January 2021	1,998,318	932,907	1,752,890	4,684,115
Foreign Currency Translation	(1,112)	-	-	(1,112)
Additions	-	-	38,423	38,423
Balance as at 31 December 2021	**1,997,206**	**932,907**	**1,791,313**	**4,721,426**
Accumulated Amortisation				
Balance as at 1 January 2021	-	(631,532)	(105,620)	(737,152)
Foreign Currency Translation	-	-	-	-
Amortisation Charge	-	(75,465)	(22,023)	(97,488)
Balance as at 31 December 2021	**-**	**(706,997)**	**(127,643)**	**(834,640)**
Net Book Value as at 31 December 2021	**1,997,206**	**225,910**	**1,663,670**	**3,886,786**
Cost				
Balance as at 1 January 2020	1,962,802	932,907	1,739,432	4,635,141
Foreign Currency Translation	35,516	-	-	35,516
Additions	-	-	13,458	13,458
Balance as at 31 December 2020	**1,998,318**	**932,907**	**1,752,890**	**4,684,115**
Accumulated Amortisation				
Balance as at 1 January 2020	-	(555,861)	(86,062)	(641,923)
Foreign Currency Translation	-	-	-	-
Amortisation Charge	-	(75,671)	(19,558)	(95,229)
Balance as at 31 December 2020	**-**	**(631,532)**	**(105,620)**	**(737,152)**
Net Book Value as at 31 December 2020	**1,998,318**	**301,375**	**1,647,270**	**3,946,963**

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

Net book value of goodwill as at 31 December 2021 includes QR1.7 billion (2020: QR1.7 billion) in respect of QNB ALAHLI, QR89.6 million (2020: QR89.6 million) in respect of QNB Indonesia, QR111.9 million (2020: QR111.9 million) in respect of Mansour Bank and QR77.4 million (2020: QR77.4 million) in respect of QNB Tunisia.

The Group performed its annual impairment test in accordance with its accounting policy and performed a sensitivity analysis of the underlying assumptions used in the value-in-use calculations. The recoverable amounts of cash-generating units were higher than the carrying amounts. Consequently, no impairment was considered necessary as at the end of the reporting period (2020:Nil).

(All amounts are shown in thousands of Qatari Riyals)

14. INTANGIBLE ASSETS (Continued)

The intangible assets with finite lives have a remaining amortisation period ranging between 2 to 4 years. Recoverable amount of goodwill and other intangible assets with indefinite useful life for QNB ALAHLI, which includes, corporate and consumer banking CGUs, is calculated using value-in-use method based on following inputs. A discount rate of 21.75% (2020: 25.03%) and a terminal growth rate of 2.5% (2020: 2.5%) were used to estimate the recoverable amount.

15. OTHER ASSETS

	2021	2020
Prepaid Expenses	479,817	565,094
Positive Fair Value of Derivatives (Note 36)	7,308,699	5,505,982
Sundry Debtors	2,356,341	2,165,379
Deferred Tax Asset (Note 32)	388,447	794,630
Others	1,913,905	5,709,779
Total	**12,447,209**	**14,740,864**

16. DUE TO BANKS

	2021	2020
Balances Due to Central Banks	585,900	356,920
Current Accounts	4,673,868	1,106,860
Deposits	77,443,792	54,693,992
Repurchase Agreements	27,850,736	30,763,116
Interest Payable	887,276	1,032,835
Total	**111,441,572**	**87,953,723**

17. CUSTOMER DEPOSITS

	2021	2020
a) By Type		
Current and Call Accounts	159,473,716	139,931,016
Saving Accounts	24,721,893	22,999,355
Time Deposits	598,501,193	572,680,969
Interest Payable	2,814,722	3,126,246
Total	**785,511,524**	**738,737,586**

b) By Sector	2021	2020
Government	43,663,229	19,646,918
Government Agencies	147,133,381	151,562,428
Individuals	131,649,397	144,072,640
Corporate	460,250,795	420,329,354
Interest Payable	2,814,722	3,126,246
Total	**785,511,524**	**738,737,586**

18. DEBT SECURITIES

	2021	2020
Face value of bonds	39,648,312	41,945,617
Less: Unamortised premium / discount	(107,330)	6,187
Interest Payable	547,945	621,699
Total	**40,088,927**	**42,573,503**

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

	2021	2020
Balance as at 1 January	42,573,503	33,778,250
Issuances during the year	8,748,885	12,142,592
Repayments	(10,754,896)	(3,815,091)
Interest accrued	547,945	621,699
Other movements	(1,026,510)	(153,947)
Balance as at 31 December	**40,088,927**	**42,573,503**

(All amounts are shown in thousands of Qatari Riyals)

18. DEBT SECURITIES (Continued)

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

Year of Maturity	2021	2020
2021	-	11,236,141
2022	7,190,608	5,754,534
2023	1,484,198	1,552,207
2024	8,429,161	6,084,829
2025	5,809,506	5,805,403
2026	4,712,274	-
2027	3,634,530	3,634,133
2028	724,882	770,673
2047	2,787,465	2,654,252
2048	3,046,815	2,897,031
2060	2,269,488	2,184,300
Total	**40,088,927**	**42,573,503**

The above debt securities are denominated in USD, GBP, AUD and comprise of fixed and floating interest rates.
The interest rate paid on the above averaged 3.09% p.a in 2021 (2020: 3.35% p.a).

19. OTHER BORROWINGS

The table below shows the movement in other borrowings issued by the Group as at the end of the reporting period:

	2021	2020
Balance as at 1 January	27,901,487	25,266,611
Issuances during the year	11,259,064	17,710,213
Repayments	(10,419,936)	(15,325,322)
Other movements / Foreign exchange translation	(2,630,964)	217,774
Interest accrued	28,588	32,211
Balance as at 31 December	**26,138,239**	**27,901,487**

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

Year of Maturity	2021	2020
2021	-	11,397,826
2022	4,521,055	2,049,829
2023	8,856,590	8,868,859
2024	7,289,240	133,376
2025	5,471,354	5,451,597
Total	**26,138,239**	**27,901,487**

The above are mainly denominated in USD, EUR and comprise of fixed and floating interest rates. The interest rate paid on the above averaged 1.20% p.a in 2021 (2020: 1.63% p.a).

The Group hedges part of the currency risk of its net investment in foreign operations using foreign currency borrowings. Included in other borrowings was a borrowing of EUR1.75 billion (2020: EUR 2.0 billion) designated as a hedge of the Group's net investment foreign operations, and is being used to hedge the Group's exposure to foreign exchange risk on this investment.

At the end of the reporting period, the net investment hedge was highly effective.

(All amounts are shown in thousands of Qatari Riyals)

20. OTHER LIABILITIES	**2021**	**2020**
Expense Payable	1,245,600	1,029,343
Other Provisions (Note 21)	428,952	486,328
Tax Payable	554,936	908,725
Negative Fair Value of Derivatives (Note 36)	5,630,918	5,858,247
Unearned Revenue	2,210,796	2,029,475
Social and Sports Fund	259,143	219,467
Deferred Tax Liability (Note 32)	53,078	52,577
Margin Accounts	1,318,167	1,280,110
Allowance for Impairment for Loan Commitments and Financial Guarantees	543,087	546,791
Lease liabilities (Note 20.1)	608,724	677,443
Others	16,947,301	17,858,536
Total	**29,800,702**	**30,947,042**

20.1 Lease liabilities include current and non-current liabilities amounting to QR147.2 million (2020: QR111.8 million) and QR461.5million (2020: QR565.7 million), respectively.

21. OTHER PROVISIONS

	Staff Indemnity	**Legal Provision**	**Other Provision**	**Total**
Balance as at 1 January 2021	254,696	97,600	134,032	486,328
Foreign Currency Translation	(32,557)	(40,467)	(27,779)	(100,803)
Provisions Made, net	48,585	28,587	23,118	100,290
	270,724	**85,720**	**129,371**	**485,815**
Provisions Paid, Written off or Transferred	(19,649)	(954)	(36,260)	(56,863)
Balance as at 31 December 2021	**251,075**	**84,766**	**93,111**	**428,952**
Balance as at 1 January 2020	268,213	81,774	142,580	492,567
Foreign Currency Translation	(33,217)	(12,756)	(12,003)	(57,976)
Provisions Made, net	56,390	30,398	5,763	92,551
	291,386	**99,416**	**136,340**	**527,142**
Provisions Paid, Written off or Transferred	(36,690)	(1,816)	(2,308)	(40,814)
Balance as at 31 December 2020	**254,696**	**97,600**	**134,032**	**486,328**

22. EQUITY

a) Issued Capital

The authorised, issued and fully paid up share capital of the Bank totalling QR9,236 million consists of 9,236,428,570 ordinary shares of QR1 each. Qatar Investment Authority holds 50% of the ordinary shares of the Bank with the remaining 50% are available to be held by members of the public. All shares issued are of the same class and carry equal rights.

(All amounts are shown in thousands of Qatari Riyals)

22. EQUITY (Continued)

b) Legal Reserve

In accordance with Qatar Central Bank Law, at least 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution, except in circumstances specified in the Qatar Commercial Companies Law and after Qatar Central Bank approval. When bonus shares are proposed, an increase in the legal reserve is proposed equivalent to the increase in capital to enhance the financial position of the Group.

The proceeds received from the rights issue, net of any directly attributable transaction costs, are directly credited to share capital (nominal value of shares) and legal reserve (share premium on rights issue) when shares have been issued higher than their nominal value.

c) Risk Reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on loans and advances and financing activities, with a minimum requirement of 2.5% of the total direct facilities after excluding provisions for credit losses, deferred profits, exposures granted to or guaranteed by the Government and exposures against cash collaterals.

d) Fair Value Reserve	**Hedges of a Net Investment in Foreign Operation**	**Cash Flow Hedges**	**Fair Value Through Other Comprehensive Income**	**Total**
Balance as at 1 January 2021	(885,748)	(1,189,898)	264,595	(1,811,051)
Foreign Currency Translation	-	92,800	58,431	151,231
Revaluation Impact	713,760	129,857	(350,669)	492,948
Reclassified to Income Statement	-	-	-	-
Other movements	-	(191)	(2,487)	(2,678)
Net Movement during the Year	713,760	129,666	(353,156)	490,270
Balance as at 31 December 2021	**(171,988)**	**(967,432)**	**(30,130)**	**(1,169,550)**
Balance as at 1 January 2020	(100,616)	(1,405,869)	159,211	(1,347,274)
Foreign Currency Translation	-	49,285	1,214	50,499
Revaluation Impact	(785,132)	166,721	152,437	(465,974)
Reclassified to Income Statement	-	-	(67,038)	(67,038)
Other movements	-	(35)	18,771	18,736
Net Movement during the Year	(785,132)	166,686	104,170	(514,276)
Balance as at 31 December 2020	**(885,748)**	**(1,189,898)**	**264,595**	**(1,811,051)**

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) Other Reserves

Other reserves represent mainly a general reserve which, in accordance with the Bank's Articles of Association, shall be employed according to a resolution of the General Assembly upon the recommendation from the Board of Directors and after Qatar Central Bank approval. Currency translation adjustments and share of changes recognised directly in associates' equity are not available for distribution. Details of other reserves are as follows:

	2021	**2020**
General Reserve	1,763,194	1,777,179
Share of Changes Recognised Directly in Associates' Equity, excluding Share of Profit	(1,717,053)	(1,611,129)
Total	**46,141**	**166,050**

(All amounts are shown in thousands of Qatari Riyals)

22. EQUITY (Continued)

g) Retained Earnings

Retained earnings include the Group's share in profit of associates. These profits are distributable to the shareholders only to the extent of the cash received.

h) Proposed Dividend

The Board of Directors have proposed a cash dividend of 55% of the nominal share value (QR0.55 per share) for the year ended 31 December 2021 (2020: cash dividend 45% of the nominal share value (QR0.45 per share). The amounts are subject to the approval of the General Assembly.

23. NON-CONTROLLING INTERESTS

Represents the non - controlling interest in QNB Syria amounting to 49.2% of the share capital, 7.5% in QNB Indonesia, 45.8% in Al-Mansour Investment Bank, 0.01% in QNB Tunisia, 5.0% in QNB ALAHLI and 0.12% in QNB Finansbank.

24. INSTRUMENTS ELIGIBLE FOR ADDITIONAL TIER 1 CAPITAL

In 2016, QNB raised Additional Tier 1 Perpetual Capital ('Note') by issuing unsecured perpetual non-cumulative unlisted note for an amount of QR10 billion. In 2018, QNB issued another series of Additional Tier 1 Perpetual Capital ('Note') for an amount of QR10 billion with similar terms and conditions as described below.

The distributions (i.e. coupon payments) are discretionary and non-cumulative and payable annually until the first call date being six years from date of issuance.

These Notes rank junior to the QNB's existing unsubordinated obligations including existing depositors, pari-passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank. These Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstances and other general redemption conditions solely at the Bank's discretion. 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.

25. INTEREST INCOME

	2021	2020
Due from Central Banks	280,192	244,449
Due from Banks	1,255,705	1,744,987
Debt Securities	8,529,468	6,825,450
Loans and Advances	34,670,798	34,958,193
Total	**44,736,163**	**43,773,079**

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

	2021	2020
Financial assets measured at amortised cost	42,932,647	42,158,214
Financial assets measured at fair value	1,803,516	1,614,865
Total	**44,736,163**	**43,773,079**

26. INTEREST EXPENSE

	2021	2020
Due to Banks	4,918,937	5,229,367
Customer Deposits	14,666,384	14,882,168
Debt Securities	1,292,408	1,339,881
Others	822,314	1,326,305
Total	**21,700,043**	**22,777,721**

Others include interest expense related to leased liabilities amounting to QR46.9 million (2020: QR 50.4 million).

(All amounts are shown in thousands of Qatari Riyals)

27. FEE AND COMMISSION INCOME

	2021	2020
Loans and Advances	734,847	509,433
Off-Balance Sheet Items	649,800	595,703
Bank Services	2,667,306	2,325,109
Investment Activities for Customers	279,160	315,360
Others	204,036	225,930
Total	**4,535,149**	**3,971,535**

28. NET FOREIGN EXCHANGE GAIN

	2021	2020
Dealing in Foreign Currencies	683,557	824,587
Revaluation of Assets and Liabilities	1,582,922	357,507
Revaluation of Derivatives	(935,361)	(31,219)
Total	**1,331,118**	**1,150,875**

29. INCOME FROM INVESTMENT SECURITIES

	2021	2020
Net Gain from Sale of Investments Measured at Amortised Cost	4,689	5,072
Net Gain from Sale of Investments Measured at Fair Value	54,803	115,673
Dividend Income	47,198	48,365
Changes in Fair Value of Financial Assets measured at Fair Value through Profit or Loss	19,295	36,497
Total	**125,985**	**205,607**

30. STAFF EXPENSES

	2021	2020
Staff Costs	3,282,848	3,293,846
Staff Pension Fund Costs	50,625	49,699
Staff Indemnity Costs	48,585	56,390
Total	**3,382,058**	**3,399,935**

31. OTHER EXPENSES

	2021	2020
Training	48,160	45,281
Advertising	434,368	461,199
Professional Fees	183,344	234,147
Communication and Insurance	394,188	249,024
Occupancy and Maintenance	373,408	353,498
Computer and IT Costs	505,959	412,669
Printing and Stationery	53,525	52,612
Directors' Fees	16,940	11,740
Others	284,453	321,221
Total	**2,294,345**	**2,141,391**

Occupany costs include expenses related to leases other than interest expense amounting to QR31.6 million (2020: QR 29.0 million).

(All amounts are shown in thousands of Qatari Riyals)

32. INCOME TAXES

	2021	2020
Current Income Tax	1,006,149	1,363,252
Deferred Tax (Benefit) / Expense	376,889	(252,430)
Adjustments to Prior Period Corporate Taxes	6,927	(9,184)
Income Tax Expense	**1,389,965**	**1,101,638**
Profit Before Tax	**14,666,065**	**13,184,299**
Less: Profit not Subject to Tax	(10,725,804)	(9,670,331)
Profit Subject to Tax	**3,940,261**	**3,513,968**
Effective Tax Rate	23.65%	23.48%
Tax Calculated Based on the Current Tax Rate (Effective Rate)	931,928	825,098
Effect of Income not Subject to Taxation	(30,963)	(45,187)
Effect of Expenses not Deductible For Tax Purposes	482,073	330,911
Adjustments to Prior Periods Corporate Taxes	6,927	(9,184)
Income Tax Expense	**1,389,965**	**1,101,638**

Movement in Deferred Tax Balances

As at and for the year ended 31 December 2021	**Net balance as at 1 January 2021**	**Recognised in income statement**	**Recognised in other comprehensive income**	**Deferred Tax Net**	**Deferred Tax Asset**	**Deferred Tax Liability**
Expected Credit Losses	630,619	(220,684)	2,677	412,612	442,482	(29,870)
Property and Equipment	(68,153)	16,346	-	(51,807)	(51,807)	-
Employee Related Accruals	102,611	(10,185)	-	92,426	92,426	-
Unearned Revenue	48,357	(8,748)	-	39,609	39,609	-
Investment Securities	105,825	33,553	67,192	206,570	207,288	(718)
Tax Losses Carried Forward	136,883	64,661	-	201,544	201,544	-
Others	(214,089)	(251,832)	(99,664)	(565,585)	(543,095)	(22,490)
Deferred tax assets / (liabilities)	**742,053**	**(376,889)**	**(29,795)**	**335,369**	**388,447**	**(53,078)**

As at and for the year ended 31 December 2020	**Net balance as at 1 January 2020**	**Recognised in income statement**	**Recognised in other comprehensive income**	**Deferred Tax Net**	**Deferred Tax Asset**	**Deferred Tax Liability**
Expected Credit Losses	454,310	176,309	-	630,619	674,372	(43,753)
Property and Equipment	(56,876)	(11,277)	-	(68,153)	(68,153)	-
Employee Related Accruals	84,716	17,895	-	102,611	102,611	-
Unearned Revenue	36,640	11,717	-	48,357	48,357	-
Investment Securities	52,517	25,475	27,833	105,825	107,133	(1,308)
Tax Losses Carried Forward	114,655	22,228	-	136,883	136,883	-
Others	(165,588)	10,083	(58,584)	(214,089)	(206,573)	(7,516)
Deferred tax assets / (liabilities)	**520,374**	**252,430**	**(30,751)**	**742,053**	**794,630**	**(52,577)**

Expiry of deferred tax recognised on carried forward tax losses	**2021**	**2020**
2021 - 2025	139,269	45,992
2026 - 2030	40,369	68,826
Never Expire	21,906	22,065
	201,544	**136,883**

There are no material tax assessments pending as at 31 December 2021 (2020: Nil).

(All amounts are shown in thousands of Qatari Riyals)

33. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share for the Group is calculated by dividing profit for the year attributable to equity holders of the Bank, further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 Capital, by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit for the Year Attributable to Equity Holders of the Bank	13,211,123	12,002,867
Less: Dividend Appropriation for Instruments Eligible for Additional Tier 1 Capital	(1,000,000)	(1,000,000)
Net Profit for the Year Attributable to Equity Holders of the Bank	12,211,123	11,002,867
Weighted Average Number of Shares	9,236,428,570	9,236,428,570
Earnings Per Share (QR) - Basic and Diluted	**1.32**	**1.19**

34. CONTINGENT LIABILITIES

	2021	2020
Unutilised Credit Facilities	95,460,312	115,535,472
Guarantees	59,477,207	60,337,801
Letters of Credit	47,558,895	37,806,688
Others	11,527,422	14,962,140
Total	**214,023,836**	**228,642,101**

Unutilised Credit Facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire in the next 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 case of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

(All amounts are shown in thousands of Qatari Riyals)

35. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
Balance as at 31 December 2021						
Cash and Balances with Central Banks	52,102,776	990,999	22,458,693	-	12,998,820	88,551,288
Due from Banks	11,741,230	947,225	34,601,677	10,113,903	11,651,109	69,055,144
Loans and Advances to Customers	599,402,271	13,725,100	83,093,191	4,625,644	62,805,835	763,652,041
Investments	82,460,115	6,028,605	15,078,031	1,067,748	45,653,838	150,288,337
	745,706,392	**21,691,929**	**155,231,592**	**15,807,295**	**133,109,602**	**1,071,546,810**
Other Assets						21,490,801
Total Assets						**1,093,037,611**
Due to Banks	13,921,548	13,418,362	57,444,673	1,752,493	24,904,496	111,441,572
Customer Deposits	439,448,664	24,136,088	202,342,353	4,046,879	115,537,540	785,511,524
Debt Securities	-	-	27,489,283	-	12,599,644	40,088,927
Other Borrowings	-	-	22,963,298	-	3,174,941	26,138,239
	453,370,212	**37,554,450**	**310,239,607**	**5,799,372**	**156,216,621**	**963,180,262**
Other Liabilities						29,800,702
Total Equity						100,056,647
Total Liabilities and Equity						**1,093,037,611**
Guarantees	33,756,889	1,194,871	17,098,594	-	7,426,853	59,477,207
Letters of Credit	36,575,077	252,624	7,367,057	-	3,364,137	47,558,895
Unutilised Credit Facilities	30,837,136	2,956,334	49,626,419	-	12,040,423	95,460,312
Balance as at 31 December 2020						
Cash and Balances with Central Banks	52,069,158	1,429,236	15,054,329	-	12,998,255	81,550,978
Due from Banks	13,860,731	623,601	31,266,802	7,655,564	11,721,122	65,127,820
Loans and Advances to Customers	545,408,469	13,933,760	96,389,901	4,607,258	63,455,786	723,795,174
Investments	69,671,383	6,034,051	19,977,703	1,245,664	33,519,420	130,448,221
	681,009,741	**22,020,648**	**162,688,735**	**13,508,486**	**121,694,583**	**1,000,922,193**
Other Assets						24,092,867
Total Assets						**1,025,015,060**
Due to Banks	10,082,122	8,580,814	48,062,555	2,773,708	18,454,524	87,953,723
Customer Deposits	435,004,492	17,917,746	177,405,654	1,089,829	107,319,865	738,737,586
Debt Securities	-	-	26,088,384	-	16,485,119	42,573,503
Other Borrowings	-	-	24,568,488	-	3,332,999	27,901,487
	445,086,614	**26,498,560**	**276,125,081**	**3,863,537**	**145,592,507**	**897,166,299**
Other Liabilities						30,947,042
Total Equity						96,901,719
Total Liabilities and Equity						**1,025,015,060**
Guarantees	30,927,007	1,203,718	20,361,706	-	7,845,370	60,337,801
Letters of Credit	32,967,276	173,817	3,141,292	-	1,524,303	37,806,688
Unutilised Credit Facilities	34,587,599	3,125,047	67,018,756	-	10,804,070	115,535,472

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

36. DERIVATIVES

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, or market risk.

				Notional / Expected amount by term to maturity			
	Positive Fair Value	**Negative Fair Value**	**Notional Amount**	**Within 3 Months**	**3 - 12 Months**	**1-5 Years**	**More than 5 Years**
At 31 December 2021:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	477,034	824,763	127,673,393	98,317,361	24,076,744	5,279,288	-
Interest Rate Swaps	523,504	479,533	55,352,217	4,260,957	7,552,981	16,847,473	26,690,806
Futures							
Cross Currency Swaps	2,106,121	2,004,636	56,277,302	51,061,251	3,994,733	1,189,503	31,815
Options / Others	80,687	19,343	1,693,182	1,160,036	518,210	14,936	-
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	105,888	861,460	27,492,712	801,204	5,326,980	16,843,056	4,521,472
Cross Currency Swaps	2,755,036	881,430	50,745,694	2,630,438	3,088,292	36,779,378	8,247,586
Derivatives Held as Fair Value Hedges:							
Interest Rate Swaps	366,703	559,753	28,588,662	55,780	3,346,192	7,359,598	17,827,092
Cross Currency Swaps	893,726	-	2,112,055	51,366	678,497	1,382,192	-
Total	**7,308,699**	**5,630,918**	**349,935,217**	**158,338,393**	**48,582,629**	**85,695,424**	**57,318,771**
At 31 December 2020:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	306,946	300,540	108,994,615	96,169,195	11,717,873	1,107,547	-
Interest Rate Swaps	809,914	779,661	60,637,262	3,195,172	3,161,294	20,705,310	33,575,486
Cross Currency Swaps	1,358,252	2,260,225	72,536,317	64,843,169	2,715,130	4,940,965	37,053
Options	79,040	14,406	2,978,280	2,178,342	799,938	-	-
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	170,212	1,540,668	39,069,848	-	1,436,418	25,147,802	12,485,628
Cross Currency Swaps	1,162,590	524,069	40,419,593	340,177	1,366,275	21,365,788	17,347,353
Derivatives Held as Fair Value Hedges:							
Interest Rate Swaps	155,914	330,070	19,779,061	79,919	240,723	6,635,572	12,822,847
Cross Currency Swaps	1,463,114	108,608	7,485,704	950,103	2,672,328	3,769,121	94,152
Total	**5,505,982**	**5,858,247**	**351,900,680**	**167,756,077**	**24,109,979**	**83,672,105**	**76,362,519**

Cash collaterals given for derivative transactions amounted to QR10,555 million (2020: QR7,632million) which is included under Due from Banks in Note 9. Collaterals received for derivative transactions amounted to QR9,055 million (2020: QR4,340 million) which is included under Due to Banks in Note 16.

36. DERIVATIVES (Continued)

Swaps

Swaps are commitments to exchange one set of cash flows for another. In the case of interest rate swaps, counterparties generally exchange fixed and floating interest payments in a single currency without exchanging principal. In the case of currency swaps, fixed interest payments and principal are exchanged in different currencies. In the case of cross-currency interest rate swaps, principal, fixed and floating interest payments are exchanged in different currencies. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts.

Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in future contract values are settled daily.

Forward rate agreements

Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement of the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Caps and floors

An interest rate cap or floor is a contractual arrangement under which the buyer receives money at the end of each specific period, in which the agreed interest rate exceeds or is below the agreed strike price of the cap or floor.

Derivatives Held for Hedging Purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves reducing the Group's exposure to fluctuations in foreign exchange rates and interest rates to acceptable levels within the guidelines issued by the Qatar Central Bank. The Group has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Group has established a level of interest rate risk by setting limits on interest rate gaps for stipulated periods. Asset and liability interest rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce interest rate gaps within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions in the consolidated statement of financial position.

The Group uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate liabilities. In such cases, the hedging relationship and objective, including details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as cash flow hedges.

The Group uses interest rate swap contracts to mitigate part of the risk of a potential increase in the fair value of its fixed rate customer's deposits in foreign currencies to the extent caused by declining market interest rates. These transactions are accounted as fair value hedges.

Derivatives Held for Trading Purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. The Group also uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

(All amounts are shown in thousands of Qatari Riyals)

37. MUTUAL FUNDS

As part of the Group's investment activities, the following mutual funds were marketed by the Group:

	2021	2020
Funds Marketed	153,672	78,538

The Group's investment activities also include management of certain investment funds. As at 31 December 2021, third party funds under management amounted to QR 25,020 million (2020: QR20,984 million). The consolidated 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. RELATED PARTIES

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities over which they have significant influence and control. The key management personnel are those persons having authority and responsibility in making financial and operating decisions. At the statement of financial position date, such significant balances included:

	2021	2020
Statement of Financial Position Items		
Loans and Advances	3,174,664	2,933,737
Deposits	1,406,375	1,383,123
Contingent Liabilities and Other Commitments	48,938	81,658
Income Statement Items		
Interest and Commission Income	127,325	130,951
Interest and Commission Expense	15,795	32,145

Associates	**2021**	**2020**
Due from banks	1,363,707	1,512,004
Interest and Commission Income	45,243	56,832
Due to banks	58,238	1,708
Interest and Commission Expense	41	156

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 10 and 17. All the transactions with the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

Compensation of key management personnel is as follows:	**2021**	**2020**
Salaries and Other Benefits	43,399	43,287
End of Service Indemnity Benefits	1,017	1,169

39. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances:

	2021	2020
Cash and Balances with Central Banks	44,822,662	40,951,732
Due from Banks Maturing in Three Months	61,837,798	61,531,608
Total	**106,660,460**	**102,483,340**

Cash and balances with Central Banks do not include mandatory reserve deposits.

(All amounts are shown in thousands of Qatari Riyals)

40. IMPACT OF COVID-19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment.

QNB Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

QNB Group's operations are partially concentrated in economies that are relatively dependent on the price of crude oil. During the current year, the uncertainties caused by COVID-19, and the changes in oil prices have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") accordingly and the Group has updated the same as at 31 December 2021. ECLs were estimated based on a range of forecast economic conditions as at that date and the Group has considered the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factors used are determined from statistical distribution of credit cycle index (CCI) factors, which can be derived from a number of historical observed factors such as risk yields, credit growth, credit spreads or defaults. These are disclosed in Note 4 (b) Credit Risk.

QNB Group also updated the relevant forward-looking information of QNB Group's international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective market in which it operates.

The Group has delayed repayments of certain customers for the period and the resulting modification loss on these exposures is not considered material for the Group. In accordance with IASB guidance, the extension of payment relief does not automatically trigger a significant increase in credit risk and a stage migration for the purpose of calculating expected credit losses, as these measures are being made available to assist borrowers affected by Covid-19 outbreak to resume regular payments.

QNB Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances as disclosed in note 4 and note 10.

The Group has investments in associates which were tested for impairment during the period, due to market volatility arising from economic conditions due to global pandemic. The Group has performed an impairment testing, and based on results of the test, the recoverable amounts were higher than the carrying amounts at end of the reporting period, and hence no impairment is deemed to be required.

The Group has considered the potential impacts of the current economic volatility in determination of the reported amounts of the financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

41. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified for better presentation in order to conform with the current year presentation.

Qatar National Bank (Q.P.S.C.)
Supplementary Information to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2021

(All amounts are shown in thousands of Qatari Riyals)

PARENT COMPANY

The statement of financial position and income statement of the parent company are presented below:

(i) Statement of Financial Position as at 31 December:

	2021	2020
ASSETS		
Cash and Balances with Central Banks	58,031,420	59,671,077
Due from Banks	65,022,638	63,629,676
Loans and Advances to Customers	655,180,935	603,336,365
Investment Securities	96,268,406	83,967,228
Investments in Subsidiaries and Associates	32,297,916	31,589,794
Property and Equipment	2,922,753	2,417,955
Other Assets	7,258,444	10,414,573
Total Assets	**916,982,512**	**855,026,668**
LIABILITIES		
Due to Banks	133,436,779	116,230,401
Customer Deposits	642,374,563	600,794,225
Other Borrowings	22,381,528	24,095,827
Other Liabilities	15,261,328	15,609,505
Total Liabilities	**813,454,198**	**756,729,958**
EQUITY		
Issued Capital	9,236,429	9,236,429
Legal Reserve	25,326,037	25,326,037
Risk Reserve	10,000,000	9,000,000
Fair Value Reserve	(787,123)	(1,535,400)
Foreign Currency Translation Reserve	(1,746,173)	(1,572,120)
Other Reserves	52,981	158,905
Retained Earnings	41,446,163	37,682,859
Total Equity Attributable to Equity Holders of the Bank	**83,528,314**	**78,296,710**
Instruments Eligible for Additional Tier 1 Capital	20,000,000	20,000,000
Total Equity	**103,528,314**	**98,296,710**
Total Liabilities and Equity	**916,982,512**	**855,026,668**

(All amounts are shown in thousands of Qatari Riyals)

(ii) Income Statement for the Year Ended 31 December:

	2021	2020
Interest Income	24,792,217	25,819,879
Interest Expense	(9,111,933)	(12,092,328)
Net Interest Income	**15,680,284**	**13,727,551**
Fee and Commission Income	2,010,778	1,683,327
Fee and Commission Expense	(624,295)	(460,722)
Net Fee and Commission Income	**1,386,483**	**1,222,605**
Net Foreign Exchange Gain	1,036,533	1,004,489
Income from Investment Securities	65,643	477,718
Other Operating Income	957	4,784
Operating Income	**18,169,900**	**16,437,147**
Staff Expenses	(1,630,294)	(1,538,468)
Depreciation	(206,531)	(243,164)
Other Expenses	(929,128)	(818,415)
Net ECL / Impairment Losses on Loans and Advances to Customers	(4,903,898)	(4,380,253)
Net ECL / Impairment Losses on Investment Securities	(52,236)	(71,449)
Net ECL / Impairment Losses on Other Financial Assets	(90,905)	(108,773)
Other Provisions	(4,803)	(10,309)
Profit Before Income Taxes	**10,352,105**	**9,266,316**
Income Tax Expense	(44,767)	(55,608)
Profit for the Year	**10,307,338**	**9,210,708**

iii) Accounting Policies for Financial Information of the Parent Bank

Statement of financial position and income statement of the parent bank are prepared using the same accounting policies followed for the consolidated financial statements except for investment in subsidiaries and associates, which are not consolidated and carried at cost.