Pioneering a sustainable future

Annual Report 2022

His Highness
Sheikh Tamim Bin Hamad Al-Thani
Amir of the State of Qatar

Promoting Prosperity

Our purpose is to promote prosperity and sustainable growth across the markets we serve.

Leading the way

We relentlessly seek to unlock new channels of growth to be one of the leading banks in the Middle East, Africa, and Southeast Asia and continue to support our customers in the MEA region as the number one bank.

Our financial strength

Net profit

QR14.3 bn

+9%

Assets

QR1,189 bn

+9%

Earnings per share

QR1.44

+9%

Operating income*

QR35 bn

+24%

Return on Equity

17.3%

Cost-to-income

19.7%

Capital adequacy ratio (Basel III)

19.6%

*Our operating income includes a share of results of associates

Who we are and what we do

Established in 1964 as the first Qatari-owned bank, we are one of the largest financial institutions in MEA and one of the leading banks in MEASEA. We are a trusted financial partner to a growing number of customers in more than 28 countries across three continents.

By leveraging the strength of our relationships and the diversity of our footprint, we fuel growth across multiple, strategically-selected regions, creating long-term sustainable value for individuals, institutions, countries, communities, and our shareholders.

Contents

Board of Directors

H.E. Ali Ahmed Al-Kuwari

- > Chairman of the Board of Directors
- > BOD member since 2021

H.E. Sheikh Fahad Bin Faisal Bin Thani Al-Thani

- > Vice Chairman of the Board of Directors since 2019
- > Chairman of the Group Board Audit and Compliance Committee
- > BOD member since 2019

H.E. Sheikh Abdulrahman Bin Saud Bin Fahad Al-Thani

- > Member of the Group Board Nomination, Remuneration, Governance and Policies Committee
- > BOD member since 2016

H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani

- > Chairman of the Group Board Executive Committee
- > Member of the Group Board Nomination, Remuneration, Governance and Policies Committee
- > BOD member since 2004

Mr. Ali Yousef Hussain Kamal

- > Member of the Group Board Audit and Compliance Committee
- > BOD member since 2022

Mr. Bader Abdulla Darwish Fakhroo

- > Member of the Group Board Risk Committee
- > Member of the Group Board Executive Committee
- > BOD member since 2001

Mr. Fahad Mohammed Fahad Buzwair

- > Chairman of the Group Board Nomination, Remuneration, Governance and Policies Committee
- > BOD member since 2001

H.E. Mansoor Ebrahim Al-Mahmoud

- > Chairman of the Group Board Risk Committee
- > BOD member since 2004

Mr. Abdulrahman Mohammed Y Jolo

- > Member of the Group Board Audit and Compliance Committee
- > BOD member since 2019

Mr. Adil Hassan H A Al-Jufairi

- > Member of the Group Board Risk Committee
- > Member of Group Board Executive Committee
- > BOD member since 2019

Executive Management

Abdulla Mubarak Al-Khalifa

| > Group Chief Executive Officer

Yousef Mahmoud Al-Neama

| > Group Chief Business Officer

Ali Rashid Al-Mohannadi

| > Group Chief Operating Officer

Ramzi Mari

| > Group Chief Financial Officer

Christian Eichner

| > Group Chief Strategy Officer

Fatima Abdulla Al-Suwaidi

| > Group Chief Risk Officer

Khaled Gamaleldin

| > Group Chief Audit Executive

Saleh Nofal

| > Group Chief Compliance Officer

Chairman of the Board of Directors' statement

In line with our purpose, vision and strategy, QNB Group delivered another year of robust performance and growth.

H.E. Ali Ahmed Al-Kuwari
| Chairman of the Board of Directors

9%
Growth in net profit

QR1.44
Earnings per share

17.3%
Return on equity

USD45.7 bn
Market capitalisation

"We remain committed to our long-term vision and strategy, which is to be a leading MEASEA bank while aiming to be the number one bank in MEA."

This year was both exceptional and unforgettable for the State of Qatar. Robust economic performance was supported by elevated hydrocarbon prices, the recovery from the COVID-19 pandemic and the impact of the FIFA World Cup Qatar 2022™. This accelerated the execution of the Qatar National Vision 2030 and assisted in the transition towards a knowledge-based economy.

In light of this, QNB Group delivered a strong financial performance in 2022. We achieved a robust net profit after the impact of hyperinflation of QR14.3 billion, an increase of 9% and an operating income of QR35 billion, an increase of 24%. As a result, QNB remains one of the world's top 50 banks in terms of market capitalisation, reaching USD45.7 billion.

To reward our shareholders, the Board of Directors is recommending to the General Assembly the distribution of a cash dividend at the ratio of 60% of the nominal value of the share, equating to QR0.60 per share.

Despite the positive momentum and the favourable conditions that we experienced locally in Qatar, challenges remained globally. Elevated market risk and persistent inflation kept global investors cautious and more inclined towards safe haven environments. Several downward revisions of global growth projections throughout the year indicated a worsening outlook.

Within this uncertain environment, we remain committed to our long-term vision and strategy. QNB's vision is to be a leading MEASEA bank while aiming to be the number one bank in MEA, which is aligned with our purpose to promote prosperity and sustainable growth across the markets we serve. Updated last year, our strategy focuses on our core as a wholesale bank, providing the highest quality service and sophisticated products to meet the evolving financial needs of our customers. To maintain the Bank's leading position, we recognise the importance of innovation as a strategic enabler. Our value proposition is supported by cutting-edge technology and innovation delivered with a human touch.

At the same time, we acknowledge that sustainability is not a choice, but a strategic imperative that we embed into our business and operating model to make a positive contribution to the societies in which we are present. As a responsible business, we also recognise the importance of sustainable finance, sustainable operations and beyond banking to support the communities in which we live and work. All three pillars are a crucial part of our purpose and support QNB's objective of sustainable growth.

We recognise that our strategy entails new components that require us to uplift our capabilities, also with regards to the way we work and interact. Consequently, QNB aims to adopt a corporate culture and values that support the execution of the strategy. This year was marked by our efforts to continue to deliver upon our strategy while at the same time leveraging our brand and nurturing our relationships to further strengthen our business proposition.

Our strong governance framework enables us to monitor the Bank's progress and serves to safeguard our business. At the same time, our prudent risk appetite allows us to capitalise on new opportunities for growth while at the same time balancing risk and reward. Our governance framework also ensures that we are successfully able to manage the growing complexity of our network and at the same time remain compliant with the requirements across all jurisdictions.

Our Board of Directors ensures the effective implementation of our strategy and guides our Group. As a Board, we routinely assess emerging and strategic trends to ensure that the Bank's value proposition, business objectives and operating model are all aligned to deliver the best results. The Board also remains at the forefront of driving a culture of transparency, accountability and collaboration across the organisation. In doing so, we promote the values and behaviours that are important in supporting the Bank's purpose and aspirations.

I want to thank our customers, our partners and our shareholders for their continued commitment. Together with the tireless dedication of our employees at every level of the Bank, their support has been instrumental in our success this year.

On behalf of the Board of Directors, I express our deep gratitude to His Highness the Amir, Sheikh Tamim Bin Hamad Al-Thani, for the support and guidance he provides on an ongoing basis. The Board also expresses its appreciation for His Excellency Sheikh Khalid Bin Khalifa Bin Abdulaziz Al-Thani, the Prime Minister and Minister of the Interior, for his constant support. Our appreciation is also extended to His Excellency Sheikh Bandar Bin Mohammed Bin Saoud Al-Thani, the Governor of Qatar Central Bank, for his dedicated efforts to promote and develop Qatar's banking sector.

Group Chief Executive Officer's statement

QNB has once again demonstrated its ability to deliver superior results in a challenging global environment.

Mr. Abdulla Mubarak Al-Khalifa
Group Chief Executive Officer

QR1,189 bn
Assets +9%

QR842 bn
Deposits +7%

QR808 bn
Loans +6%

QR14.3 bn
Net Profit +9%

19.6%
Capital adequacy ratio

After a promising start of the year, global conditions took a turn on the back of a sharp economic slowdown in China, the Russo-Ukrainian conflict, high inflation across most jurisdictions and aggressive policy tightening by major central banks. Despite this challenging environment, the oil and gas-exporting countries of the Gulf, including Qatar, benefited from windfall revenues driven by elevated commodity prices and activities associated with mega-events, such as the long-awaited FIFA World Cup Qatar 2022™.

Executing our strategy to deliver strong results

Despite the global headwinds and supported by the regional tailwinds, QNB Group delivered another year of strong performance. Total assets reached QR1,189 billion, an increase of 9% from 2021. Net profit after the impact of hyperinflation was QR14.3 billion, up 9% compared to the same period last year, which was lifted by an increase of 24% in operating income, to QR35.1 billion. These results reflect the disciplined execution of our strategy, strong governance framework, prudent risk management and robust operating model.

We continue to be well capitalised, with a capital adequacy ratio of 19.6%. Our relentless focus on generating synergies from our network enabled us to improve our efficiency ratio to 19.7%. This further supported our top-tier ratings from the world's leading rating agencies.

We benefit from a robust balance sheet, significant capital strength and high-quality assets. We maintain a healthy liquidity buffer in every market in which we operate, in both local and major foreign currencies. Supported by the backdrop of increasing interest rates and a proactive management of our lending portfolio, we were able to increase NIMs to 2.60%. At the same time, we have worked hand-in-hand with our customers and managed to maintain a low NPL ratio of 2.9%.

QNB's funding base continues to be diversified across various geographies in terms of currencies, tenors and product mix, reflecting the Group's success in sourcing sustainable long-term funding. This year, we were able to grow our local market deposits, which helped us to cushion the impact of global economic uncertainty. This supported our liquidity position, resulting in a loans-to-deposits ratio of 95.9%.

Reporting under hyperinflation

From 1 April 2022, the Turkish economy has been considered hyperinflationary based on the criteria established by International Accounting Standard 29, "Financial Reporting in Hyperinflationary Economies" (IAS 29). This designation is determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years.

IAS 29 requires that consolidated financial statements be stated in terms of the measuring unit current at the balance sheet date, which requires restatement of non-monetary assets and liabilities to reflect the changes in the general purchasing power of the Turkish Lira. The restatements were calculated by means of conversion factors derived from the consumer price indices.

Driving a robust performance

Our strategy focuses on enhancing our value proposition as a solution-led wholesale bank, domestically and internationally. This year, we were successful in maintaining our leading market share in Qatar. We continued to provide financing across almost all sectors, including the North Field Expansion project. Our engagement had a particular focus on the areas of healthcare, infrastructure, hospitality and transport. As in previous years, we also saw robust growth in food security, where our involvement has helped strengthen Qatar's self-sufficiency on a domestic level.

Naturally, the highlight of the year for the State of Qatar was the hosting of the FIFA World Cup Qatar 2022™. I am particularly proud that QNB was the Official Middle East and Africa Supporter and Official Qatari Bank of the FIFA World Cup Qatar 2022™. QNB played a key role in this event, where we were active at every stage of the journey.

Through our integrated product suite, we supported domestic and international corporates in the national mobilisation efforts along the value chain to ensure the event would be a success. The event also created commercial opportunities for SMEs, which QNB supported through a full range of specialised products and services. Nurturing SMEs continues to be an important part of our commitment to the diversification of the economy. This year, we continued to focus on our efforts to revamp our overall SME customer proposition through a new portfolio approach and further digitisation and automation.

As part of our strategy to build a solution-led wholesale bank, we seek to complement our offering by an analytics-enabled global transaction banking proposition. Robust commodity markets supported our transaction banking business with an increase in both trade volumes and ticket values. Cash management fee income also increased by 18% in Qatar and remained strong across our subsidiaries. By leveraging innovation and new trends in Open Banking and APIs, we expect this business to continue its strong growth.

Meanwhile, our domestic retail business continued to see strong growth, mainly driven by the FIFA World Cup Qatar 2022™. QNB was responsible for facilitating all services around payments and transactions, where we successfully handled the spike in volume driven by the millions of additional transactions generated throughout the tournament.

In our asset and wealth management business, we maintained our local market leadership position through the depth of our relationships and our well-developed bespoke solutions. Despite volatility in global equity and bond markets, our businesses performed well. The FIFA World Cup Qatar 2022™ acted as a catalyst for the relative out-performance of the QSE, which supported our strong performance on the institutional and retail investor front.

Internationally, we leveraged Group synergies and expertise to respond swiftly to early opportunities created by the economic re-opening from the pandemic. In Türkiye, QNB Finansbank outperformed the market with a strong growth in long-term corporate loans, while in Egypt, QNB ALAHLI was the first private bank to exceed the Central Bank of Egypt's target of 25% of the Bank's credit portfolio dedicated to funding SMEs. Across our international branches, we assessed our performance and decided to re-calibrate our operations to better allocate our capital. Last, but not least, our international performance benefitted from an increase in business from our branches in Hong Kong and Saudi Arabia.

Our strong financial performance and our customer-centric approach and value proposition have helped us to continue to build our brand image and reputation. This year, we maintained our position as the Most Valuable Banking Brand in MEA and one of the top 50 most valuable banking brands globally. Our brand value grew by 16% to reach US$7.1 billion.

Maintaining a robust risk and control environment

A strong risk management and compliance culture is the foundation of our ability to deliver prudent, sustainable growth. We continued our investment in enhancing governance standards, frameworks and tools. This included increasing the capabilities of risk and control staff as well as improved risk modelling, better data analytics and more robust cybersecurity. Meanwhile, we have zero tolerance for breaches of laws and regulations and consistently strive for the highest levels of ethical and professional behaviour. A central part of our mission is to effectively combat financial crime and prevent the use of our infrastructure for fraudulent activity.

Following last year's integration of climate risk into our overall Enterprise Risk Management Framework, we conducted an assessment to understand the impact of climate risk on our portfolio. We also continued to enhance our Group-wide ESRM policy framework, which enabled the Bank to better manage its exposure to environmental and social risks.

Embedding innovation and sustainability into our strategy

A key component of our strategy is to leverage innovation as a strategic enabler to create meaningful scale in revenue-generating opportunities and efficiencies. This year we engaged in a strategic innovation programme to enhance our capabilities across our business.

Our sustainability programme forms an integral part of our strategy and aligns with Qatar National Vision 2030 and the UN SDGs. One of the highlights of our sustainability journey was the participation at the COP27 conference in Egypt through the representation of our subsidiary, QNB ALAHLI. As part of our purpose, we are committed to addressing sustainability and climate change. We, as a bank, see it as our role to act as a catalyst to allocate financing support towards a carbon-neutral economy.

Continuing our journey

These past few years have highlighted the importance of resilience and navigating change. I want to thank all of our colleagues for their relentless commitment and exemplary service that make QNB such a valued institution. My gratitude also goes to our customers and stakeholders, whose loyalty and trust have been so important on our ongoing journey. I also express my gratitude for the guidance from the Qatar Central Bank. We look forward to continuing and further fostering this mutually beneficial relationship in the future.

Finally, I would like to thank the Chairman and the Board of Directors for their continued guidance and support. As a result, I truly believe that QNB is well-positioned to succeed while fulfilling our purpose of promoting prosperity and sustainable growth across the markets we serve.

QNB at a glance

QNB is a highly-rated bank with a significant international presence, serving more than 27 million customers across our network. We are proud of our Qatari heritage and of the continuing contribution we make to the region and beyond.

Our businesses

Wholesale and Commercial Banking

A comprehensive suite of wholesale, commercial and SME banking products and services. These include structured finance, project finance, sustainable finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

Retail Banking

A broad array of retail banking products and services across a multichannel network with nearly one thousand branches and an ATM network of more than 4,800 machines*. These include premium banking services through QNB First and QNB First Plus, designed for our affluent clients.

*Including subsidiaries and associates

Asset and Wealth Management

A broad collection of onshore and offshore private banking and asset management products, with a bespoke relationship-driven approach for our institutional, high net and ultra-high net worth clients. These offerings are complemented by brokerage and custody services in our major markets.

International Business

Leading the expansion of QNB's global presence and enabling international cooperation, consistency and unrivaled customer service by providing oversight and best practice sharing across our network.

Our subsidiaries and associates

99.88%
QNB Finansbank *(Türkiye)*

95.0%
QNB ALAHLI *(Egypt)*

92.5%
QNB Indonesia

99.99%
QNB Tunisia

50.8%
QNB Syria

100%
QNB Suisse *(Switzerland)*

100%
QNB Capital LLC *(Qatar)*

100%
QNB Financial Services *(Qatar)*

54.2%
Mansour Bank *(Iraq)*

40.0%
Commercial Bank International (CBI) *(UAE)*

38.6%
Housing Bank for Trade and Finance (HBTF) *(Jordan)*

20.1%
Ecobank Transnational Incorporated (Ecobank) *(Togo)*

20.0%
Al Jazeera Finance Company *(Qatar)*

Our top-tier ratings

	Moody's	Standard & Poor's	Fitch	Capital Intelligence
Long-term credit rating	**Aa3**	**A+**	**A**	**AA-**

	MSCI	S&P Global ESG score	Sustainalytics
ESG ratings	**A**	**46 (82nd percentile)**	**22.6 (Medium risk)**

Our heritage

Established in 1964 as the first Qatari-owned bank, QNB is strongly influenced by our Qatari heritage. Looking back at our achievements inspires us to continue to play a leading role in contributing to our nation's future. We firmly believe in supporting and investing in the Qatari people so we can all move forward with confidence and determination.

1964

Established as the first Qatari-owned bank

1997

Public listing on Qatar Stock Exchange

QNB opens its first overseas branch with the opening of a branch in London

1976

QNB Kuwait

QNB Switzerland

QNB Indonesia

Began a ten-year expansion phase with the opening of branches and offices in 15 countries and eight acquisitions

2007

Our stakeholders

Customers
27 million customers

Investors
4 thousand investors

Regulators
28 international markets with their own regulatory bodies

Environment
1 planet

Employees
28 thousand employees

Society
4 billion vibrant community members in countries where we are present

Suppliers
5 thousand suppliers

2013

Acquisition of NSGB in Egypt

2015

Largest bank in the MEA region across all financial metrics

2016

Acquisition of Finansbank in Türkiye

2020

QNB surpasses the one-trillion Riyal assets watermark

2022

Official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™

Strategic report

As a top-rated, trusted partner to millions of customers, we aspire to be one of the leading banks in MEASEA.

Scan for a summary


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Operating environment

2022 was a year of mixed dynamics, with a positive impulse from favourable commodity prices and the impact of the FIFA World Cup Qatar 2022™, but deteriorating global economic and banking sector conditions.

Global economic developments

This year started on a positive note for the global economy. Market sentiment was exuberant as the recovery from the depth of the pandemic continued, signalling another year of strong performance in major advanced economies and selected emerging markets. In fact, at the beginning of the year, Bloomberg consensus forecasts pointed to a robust global growth of 4.4% in 2022. However, global conditions took a dramatic turn for the worse early in the year as China's Zero-Covid policy led to significant lockdowns in the country. The Russo-Ukrainian War added another layer of complexity to the macro picture with further supply chain bottlenecks for energy and food. This further accelerated already elevated inflation across most advanced economies. To tackle high-rising inflation, ultra-easy policy measures taken during the pandemic started to be aggressively reversed globally. As a result, growth expectations were repeatedly revised downwards while inflation expectations were revised upwards, creating a rare macroeconomic shock, last experienced in the 1970s.

Starting with China at the beginning of the year, the Omicron wave of COVID-19 cases required hard lockdowns and extensive social distancing measures to suppress the virus under their Zero-Covid policy. This included the unprecedented lockdown of millions of people in Chinese tier-1 cities for almost two months and tight restrictions on movement in other regions. Lockdowns covered areas that generate 40% of China's GDP and ship 80% of its exports. Restrictive bank lending despite higher money supply, a clampdown of an overleveraged real estate sector as well as aggressive regulation across the tech industry led to the sharpest economic slowdown of the country in more than 30 years.

Lockdowns in China amplified the magnitude of supply chain shortages that emerged during the pandemic across the globe. New consumer behaviours amid the pandemic and direct fiscal transfers to households created a temporary demand boom for manufacturing products that spilled-over into an excess demand for commodities when supply was constrained.

The Russo-Ukrainian conflict added to the commodity market's disruption by putting additional pricing pressure when stockpiles were at historically low levels. Consequently, energy and food prices spiked. Brent crude oil prices averaged USD99 per barrel (p/b) for the year, the highest level in a decade and close to the record levels seen in 2011 and 2012. Embargos, sanctions and boycotts disrupted Russian gas flows to Europe, igniting an energy crisis that started to cause a recessionary environment across the continent. At the same time, inflation unexpectedly reached multi-decade highs in the US and the Euro area. This lowered disposable incomes and pressured central banks to act more aggressively, making up for the lax approach adopted last year, when ultra-easy policies were maintained even as the first signs of price acceleration emerged. The US Federal Reserve engaged in an aggressive hawkish policy stance and hiked interest rates seven times, taking the Fed Funds Rate from 0-0.25% to 4.5%. Similarly, the European Central Bank raised rates four times, taking the Discount Rate out of negative territory for the first time in seven years to 2%. Moreover, after a decade-long period of liquidity injection and quantitative easing, both the Fed and the ECB tightened or even reverted the approach to manage their balance sheets.

Tighter financial conditions in the context of high global debt levels led to lower credit expansion, which constrained access to capital and dragged both consumption and investment, negatively affecting economic activity.

Global and regional economic outlook

The estimated global growth of 3.0% for 2022 is a significant setback, particularly given both the initial growth expectation of 4.4% and the long-term growth average of 3.4%. Under those conditions, the global economy could be effectively labelled as "recessionary" if we use the International Monetary Fund's threshold of 2.5% for global growth. Importantly, this year's weakness interrupted the strong recovery witnessed in the second half of 2020 and in 2021, placing the global economy 3.7% below the pre-pandemic economic trend.

Moving forward, we expect to continue to experience a challenging macro environment with high inflation and low growth. Policymakers are struggling to find a balance between price stability and full employment. The current "stop-go" approach of policymakers will likely lead to further volatility and instability over the medium term.

We expect activity to accelerate slightly after the steep slowdown in Q2 2022-Q2 2023, with global GDP likely to grow by approximately 2.6% in 2023. After running above 8% this year, global inflation is set to remain uncomfortably high above 4.7%. Importantly, however, performance will vary markedly by region or country, depending on the accumulation of imbalances from excessive policy stimulus following the pandemic, the impact of geopolitical shocks, the COVID-19 re-opening cycle and whether the country is a net importer or exporter of commodities.

The US, the largest economy globally, is expected to weaken further to 0.9% in 2023, from 1.5% in 2022. The Fed is likely to continue its hawkish policy stance in the first half of 2023, taking the policy rate to 5.5% before pausing to observe how inflation and employment will react. Throughout this process, consumption and the labour market are expected to cool down.

Stop-and-go lockdowns in China amplified the magnitude of supply chain shortages that emerged during the pandemic across the globe.

Operating environment *(Continued)*

In the Euro area, the economic slowdown is expected to accelerate and turn into a region-wide recession in the first half of 2023, as the energy crisis peaks. The combination of a recession with multi-decade high inflation rates will require flexibility and strength from policymakers. Fiscal policies are likely to remain loose to support higher subsidies and direct transfers to vulnerable industries, households and regions. At the same time, the ECB will have to continue with its two-pronged policy of tightening rates to fight inflation while reallocating quantitative tools to provide a backstop to highly indebted Euro area sovereigns, particularly in the southern part of the Euro area. Aggressive ECB-driven interest rate hikes bear the risk of "fragmentation" – an economic dispersion between the north and the south within the Euro area. The challenging macro backdrop will increase these fragmentation risks. Nevertheless, a recovery is likely to start gradually in the second half of the year. We expect the Euro area to grow by only 0.5% in 2023, from 3.1% in 2022.

After the outbreak of the pandemic, Emerging Asia lagged the performance of advanced economies due to initially low vaccination rates, supply chain constraints and less accommodative monetary and fiscal policies. The major slowdown of China also added to the regional macro headwinds. However, since the beginning of this year, the economic performance of Emerging Asia reversed and started to be supported by a regional economic re-opening. The Chinese economy is expected to gradually recover through easing of monetary policy as well as supportive fiscal measures, with growth projected to be around 5.0% in 2023, compared to 3.4% this year. As a result, Emerging Asia is set to consolidate its position as the most dynamic region in the world with expected GDP growth of 5.4% in 2023, from 5.9% in 2022. These regional dynamics will act as an additional tailwind to the fast-growing economies of the ASEAN region. The major five ASEAN economies of Indonesia, Malaysia, the Philippines, Singapore and Thailand are expected to grow by 4.5% in 2023, from 5.0% this year, as they benefit from the recovery of international tourism, still strong external demand for manufacturing products and high commodity prices.

In the MENA region, economic dynamics must be differentiated between net commodity-importing and exporting countries.

Commodity-importing countries were mainly affected by high and rising prices for imported goods, particularly food and energy. This led to a spike in inflation, amplified by wider current account deficits with a reduction in net reserves, which led to currency devaluations and subsequently required import compression. Less benign global liquidity conditions add to the downside scenario. Official international financial support and appropriate policy responses are expected to contain a faster slowdown, with growth expected at 3.5% in 2023, from 4.9% in 2022.

The oil and gas exporting countries of the Gulf have benefited from higher oil prices and a ramp-up in hydrocarbon output. Average Brent crude prices increased by 39% in 2022 and OPEC+ quotas were gradually lifted, resulting in significant fiscal and current account surpluses. This allowed for more government spending, the down payment of external debt and the accumulation of fiscal surpluses, which in some cases led to transfers to entities mandated to allocate and grow financial assets. Moreover, the World Expo in Dubai and the FIFA World Cup Qatar 2022™ attracted a significant number of foreign visitors to the region, boosting local consumption, real estate, foreign direct investment and tourism, including retail, hospitality and entertainment. With sustained oil prices and positive momentum across the Gulf economies, business conditions and prospects for 2023 remain positive, with growth expected at 3.4%, from 6.5% this year.

Economic performance of Qatar

This year was both exceptional and unforgettable for the State of Qatar. Robust economic performance in the private sector and non-hydrocarbon economy was supported by tailwinds from high hydrocarbon prices. In addition, hosting the FIFA World Cup Qatar 2022™ supported Qatar's long-term objectives, accelerating the execution of QNV2030 and assisting in the transformation to a knowledge-based economy. In preparation for the event, Qatar had implemented a series of mega-infrastructure projects, such as upgrading facilities, establishing prime entertainment centres, expanding the Hamad International Airport, and developing hotels and tourism-related assets, as well as other great developments in the fields of maritime transportation, the metro, electric buses, roads, and bridges.

> "In Qatar, the banking sector remains resilient and healthy, presenting significant growth, ample liquidity, adequate levels of capitalization, high asset quality and robust profitability."

The event additionally supported Qatar Stock Exchange's index relative outperformance versus major global markets. Investor expectations were positive as more than one million visitors came to Qatar for the event, more than doubling the revenues from international tourism from last year. Activity related to the tournament supported a broad range of exchange-listed companies not only in tourism but also in other sectors, such as transportation, retail and trade. Unsurprisingly, a record amount of non-resident portfolio capital flows entered Qatar in 2022. Active equity markets also created positive incentives for domestic corporates, as more capital became available for companies that were aiming to go public. This ultimately cascaded down to other segments of the economy, spurring innovation and growth for SMEs and start-ups.

Moving forward, private sector growth will be boosted by continuing structural reforms, including ownership liberalization, the promotion of foreign direct investments, labour reforms, the permanent residency programme and several initiatives to support SMEs as well as self-sufficiency in strategic sectors, such as food security. Moreover, several other initiatives were launched at various legislative, organizational, and administrative levels to improve the business environment.

In Qatar, the banking sector remains resilient and healthy.

Tailwinds from increasing hydrocarbon production will help drive economic growth over the next decade. Six new LNG liquefaction trains are planned to increase Qatar's LNG production by 64% to 126 million tonnes per annum under the flagship North Field Expansion (NFE) project. This should maintain Qatar's leading position within this strategic segment for global energy security and the energy transition. The NFE is one of the largest capital expenditure projects regionally and industrial projects globally. There are two phases concerning the NFE – the East and South expansion. Qatar is going to go from 77 million tonnes per year to 110 by 2025 and then up to 126 by 2027. Supporting this expansion, Qatar has reserved capacity for over one hundred new LNG carriers, worth over USD 19 billion. Positive spill-overs from increased hydrocarbon production will combine with diversification efforts and structural reforms to boost activity and spending in the manufacturing and services sectors.

Banking sector

Following the favourable tailwinds that the recovery from the pandemic provided to the global banking industry, this year was marked by a reversion of direction, dominated by high inflation and monetary policy tightening. Banks with variable financing conditions were and continue to be exposed to an increase in margins from rising interest rates, providing a favourable environment for net interest income and a positive tailwind for sector profitability.

As inflation proves to be persistently high and major central banks reverse their policy support and embark on the most aggressive tightening cycle in decades, credit quality is at risk of deterioration. The global economy is exposed to a large stock of debt of around USD 300 trillion with an average tenure of 5-years that needs to be refinanced and rolled over, implying the need for USD 60 trillion of debt refinancing every year. As liquidity is withdrawn from the global economy and interest rates continue to increase, credit events are likely to increase. More credit events and tighter liquidity conditions are expected to spill over into the risk-appetite of banks, leading to a more careful approach to lending. While global banks are generally in good health and well capitalized, returns, profitability and capitalization will continue to be under pressure over the coming year.

In addition, social distancing measures during the pandemic have forced changes in habits for both retail and corporate customers, accelerating the shift towards digitization. With the increased use of remote working, electronic products and digital services, cyber and fraud risks became a critical threat for banks to manage. Finally, we continue to notice a strong focus on sustainability, with investors and other stakeholders placing greater emphasis on ESG matters.

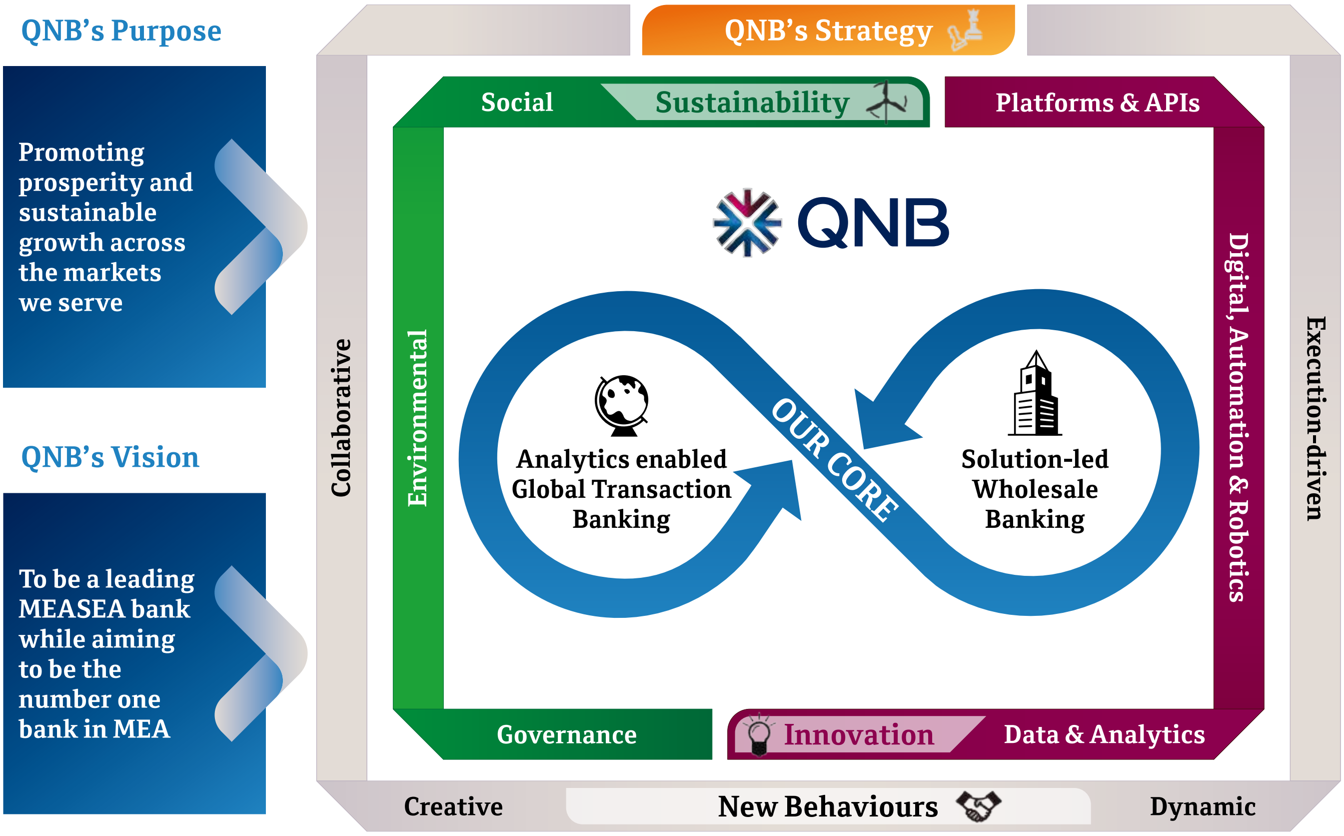
In Qatar, the banking sector remains resilient and healthy, presenting significant growth, ample liquidity, adequate levels of capitalization, high asset quality and robust profitability. This was in large part due to the effective management of the economic support measures launched by the Qatari government and QCB during the pandemic, which underpinned a strong basis to protect the private sector and provide additional stability to the banking sector.

Total assets of the local banking sector were up by 2.8% in 2022, driven mainly by strong private sector activity. Banks remain well capitalized with a capital adequacy ratio of 18%, well above Basel III guidelines. Asset quality also remains strong with NPLs at 2.4%. Overall sector profitability is solid with ROE at 14.7%.

Going forward, growth in domestic credit facilities and investments will support expansion over the medium term, while asset quality will remain strong due to the improving domestic economic environment. In addition, strong supervision by the central bank and very prudent lending policies will ensure that the Qatari banking sector will remain healthy in the future.

QNB Group's strategy

Our purpose to promote prosperity and sustainable growth across the markets we serve guides our aspiration to be one of the leading MEASEA banks while aiming to be the number one bank in MEA.



We believe that having a purpose justifies our existence and underpins our contribution to society. Our purpose is to promote prosperity and sustainable growth across the markets we serve. We have embedded our purpose into our vision, strategy, mission, values and behaviours. Our 2025 vision, which we introduced last year, is to be one of the leading MEASEA banks while aiming to be the number one bank in MEA.

> "Our purpose is embedded into our vision, strategy, mission, values and behaviours."

Delivering on our vision through our strategy

Our strategy focuses on our core as a wholesale bank, which is complemented by a more focused asset-light, high-RoE, commission-driven approach. To maintain the Bank's leading position, we recognize the importance of innovation as a strategic enabler. At the same time, we acknowledge that sustainability is not a choice, but a strategic imperative that we embed into our business and operating model to make a positive contribution to the societies in which we are present. To bridge the gap between strategy development and successful strategy execution, it is required to transition towards a new culture through the adoption of new values and behaviours.

We seek to develop a solution-led wholesale banking approach, aiming to place a greater emphasis on a more client-centric business model. This will be supported by a range of enhanced products, upgraded data infrastructure, analytical tools, and training. We aim to attract new clients by expanding our team of experienced relationship managers and product specialists across the business. We are focusing on strategic initiatives that complement our solution-led wholesale model, such as trade finance, cash management, structured finance and other advisory services.

By embedding analytics into our global transactional banking business, we aim to ensure that we deliver a seamless transaction banking proposition across our entire global footprint. This is being supported by an investment in digital channels, improving our customer-facing and processing capabilities.

Changes in the regulatory landscape, customer behaviours and the entry of new competitors such as Fintech, BigTech and non-bank players are increasingly challenging the ways of operating in the banking sector, causing technological disruption and financial disintermediation. To maintain the Bank's leading position, we recognize the importance of innovation as a strategic enabler. Our innovation efforts aim to achieve meaningful bottom-line impact and scale for new revenue-generating opportunities.

We believe that being innovative requires us to be more agile, dynamic, nimble and flexible, which in turn allows us to capture new business opportunities and cost efficiency measures. By capitalising on developments in areas such as open banking, Robotics Process Automation (RPA), big data and analytics, AI as well as digitisation and automation, our innovation strategy will benefit the Bank and all our stakeholders.

Furthermore, in alignment with our purpose, we acknowledge the importance of sustainability to make a positive contribution to the societies we serve. Our sustainability approach consists of three pillars: sustainable finance, sustainable operations and beyond banking. All three pillars support QNB's goal of sustainable financial performance, by strengthening our governance, reducing risks and embedding the topic of ESG into our business and operating model, all with the intent to make a positive contribution to our society and the environment. Our approach to sustainability is therefore fully integrated into our strategy.

Finally, the organisational culture and behaviours bridge the gap between the strategy and successful execution. Culture is the mindset, values, beliefs and behaviours that enable QNB to achieve its strategy and vision. Guided by our 2025 Strategy, we are aware of the need to adopt a new culture, values and behaviours to introduce a frame of mind that encourages innovation and sustainability. This shift will change the way we think, act and operate.

Through a clearly defined vision and strategy, QNB remains a successful and growing financial institution. Over the years, our strategy has helped us anticipate, plan for and adapt to significant regional and global trends. Our strategy has also helped us successfully navigate through the challenges of recent years, ranging from the drop in oil prices, the US-China trade war, the blockade, the pandemic and most recently the war in Ukraine.

Over the next five years, we aim to ensure the Bank remains well-positioned to reap the rewards from greater efficiency, more customers, outstanding service and future growth opportunities that will create sustainable value for all our stakeholders.

Ensuring our annual plans align with our strategy

Our strategic initiatives have implications for the Bank's business model, value proposition, capabilities (systems, people and processes), operating model and financial roadmap. Each year, the Group's vision and strategic initiatives are cascaded down across all QNB's divisions and subsidiaries and embedded in their annual business plans and targets. These targets are continuously tracked through our performance management approach.

Delivering value to our stakeholders

The ultimate objective of a strategy is to create long-term meaningful value for our shareholders and stakeholders. For our shareholders, this means that we need to deliver sustainable, profitable growth, while for our stakeholders, value is delivered through long-term, collaborative and trusted partnerships. As such, we see ourselves as a trusted partner for our customers, employees, regulators, investors and suppliers.

> "We believe that being innovative requires us to be more agile, dynamic, nimble and flexible, which in turn allows us to capture new business opportunities and cost efficiency measures."

Our value creation is substantiated through four fundamental elements that support our strategy and empower our growth:

1. **Capital strength, risk management and rating:**

   Our extensive experience in core markets and prudent attitude to risk allows us to maintain a strong balance sheet. We have the capital and agility to take immediate advantage of any opportunities we see in our markets.

   Our position is reinforced by stable ratings from the leading rating agencies, including Standard & Poor's (A+), Moody's (Aa3), Fitch (A) and Capital Intelligence (AA-). As the highest-rated Bank in Qatar, these ratings reflect the quality of our assets, the diversity of our portfolio, the stability of our revenue and our management's capability. We see this as a testament to our capital strength, strategy, governance, prudent risk management, business and operating model.

   For sustainability-related topics, we are considered to be one of the leading financial institutions in the Middle East.

   Our credit and ESG ratings provide us with a competitive advantage to access global capital markets for wholesale funding, enabling us to continue our growth and expansion plans as per our strategy.

2. **Our people:**

   Aside from financial capital, we consider human capital essential for value creation. By harnessing the power of our people, we have an unparalleled opportunity to make every community we reach a better place. This, in turn, helps us create an even stronger brand and deliver better business performance.

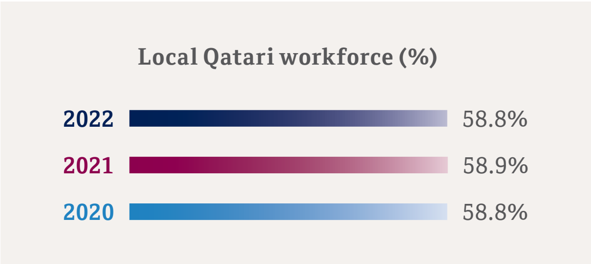
   Our employees and talent base are paramount to our business success. We empower and reward our employees by fostering a high-performance culture, investing in ongoing training and development, and encouraging loyalty and respect. While this demonstrates a clear advantage over our regional peers, it also shows that we still have room for improvement. Compared to regional and industry standards, QNB is above or in line with most performance metrics such as collaboration, brand recognition and work-life balance.

   Attracting and retaining superior talent in Qatar and across our diverse international network remains crucial. 42% of our employees in Qatar are women and over 82 different nationalities work across our operations.

QNB Group's strategy *(Continued)*

Mutual trust, integrity, respect, loyalty and meritocracy underpin our culture. Thanks to this focus on employee development and engagement, our turnover is one of the lowest in the industry with only 7% in 2022.

Our Qatarisation drive, which supports the 2030 Qatar National Vision, has created a local Qatari workforce of 58.8% – one of the highest in the Qatari banking sector.



Employees worldwide

28,000

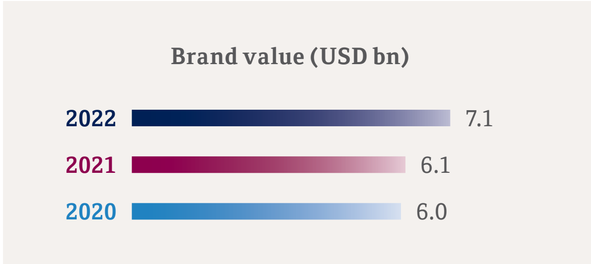
3. Brand value:

QNB enjoys an award-winning brand platform that reflects our values, commitment and excellence, delivering outstanding banking services to our customers. Thanks to our creative and disciplined approach to continue building our brand image and values, we have yet again cemented our status as the Middle East and Africa's most valuable banking brand in The Banker's Brand Finance® Global 500 2022 report. We are proud to see that over the previous years we were able to record a significant improvement in our brand rankings both globally and within the banking sector.

Driven by our strong financial performance and growing international footprint, QNB's brand value reached USD7.1 billion, up 16% over the previous year, with a brand rating of AAA-. QNB's brand ranked 45th of the top 50 global banking brands worldwide, up from 48th place in 2021, while our Brand Strength Index score increased to 83, up from 82 in 2021.

Besides numerous strategic partnerships that we capitalise upon, one of our main activities this year concentrated on leveraging our partnership with FIFA from being an official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™. This partnership provided QNB with the unique opportunity to be heralded on the world stage, strengthening our brand image and reputation globally. This partnership was further strengthened by having Brazilian football star and Paris Saint-Germain player, Neymar Jr., as one of our brand ambassadors.

To reach out to the next generation of customers, this year we also built a partnership with internet sensation Khabane 'Khaby' Lame, as the Bank's Official FIFA World Cup Qatar 2022™ Brand Ambassador. Lame, who is the world's most followed person on TikTok with 150 million followers, represents one of our values of "Dreaming Big".



4. International presence:

We are one of the largest banks in the MEA region, with an international presence in more than 28 countries across Asia, Africa, and Europe. We operate as a full-service financial institution in our core markets of Qatar, Türkiye and Egypt and as a wholesale commercial bank across many frontiers and emerging markets in MEASEA.

We also have a growing presence in developed economies, such as the UK, France, Switzerland, Hong Kong and Singapore. As our network grows, so do the number and scale of opportunities to capture relevant market share and risk-adjusted returns.

Future-proofing our business

Our innovation efforts aim to achieve long-term profitable growth and deliver sustainable value by capitalising on incremental revenue opportunities, improving efficiency and developing new and nurturing existing relationships while enhancing our offering and services.

We have identified emerging, long-term trends that we see as opportunities to build into our business model to continue our growth journey. As part of this approach, we use data, advanced analytics, AI and machine learning, robotics and automation, as well as digitisation, platforms and ecosystems to strengthen the Bank and generate further opportunities. This will help us to mitigate the effects of technological disruption and financial disintermediation.

In Qatar, we continued to work closely with the Qatar Fintech Hub to evaluate new Fintech solutions in the investments, crowdfunding and payments space that best fit the local market and our own aspirations.

Meanwhile, our group-wide innovation centre, QNBeyond, has created momentum across the organisation, promoting innovation and best-practice through a series of successful employee boot camps. QNBeyond is also responsible for our accelerator programme that has already engaged with more than a dozen Fintechs. Our partnerships with these organisations support us in shaping a financial ecosystem designed to meet the evolving needs of our customers and the future of banking. This includes incorporating open banking, new platforms, RPA, AI, digitisation and automation into our products and services.

> "We have positioned innovation as a key strategic enabler and part of our long-term strategy."

This year, the fourth period of the QNBeyond Acceleration Programme was completed. During a 'Business Unit Day' event, more than one hundred attendants participated, arranging demo meetings and further collaborations with QNB. Several promising start-ups were engaged, including:

> an online platform that uses scoring algorithms to match SMEs with each other for potential partners to scale their businesses;

> an insure-tech platform which promises a quick, digital and easy property insurance process with transparent coverage and easy-to-understand policy clauses;

> a sustainability platform in which people can report any waste of and inefficient usage of resources via an app, aiming to compel institutions to correct their actions for a sustainable future; and

> a shopping application which enables customers to compare prices of multiple supermarkets and grocery stores, allowing customers to buy from multiple locations in one virtual shopping basket.

Furthermore, we are beginning to reap the benefits of the harmonisation of innovation governance, launched in the previous years. Our collective approach to innovation helps us foster collaboration, embeds best practice and provides additional revenue opportunities and efficiencies at scale across the network. As such, we are constantly evaluating new ideas across our network to identify potential synergies for innovation and new initiatives within relevant markets.

We operate as a full-service financial institution in our core markets of Qatar, Türkiye and Egypt.

QNB Group's strategy *(Continued)*

Case examples of strategic innovation themes

Improving our efficiency through RPA

We continued to scale up our RPA programme on a Group level across QNB Qatar, QNB Finansbank in Türkiye and QNB ALAHLI in Egypt. Developing the RPA programme on a Group level allowed us to share best practices amongst the network and unlock further synergies to materialize further savings.

More than 200 processes have already been automated within corporate and retail banking, treasury, finance, transaction services, merchant services, operations services, global transaction banking, trade finance, risk management, financial control, IT and human resources. This year, we have targeted to automate entire domains and functions, resulting in better operational efficiencies and higher economies of scale.

As a result, the programme has brought significant efficiency improvements through the reduction of processing time and elimination of human errors, while at the same time increasing customer satisfaction and reducing complaints. Furthermore, the programme helped to free up employees to focus on higher-value work requiring critical thinking and cognitive capabilities. In Egypt, for example, the RPA programme has delivered considerable efficiency gains, with processing times decreasing by an average of 60%.

Leveraging blockchain for cross-border payments

Following the successful 2021 launch of the cross-border remittance service in partnership with Ripple between Qatar and Türkiye, this year we added a further corridor between Qatar and the Philippines. This cross-border payment platform is based on advanced blockchain technology and is built on a secure distributed open-source protocol, offering instant and free global financial transactions of any size with no chargebacks. Ripple relies on a common shared ledger, which is a distributed database storing information about all Ripple accounts.

This solution complements the Bank's efforts to improve cross-border payments, upholding our leadership position in Qatar's money transfer sector. These two payment corridors have shown promising growth, and we expect to continue to add new corridors through the RippleNet platform in the future.

Connecting with new customers through platforms and marketplaces

Platforms and marketplaces are key strategic innovation components of our 2025 Group Strategy. This year we continued to explore new platforms for several applications, including structured finance, trade finance and FX trading. These platforms provide banks and their customers a common market and structure to be able to collaborate digitally end-to-end, transacting in real time to create new opportunities and generate new revenues.

We partnered with an online digital exchange that facilitates the trading of secondary corporate loans. The platform, called PrivEx, provides transparency, superior price discovery and promotes better liquidity in the secondary loans market. It serves as a complementary tool to assist QNB to use secondary loans to dynamically manage our loan portfolio according to RWA targets and capital requirements.

Empowering our sales with data analytics

This year, we continued to run a programme that leverages big data, analytics and AI to develop several models around predictive banking use cases. One of these successful AI-driven initiatives analysed the transaction network of our corporate customers by mapping the commercial relationships between them and their respective customers, suppliers and partners. This helped us better understand our customers and their behaviours, which enabled us to make better business decisions and uplift our cross-selling capabilities. In addition, it helped increase customer acquisition and generate new business leads with non-QNB customers.

On a Group level, AI infrastructure and Data Analytics capabilities have been scaled up in Türkiye and Egypt to build in-production models around customer segmentation, behavioural scorecards, customer retention, predictive card utilisation, deposit and fund acquisition, money laundering and fraud detection.

We are recognised as a regional ESG leader through both our external ESG ratings and numerous awards.

Safeguarding a sustainable way of living

As sustainability has become one of the most pressing topics impacting our society today, we consider the topic of ESG a strategic imperative and one of our strategic pillars. ESG includes environmental aspects, such as climate change and resource scarcity; social aspects, such as human rights, financial inclusion and data privacy; and corporate governance aspects, such as board composition, anti-corruption and ethical business practices.

There is now an increasing demand from investors, customers, regulators and our employees for greater transparency in our approach to ESG issues. As a growing international bank, QNB Group plays an important role in contributing to financial stability and economic growth in the markets where we operate. We hold a unique position in shaping the future of the economies and communities we serve. We recognise the significant contribution QNB can make to society by adopting business practices to address these challenges, especially through our financing activities. Our activities are aligned with QNV2030, the United Nations Global Compact, the United Nations Sustainable Development Goals and the Qatar National Environment and Climate Change Strategy. Furthermore, we believe that a proactive approach to sustainability strengthens QNB's business resilience and supports sustainable financial performance.

Within our sustainability framework, the three pillars of sustainable finance, sustainable operations and beyond banking all contribute to QNB's goal of ensuring sustainable financial performance, by reducing risks, opening up new business opportunities and strengthening our brand. Under each pillar, we have identified the issues most material to our business and developed Group-wide policy statements to establish common global standards across the organisation.

For our efforts, we are recognised as a regional ESG leader through both our external ESG ratings and numerous awards. More information can be found in the Sustainability section of this report and in the separately published QNB Group Sustainability Report, found on our website.

Operational performance

This year was truly exceptional for Qatar, with robust economic performance supported by elevated hydrocarbon prices and the impact of the FIFA World Cup Qatar 2022™.

Scan for a summary

Wholesale and Commercial Banking

Our strong rating, capital position, prudent risk management, holistic and customer-centric value proposition, operating model, and execution capabilities make QNB the bank of choice for corporate clients in their growth journey.

What we do

We provide a selection of products and services created for our diverse customer base, tailored to specific industry sectors and customer needs.

These include:

> wholesale, commercial, and SME banking services;

> structured finance, including syndication and distribution, project and acquisition finance, and asset-backed and real estate finance;

> transaction banking, including global trade services and cash management;

> financial institutions, with an extensive correspondent banking network;

> a full suite of treasury products and services; and

> investment banking via QNB Capital, offering comprehensive corporate advisory services covering all aspects of corporate finance.

Domestic corporate

The domestic economy as well as consumer and investor confidence benefitted from a proactive approach to managing the pandemic in the country. This ensured Qatar was well positioned to benefit from the post-COVID recovery and the global economic re-opening. As the effects of the pandemic vanished, non-oil private sector activity reached its highest level due to a boost in tourism towards the second half of the year as the country hosted the FIFA World Cup Qatar 2022™.

This was further supported by a benign scenario for oil and gas exporters. Supply-chain constraints and the Russo-Ukrainian conflict boosted energy prices and significantly propelled Qatar's fiscal and external revenues, creating robust business opportunities. On the other hand, abundant liquidity surplus in the market moderated demand for financial intermediation via financing and credit expansion. We therefore focused on enhancing our existing value proposition and corporate offering to further intensify our customer relationships. For this, we also leveraged the benefits from the FIFA World Cup Qatar 2022™ with the emergence of the country to the world stage as a hub for business, investments, tourism and culture.

As an integral part of the national mobilization to deliver a successful event, QNB supported several domestic and international corporates that directly or indirectly participated in a series of mega-infrastructure projects and other key initiatives across industries. With our integrated product suite, we were able to support our customers in successfully delivering their projects in time before the kick-off. Given the strong growth in non-oil private sector activity that the event promoted, we were able to capitalize on multiple economic opportunities that allowed us to participate in projects across the entire supply chain. Simultaneously, this favoured more international trade and better logistics from developers to contractors and sub-contractors.

We maintained our leading domestic market share and continued to diversify our business mix to bolster private sector engagement and sustainable growth over the long term, supporting the diversification efforts of Qatar National Vision 2030. Our performance in Domestic corporate banking was driven by our financing support across almost all sectors. This year was a transition year, as the investment in infrastructure in preparation for the FIFA World Cup Qatar 2022™ drew to a close, and the State of Qatar ramped up the investment for the North Field Expansion project.

Qatar has one of the largest reserves of natural gas in the world and is the leading exporter of Liquefied Natural Gas (LNG). Qatar decided to increase its LNG production to maintain its leading position through the expansion of the North Field, the world's largest non-associated gas field. This investment is expected to increase Qatar's LNG production by 64% to 126 million tonnes per annum, contributing almost a third of global LNG demand. The flagship project is one of the largest industrial engineering projects in the world and remains the most important growth driver for the Qatari economy.

There are two phases in the North Field Expansion project. The first is North Field East, which will increase annual production to 110 million tonnes, with the first gas exports expected from four trains in 2025. North Field South is the second phase of the expansion, which will add two more trains and another 16 million tonnes of LNG in 2027.

Besides the design and construction of the LNG mega-trains, other essential projects include 80 wells with eight wellheads, pipelines, LNG storage tanks and new berths for around 100 new LNG tankers. The project will also include an expansion of Qatar's refining and downstream capacity, with significant investments in liquefied petroleum gas, helium plants, a new mega ethane cracker and the world's largest blue ammonia facility.

The size and scale of the North Field Expansion project is immense and our corporate banking team has been integral in activities around the project since its inception. We supported international specialist contractors with a wide range of engineering, construction, procurement, and installation projects (EPC). QNB played a major role in assisting both international and local contractors with various financial requirements for the award of several EPC packages. We also supported the associated projects to cover the expansion of the LNG vessel fleet, supplying replacements and additional capacity required for the newly installed volumes.

The non-hydrocarbon sector is already experiencing a significant boost from demand associated with the North Field Expansion. Local suppliers began to provide the bulk of materials for ancillary projects across the country. An influx of white-collar workers, including engineers, supervisors and technicians also supported business as well as the service and retail-related sectors. We also observed growth in projects focused on the operation, maintenance, and expansion of real estate and other facilities or utilities.

In other industries, our engagement had a particular focus on the areas of food security, healthcare, infrastructure, hospitality and transport. As in previous years, we saw robust growth in the food security sector, where our involvement has helped to further strengthen self-sufficiency on a domestic level. We continued to help reduce the dependence on foreign food imports and promoted the production of high-quality products in Qatar while expanding food reserves and storage facilities. This year, we provided financing for a range of projects that support the strategic food reserves in the country, enhancing agricultural growth and improving capabilities in food processing.

In line with the Qatar National Vision 2030 and our commitment to the Qatar National Environment and Climate Change strategy, we continued to strengthen our focus on sustainability. ESG is a strategic imperative for the bank and we proactively engage with our customers to provide sustainable financing solutions. We aim to encourage them to transition towards more environmentally and socially friendly practices. As a result, we have continued to focus on funding green buildings, renewable energy projects, clean transportation, and pollution prevention initiatives.

As part of our ongoing commitment to promoting and growing the sustainable finance market, all our frontline relationship managers have received direct training on the topic of ESG, sustainable finance principles and standards, and the carbon transition. This ensures that the business is well-positioned to actively pursue ESG-related opportunities as well as to educate, encourage and support clients in their transition journeys. Such initiatives are part of our move towards a green and socially equitable economy, whilst supporting national and international decarbonisation ambitions.

Additionally, this year we developed the QNB Group Sustainable Finance and Product (SFPF) Framework, which was successfully validated through a Second Party Opinion. This framework supersedes and expands upon the existing Green, Social and Sustainability Bond (GSSB) Framework, elaborating on our approach to other green, sustainability-linked, and transition financing in alignment with the latest international standards and taxonomies. The SFPF Framework demonstrates our continued commitment to making a positive impact through our financing activities, while at the same time promoting the transition towards a carbon-neutral economy.

In line with our efforts to leverage innovation as a strategic enabler, we also worked diligently to build innovation-related capabilities around our strategic themes, mainly in the area of Open Banking as well as data and analytics. As we place customers at the forefront of our offerings, we aim to create an enhanced value proposition that encompasses state-of-the-art solutions as part of our customer-centric approach. This year, we were the first bank in Qatar and one of the first in the region to launch our Open Banking platform that leverages an API infrastructure to provide digital value-added solutions. Customers will be able to obtain statements, product information, quotes, rates and confirmations in real time as well as in a customized manner. Beyond informational services, the platform will also offer transaction services, which will help to provide a seamless customer experience. Enabling Open Banking through APIs is a new way of doing business and allows interacting with our customers in a fully integrated and scalable way, specific to their individual requirements. Open Banking enriches our corporate banking remote channel offering along and beyond the value chain to elevate the customer experience. In addition to launching our new Open Banking platform, we underwent an extensive training initiative across all our front-line and RMs to ensure they are well equipped to sell our new value proposition to our customers.

> "We maintained our leading domestic market share and continued to diversify our mix of business to bolster private sector engagement and sustainable growth over the long term, supporting the diversification efforts of Qatar National Vision 2030."

In our ambition to leverage data to gain further insights into the needs of our customers, we launched a new initiative using detailed data analytics to deepen our client insights. With the support of our data scientists in Türkiye, we were able to build the fundament for a dedicated data and analytics function to develop models and algorithms that generate client insight and identify market patterns beyond the obvious. This has helped us to generate new business opportunities, such as supply chain finance. This has also deepened the dialogue with our customers around needs beyond their current product utilization.

Looking forward, we expect to expand the range of services for our open banking APIs, attract new partners to our Open Banking platform, and take this customer experience to the next level by adding further products and services. At the same time, we will continue to make greater use of data, including predictive analytics, artificial intelligence and machine learning algorithms, to identify new opportunities for additional revenue generation activities. We also expect the North Field Expansion project to gain further traction. Last but not least, we foresee that the Qatari economy will benefit from the positive legacy of the FIFA World Cup Qatar 2022™, which propelled the country to the global stage, supporting non-hydrocarbon activities and the realization of the Qatar National Vision 2030 with further momentum in the retail and tourism sector.

Wholesale and Commercial Banking *(Continued)*

SME

Small and medium-sized businesses (SMEs) in Qatar play a vital role in fuelling economic diversification and GDP growth, representing almost 98% of registered private sector companies. Combined, the sector contributed to around 17% of non-oil GDP this year.

Nurturing newly established businesses and scaling up existing SMEs is an important part of our commitment to the diversification of the economy and our support for QNV 2030. We help SMEs flourish and prosper, as QNB aims to be the bank of choice for those seeking superior services and products, market expertise and unrivalled personal support. We provide access to local and international markets and offer financial services to help SMEs manage and grow their businesses. Our clients also benefit from a full range of specialist products and services, ranging from market insight and skills training to one-to-one consulting.

Following the pandemic and a rebound in commercial activity, we benefited from higher business volumes in 2022. Furthermore, the preparations and the event of the FIFA World Cup Qatar 2022™ itself have created a further boost for the Qatari economy. Qatar's efforts to build physical and regulatory infrastructure, as well as the logistics to support the event and manage the influx of people that came into the country, provided SMEs with huge opportunities to capitalize on the mega-event for their growth and maturity. We saw an additional uplift in commercial activity that benefited especially the sectors of hospitality, tourism and retail activity before and beyond the tournament. Furthermore, this opened investment opportunities in other non-traditional innovative areas, including design, Fintech and the digital sector. This did not only cascade into the strong involvement of local small and medium businesses preparing the event but also those operating the infrastructure and retail facilities during the event.

Growth in new account openings by 14% and non-government related deposits delivered steady growth at 9% over the year.

SME loans in Qatar (QR bn)

Given that Qatar, the leading exporter of Liquefied Natural Gas (LNG), decided to increase its production through the expansion of the North Field, our focus shifted to engage with SMEs involved in the early stages of abundant industrial construction projects supporting this expansion. We will launch a range of new packages designed to meet the needs of different sectors.

In 2022, we continued to enhance our SME customer segmentation with dedicated services and products tailored to our customers' specific needs. We were active in our drive to grow our SME asset book and started to harness the power of data and predictive analytics. These efforts provided us with in-depth information about customer behaviours and as a result, we were able to make more informed business decisions, prompting new revenue-generation and improved cross-selling.

This year, we also decided to revamp our overall business proposition for our SME customers. Our intention is to provide a full-fledged automated offering that is seamless and customer-oriented. We introduced a new portfolio approach for small-ticket loans that simplified the entire loan application, approval and disbursement process with a market-leading best-in-class turnaround time. Leveraging our unrivalled client insight, pre-selection criteria, and the aforementioned process improvements, we have reduced the time it takes for funding to be released for small-ticket loans from more than 30 days to less than five. Launched this year, the uptake of the service remained strong and we will continue to build on its success with further enhancements next year.

We are placing a strong emphasis on the shift in customer transactions away from branches to the convenience and security of online banking through further digitisation and automation. Today, 87% of our Qatari SMEs use our digital channels. We have further automated the account opening process for our SME customers, and are currently one out of only two banks in Qatar offering this functionality. QNB Simplify, our popular e-commerce platform, remains a crucial tool in helping small businesses with innovative payment acceptance solutions while giving them a user-friendly platform to showcase their products and services to a growing audience.

Looking ahead, we will focus on further automating and digitizing our SME value proposition, as we aim to provide a fully digital and holistic experience to our customers. Our future priorities will focus on growing our asset book through unrivalled products and services and gaining a deeper understanding of the needs and aspirations of the SME sector in Qatar.

Global Transaction Banking

Our trade finance and cash management solutions offer a holistic value proposition that supports the needs of our domestic and multinational corporates across the QNB network. We focus on leveraging innovation and digitisation as strategic enablers to optimise our customer-facing and operating activities. We also aim to capture the evolving needs of our customers while at the same time ensuring robust compliance with the regulatory requirements across the jurisdictions in which we operate. Cash management and trade finance helped drive sturdy growth in our Global Transaction Banking business in Qatar and internationally.

6%
growth in international trade finance revenue

Following the recovery from the pandemic, commodity markets gained traction on the back of robust demand recovery, supply chain bottlenecks and negative geopolitical events, such as the Russo-Ukrainian conflict. Robust oil, gas, commodity markets and construction supported our business due to an increase in both trade volumes and ticket values.

Helping small businesses flourish

As part of the QNV 2030, QNB remains committed to acting as an incubator and nurturing the growing private sector of the country. As such, QNB acts as a one-stop shop for SMEs in the market.

When Tamim Al Shayba opened his first branch of "Amazon Travel and Tourism" in 2013, it was a small business with big ambitions. His vision was bold: to grow quickly and build a travel consultancy offering hand-crafted itineraries and inspiring trips that would exceed the expectations of his customers. To make his vision a reality, he turned to QNB. Not only did he appreciate the bank's solid reputation for supporting Qatar's growing SME sector, but also knew that he could count on greater benefits than our products and services alone.

With the advent of the COVID-19 pandemic, the hospitality and travel industries were particularly affected by the lockdowns and travel restrictions. With a deep belief in our customers, we extended bank guarantees and provided additional flexible finance solutions, helping "Amazon Travel and Tourism" successfully navigate through the very difficult period.

As the restrictions eased and the business volumes began to pick up in the run-up to the FIFA World Cup Qatar 2022™, we worked side by side with Tamim Al Shayba and his team to further strengthen the foundations of the business to continue to grow and prosper. We provided financing support as well as QNB's award-winning e-commerce payment gateway to deliver digital capabilities, enabling the company to expand the business successfully.

Today, thanks to our partnership, "Amazon Travel and Tourism" has 12 branches and a powerful online presence that serves a growing number of clients. "All these achievements during the past 10 years would not have happened without the support of QNB," says Tamim Al Shayba. "We appreciate the cooperation and the unique financial services they provided to us as an SME which allowed us to grow and open new branches. And thanks to the immense and important role they played during the pandemic, we are still here and able to offer innovative solutions to make travelling easy and safe for our customers. QNB is our partner in success."

Wholesale and Commercial Banking *(Continued)*

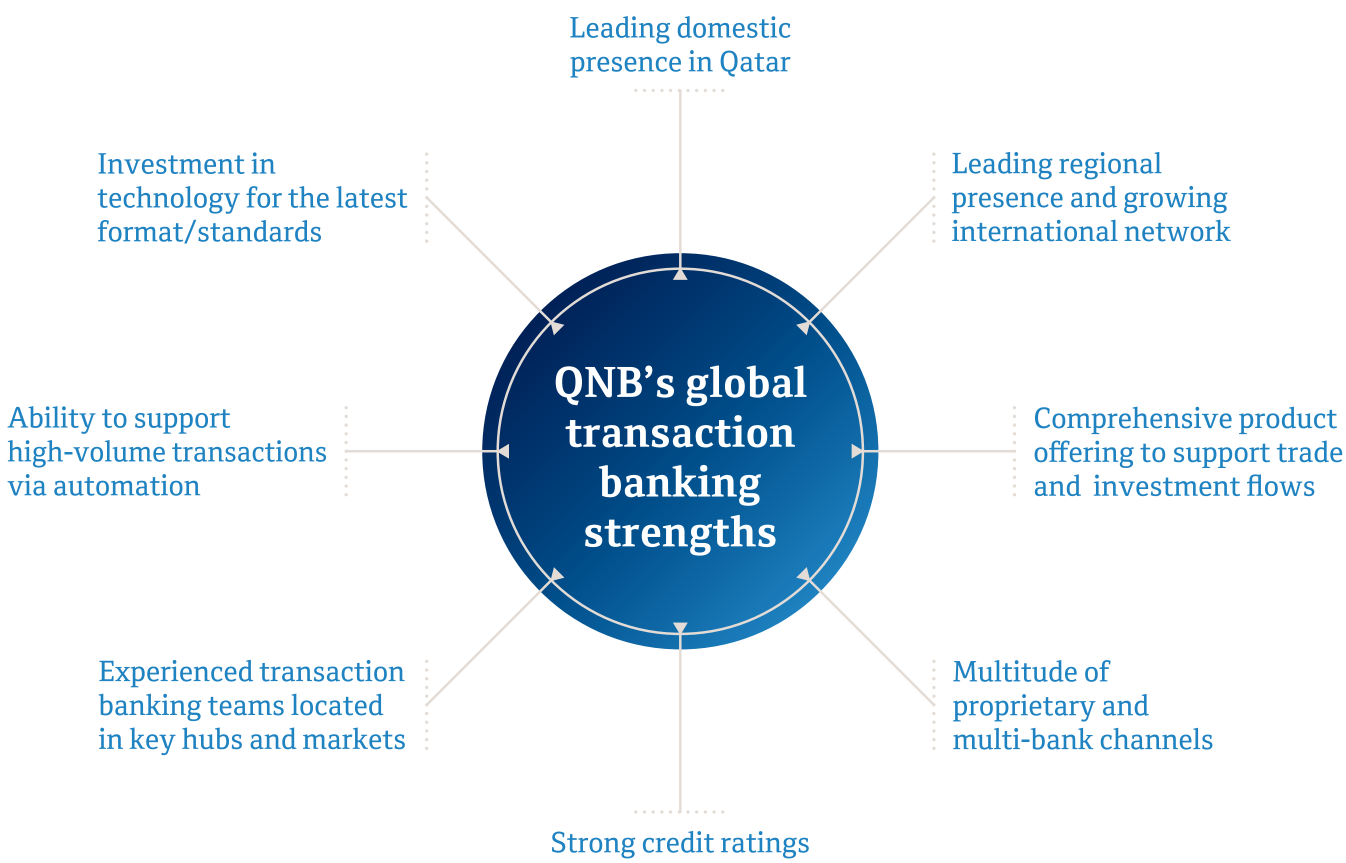
QNB was well-positioned to benefit from this scenario. We delivered material growth in cash management fee income, which was up by 18% in Qatar and remained strong across our subsidiaries. Our international trade business saw growth of 6%.

Thanks to our customer-centric approach, we were able to enhance our value proposition by being one of the first banks in the region to launch an Open Banking platform. This leverages an infrastructure of APIs to provide new digital solutions to our customers and other third parties, such as regulated Fintech and ERP companies. Services include secure data sharing, payment facilitation as well as streamlined access to statements. A new way of conducting business, Open Banking through APIs is an innovative approach to enrich our corporate banking remote channel offering.

Based on our efforts to leverage innovation as a strategic enabler, we have also explored how we can further embed innovative strategic themes along our transaction banking value chain. With the ongoing technological disruption and financial disintermediation, we see trade finance platforms as a complement to our traditional physical business model. We continued to further onboard regional but also global trade finance platforms that allow us to capture new business in previously untapped markets and sectors. We are also embedding additional anti-fraud technology, leveraging analytics and machine learning to monitor transactions in real time.

For our cash management business, we continued to extend our comprehensive e-Business digital cash management platform across our international branches. This year the system has been implemented in Lebanon, South Sudan, Kuwait, Oman, Sudan, Singapore, Tunisia, Yemen, Syria, the UK and France. The platform, already firmly established in Qatar, helps firms efficiently manage their cash flow. The platform also includes payment file upload, host-to-host, and statement download functions in different file formats. These functions, along with complex corporate user profile setups, support sophisticated corporate treasury operations via full integration with various enterprise resource planning systems.

Going forward, we will continue to focus our efforts on identifying further innovation opportunities to uplift our business model as well as the overall customer experience. We aim to further leverage digital platforms as new revenue-generating opportunities. For next year, we aim to join a new global trade finance network that connects banks, corporates and trade partners to collaborate in real-time on one common platform. Moreover, we support an embedded banking vision of various third parties. We are also confident that despite a challenging macro-economic environment, the outlook for our transaction banking business will remain favourable.



Global Structured Finance

Investment sentiment of global investors took a turn this year after a period of exuberance. Excessive post-pandemic policy stimulus and a strong global economic recovery gave way to higher inflation and monetary tightening, which more recently resulted in a significant slowdown in global growth. Geopolitical woes in Eastern Europe and the Far East added further uncertainty and volatility to the outlook. This led to subdued risk-taking and a more cautious and prudent investment approach. Despite these challenging global conditions, our Global Structured Finance business performed well. We completed a range of significant transactions, especially in syndications, project and ECA finance, acquisition finance and asset-backed finance in Qatar and across our footprint, enabling us to deliver growth.

As we consider the topic of sustainability an integral part of our overall group-wide strategy, ESG has been a key focus area to grow business in. This year, we have completed a number of green as well as sustainability-linked transactions. You can read more about this in the Sustainability section of this report.

As in the past, another key focus this year was in our activities with ECAs. Our goal was to encourage closer cooperation with our international partners to boost trade and investment opportunities that increase the flow of goods, services and investments into and out of the State of Qatar and across our footprint. This year, we signed MoUs and framework agreements with a number of European ECAs, further expanding our service reach and client pool.

There is an emergence of new technologies in the structured finance business. As we aim to leverage innovation as a strategic enabler, we joined an automated secondary loan trading platform to provide increased speed and efficiency. The new platform ensures unmatched transparency in secondary loan trading and helps us grow our business contribution.

For 2023, we expect to see an increase in regional activity, as well as growth in the number and volume of deals on the international front, fuelled by our growing partnerships.

Treasury and Financial Institutions

We experienced a challenging global environment, driven by elevated market risk and geopolitical volatility. This kept investors cautious and more inclined towards safe haven environments. Despite these challenges, we were able to maintain our business momentum on the back of the tailwinds of the post-pandemic recovery.

The focus of our business is to provide our clients with a seamless and bespoke service. We offer a comprehensive range of treasury products and services across the Bank's global network, including advisory, investment, hedging solutions and correspondent banking to our diverse customer base. The continuous development of our product capabilities together with constant enhancements to our treasury system allows us to offer a comprehensive range of products and services.

In 2022, the Bank continued to have good access to funding and maintained a strong and robust liquidity profile, as reflected by all key ratios. QNB Group follows a very conservative approach to managing its liquidity needs and a prudent liquidity management programme is in place to address urgent and exceptional business requirements. We consider our high investment-grade credit rating a confirmation of the strength of our balance sheet, high levels of capitalization, prudent risk management, strong profitability, wide international reach and efficient operational performance. This helps us in ensuring the necessary level of confidence, trust and credibility in our institution and is a strong catalyst for growth and continuity independent of market volatility.

QNB's funding base is spread across various geographies in terms of currencies, tenors and product mix. This reflects the Group's success in diversifying funding sources by entering new debt markets, sourcing sustainable long-term funding, extending the maturity profile of funding sources and fostering the trust of international investors in the strong financial position of QNB Group and the strategy it pursues.

Throughout the year, QNB's liquidity remained robust, supported by high and rising energy prices and their effects on Qatar's fiscal and current account surpluses. We were able to grow our local market deposits, which helped us to cushion the impact of global economic uncertainty and at the same time allowed us to reduce gradually our share of non-resident deposits. FX, private placements, ESG-linked products, technological enhancements and the continuation of the LIBOR transition dominated our activities this year.

We experienced a significant uplift in private placements this year, which allowed us to facilitate more than USD2 billion of issuance. Furthermore, we were successful in diversifying our repurchase agreement (repo) funding and in expanding our counterparty base with a volume of more than USD1 billion.

In line with the Qatar National Vision 2030 and the Bank's strategy to integrate sustainability in our business and operating model, we continued to develop, enhance and extend our range of ESG-linked products across the treasury offering. We view sustainability as a strategic imperative and are committed to collaborating with our partners to boost the sustainable finance ecosystem by elevating our sustainable finance-related product range. A series of green repo and reverse repo transactions served to underpin our continued commitment to sustainability and its environmental principles.

Collaborating for sustainable finance

This year we partnered with HSBC on a green repo transaction where HSBC borrowed cash from QNB in exchange for ownership of green bonds. HSBC then allocated an amount equal to the purchase price to eligible businesses and projects that promote the transition to a low-carbon, climate-resilient, and sustainable economy and provide clear environmental sustainability benefits with a focus on clean transportation.

The performance of our FX desk was particularly strong in 2022, with significant growth in FX trading volumes as well as an increase in the number of overseas clients using our services. This was supported by strong activity associated with the FIFA World Cup Qatar 2022™ which we believe will be a catalyst to transform the country into an international hub for business, finance, tourism and culture.

Wholesale and Commercial Banking *(Continued)*

We strengthened our human capital capabilities and expertise across the international treasury network in 2022 by onboarding new members to enhance our Group-wide global oversight and governance. Key to this was boosting our talent pool across our major financial hubs in London, Paris, Singapore and Hong Kong with the recruitment of additional team members.

In addition to our human capital capabilities, we retained a focus on technology and our system capabilities. Besides ongoing upgrades and enhancements to our core treasury system, and in line with our strategy of leveraging innovation as a strategic enabler, we made greater use of data analytics and artificial intelligence to introduce more automation and improve straight-through processing. We have automated many previously manual processes, ensuring greater accuracy with less error rates and allowing us to execute transactions more efficiently. We aim to continue to optimise and harmonise our treasury systems across the entire QNB Group footprint to further digitize and automate our front and back office-related capabilities.

Our strategic relationships with local, regional, and global banks, hedge funds, asset managers and other non-financial institutions from across the globe form the basis of our crucial financial institutions and correspondent banking business. We are well-positioned to provide top-notch, uninterrupted correspondent banking services in places where counterparts require strong domestic capabilities. Combining local knowledge, market intelligence and a clear strategic direction allows us to offer access to various markets across our network. Consequently, we are uniquely positioned to act as a gateway to the Middle East and Africa for our clients.

Our trade finance and cash management solutions support the needs of our domestic and multinational corporates across the QNB network.

We continued to build on the momentum created in previous years and were able to extend our network of partnerships with leading financial institutions and development banks. This included facilitating global trade and cross border guarantees and broadening our cooperation with FIs in the area of cash clearing and sub-custody.

Finally, we are close to finalising the LIBOR transition. This year we migrated most currencies as well as converted existing contracts to the new requirements, standards and language.

Looking forward, we expect to see a reduction in volatility across global markets as inflation, interest rates and geopolitical shocks should potentially stabilize. Next year we also aim to continue developing our suite of sustainable finance-related products and advance our FX APIs.

QNB Capital

Driven by the developing business landscape in Qatar and its effects on corporates, family-owned groups and SMEs, QNB Capital demonstrated a solid performance across the year, despite more challenging capital markets conditions globally.

As the Qatari corporate advisory market leader, our dedicated and highly experienced team of financial advisory and investment banking professionals continued to grow the QNB Capital brand and boost its financial performance. A number of new corporate advisory mandates were executed, and we remain a key advisor for the government on various initiatives to help diversify the economy as well as attract foreign direct investment and high calibre human capital to create a stable and sustainable population and talent pool.

In 2022, the Qatar Stock Exchange remained resilient from external vulnerabilities and provided attractive returns to investors, attracting a significant amount of foreign portfolio flows as the country became a more distinct centre for business and investment. Domestic groups are seeking to capitalise on the performance of the local capital markets and the enhanced investor visibility resulting from the FIFA World Cup Qatar 2022™ in attracting foreign direct investment and portfolio flows.

As corporates expand their operations and seek to raise capital, QNB Capital is advising clients on potential IPOs or direct listings. These clients operate in diverse sectors ranging from financial services, real estate, industrials and services companies. QNB Capital worked on several important advisory mandates. One example is the reverse acquisition of Investment Holding Group Q.P.S.C. by Elegancia Group W.L.L., which created one of the largest listed diversified industrial services companies in the region.

We continue to see a significant interest from family-owned businesses with an appetite to list their companies, demonstrating the ongoing evolution of companies maturing towards becoming listed entities. We currently have a growing number of active advisory mandates in this field. Furthermore, we have seen more momentum with the trend of clients seeking our advisory services in the mergers and acquisitions space, particularly within the construction, contracting, real estate and trading sectors. This is driven by a synergy-led consolidation that aims to build critical mass into local groups that are in the process of becoming new national champions that excel in their field and are capable of competing internationally. As major infrastructure projects in the country move towards completion, new sectors continue to flourish and expand, particularly in the areas of facilities management, operations and maintenance of real estate, creating additional opportunities for well-positioned groups.

Elsewhere, despite the challenging issuance environment, we acted as Joint Lead Manager on Qatar Insurance Company's USD 400m Perpetual Tier 2 bond. We also advised on and supported a range of companies across multiple sectors that were considering a debt capital market issuance.

Looking ahead, and in the context of sustained higher energy prices and the significant LNG expansion, a number of clients continue to explore the related opportunities that will arise, alongside international interest and investment. In fact, the North Field expansion is one of the largest capital expenditure projects in the region and industrial projects in the world and is creating exciting opportunities for local businesses. By expanding Qatar's LNG production by 64% to 126 million tonnes per annum, the benefits of the North Field expansion are set to spill over into other sectors as well, such as petrochemicals, fertilizers and heavy manufacturing. Within the context of this mega-project, we anticipate new initiatives to support the SME sector and clients who will service the enlarged energy operations both directly and indirectly.

We also expect to see strong growth in new projects that will benefit the economic transition towards a knowledge-based economy. There has been a proliferation of new and growing SMEs, particularly in the e-commerce and Fintech space. The strengthening of regulatory frameworks will help to pave the way for more foreign direct investments and Private Public Partnerships projects (PPP), particularly in the education, healthcare and tourism sectors.

QNB Capital's mission is to remain the investment bank of choice for Qatari and regional clients

Advisory services

Retail Banking

We put our customers at the forefront of our business to create a holistic customer-centric offering. By embedding cutting-edge technology into our products and services, we deliver a value proposition that promotes digital banking with a human touch.

What we do

We are the largest bank in Qatar and our aim is to maintain our leading position. Our Retail Banking offering provides a comprehensive suite of digital as well as physical products and services with an integrated, multichannel distribution network, including:

> 52 branches in Qatar and 927 internationally;

> more than 517 ATMs and 12 ITMs in Qatar – the largest network in the country – and 4,340 abroad;

> innovative and user-friendly internet and mobile banking platforms, including card and e-commerce payment acceptance;

> market-leading premium proposition through the QNB First and QNB First Plus services; and

> international retail offering with global account access across our international network.

The post-pandemic recovery as well as the favourable macro-economic environment in Qatar provided the tailwinds for a successful year, marked by an uplift in consumer sentiment, travel and spending. This year was also marked by the FIFA World Cup Qatar 2022™, which established Qatar as a global destination for tourism, hospitality, entertainment and retail services. In preparation for this centennial event for the State of Qatar, we put all our efforts into supporting the successful delivery of the tournament. Our strategic intent in our retail banking activities was to be a facilitator for all services around payments and transactions to provide a seamless fan experience during the tournament.

More than 1.4 million visitors travelled from around the world to attend this event, which showcased Qatar's combination of rich culture and heritage with iconic futuristic settings of world-class infrastructure and state-of-the art, sustainable, superbly designed award-winning facilities. The striking fusion of traditional and modern during the event awed the attending visitors and reinforced the status of Qatar as a major port of call for international tourists.

Our retail banking focus for the year was to ensure that we were able to support the readiness of our customers and merchants for the event. We leveraged our advanced technology and innovative digital platforms to ensure that they were well-equipped to deal with the spike in volume of millions of transactions that were generated throughout the tournament.

QNB was the official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™. As part of our sponsorship, we provided many of our customers globally with a once-in-a-lifetime experience of attending the most anticipated event of the year, here in Qatar. We delivered a series of campaigns to offer our customers a chance to win merchandize and match tickets through dedicated campaigns, not only in Qatar, but also throughout our international network.

We also ran revolving campaigns, such as "Be on the Winning Team", that gave the chance for QNB's customers to win exclusive match ticket packages. This exclusive campaign allowed QNB's customers to win match tickets by simply performing their day-to-day banking activities, such as growing their deposits, transferring their salary, taking a loan, opening non-resident accounts or undertaking international digital transfers.

We were pleased to once again collaborate with our long-term strategic partner, Visa, to provide our customers with a unique experience that created excitement not only across our customer base but further supported our reputation and brand strength across the country. In addition, we created a series of unique credit and prepaid card designs and hosted football-themed events including running social media campaigns.

Furthermore, and in line with the idea of capitalizing on the mega-event to engage a new generation of customers and leverage new channels and technologies, QNB collaborated with the globally-renowned social media star Khabane "Khaby" Lame, who was the bank's Official FIFA World Cup Qatar 2022™ Brand Ambassador. As part of this partnership, Lame, who is the world's most followed person on TikTok with 150 million followers, launched his first-ever television commercial with QNB, exploring the theme of "dreaming big".

Our efforts and performance in the build-up and delivery of the event helped to create a strong legacy, which is set to generate a host of new opportunities in the years ahead, promoting the brand of QNB. We believe that this event has helped us to strengthen our brand, image and reputation as the leading retail banking service provider in the country and the region.

Embedding sustainability into our retail banking offering

As per our purpose, we continue to promote prosperity and growth by embedding sustainable practices into our retail offering. We are well-positioned to raise awareness around the importance of ESG in the community and support the green transition through our retail business and portfolio.

Case study

Facilitating frictionless payments during the FIFA World Cup Qatar 2022™

Large-scale, mega-events like the FIFA World Cup Qatar 2022™ present unique challenges for retailers and business owners. With such a large influx of visitors and massive increase in demand, businesses need to offer a cost-effective solution to deal with the peak volumes of customers and orders. As such, the speed and ease of transactions for payments and order processing can make or break the business case.

QNB rolled out a new concept to help merchants in capitalizing on more opportunities during the event. We launched an 'all-in-one' PoS solution that integrates food and beverage applications seamlessly into the payment acceptance journey. Incorporating the electronic cash register capability to QNB's Android payment device provided retailers with operational efficiency and an enriched customer experience.

For the event, this solution was deployed throughout the country, including all eight stadiums, the Official Fan Zone at Al Bidda Park, merchandise hawker stands and temporary tent locations. Each retailer required one QNB device to take orders, alert the kitchen, update stock, provide an itemized bill, accept payment and issue a fully compliant card payment receipt.

This solution was one of the critical infrastructure components deployed by QNB that contributed to the success of the FIFA World Cup Qatar 2022™ experience, including hosting and serving more than a million visitors.

Retail Banking *(Continued)*

As a result, we saw growth in our green mortgage loan offering which gives preferential rates to those investing in a sustainable property. We used the Global Sustainability Assessment System (GSAS), an internationally recognised environmental building standard, to determine the client's eligibility for a green mortgage for sustainable properties and assets.

In 2021, we launched a dedicated green vehicle loan product with preferential interest rates to encourage the adoption of electric vehicles and infrastructure. This year we maintained the momentum and market leadership with this product, thanks to enhanced awareness of our customers and positive market feedback.

As part of our sustainability commitment, we also aim to offer solutions targeted to bank the unbanked and underbanked. Digital services and products are a means for us to do so, as they allow for financial inclusion in the markets we operate in through a range of services, including payments, remittances, financing and withdrawal functionalities.

In Qatar, for example, to reduce branch traffic and to provide our customers with additional access points, we continued rolling out additional Integrated Teller Machines (ITM), which allow customers to perform secure transactions over video. In locations where a branch is equipped with an ITM, a significant part of the total transactions is executed through this channel. In addition, Super Kiosks have been introduced throughout our network that allow customers to print their own payment cards. We expanded the number of Automated and Interactive Teller Machines as well as Self-Service Cheque Deposit Machines to 41 and added contactless card withdrawal capability to more than 139 terminals. These solutions further strengthen our self-service offering.

Driving our digital offering and digital payments

The global pandemic accelerated digital transformation efforts in the banking sector, placing it at the forefront of the agenda of most players. Even before the pandemic, QNB started building the technological platform to digitise our offering to 24/7, scalable solutions. To date, 90% of our customer-facing processes are digital, providing seamless offerings coupled with the highest levels of satisfaction and security.

One of the strategic objectives of our digital offering this year was to be a facilitator for all services around payments and financial transactions for the FIFA World Cup Qatar 2022™. We aimed to provide a seamless and holistic customer and fan experience during the tournament. As the Official Qatari Bank of the tournament, our collaboration with Visa, FIFA, and the Supreme Committee for Delivery and Legacy helped to drive momentum in the development and acceptance of new digital payment solutions for Qatari citizens, merchants, tourists and sports fans. Furthermore, we were the sole provider of ATM terminals and payment card acceptance points in and around all eight stadiums and fan zones, in addition to our far-reaching physical and remote omnichannel distribution network.

As the tournament fuelled activity, particularly in the hospitality, travel, and tourism sectors, we expanded the range of payment options available and continued to build on our digital services. We became the first bank in the country to add WeChat Pay and AliPay to our comprehensive range of payment options accepted by our merchant network in Qatar. This builds on other comprehensive payment options introduced over the course of the last two years, including Apple Pay, Samsung Pay, Google Pay, Fitbit Pay and Garmin Pay. Thanks to these developments, this year we saw approximately a 600% growth in the number of these types of transactions. This new eco-system allowed for simple, secure, and innovative digital payments to ensure a seamless customer experience. By complementing our offering with the addition of Samsung Pay and Google Pay, we now cover all major smartphone ecosystems, allowing customers to pay with their Android, Wear OS or Apple devices.

> "We believe that this event has helped us to strengthen our brand, image and reputation as the leading retail banking service provider in the country and the region."

Additionally, we enhanced our internet and mobile banking channels, adding functionality and updating the transaction process flows to improve the service. We added a QNB Digital Assistant chat service to the mobile app and enhanced the features on WhatsApp to connect customers directly with our call centre agents.

On the payments and remittance front, we launched a direct remittance service for money transfers from Qatar to the Philippines, complementing our existing service to Türkiye. We were the first bank in Qatar to launch such a service that connects QNB with China Bank, one of the leading private universal banks in the Philippines through RippleNet, the financial technology powered by leading enterprise blockchain and crypto solutions provider, Ripple. This new service provided our customers with a convenient remittance experience and a fast cross-border money transfer solution in real-time. Our partnership with Ripple complemented our efforts to improve cross-border payments to uphold our position as a pioneer and financial technology accelerator in Qatar and the region.

Elevating our cards business

Being the official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™, we launched a series themed prepaid, debit and credit cards to create an emotional connection with our customers and community for this event. We were the first bank in Qatar to launch special FIFA World Cup Qatar 2022™ branded cards. All digital prepaid cards were also updated on the customers' mobile wallet applications, providing them with a sense of exclusivity and uniqueness while sharing the football thrill.

Other card launches included the QNB Visa Platinum credit cards in partnership with Ooredoo. The cards – and the accompanying raft of benefits – further elevated the QNB brand to a global level and served to increase engagement with our customers and community through sports. The

Moving into the virtual reality realm

In payment terms, the future is virtual. In 2022, we saw a large rise in the uptake of our virtual credit, debit and pre-paid cards, which allow customers to use their smartphones or wearables to pay for goods and services instead of a physical card. This transition reflects the evolution in consumer spending habits and aligns with the lifestyles of our customers who want faster, safer and greener payment solutions.

The size of the Global Virtual Cards Market is expected to grow to over USD6 trillion over the next five years, according to research by Vantage Market Research. This anticipated growth is based on the tangible benefits virtual cards can provide to both retail and corporate customers. Greater convenience, extra fraud protection and a more controlled spending experience are the key elements that are driving growth.

Virtual cards are also more cost-efficient and sustainable. As a bank, we save on materials, production and shipping costs while reducing the amount of paper, plastic and waste. Customers benefit from reduced fees, enjoy more control and never worry about a misplaced card again.

They also offer more protection by limiting the information shared during a purchase by tokenising data. That means account numbers are encrypted and transformed into a randomised sequence of numbers — a token — used to make one-time payments.

There has been a large increase in the number of transactions facilitated through wearables.

Today, we remain at the forefront of enabling seamless and secure access to the digital economy to support the government's ambitions of extending the benefits of digital payments to larger numbers of consumers and the retail sector in Qatar.

card design, coupled with a rich product value proposition across all our customer segments, highlighted our position as the leading regional cards and payments provider.

A lift in the number of corporate cards issued this year and growth in the pre-paid card market demonstrated the irreversible shift away from cash and the increasing importance of digital transactions. SMEs drove growth in our merchant business and corporate card market. We continued to provide support with POS devices, with smartphone capabilities to reduce cost and increase efficiency.

As a result of all our efforts in providing a new and tournament-related experience, credit card transaction volumes increased by 22%, while the uptake in prepaid cards rose by 41%. Debit cards were up by 9%, and the transaction volumes of commercial credit cards surged by 21%. The ongoing transition from cash to card also helped fuel an 19% increase in commercial debit card transaction volume, while cash usage continued with its recent declining trend.

Growing the premium segment with QNB First

QNB First, our market-leading affluent offering, provides its members with a set of tailored products and services to ensure the highest levels of luxury and comfort, including QNB First premium credit cards, special deposit and loan products, Lifestyle Privileges and priority services. Our value proposition is complemented by cross-border mortgages, customized wealth management solutions and a world-class rewards programme that, among other benefits, offers free access to international airport lounges worldwide. As travel resumed regionally and internationally, we saw an uplift in the number of new QNB First exclusive credit cards issued but also in their transaction volume and value.

We launched several targeted campaigns to capture this strategic segment. For example, we launched an exclusive mobile plan for our QNB First members in cooperation with Vodafone. The mobile plan provided QNB First members with multiple unique packages, unlimited data on Qatar's network with the widest 5G coverage, unlimited local calls and SMS, in addition to international benefits. Another prominent campaign launched this year targeted new QNB First customers who transferred their salary to QNB. The customers were registered into a draw that provided the lucky winners with a chance to triple their salary.

As a result of our efforts, we were able to grow our market share by 2% in Qatar. The rise was particularly notable given the challenging and competitive domestic environment. New premium customers were attracted by QNB's premium value proposition complemented by our exclusive benefits and award-winning loyalty programme, Life Rewards.

Looking ahead

We foresee that tourism and new business growth will be the main focal points for our retail business and expansion in 2023. In the cards and retail payments business, our priority is to grow and evolve our offering through continued digitisation and product enhancements to further strengthen our leading positioning in Qatar and across our network.

Asset and Wealth Management

Strong commodity prices and a regional recovery from the pandemic fuelled the strong performance of our AWM business, where our award-winning team effectively helped our clients grow their wealth.

What we do

QNB Group's Asset and Wealth Management (AWM) provides an end-to-end advisory service for clients to help them effectively manage their wealth. We support high-net-worth individuals with our private banking offering, manage mutual funds across a variety of asset classes and geographies, and offer extensive brokerage and custody services.

Asset management

As in previous years, this year we were able to maintain our leading position in a market where income per capita is a multiple of the world's average. We delivered stellar performance despite the challenges posed by high inflation and resulting monetary tightening across major advanced markets that were coupled with a significant slowdown in global growth. Continuously enhancing our range of innovative products and services helped us to remain the bank of choice for high and ultra-high-net-worth individuals in Qatar.

Our strong performance this year was supported by a positive regional macroeconomic backdrop. High oil prices, strong commodity prices, and a thrust from a regional GCC economic recovery created a buoyant market that in general was favourable for GCC funds' assets under management (AUM) and attracted additional fund inflows and net new money. We experienced an overall "bullish" sentiment for the region which resulted in revenue growth for fee and commission income, despite headwinds from more volatile global markets, high and rising inflation, and aggressive tightening actions from major central banks.

Activity related to the FIFA World Cup Qatar 2022™ impacted not only the broader economy but also exchange-listed companies, primarily via additional spending on construction, real estate, tourism and retail. This attracted a substantial amount of non-resident portfolio capital flows to the local market.

An important part of our strategy and a key contributor to our success is our ability to offer exceptional customer service that provides a high-quality and bespoke experience tailored specifically to our customers' needs. We continuously review our products and services to ensure we remain highly competitive.

This year, we increased our human capital-related capabilities and talent pool on the investment strategy side. This allowed us to recalibrate our asset allocation model and increase the risk awareness of our clients so that they can make more informed investment decisions based on their overall risk appetite. This was positively received by our customer base.

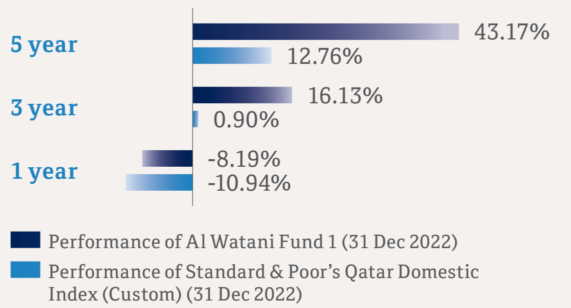
In response to a growing appetite among both public and private investors for more ESG products, and aligned with our strong commitment to sustainability as a strategic imperative, we further reinforced our sustainable equity platform with the introduction of additional ESG procedures and compliance measures.

> "Continuously enhancing our range of innovative products and services helped us to remain the bank of choice for high and ultra-high net worth individuals in Qatar."

Our investment in technology to provide innovative digital banking solutions ensure our clients can make rapid, informed decisions based on real-time data, further substantiating our efforts to leverage innovation as a strategic enabler to our businesses. We work closely with retail and private banking units to drive distribution and continue to develop and source products that meet investor demand across our network. Our cross-platform service gives clients an umbrella view of all their accounts and investments on just one screen. Working with their dedicated relationship manager, investment decisions can be executed instantly.

Given that the region remains somehow insulated from the global market downturn, our outlook for 2023 remains positive for the region and its AUM levels as elevated oil prices should support portfolios and the generation of net new money for longer.

Performance of QNB's flagship fund (Al Watani Fund 1, %)



Private banking

Capitalising on our exceptional services and advisory capabilities, we saw a 15% growth in private banking AUM and a strong performance in loans and deposits in 2022.

Despite growing competition in the local market, we maintained our position through the depth of our relationships and our well-developed bespoke private banking solutions. This year, we refined our framework and established a new segmentation to better support our VIP clients alongside our high-net-worth and ultra-high-net-worth customers. Each category has a dedicated team of specialists with a detailed brief of their clients, their investment ambitions and the markets, along with a digital toolbox to ensure best-in-class support. Relationship managers are available 24/7 and in regular contact with advice and strategic support.

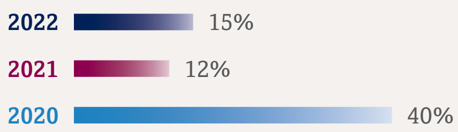
Elsewhere, as part of our innovation journey, we boosted our digital capability, implementing updated dashboards with enhanced metrics and real-time local and global insights. We will continue to make improvements that will allow an instant, 360-degree view across each customer's entire banking and investment footprint. Our focus on developing innovative financial solutions designed to meet the needs of our customers around the world was acknowledged through two prestigious awards from Euromoney magazine, which recognised the QNB as "Best Private Bank" and "Best Wealth Manager" in Qatar.

Relationship managers are available 24/7 and in regular contact with advice and strategic support.

Asset and Wealth Management *(Continued)*

The successful FIFA World Cup Qatar 2022™ was able to showcase the country as a global destination and a centre for business, investment, tourism and culture. The event attracted a large inflow of tourism expenditure and capital, much of which has gone into local development that will generate more activity in the area of Asset and Wealth Management and Private Banking.

Increase in Private Banking AUM



15%
growth in Private Banking AUM

64%
Institutional market share for QNBFS

In 2023, we expect our risk-based allocation model, investment expertise, and outstanding service to ensure we stand out in an increasingly competitive market. Our goal continues to be to add long-term value through innovative products and services designed around the needs of our clients. We expect growth in ESG investing and will keep supporting our clients with access to a diverse range of sustainable investment options that help to contribute towards a carbon-neutral transition. Meanwhile, as interest rates continue to rise, we anticipate investors in a yield-driven market will begin to shift their full focus from the stock market, opting to explore opportunities in the deposit and fixed-income space.

> "Despite growing competition in the local market, we maintained our position through the depth of our relationships."

Brokerage and custody services

The Qatar Stock Exchange (QSE) displayed unprecedented levels of foreign institutional investors with over USD 4.4 billion in net purchases of equities in 2022. Net foreign institutional buying grew considerably over 2021's USD 1.8 billion and even surpassed volumes seen in 2014 when Qatar's upgrade to MSCI's Emerging Market Index led to USD 2.5 billion in net foreign institutional inflows. This was partially a result of Qatar's new global standing as a centre for business, investment, tourism and culture, combined with the hosting of the FIFA World Cup Qatar 2022™. Furthermore, the QSE benefited from acting as a global haven for investors seeking investment alternatives in the context of the negative effects of the Russo-Ukrainian conflict. The resounding success of the tournament has helped to underpin a strong investment outlook with robust economic growth prospects. This was further supported by Qatar's peg to the US dollar, the increase in foreign ownership limits to 100% for key banks, the outlook of strong oil and gas prices as well as the expansion of the North Field, the world's largest non-associated gas field.

As a wholly-owned subsidiary, QNB Financial Services (QNBFS) continued to lead the way in the brokerage business in Qatar in 2022. Our business contributed significantly to the total trade activity in the QSE. Our overall market share reached 33%, while our share of the institutional investment market increased to 64%. We handled USD 27 billion in traded value for institutions, up from almost USD 20 billion last year. Additionally, we continued to dominate listed bond and T-bill transactions, with a 100% market share.

Over the past three years, QNBFS has cemented its market-leading status in liquidity provisioning (LP) and market-making (MM) services, with seven ongoing LP contracts and four MM agreements. Our LP and MM services excelled in providing greater price stability and enhanced liquidity in the Qatari stock market. This was further supported by new regulations issued by the QSE this year around stock borrowing and lending.

Our international equity and fixed-income trading desk for retail customers performed well despite difficult global market conditions. We also saw growth in volumes and market share in our high-net-worth individual (HNWI) segment. As part of our strategic plans to leverage our institutional strength and brand reputation, we are upgrading the capabilities of our retail business to capture additional revenues and a larger share of the market. We aim to further enhance our bottom-line performance by empowering retail traders to actively participate in local and international capital markets.

Our equity research team continued to publish high-quality research and analysis on the Qatari market and the broader GCC markets. We consistently strive to add value to our clients with on-the-ground local market intelligence and insights. Our corporate access offering remains unmatched in Qatar. We were able to connect several major global institutions and brokers with key Qatari companies in 2022 through the various roadshows we performed.

Recognising our leadership in the market and the quality of our services, we were awarded "Best Brokerage House Qatar" by Global Business Outlook.

In our custody business, we are moving beyond serving purely domestic clients to focus on attracting global custodians and capturing a greater market share of global investment flows into Qatar. Following from last year's success in onboarding a global custodian, we are currently in discussions for a broader engagement. To support this, we have reviewed our people, processes and technology to ensure we uphold the very high standards our customers and regulators expect from QNB Group.

Looking into 2023, our objective remains as in previous years to maintain and even increase our share in the institutional, retail and HNWI segment market to make a further positive contribution to the overall bottom-line. Over the longer term, we expect Qatar's stock market to further develop its depth and complexity, with potential new initiatives around increasing liquidity, options and derivatives trading.

Recognising our leadership in the market and the quality of our services, we were awarded “Best Brokerage House Qatar” by Global Business Outlook.

International Business

International expansion is one of the key pillars of QNB Group's strategy to strengthen and diversify our business.

What we do

Our international network comprises of QNB's businesses located outside of Qatar. These include:

> international branches;

> representative offices;

> international subsidiaries, which are majority-owned standalone entities; and

> associates, which are non-majority-owned standalone entities.

We continuously strive to connect and enable our international network to promote long-term profitable growth. We do this by aiming for excellence in the execution of our strategy and by embedding a consistent culture of regulatory compliance, governance and risk management while ensuring we have best-in-class people, processes and technology.

International expansion is one of the cornerstones of QNB Group's strategy to maintain our position as a leading bank in MEA. Through international expansion, we aim to diversify our revenue sources. QNB's objective is to capture relevant market share in markets that demonstrate strong macroeconomic and banking sector growth.

Our growing international footprint is largely in frontier and emerging markets, particularly MEASEA, where we aim to strengthen our presence in markets in which we are already present. In addition, these markets are characterized by higher than average margins as well as a good mix between interest and non-interest income. Trade, direct investments and large infrastructure spending opportunities, together with favourable demographics characterized by a young, growing, urbanizing and increasingly educated middle class, will drive growth in these markets.

International markets provide both in-country business and complement QNB's trade finance businesses. We are one of the only banks with a global bank rating that can operate as a full-service financial institution across a range of hard-to-access frontier and emerging markets in Middle East, Africa and Asia. As these markets continue their growth journeys, they offer exciting opportunities. This effectively helps us create a compelling value proposition to capture new business within each country.

Additionally, QNB Group's strong value proposition and well-established presence in major global trading hubs enable the bank to connect our network with emerging opportunities in each region. This strategic collaboration is one of the reasons we continued to attract a growing number of large corporate clients across our network.

International Corporate

Emerging from the constraints imposed by the COVID-19 pandemic, the global economy had an energetic start in 2022 with a surge in investment and consumption boosted by lifting of restrictions and extraordinary policy support. However, the positive momentum was slowed by geopolitical tensions that resulted in supply-chain bottlenecks, rising inflation and monetary tightening.

Despite these challenges, we delivered a robust performance in 2022, which contributed to the strengthening and growth of our international business. By harnessing group synergies, expertise and the collective power of our substantial international network, we were able to quickly respond to early opportunities created by the rising investment appetite and increased international activity. As a result, we delivered increased transaction volumes as well as growth in loans and deposits. We continued to expand our customer base across geographies and clients, with a focus on France, the UK, Singapore, Hong Kong, India, Kuwait, Oman and our recently re-established presence in the Kingdom of Saudi Arabia.

> "We delivered a robust performance in 2022 that helped strengthen and grow our international business."

Our brand strength and synergies played a central role in delivering enhanced and more diversified deal origination in Europe through our operations in France and the United Kingdom. For example, our network collaboration efforts helped reinforce our status in France as a facilitator between the Europe and the Middle East and Africa trade corridors. Our European presence also helped fuel growing investment flows into Qatar, underpinning our commitment to supporting Qatar's ambition to be a preferred investment destination. This year, we saw a significant jump in French and British Engineering, Procurement, and Construction (EPC) project activity in Qatar, driven largely by opportunities in the North Field Expansion project. Simultaneously, we remained active in creating opportunities for Qatari investments in the UK, facilitating a range of large corporate transactions across London. Our work contributes to the UK-Qatar Strategic Investment Partnership, which has earmarked up to GBP10 billion for investment in key sectors of the UK economy over the next five years.

In Türkiye, QNB Finansbank outperformed the market and its peers with a 62% growth in long-term corporate loans, while continuing to deepen its client relationships and penetration of its cash flow business. In 2022, the bank remained active in financing projects to support Türkiye's growth and development. QNB Finansbank's cash loan volume increased by 69%.

Branches

France
Hong Kong
India
KSA
Kuwait
Lebanon
Oman
Yemen
Singapore
South Sudan
Sudan
UK

Representative offices

China
Iran[1]
Vietnam

Note: Map includes international branches of subsidiaries and associates

[1] Dormant

Subsidiaries

QNB – Switzerland

QNB Finansbank – Türkiye

QNB – Indonesia

QNB Al Ahli – Egypt

QNB – Tunisia

Mansour Bank – Iraq

QNB – Syria

Associates

Housing Bank – Jordan

Ecobank – Togo

CBI – UAE

International Business *(Continued)*

Meanwhile, we continued to build our presence, grow market share and create liquidity across our Asian hubs. We remained focused on supporting leading corporates with strong credit ratings to drive growth and improve profitability. This year, we onboarded several significant new clients who were attracted by our reputation and international reach. Consequently, transactional volume and value in Singapore more than doubled in the past 18 months, while we developed and deployed a range of new products to support our clients and enhance our position.

In Indonesia, the Bank improved its margins despite rising interest rates. We also reduced the cost of funds for both foreign currency loans and international depository receipts. We also acted as the lead arranger on a number of notable syndication deals in the country, such as construction and infrastructure financing for a range of government-related projects.

In Hong Kong, a little more than a year after the official opening of our first branch, we completed a series of landmark market transactions in the secondary loan space and attracted sufficient deposits for self-funding. More than 90% of the attracted deposits have a duration of longer than six months.

Meanwhile, our increasingly sophisticated approach to ESG reflects our clients' growing appetite for opportunities in sustainable finance. QNB India is spearheading efforts towards knowledge-building in the areas of Green and Sustainable financing, providing sector expertise and access to long-term funding by drawing on its balance sheet strength. In 2022, we unlocked significant green opportunities for our clients, including support for sustainability-linked loans (SLL), which link credit facilities with KPIs to reduce carbon emissions.

Looking ahead, we will maintain our resolute focus on enhancing our international presence, capitalising on the strength of our collective experience and collaboration to unlock more opportunities for the bank and our clients across the network.

International SME

Small and medium-sized enterprises contribute significantly to the economies and communities in which we operate around the world. Our ongoing support for these businesses helps to fuel economic growth and promote greater financial inclusion.

In Egypt, QNB ALAHLI retained its position as the leading player in supporting the growth of micro and SMEs, ranging from modest single-proprietor businesses to large corporations with dozens of employees. In 2022, we were the first private bank to meet and exceed the Central Bank of Egypt (CBE) target of dedicating at least 25% of the Bank's credit facilities portfolio to funding micro-, small- and medium-sized enterprises (MSMEs). This year, MSMEs accounted for 25.5% of our portfolio in Egypt, as we continued to support the government's vision of creating and retaining more than one million jobs. By doing this, we are helping to integrate Egypt's informal sector into the economy by reducing informal transactions, developing the human workforce and encouraging self-employment and entrepreneurship.

Meanwhile, with over 1,000 dedicated and specially trained relationship managers spread across 380 branches, QNB Finansbank is at the forefront of small business banking in Türkiye. This year, the Bank expanded the scope and range of its digital services, including improvements in a new end-to-end digitalized credit underwriting and drawdown system. We are particularly active in the agricultural sector, where we helped nearly 29,000 farmers with loans totalling TRY1.2 billion. Small business banking loans make up 11.7% of our total loan portfolio.

International Retail

On the international front, our focus was driven by further uplifting our capabilities around our talent base. We expanded our relationship management team by onboarding additional team members with expertise in international markets, particularly in Egypt and Türkiye.

Overall, we saw stable growth across our international branch network, with significant contributions from the UK and France. In those two countries, we experienced a growing appetite for real estate, which supported the growth of our international mortgage loan portfolio. Retail mortgage loans increased by more than 62% in France and remained broadly stable year-on-year in the UK.

QNB Finansbank focused on product and infrastructure developments across all channels in order to serve its customers as quickly and smoothly as possible while maintaining the highest level of customer satisfaction. In 2022, customer acquisition remained strong, supported by more sophisticated digital capabilities via our mobile banking app. Since the introduction of video onboarding last year, we have welcomed more than 7,700 new customers to the Bank and accelerated the activation of banking transactions and services. The digital channel penetration rate in Türkiye has risen to 77.8%.

There was also a strong performance in our Affluent and Private Banking segments, where the number of customers increased by 6% and 20% respectively. Meanwhile, the number of deposit accounts increased by 19%, and we increased our market share in general-purpose loans to 9.9%.

In Egypt, QNB ALAHLI continued to expand its presence with a growing number of branches and ATMs across the country. In 2022, we delivered 25% growth in retail loans and 16% growth in deposits while maintaining momentum in our digital transformation. Significant enhancements to our internet banking platform made banking faster, easier and more secure for our retail clients.

In the GCC, we saw strong deposit growth across all markets. We were particularly active in KSA, where we are continuing to build our presence by offering more services and a wider product range.

In November, QNB entered into a joint venture agreement with Ajlan & Bros. Holding to collaborate and grow the digital banking opportunity in the Kingdom of Saudi Arabia. Ajlan & Bros. Holding is one of the largest retailers and manufacturers in the Saudi market, present in more than 15 countries across the world.

Governance

A strong, consistent and effective governance framework is vital for the success of the Group. We maintain a robust approach to governance, providing a clear organisational structure and a well-defined, transparent and consistent framework across all jurisdictions. This includes embedding a culture of compliance in an increasingly complex regulatory landscape. The strength of our approach to governance and risk enables excellence in the execution of our strategy and empowers QNB as a financial bridge between key hubs in Asia, Europe, MEA and Qatar.

In 2022, we further aligned and strengthened our governance framework, and continued to capitalise on Group synergies to drive a stronger performance in our international corporate, SME and retail segments. This included closer collaboration and integration with our subsidiaries, strategic partners and associates. We believe there remains a huge share of the market still available for us to capture – offering exciting opportunities for profitable, sustainable growth. As we expand our offering, we must in parallel build our capabilities in technology, risk, human capital and business processes. This will further strengthen our business and reinforce the trust our customers place in us.

At the same time, we are focused on investing in our infrastructure, empowering our high-performing employees and attracting new talent to ensure we retain our competitive advantage at an international level.

QNB centrally manages the representatives' affairs on the Boards of subsidiaries and associates, including nomination, appointment, dismissal and payments. We ensure that the Boards of subsidiaries and associates meet their regulatory obligations, such as minimum number of Board meetings and Annual General Meetings. We also evaluate the performance and effectiveness of QNB's representatives at least on a yearly basis. This includes identifying and carrying out training and development initiatives for Board members.

We make certain that best practices are shared with – and adopted by – all subsidiaries. In 2022, we continued to enhance the control environment across our international branches. Through improved risk and control assessment tools and dashboards, we can identify and manage operational risks more effectively. We enhanced operational risk, compliance and systems to ensure the entire network is fully aligned. This included standardising and streamlining processes and harnessing enhanced data analytics to improve speed and accuracy.

We continuously monitor the strategic relevance and operational performance of the different entities within our network. We do this by carefully calibrating the size and shape of our services in each location, tailoring them accordingly. This allows us to achieve greater efficiencies and a better allocation of capital through an optimized operating model while enhancing customer service and stakeholder value. This year, we decided to exit our sub-scale operations in Mauritania and to close our representative office in Myanmar. Additionally, we further revamped our activities in Saudi Arabia, a market that we expect will continue to grow and offer good opportunities for QNB.

QNB ALAHLI continued delivering strong performance in the Egyptian market.

Recognition and Awards

Our 2022 awards cabinet highlights our achievements, prestige and the power of our brand.

Euromoney magazine:

- Market Leader in CSR
- Market Leader in Corporate Banking
- Highly Regarded in Digital Solutions
- Best Private Bank in the Middle East
- Best Private Bank in Qatar
- Best Wealth Manager in Qatar

Global Finance:

- Best SME Bank in the Middle East
- Best SME Bank in Qatar
- Best Private Bank in Qatar
- Best Investment Bank in Qatar
- Best Bank for Sustainable Finance in Qatar
- Outstanding Leadership in Sustainable Finance in the Middle East
- Outstanding Leadership in Sustainable Bonds in the Middle East
- Outstanding Leadership in Social Bonds in the Middle East
- Best Bank in Iraq

Forbes Middle East:

- Third on Forbes' list of 100 companies in the Middle East
- First on Forbes' list of The Middle East's Top 30 Banks

Global Business Outlook:

- Best Brokerage House in Qatar
- Best Research House in Qatar
- Most Innovative Mobile Trading Application in Qatar

Brand Finance:

- Most valuable banking brand in the MEA region

Global Investor Group (ISF):

- Best Brokerage House in Qatar

Global Trade Review:

- Best Trade Finance Bank in Qatar

The Capital Finance International Magazine:

- Best Retail Bank in Egypt

The Global Banking and Finance Review:

- Best Bank for Digital Banking Services in Egypt
- Best Retail Bank in Egypt

The International Finance Magazine:

- Best E-Banking Product - Mobile Banking in Egypt

Global Banking and Finance:

- Best Bank for Digital Transformation in Türkiye
- Best Online Services for Micro and SMEs in Türkiye

Infobank Digital Brand Awards:

- Ranked Top 3 as the Best Bank with Digital Service in Indonesia

Risk

Risk management is a fundamental component of our banking success, safeguarding our clients, our business and our own reputation.

Scan for a summary

Risk management

We maintain and adhere to a robust and integrated risk management framework to safeguard the Bank from all types of risks, ensuring the necessary support for sustainable growth.

Risk is an integral part of our business and decision-making processes. QNB Group's sustainable performance relies on our ability to successfully manage risk at all levels. The risk function is headed by the GCRO, reporting directly to the GCEO. The GCRO also has a reporting line to the Group Board Risk Committee, ensuring that the Bank has a robust risk management governance framework in place to maintain the appropriate balance between risk and reward.

QNB's risk profile and appetite are approved by the Board of Directors and GBRC, and then cascaded down to every division, department and employee. We maintain a conservative approach to managing risk across the network in line with regulatory guidelines and compliance. Our foresight and collaboration have enabled us to understand the country-specific conditions required to respond to diverse economic challenges. This allows us to adjust and fine-tune our risk-management approach for each of our network's jurisdictions in order to support our clients in an optimal way.

Risk appetite

QNB Group's integrated approach to risk management is set out in our Risk Appetite Statement (RAS) which articulates our risk culture, governance, and boundaries. The RAS ensures alignment with the Group's vision and strategy by tracking current performance against risk appetite targets.

The RAS also provides a framework for our attitude towards risk-taking and is reviewed on an ongoing basis as part of QNB Group's strategic and financial planning process. Our risk appetite is consistent with best-practice principles that govern our overall approach to risk management and culture. This approach is actively enforced through the Three Lines of Defence model.

We believe that risk management is the responsibility of all employees. The businesses act as the first line of defence and are responsible for owning and managing the risk that falls under their jurisdiction. The risk function, as the second line of defence, oversees the risk and provides the frameworks, policies, definitions, tools and techniques to enable the first line to discharge their risk-related responsibilities. Finally, our internal audit function, as the third line of defence, independently assesses the effectiveness of the processes created in the first and second lines.

Risk governance and management

Robust risk management is fundamental to the success of the Bank and our efforts to maximise profitability. Every employee in the Group is responsible for identifying, assessing and controlling potential risks when carrying out his/her duties.

The Board assumes the ultimate responsibility for assessing, taking, managing and monitoring risks through the GBRC, in coordination with the GCEO, the Group Management Risk Committee, the Group Credit Committee, the Group Operational Risk Committee, the Group Assets and Liabilities Committee and the Group Cybersecurity Committee. The Board receives regular updates on the Group's risk profile. The Board also supervises other financial and non-financial risks affecting the Group.

The Board has determined the objectives and framework of the Group's risk management policy. As such, the Bank monitors its risks on daily basis through the various committees established in accordance with the Board's objectives and mechanisms. This includes, but is not limited to, changes to the Group's operating environment,

In line with Basel guidelines, the Group has adopted the "Three lines of defence and control" model

1	**Business and process functions**	Responsible and accountable for identifying, assessing and controlling the risks of their activities.
2	**Risk and control functions**	Introduce policies and systems to ensure that the risks in the business and process units have been appropriately identified and managed.
3	**Internal audit function**	Independently assesses the effectiveness of the processes created in the first and second lines of control. Provides assurance on these processes and value-added recommendations to improve the process and promote best practice.

QNB Group's integrated approach to risk management is set out in our Risk Appetite Statement.

risk appetite, financial (capital, liquidity, earnings) and non-financial risks, such as endogenous and exogenous operational risk events (fraud, human errors, cybersecurity, natural catastrophes and climate risk).

The Board is responsible for the approval of strategic plans and the acceptance and control of risks implied in delivering these strategies. This includes the monitoring of the implementation of appropriate restrictions and limits with respect to products, issuers, geographic location and maturity.

The Group Risk Division undertakes the formulation and review of the risk management strategy, defines the risk management policies, evaluates the activities of risk management and control mechanisms, and assesses and determines the Group's operational, credit, market, strategic, legal, reputational, and other risks. The division, which is headed by the GCRO, undertakes the implementation of the policy. Risk management policies and procedures are established to identify, assess and monitor risk at Group level. The Group's risk function also ensures the implementation of operational plans to monitor and manage these risks, reviews and monitors cases of fraud and operating losses and oversees the legal disputes at all levels. Ultimately, the GMRC bears the executive authority vested in it to deal with the various risk aspects at the Group level.

The responsibility for the day-to-day management of risk is assigned to specific teams within the Bank. For example, QNB Group's Treasury function is responsible for compliance with the Group's trading restrictions, expressed in terms of limits and product mandates, imposed by the GALCO under the delegated authority of the Board, with second line oversight being provided by Risk Management and third line by the Group Internal Audit Division. A comprehensive control framework is in place and detailed monthly reports are submitted to the GALCO.

Risk identification, monitoring, and control

The identification of principal risks is a process overseen by Group Risk. The material risks are regularly reported to the GBRC and GMRC, together with a regular evaluation of the effectiveness of the risk operating controls. The day-to-day governance is delegated through an Enterprise Risk Management (ERM) oversight structure and a robust risk control framework.

This framework consists of a comprehensive set of policies, standards, procedures, and processes designed to identify, measure, monitor, mitigate, and report risk in a consistent and effective manner across the Group. The framework is essential to achieving our strategic objectives and serving as a platform for our growth. We continue to improve our frameworks for risk identification to ensure adequate early warning indicators and timely decision-making.

We have a strong country and cross-border risk framework in place. Our centralised approach to risk management is complemented by local expertise and knowledge and every employee in the Group is responsible for identifying and addressing potential risks in the course of their work.

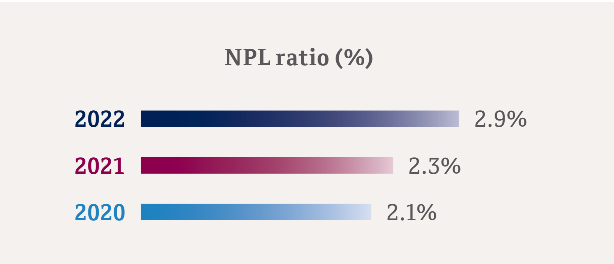
Risk culture

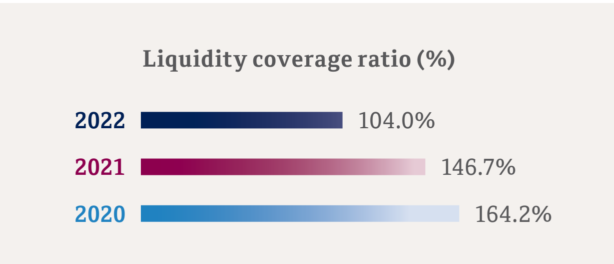
We actively promote a risk-minded culture across the organisation. To do this, we have embedded specific risk management metrics into all of our employee's performance scorecards. Each risk function is involved in defining these metrics annually and in providing oversight by evaluating and rating them throughout the year as a part of our performance management process. Our metrics are broad and touch on all risk disciplines, including non-financial risks such as Operational Risk and Information Security. Furthermore, employees are required to complete mandatory risk-related training each year to ensure a thorough understanding of the Bank's policies and procedures.

Credit risk

A comprehensive governance framework and robust oversight ensure that credit risk is effectively managed across the Group, enabling us to maximise our risk-adjusted returns.

While economic headwinds, fuelled by the conflict in Ukraine, dampened the impact of a post-pandemic rebound, our high-quality, diversified portfolio and prudent management of credit risk ensured the Bank maintained its financial resilience through the period. Our robust credit risk management framework and practices ensured that our NPL ratio remained low, at 2.9%.





Credit risk management

Group Credit operates as an integral part of Group Risk to ensure that credit decisions are made in alignment with the Bank's defined Risk Appetite. More generally, QNB employs a framework of models, policies, and procedures to assess, manage and monitor credit risk. We ensure the strict segregation of duties between front-line transaction originators and the credit risk function as reviewers and approvers. Our credit exposure limits are approved within a set credit approval and authority framework.

Policies and procedures for the approval and review of credit facilities are diligently applied and regularly updated. The Bank has an integrated process covering credit initiation, rating validation, analytics, approvals, credit administration, documentation, model risk validation controls, collateral management and limits monitoring at multiple levels.

The Bank's credit policy includes restrictions and prohibitions on lending to several sectors. Lending to the real estate sector, for example, is subject to tight internal lending criteria and QCB regulations, such as high collateral coverage requirements for commercial properties and salary multiple restrictions for residential mortgages. In addition to regulatory exposure limits, the Bank imposes its own internal limits on obligor groups and individual obligors, reinforced by portfolio limits, which are categorised in terms of sector, country and rating buckets. Furthermore, many of the largest exposures benefit from the State of Qatar's Government guarantees and support, with the majority (by value) of real estate projects funded by the Bank being Government infrastructure segment-related projects.

Wholesale borrowers are assessed through a combination of expert judgement, experience and analysis together with the use of credit models. Credit applications pass through multiple levels of review and validation.

This year, we continued to work closely with Qatar Central Bank on the gradual unwinding of COVID-linked support schemes while at the same time minimising the impact on asset quality and profitability. Meanwhile, we continued to build on our successful Qatarisation programme. Our commitment to providing continuous professional development for Qatari nationals helps support personal and professional growth, benefiting both the individuals and the Bank. The development programme is made up of a balanced combination of on-the-job training, short and medium-term rotation plans with other divisions, product-specific training and formal training, including external courses for professional accreditation. Qatari nationals now make up 45% of our staff.

Given the strong performance this year of QNB Finansbank and QNB ALAHLI, we have continued to build provisions to prepare for potential challenges in these markets going forward.

Enhanced ESRM

In collaboration with the Strategic Risk Management team, we reviewed and upgraded our risk rating models at the Group level as part of our drive for continuous improvement. We also further enhanced our group-wide Environmental and Social Risk Management (ESRM) policy framework. The framework enables the Bank to proactively identify, assess and manage its exposure to environmental and social risks. It clearly articulates exclusions, identifies sectors deemed high risk and highlights prohibited activities.

We consider this as an ongoing evolution as we continue to progress on the topic of Sustainability. The ESRM framework complements our credit policy with regards to environmental and social risks. It enhances our due diligence and improves the way we assess and incorporate these risks into our credit decision making framework and existing portfolio.

QNB Group's credit function plays a proactive role in the management of QNB Group's ESRM policy and procedures, ensuring awareness and compliance with acceptable credit practices across our global network. As the banking sector continues to evolve in areas such as sustainable financing, we too remain committed to making our policies and procedures robust in order to conform to important market developments in the various regulatory environments in which QNB operates. Aligning our goals and objectives across the Group ensures best practices are applied for assessing environmental and social risk and decision-making. Recently we extended our list of restricted sectors and prohibited activities in our ESRM policy framework and broadened the scope of ESRM-eligible financing transactions to include other banking products. Furthermore, our dedicated team specializing in the area of ESRM risk management as well as our relatively advanced ESRM scoring tool, have helped to enhance our overall credit screening and assessment processes for ESRM qualifying transactions.

ESG considerations are becoming increasingly significant in credit risk, as demand for green products continues to rise and customers become more sophisticated in their approach to sustainability. As a result, we further integrated ESG criteria into our due diligence processes and enhanced sustainability requirements in our Wholesale Credit Policy.

International credit governance and regulation

Credit risk functions in Qatar and our subsidiaries are supported by local credit risk teams of varying sizes in our international branches. In addition to complying with local country regulations, the international branch credit teams have reporting lines into the Head Office function and are managed as an extension of the centralised credit team. Credit governance is further strengthened by our close collaboration with Strategic Risk Management to set, monitor and evolve our risk acceptance criteria across our markets and in line with both Group and individual branch strategies.

While our Head Office in Qatar continues to perform regular oversight, decision, review and credit audit functions, we have delegated authorities to our subsidiaries, whose strong asset quality reflects the strength of our underwriting standards. To ensure that our processes and standards are fully aligned, we place Head Office credit team members into key positions across the international network.

After the lifting of the travel restrictions from the pandemic, this year we have re-started the periodical in-person visits from our Credit Audit team to branches and subsidiaries, including Egypt, Tunisia and Indonesia. This helps us to ensure harmonisation in the approach and delivery of integrated governance.

We maintain a single point of contact for all credit-related internal audit recommendations which ensures that audit items are successfully implemented and that best practices are applied across the network. To ensure appropriate risk ratings and requisite provisions across our network, we reviewed and benchmarked local regulatory requirements and IFRS 9 standards on impairments and write-offs in international branches against those in Qatar. Meanwhile, in accordance with QCB guidance and the Basel framework for measuring and controlling large exposures, we maintain tight controls and monitoring for financial institutions and subsidiaries to ensure effective, ongoing compliance in this area.

Looking ahead

We have already begun work on a project to create a new credit portal that will enable the Bank to serve a more diverse range of customers without increasing our risk exposure. By leveraging more automation and capitalising on data and predictive analytics, we will enhance our vetting procedures and deepen our KYC capabilities. This will generate more opportunities with less risk.

As part of our commitment to a greener future, we intend to continue to build on the successes of this year and further incorporate ESG-related criteria into our overall credit decision-making framework.

We enhanced our group-wide ESRM policy framework, which enables us to proactively identify, assess and manage our exposure to environmental and social risks.

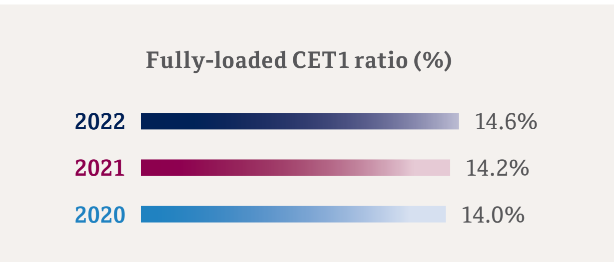
Strategic risk

Our comprehensive risk management tools allow for informed decision-making.

We seek to anticipate potential issues and emerging risks and proactively recalibrate our risk appetite to limit exposure where appropriate.

The Group's strategic risk management function oversees strategic, enterprise, credit portfolio, market, asset and liability management (ALM), liquidity risks and the commercial aspects of climate risks. The function is responsible for risk systems infrastructure, risk limit setting, monitoring and control, Pillar II reporting, stress testing and scenario analysis.

In 2022, we enhanced the model risk framework in accordance with best practice guidance advocated by the European Banking Authority (EBA) as part of its targeted review of internal models proposals. This ensures organisational alignment to solidify the independence of the model validation function and improved model risk categorisation defined in terms of materiality, complexity and the impact of any deficiencies identified (acceptance scale). The framework is underpinned by explicit statements on modelling risk appetite approved by the Board.



The Bank continuously monitors the environment in which we operate, proactively alerting management of any perceived emerging or escalating threats and providing recommendations for what actions the Bank should take. The Bank's strategic risk function also offers insights, guidance and support in several areas of prudential interactions, most notably concerning the Internal Capital Adequacy Assessment Process (ICAAP), recovery planning, capital planning and formulating responses to regulatory consultative exercises.

We seek to anticipate potential issues and emerging risks and proactively recalibrate our risk appetite to limit exposure where appropriate. This approach has proven to deliver significant value as macroeconomic factors, such as rising inflation, the threat of a global recession, supply disruptions and changes in international trade flows have led to numerous stresses across developed and developing economies.

In line with previous years, the Bank also advanced on the readiness and delivery of the LIBOR transition programme, which is now in its final phase. This year, we engaged with all stakeholders, detailed the changes and the timeline, and set new contracts in place. We have a clearly-defined plan for transitioning our exposures, taking into account the nature and complexity of products, counterparties, legal jurisdictions, regulatory expectations, as well as our own internal positions and hedging preferences.

Risk infrastructure and model enhancement

During this year, the Bank has implemented a number of new systems, models and dashboards as part of its risk infrastructure enhancement programme. This improved the overall risk management control environment and enhanced the effectiveness of our decision-making capabilities. We also made tangible improvements to the suite of risk rating systems, further automated our risk appetite monitoring process and expanded the international coverage of several other risk systems.

Market risk

We continuously monitor and assess the markets, and our vigilant approach enables us to navigate successfully the volatility in risk factors, such as rising interest rates. As a result, the Bank is well-positioned to deal with any fluctuations and long-term challenges. From a market risk perspective, QNB follows a conservative and prudent risk appetite and management approach. Our Value at Risk (VaR) limit as a proportion of capital stands at 0.054% while average VaR utilisation is at 10.6% of its limit.

The Group's Asset Liability Committee (GALCO) is tasked with oversight of market risk. Market risk exposures primarily relate to interest rate risk in the banking book and foreign exchange risks that generally arise as a result of the Bank's day-to-day business activities. Our market risk function monitors all market risks within the GALCO-approved delegated authority limits and product mandates. The market risk limits are set at very conservative levels to reflect a limited appetite for this type of risk exposure.

Liquidity risk

The prudent management of liquidity is essential to ensure a sustainable, profitable business and retain the confidence of financial markets.

The responsibility for liquidity management ultimately resides with the Board of Directors, with operational oversight delegated to the GALCO and day-to-day management to the Group's treasury function. The risk management oversight process provides assurance that the Group's liquidity resources are sufficient in both quantity and diversity. This allows for planned and unplanned increases in funding requirements to be accommodated routinely without material adverse impact on earnings or on the way the Bank is perceived in the market. We maintain a comprehensive liquidity control framework to manage the Group's liquidity and funding risk in a robust manner. Through this framework, we help to control and optimise the risk-return profile of the Group.

In 2022, we developed a new data analysis tool that uses forensic detail to identify patterns in deposits across our entire portfolio, including all of our branches. Following an in-depth data cleansing exercise, we now have better insight into liquidity trends and behaviours in different market circumstances.

The Bank ran a variety of simulations to probe weaknesses and model the impact of remedial actions. Whilst higher interest rates could improve margins, rapid interest rate hikes represent a tightening of financial conditions for corporates, households and sovereigns, lowering both investment and consumption and potentially leading to credit contraction. As an energy exporter, and with the FIFA World Cup Qatar 2022™ providing a boost to domestic consumption, the Qatar business environment is expected to continue to perform well. As such, the prospects for the Bank remain bright.

Stress testing and ICAAP

It is vital that we maintain adequate resources across our network to withstand any unforeseen macroeconomic headwinds and shocks. ICAAP is an integral part of assessing the capital adequacy of the Bank, providing a forward-looking evaluation of our ability to operate in a more stressed economic situation. The process helps us to determine and plan on how to allocate our capital and liquidity in the most efficient way. Through this, we ensure that the Bank maintains healthy risk metrics in line with our approved Group risk appetite and regulatory limits.

Our Interest Rate Risk in the Banking Book (IRRBB) framework provides us with a means to measure, calculate, report and hedge interest rate risk, ensuring regulatory compliance while also optimising capital requirements.

This year, as part of our scenario and stress-testing framework, we introduced a regular risk bulletin to facilitate senior management alignment and feedback on the near-term emerging risks facing the Bank. We further developed our forward-looking scenario approach with refinements to our analysis of banking sector risks for countries of relevance to the Bank.

Climate risk

We recognise the significance of climate risk and its impact on the environment, our stakeholders, and the Bank. Climate risk is an integral part of our risk management framework. We continued refining our methods for identifying, assessing and managing climate-related risks in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

This year we worked with external climate experts to conduct a scenario analysis across our portfolio, assessing our risk framework and policies as well as the actual and potential impacts of climate-related risks and opportunities on the Bank, its strategy and financial plans. Several scenarios were applied, each based on the industry standard NGFS and IEA models which include comprehensive assumptions on the state of the climate, population and economic growth, technological development and regulation. The objective of the exercise was to assess the resilience of our commercial business activities to climate risk impacts, both physical and transitional, and to identify potential climate "hot spots" and areas of risk and opportunity. An assessment was made of the potential impact on the Bank's profitability under different assumptions and along varying timeframes. The resulting analysis informed our discussion on what business sectors should be subject to volume or tenor constraints as part of QNB's risk appetite and ESRM procedures.

Looking ahead

A large part of our focus in 2023 will be on developing our approach to climate risk. This is a rapidly evolving topic and we will seek external validation from a leading consultancy that our risk framework's treatment of the topic meets or exceeds regional best practice standards and regulatory requirements. In parallel, we will continue to develop and refine climate-related decision making and risk reporting processes. We will also roll out a loan portal that will improve the efficiency and auditability of all aspects of the lending process from inception to disbursement, whilst also enhancing the oversight of collateral and details of lending security. Meanwhile, we expect that substantially all USD LIBOR-based contracts to be transitioned to alternative indices ahead of the cessation of USD LIBOR in June 2023.

Operational risk

Our proactive approach to operational risk management ensures that the Bank is not only resilient but also flexible and adaptable to changes in the environments in which we operate.

Across its entire network, QNB Group benefits from a solid and effective operational risk management framework. The Bank's operational risk management approach reflects the increasing sophistication of the business and the operating environment in a complex and expanding regulatory landscape.

The operational risk function's mandate is to act as a second line of defence to incubate, establish and fortify a solid operational risk management approach, standards and culture. This protects the Bank and its stakeholders through:

- maintaining a set of fundamental standards for operational risk management across QNB, leading to the avoidance of unexpected and catastrophic losses and the minimisation of expected losses;
- ensuring consistency with relevant best practices and compliance with regulatory (quantitative and qualitative) requirements;
- pursuing business objectives in a risk-controlled manner; and
- promoting Group-wide operational risk awareness and management culture, further contributing to process efficiency and efficacy.

All of our overseas branches, subsidiaries, and affiliates were fully integrated and aligned with our operational risk framework. Strong risk and control self-assessment protocols are firmly embedded across our branch network to ensure they can identify and prioritise key issues.

Our Operational risk department is governed by the Group Operational Risk Management Committee (GORMC), which is overseen by the GRMC, where all seven risks are routinely reported, analysed, monitored, resolved and followed-up upon.

Delivering a successful tournament

As an official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™, QNB was granted various assets and rights across the region, as well as branding exposure globally. In addition to presenting QNB with unique commercial opportunities, the event generated additional operational risks that needed to be addressed.

A comprehensive preparation and planning programme in the build-up to the highly successful event ensured we were ready for the increased risk and opportunities. We analysed all products, services, processes, staff, infrastructure, technology and third party engagements

We have classified our seven principal operational risks as:

1. **External fraud:** theft of information, hacking damage, third-party theft and forgery
2. **Internal fraud:** misappropriation of assets, tax evasion, intentional mismarking of positions and bribery
3. **Business disruption and system failures:** utility disruptions, software failures and hardware failures
4. **Damage to physical assets:** natural disasters, terrorism and vandalism
5. **Execution, delivery and process management:** data entry errors, accounting errors, failed mandatory reporting and negligent loss of client assets
6. **Employment practices and workplace safety:** discrimination, workers' compensation and employee health and safety
7. **Clients, products and business practice:** market manipulation, antitrust, improper trade, product defects, fiduciary breaches and account churning

that could have been be impacted by the event in order to strengthen our operational resilience in the face of volume and capacity surges, disruption, incidents and attacks. We set up specific task forces to ensure that the Bank's services were effective in managing the additional business volumes and potential disruptions. For example, we developed a business continuity plan for the entire office and branch staffing, taking into consideration the logistics and road closure disruptions during the event. Additionally, we set up contingency plans to manage the increased business volumes in key areas, such as tourism hotspots, airports and shopping malls. This included topics ranging from additional cash collection, to ATM cash delivery capacity, to POS terminal printer rolls.

"The operational risk function's mandate is to act as a second line of defence to incubate, establish and fortify a solid operational risk management approach, standards and culture."

We believe in a responsible and sustainable approach to doing business.

Operational risk *(Continued)*

The Bank was the sole provider of ATM cash machines and contactless payment solutions in and around the stadiums and fan zones. Thanks to our data privacy and protection capabilities and robust security standards, we successfully processed millions of digital transactions linked to the event without disruption.

Operational resilience

We define operational resilience as the ability of an organisation to continue operating with normality even in times of change and disruptive events. This includes both the resilience of systems and processes, and more generally the ability of the organisation to continue to operate its critical business activities in adverse conditions.

Whilst the ability to recover critical services, systems and processes following a disruption has traditionally been thought to be the domain of business continuity and disaster recovery, there is a growing requirement to ensure critical services are appropriately resilient and do not fail in the first place. Traditional business continuity and disaster recovery disciplines have historically been heavily focused on physical events, which are often designed and tested in organizational silos. Instead, operational resilience focuses on the adaptability to emerging threats, the dependencies and requirements for providing critical business services end-to-end (crossing organizational silos), and the broader economic as well as firm-specific impact of adverse operational events.

We maintain operational resilience to strengthen our ability to protect and sustain our business in the face of regulatory changes, disruptive technology, complex infrastructure and evolving market demands. The growth of technology-related threats has increased the importance of operational resilience in the banking sector, and the need to ensure vigorous business continuity and disaster recovery plans.

We have a robust framework and tools to continually identify external and internal threats and potential failures in people, processes, and systems. The Bank has the capabilities to promptly assess the vulnerabilities of critical operations and manage the resulting risks. For example, we partner with the PRA, the FCA, the Bank of England and others as we seek to comply with the UK Operational requirements of the Resilience Consultancy Paper.

As a leading and responsible financial institution, we are committed to best practices at all levels, and are committed to monitoring and understanding evolving market requirements. We have detailed action plans in place to ensure we stay ahead of these market changes.

Third-Party Risk Management and sustainability

We use a Third-Party Risk Management (TPRM) framework to systematically identify, assess, mitigate, control and monitor third-party risks across QNB Group. The TPRM framework was designed and developed with clearly defined policies, roles and responsibilities, procedures, systems and resources to support our Third-Party Risk objectives. Engagements are assessed against seven key risk dimensions: Resilience and Continuity, Financials, Information Security, Data Privacy, Compliance and Litigation, Strategy, and Sustainability. These risk dimensions are of material importance in evaluating, reviewing, monitoring and mitigating the Bank's risk exposure, especially concerning the interconnected nature of the risks and their significance to critical business services.

The TPRM risk assessment methodology includes three potential stages geared to be risk-seeking. A pre-assessment, a Tier 1 assessment, and a Tier 2 controls assessment enables the evaluation of inherent and residual risks and appropriate reporting across the group.

We believe in a responsible and sustainable approach to doing business. We have a Third-Party Supplier Code of Conduct, which is issued to suppliers and available to view on our website. The code was developed as part of our commitment to sustainability, with the goal of enhancing our due diligence in our supply chain and promoting ESG-related topics. We expect all of our suppliers to meet or exceed the code of conduct requirements and demand the same of those with whom they work. As part of our ongoing commitment, Third Party Worker Welfare Self Assessments were also conducted across our supply chain this year to ensure compliance.

> "We have a robust framework and tools to continually identify external and internal threats and potential failures in people, processes and systems."

Card and merchant risk

The continued growth in e-commerce and the impact of the FIFA World Cup Qatar 2022™ delivered an upsurge in digital transactions in 2022. As more transactions are processed without a physical card, so the risk of potential fraud increases.

We closely monitor card and merchant acquiring risk, and in the event of any possible fraud, we take immediate corrective action to protect our customers and secure any potential loss.

With electronic wallet services such as Apple Pay and Google Pay experiencing rapid growth, customers and banks are increasingly being targeted by sophisticated social engineering attacks. We run awareness campaigns that equip our customers to identify and avoid social engineering attacks and other types of fraud. We apply the same vigilance to monitor and respond to e-wallet risks as we do for card risks.

As many more Qatari firms now accept online payments, we established a set of fundamental risk management controls and guidelines to ensure best practice. These include guidance to evaluate merchant risk to ensure applicants meet strict requirements. This is supported by our Payment Facilitator sponsorship programme that reinforces the safety and security of our payment system.

Despite the challenge posed by a considerable rise in e-commerce and e-wallets transactions in recent years, combined with the surge in transactions during the tournament, we have been able to keep card fraud losses stable compared to previous years.

Case study

Enhancing worker welfare standards in our supply chain

As a large financial institution, we acknowledge that human rights issues can arise not only in our own operations, but also through our engagement with third parties, namely our customers, financing and investments, supply chain and the communities we serve. We recognise that it is our duty to respect and advance human rights and practices throughout our value chain.

To that end, QNB has both the responsibility and leverage to engage and work with all of our vendors to champion, improve and ensure worker welfare. This is facilitated through our Third-Party Supplier Code of Conduct, responsible procurement and operational risk management practices. This includes our Third Party Risk Management (TPRM) framework which is used to systematically identify, assess, mitigate, control and monitor vendor related risks. All third party supplier engagements, regardless of whether the relationship is new or existing, are assessed through this continually enhanced framework.

In Qatar, the TPRM also integrates the Vendor Worker Welfare Assessment (VWWA), developed in full alignment with Qatar's Supreme Committee for Delivery & Legacy guidelines. These self-assessments provide a detailed view of the vendors' internal processes and procedures, helping us assess adherence to best practices and guiding our supplier engagement strategy.

This year, QNB conducted a number of physical site inspections of key manpower suppliers to verify the VWWAs, identify potential shortfalls in standards, and to drive improvements in the wellbeing of workers and their health and safety. As part of our vendor engagement approach, an action plan was mutually developed for identified gaps to enable remedy and ensure improvements were made. Such actions plans were tracked and reviewed with supporting evidence, allowing for further on-site visits to be followed-up on.

Our approach is in line with the State of Qatar's initiative to reform labour laws in conjunction with the International Labour Organization (ILO), as well as QNB's commitment to the UN Guiding Principles on Business and Human Rights and as signatory to the UN Global Compact.

Cybersecurity

People, processes and technology are enablers for our cybersecurity strategy and framework that protects our internal and external stakeholders.

Cybersecurity risks are everywhere. As today's attackers become more sophisticated, well-funded, highly organized and trained, the topic of cybersecurity remains at the top of our agenda. We believe that cybersecurity can create a competitive source of differentiation that helps a company to achieve its strategy and mission, ultimately ensuring long-term sustainable profitability. The banking sector, in particular, remains a prime target for cybercrime. Threats such as phishing, ransomware, and denial of service (DoS) attacks have evolved rapidly and are now more frequent and sophisticated than ever.

With changes in working patterns and a surge in e-commerce activity accelerated by the pandemic, cybercriminals are looking for new ways to exploit banking systems, as digital banking solutions continue at pace and greater amounts of data and services are stored in the cloud. As more data is stored virtually in the cloud, cloud-based attacks have been one of the most prevalent cyber threats to the banking industry.

As the year came to a close, global attention shifted firmly to the excitement of the FIFA World Cup Qatar 2022™. Aside from attracting millions of dedicated fans, such major global events are also a target for determined hackers, intent on profiting from the theft of personal and financial information. The competition also firmly placed Qatar – and QNB as the official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™ – on the radar of a much wider global audience.

Thanks to a continuous focus on developing a world-class cybersecurity strategy, tools and processes, QNB Group is prepared to detect and defend against attacks. Our cybersecurity capabilities were thoroughly assessed with the Supreme Committee for Delivery and Legacy's FIFA World Cup Qatar 2022™ Cybersecurity Framework (Cybersecurity Framework). As a result, we ensured the seamless delivery of hundreds of thousands of secure digital transactions for ticketing, hotel bookings, travel and restaurant reservations for the competition while at the same time protecting our operations and reputation.

Cybersecurity governance and strategy

Keeping the Bank secure and our customers and reputation safe from cyberattacks is a critical element of QNB Group's approach to risk management. We maintain a robust cybersecurity risk mitigation strategy, supported by a dedicated governance framework with Board-level oversight.

To ensure we maintain an agile approach to our cybersecurity strategy, while simultaneously balancing risk appetite, security, and user convenience, we have a Group Cybersecurity Committee (GCSC), chaired by the GCEO. The Group Chief Information Security Officer provides regular updates on the cybersecurity programme, presents key risks and makes recommendations when a change in direction or critical decisions are required. Through the GCSC, we define and monitor the implementation of our IT security and cybersecurity governance and framework, including strategy, policies, controls, capabilities, budget, skills, and roles and responsibilities across the Group.

We place the highest priority on continuous enhancements of the three pillars of our IT security remit: systems, processes and people to safeguard our data. Each of these pillars must be resilient and constantly strengthened to support and protect the Bank.

Improvements in our cybersecurity systems

We are committed to investing in cyber security solutions that provide the best protection available in the market. We deploy the latest technology to support the proactive detection and prevention of malicious activities and malware attacks. Additionally, we assess the security of our network devices and firewalls to check for vulnerabilities by conducting Red Team activities.

In 2022, we focused primarily on system stability to ensure that the systems and processes we have in place are finely tuned, have appropriate capacity and are functioning correctly, including an improvement in our capabilities for denial-of-service protection.

> "QNB has a continuous focus on developing a world-class cybersecurity strategy, tools and processes."

This year, we also optimised the speed and efficiency of our penetration tests carried out to assess every new digital service launched by the Group and test them for security vulnerabilities. Our agility in this competitive area is crucial. As the number and complexity of new digital services increase, it is important that we can launch innovative new services swiftly and without compromising on security.

One of the ways we have sought to speed up the process is by enhancing our source code reviews. This assessment aims to identify and prioritise any security flaws or vulnerabilities directly in the source code of each application that is developed for the Bank. We embedded a process to analyse the source code as the app develops – rather than after – so that the code is secure before it has even gone into production. At the same time, we are in the process of introducing a programme of continuous penetration testing of all our applications for further rigour.

Enhancing our cybersecurity processes

While much of our attention is directed to external threats, we recognise that it is equally essential to ensure that our internal protection processes are just as rigorous. To that

We ensured the seamless delivery of hundreds of thousands of secure digital transactions for ticketing, hotel bookings, travel and restaurant reservations for the FIFA World Cup Qatar 2022™.

end, we also enhanced vulnerability scanning in our internal environment.

A specialist team from our independent internal audit division regularly audits the Bank's information technology, information security and data security capabilities. This team conducts several comprehensive annual risk-based audits that include a review of related policies and procedures. The results are reported to the Bank's independent GBACC, and they are shared with Executive Management and GCSC members. The internal audit division follows up on any recommendations made in the reports through to resolution.

Meanwhile, we continued our partnership with Gartner, the global cybersecurity specialists, to continue to enhance our strategic approach. The Bank is one of 50 global corporations to be part of Gartner's influential research board, which influences the roadmap for technological developments and assesses upcoming threats.

QNB maintains an ISO 27001 certification, an independently certified methodology used to operate, monitor and improve the information security management system (ISMS) in the Bank.

Strengthening our cybersecurity culture

Protecting our customers and our reputation from cybercrime is not just about deploying the best technology available. It is also about making sure our employees are aware of the issues and are well trained to detect and prevent attacks.

Communication is critical when it comes to strengthening our cybersecurity culture. We invest in ongoing training and awareness initiatives to keep employees informed about how to keep data safe, report breaches and be aware of new threats. All of our Information Security policies are available to all employees via our intranet portal.

We are also active in raising awareness amongst our customers through regular campaigns.

Looking ahead

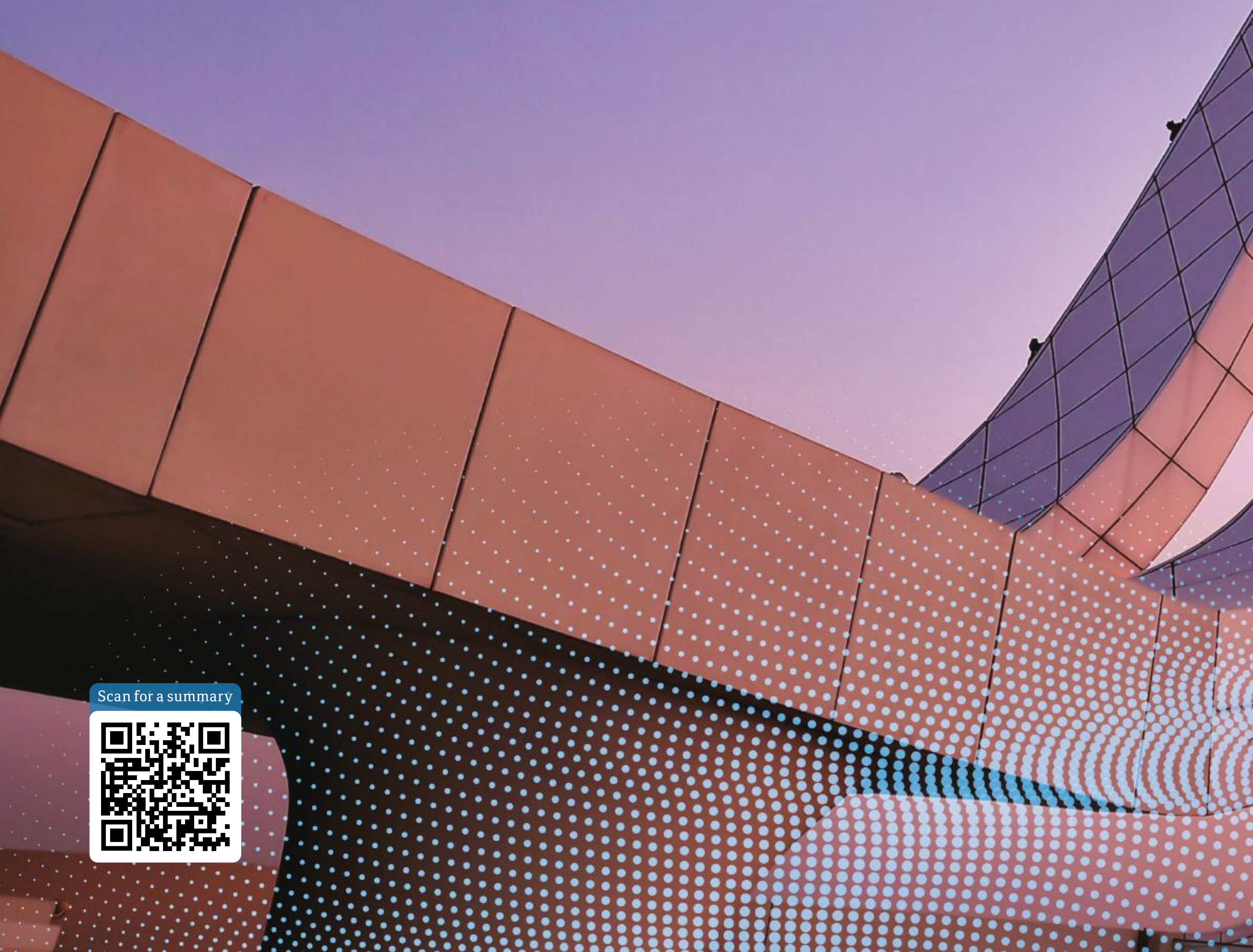
In 2023, one of our key priorities will be to ensure that the cloud infrastructure is configured securely to protect it from harmful breaches. Cloud adoption is growing, particularly in Qatar where Google, Microsoft and Amazon are investing in infrastructure as they continue to expand their services in the country.

Our approach is to always start with security before building out our services in the cloud. In this way, we can ensure that both our customers and the Bank are well protected. To support innovation and the Group's cloud adoption strategy, our security architects designed a comprehensive security architecture design that is both agile and secure. This design was also reviewed and certified by a third party specialist firm.

Meanwhile, as we expand our international presence, we will continue to invest in security, tools, research and awareness to ensure we have the best controls in place.

Corporate governance

Effective and responsible governance is crucial to the success of our Bank.



Scan for a summary

Corporate governance

Fairness, integrity, transparency and accountability are the building blocks of QNB Group's corporate governance framework as they reinforce the way we interact with our shareholders, depositors, regulators, employees and other stakeholders.

QNB Group recognizes that to achieve its medium and long-term strategic goals, economic growth and social well-being must occur. Growth in any financial institution is heavily dependent upon having an effective and comprehensive governance system that enables its operations to be managed properly and safely. Adequate governance is a sine qua non condition for the Group to achieve its goals and protect the interests of its shareholders, depositors and other stakeholders.

> "Good corporate governance practices contribute to the enhancement of overall company performance, which, in turn, fosters sustainable economic growth."

The corporate governance measures adopted by the Group combine elements of internal control, risk and compliance to help QNB successfully navigate the dynamic regulatory landscape in which it operates, as well as help it deliver on the commitments and promises made to its customers, shareholders, regulators and other stakeholders.

Corporate governance practices aim to promote overall transparency by explaining the rationale behind the decision-making processes and providing insights into the formation of the Board of Directors, their related committees, their powers and responsibilities, Executive Management and other key corporate governance components.

The Board of Directors and Executive Management believe that corporate governance is an essential element to enhance shareholder confidence, specifically among minority shareholders and stakeholders. By increasing the level of transparency of ownership and control, QNB enhances investors' outlook on the Bank. In addition, the implementation of effective monitoring systems for governance and strategic business management further boosts investors' trust.

QNB Group has issued a separate Corporate Governance Report, as a supplement to the 2022 Annual Report, reflecting QNB Group's efforts to comply with the supervisory and regulatory requirements issued by QCB, QFMA, the Commercial Companies Law and all relevant regulatory authorities across our operating footprint.

> "The Group's legacy is dependent upon and reinforced by the leadership of QNB's Board of Directors and Senior Management Team."

Board of Directors composition

According to QNB's Articles of Association, ten members of the BOD are elected or nominated for three years renewable for the same period. The major shareholder in QNB, which is the Government of Qatar, through the Qatar Investment Authority (holding 50% equity stake), is entitled to appoint five of these members while the other shareholders have the right to elect the remaining five members. During the General Assembly Meeting of February 2022, five elected Board members were appointed for a three-year term from 2022 to early 2025. The BOD members shall elect their Chairman and Vice-Chairman among its members by a majority secret vote of the Board.

The Board's roles and responsibilities

The Board of Directors has a vital role in overseeing the Bank's management and business strategies to achieve long-term value creation. Selecting a well-qualified Group Chief Executive Officer to lead the Bank, monitoring and evaluating the GCEO's performance, and overseeing the GCEO succession planning process are some of the most important functions of the Board.

The BOD is responsible for the leadership, oversight, control, development and long-term success of the Group. The members are also responsible for instilling the appropriate culture, values and behaviour throughout the organisation as entrusted by the shareholders.

Tasks delegation and segregation of duties

A balance between the roles and responsibilities of the BOD and executive management is achieved through the segregation of duties. The BOD provides overall strategic direction and oversight through the review and approval of major strategic initiatives, policies and objectives, while the GCEO is entrusted with the day-to-day management of QNB Group.

The Board delegates to the GCEO, and through the GCEO, to other Executive Management the authority and responsibility for operating the Bank's daily business. BOD members exercise vigorous and diligent oversight of the Bank's affairs, including key areas such as strategy and risk, but they do not manage or micromanage the Bank's business by performing or duplicating the tasks of the GCEO and Executive Management team.

The Board has also adopted the Board Charter, which is reviewed annually and provides a framework for how the Board operates as well as the types of decisions to be taken by the Board and which should be delegated to management with periodic reports submitted to the Board on the exercise of the delegated powers. The Board Charter can be found on QNB Group's website and in print upon the request of any shareholder.

Board committees

As per corporate governance practices and regulatory requirements, the BOD of QNB Group has established committees to assist in carrying out its supervisory responsibilities.

Each BOD committee is assigned to handle part of the tasks of the BOD. The BOD committees' responsibilities are duly documented in the terms of reference, which are approved by the BOD.

QNB Group BOD committees are as follows:

1. Group Board Executive Committee (GBEC)
2. Group Board Audit and Compliance Committee (GBACC)
3. Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC)
4. Group Board Risk Committee (GBRC)

Composition of the BOD Committees

H.E. Ali Ahmed Al Kuwari – Chairman of the Board of Directors

Group Board Executive Committee

H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani – Chairman of the Committee

Mr. Bader Abdullah Darwish Fakhroo – Member

Mr. Adil Hassan H A Al-Jufairi – Member

Group Board Nomination, Remuneration, Governance and Policies Committee

Mr. Fahad Mohammed Fahad Buzwair – Chairman of the Committee

H.E. Sheikh Abdulrahman Bin Saud Bin Fahad Al-Thani – Member

H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani – Member

Group Board Audit and Compliance Committee

H.E. Sheikh Fahad Bin Faisal Bin Thani Al-Thani – Chairman of the Committee

Mr. Abdulrahman Mohammed Y Jolo – Member

Mr. Ali Yousef Hussain Kamal – Member

Group Board Risk Committee

H.E. Mansoor Ebrahim Al-Mahmoud – Chairman of the Committee

Mr. Bader Abdullah Darwish Fakhroo – Member

Mr. Adil Hassan H A Al-Jufairi – Member

Group Board Executive Committee primary responsibilities:

> review and endorse Board approval of the long-term strategy, annual business plans and budgets of QNB Group based on economic and market conditions and Board of Directors' directives;

> review and approve credit proposals as per the QNB Group approved authority matrix;

> review and approve QNB corporate social responsibility strategy in light of QNB brand values across the Group;

> review and consolidate marketing and communication plans and resource distribution plans to efficiently and effectively align them to support QNB business development and growth;

> review and consolidate business developments, products alignment, and resources distribution across QNB Group; and

> review and recommend the action to be taken on impaired loans in line with the delegated limits and authorities as approved by the BOD and in line with QCB regulations.

"In 2022, QNB strengthened its governance system with the pillars of sound governance, leading practices, international standards and relevant regulatory requirements in mind."

Corporate governance *(Continued)*

Group Board Nomination, Remuneration, Governance and Policies Committee primary responsibilities:

> identify and assess eligible and qualified candidates for the BOD and Executive Management positions according to the fit-and-proper criteria set by the committee in addition to the independent/nonexecutive requirements;

> monitor the induction, training and continuous professional development of Directors pertaining to corporate governance matters;

> approve and review the Group's remuneration and incentives guidelines and ensure that the remuneration of the Board of Directors and Executive Management is in line with the criteria and limits set forth by QCB and Commercial Companies Law;

> direct and oversee the preparation and update of the Corporate Governance Manual in collaboration with the Executive Management and GBACC; and

> inform the Board of Directors of key sustainability-related risks and opportunities. At a minimum, the Board receives an annual update on the overall execution of the Group sustainability strategy and performance.

Group Board Risk Committee primary responsibilities:

> review and endorse the Board's approval of the risk management strategy of the Group as well as Group risk appetite and portfolio strategies recommended by the GMRC and review any changes in risk strategy/risk appetite arising;

> approve risk frameworks, policies and control structures in accordance with the approved strategy and oversee implementation of policies pertaining to the Bank's internal control system;

> evaluate the monitoring process made by GMRC on Group entities in the identification of operational, credit, market, strategic, legal and reputational risks and action plans implemented to monitor and manage these risks;

> ensure that there is no material impact/risk identified by GMRC related to anti-money laundering and terrorist financing as well as the KYC requirements; and

> review any breaches of risk limits or internal control failures (if any) and review investigation results performed by GMRC.

Group Board Audit and Compliance Committee primary responsibilities:

> review and endorse the annual financial statements and consider whether they are complete, consistent and reflect appropriate accounting standards and principles before submission to the BOD for final approval;

> review with management and the external auditors all matters required to be communicated or disclosed under generally accepted auditing standards or regulatory requirements;

> consider with internal and external auditors any fraud, illegal acts or deficiencies in internal control or other similar areas;

> review with Group Compliance and external auditors any fines imposed by the regulators and/or other bodies;

> appoint or remove the Group Chief Audit Executive;

> review and approve the charter, plans, activities, staffing and organisational structure of the Group Internal Audit Division;

> ensure there are no unjustified restrictions or limitations on the functioning of Group Internal Audit, as well as on internal audit's access to the Group's records, documents, personnel as and when required in performance of their functions;

> review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing and other applicable standards and best practices;

> appoint or remove the Group Chief Compliance Officer;

> ensure the efficiency of the compliance function in detecting the deviations and breaches within the Group, and ensure the non-existence of any factors that would impact its independence and objectivity as well as proper reporting of the compliance function with appropriate consideration to Basel Committee requirements and FATF (Financial Action Task Force) on money laundering recommendations;

> ensure there is an effective framework in place across the Group for managing and monitoring financial crime compliance-related risks, in line with regulatory requirements and international leading practices;

> evaluate the critical issues reports, submitted by Group Chief Compliance Officer and Group Chief Audit Executive, including those critical issues related to QNB Group subsidiaries; and

> review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Group, including non-audit services.

Board meetings

In 2022, the BOD held seven meetings. According to QNB Group's Articles of Association, the Board should hold at least six meetings during the year. Meetings are held regularly or when called for by the Chairman or two Board members. The invitation to the Board meeting should be communicated to all members at least one week prior to the meeting. In this regard, any member may add a subject to the meeting's agenda. The Group's Articles of Association also provide detailed information on the attendance, quorum, voting and meeting requirements.

In line with QFMA requirements, QNB's Articles of Association, article 28 states that an absent member may, by written request to the Chairman, delegate any other Board member to represent him/her in attendance and voting. A Board member cannot represent more than one member. The Board should periodically meet in order to ensure that it is adequately fulfilling its roles and responsibilities.

Number of meetings	Board	GBRC	GBACC	GBEC	GBNRGPC
1	11/01/2022	15/03/2022	11/01/2022	15/03/2022	15/03/2022
2	13/02/2022	10/05/2022	21/02/2022	10/05/2022	10/05/2022
3	15/03/2022	03/07/2022	11/04/2022	03/07/2022	03/07/2022
4	10/05/2022	20/09/2022	26/04/2022	20/09/2022	20/09/2022
5	03/07/2022	22/11/2022	07/07/2022	22/11/2022	22/11/2022
6	20/09/2022		18/08/2022		
7	29/11/2022		10/10/2022		
8			15/11/2022		
Total	**7**	**5**	**8**	**5**	**5**

Board of Directors and Executive Management members' remuneration

The remuneration system within the Group is a key component of the governance and incentive structure through which the Board and Executive Management promote good performance, convey acceptable risk-taking behaviour and reinforce the Bank's operating and risk culture.

Consequently, a separate "QNB Group Remuneration Policy for Board, Executive Management and Employees" defines the mechanism whereby the remuneration is directly linked to the effort and performance at both department and employee levels including that of the Board. This includes the achievement of assigned goals and objectives in accordance with the profitability, risk assessment and the overall performance of the Group. This policy applies to the Chairman, Board members, Senior Executive Management and employees of QNB Group.

The BOD adheres to regulatory guidelines and leading practices on compensation and remuneration. The Board, through its GBNRGPC (by delegation), is responsible for the overall oversight of management's implementation of the remuneration system for the entire Bank. The GBNRGPC regularly monitors and reviews outcomes to assess whether the Bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity. The Board reviews the remuneration plans, processes and outcomes on an annual basis.

The remuneration policy for QNB BOD members is duly acknowledged as being in accordance with QCB instructions and QFMA requirements. The BOD presents at the annual general assembly meeting the remuneration/salaries, fees (if any), amounts received for technical or administrative work or other material advantages received for approval, in accordance with the Commercial Companies Law, QCB and QFMA instructions.

QNB Group's adopted remuneration policy for the BOD in line with applicable laws and regulations, such as the Commercial Companies Law provisions, as well as the QCB circular related to the remuneration of the Board of Directors' Chairman and members and QFMA requirements. The Group's Articles of Association have established a framework for the Board members' remuneration, which is far below the limits referred to in the Commercial Companies Law.

For 2022, the total BOD remuneration proposed (inclusive of all fees and allowances) is QR16.94 million which is divided as follows: QR2 million for the Chairman, QR1.5 million for each member and additionally QR120,000 for each BOD member for the respective committees to which they belong. This remuneration is consistent with the provisions of Article 119 of Commercial Companies Law, Article 50 of QNB's Articles of Association and QCB circular 18/2014. Moreover, the remuneration amount is subject to approval by the QCB and 2023 General Assembly.

GCEO and Executive Management remuneration

Elements	In 2022
Executive Management total remuneration To attract and retain key talent through competitive market compensation and rewarding ongoing contribution to role	Salaries and other benefits: QR43.2 million End of service indemnity benefits: QR3.0 million
Performance-based remuneration Top-down application of group-wide performance management	QNB employs the Balanced Scorecard approach to measure performance at Executive level (as well as at division, department and individual levels). This consists of a set of KPIs across highlighted performance dimensions, with attributes specific to the Executive role. Common KPIs include those linked to Sustainability, Innovation, People matters, Compliance awareness, etc.

Corporate governance *(Continued)*

Executive Management team

The GCEO is aided by a seasoned and experienced Executive Management team. Five executives report directly to the GCEO:

> the Executive General Manager – Group Chief Business Officer (EGM – GCBO);

> the Executive General Manager – Group Chief Operating Officer (EGM – GCOO);

> the General Manager – Group Chief Risk Officer (GM – GCRO);

> the General Manager – Group Chief Financial Officer (GM – GCFO); and

> the General Manager – Group Chief Strategy Officer (GM – GCSO).

The Group Chief Compliance Officer and the Group Chief Audit Executive report directly to the Board through the GBACC.

There are a number of management committees attended by Executive Management to effectively and efficiently handle the responsibilities and run the day-today activities of the Bank. Management committees are endowed with full executive powers to take decisions and actions related to their field, scope and structured hierarchy.

Currently, the management committees established at Head Office are structured as follows:

> Tier 1 'Executive Committees', the 'decision-making' committees (which include ALCO, CPC, Credit, Cyber Security, Risk, Senior Management, Strategy and Financial Recovery Management) will report to the Board via the Board of Directors' relevant committee;

> Tier 2 'Management Committees', the 'working committees' (which include Business Development, IT, HR and Operations & Services) will report to the parent committee in Tier 1.

QNB Group subsidiaries form their respective management committees according to their own needs, size and nature, taking into consideration the corporate governance framework of QNB Group. For supervision and coordination purposes, those committees report and coordinate directly with the correspondent GM at QNB Group Head Office level. The overseas branches form one or more committees to strengthen the control environment in the various processes and banking activities. Such committees depend on the volume of business and the country risk where QNB Group operates and are decided by QNB management. The overseas branch committees report the critical issues handled by them to the relevant QNB Head Office division.

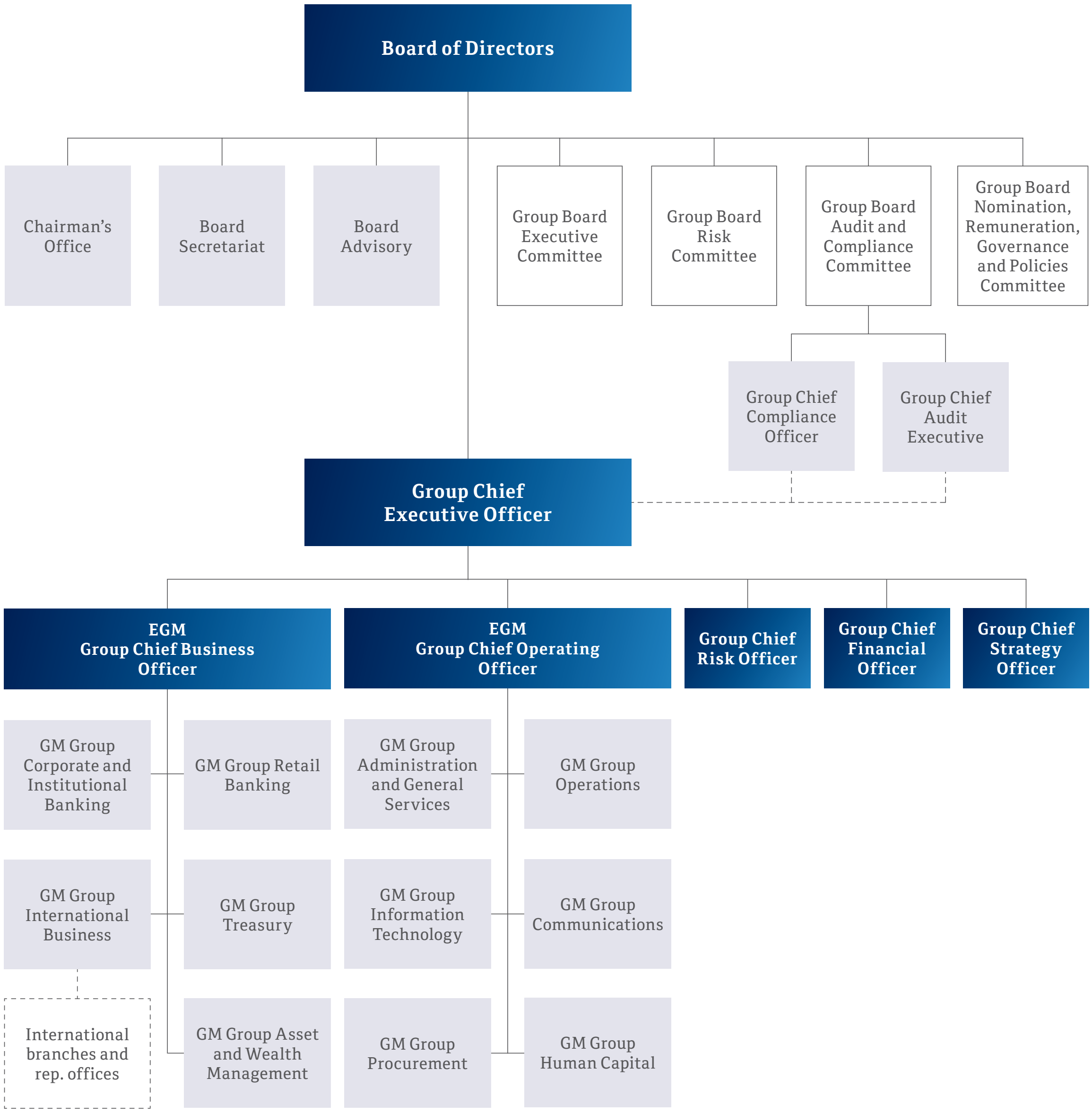
"QNB Group subsidiaries form their respective management committees according to their own needs, size and nature, taking into consideration the corporate governance framework of QNB Group."

Institutionalized good corporate governance practices and principles

Corporate governance encompasses all aspects of fairness, integrity, transparency and accountability. The governance system that financial institutions choose to adopt often dictates if they will thrive in the market. All of these aforementioned principles mix in the Bank's corporate governance framework to reinforce the way QNB Group leads, behaves and acts with its shareholders, depositors, regulators, employees and other stakeholders. The following paragraphs describe key corporate governance activities carried out during 2022 to enhance the Bank's corporate governance framework.

We understand that trustful relationships with shareholders, depositors, regulators and other stakeholders flourish when disclosures are accurate, clear and transparent.

QNB Group organisation structure



Executive Management Balanced Scorecard

	Overall scorecard performance target	Balanced Scorecard performance dimensions		
		Financial	Customer and process	Organisation
GCEO	100%	61%	21%	18%
GCBO	100%	65%	17%	18%
GCFO	100%	20%	62%	18%
GCOO	100%	20%	62%	18%
GCRO	100%	20%	62%	18%
GCSO	100%	8%	74%	18%

Corporate governance *(Continued)*

Assessed Board of Directors' independency

During 2022, QNB Group conducted a comprehensive evaluation of the BOD independency and conflict of interest. This assessment covered BOD members' qualifications, experience and the aspects that might affect their decisions due to the personal relation with the Bank, other BOD members or the Executive Management.

Conducted the annual group Board performance assessment

QNB Group examined how the Board functioned as a unit, how each member functioned individually and how each committee performed during 2022. Taking into consideration the importance of Board assessments in measuring each member's performance against collectively set Board targets, QNB updated the assessment questionnaires, i.e. "the Full Board of Directors Assessment Form", the "Self-Evaluation Form" and the "Board of Directors Committees Form". The results of the assessment were satisfactory and the Board demonstrated it maintained a good grasp of its activities in general.

Designed comprehensive Board-related documentation

The Board of Directors is the most fundamental component of good governance and as such, Board responsibilities, roles and related objectives must be clearly stated within BOD-specific documents. Understanding this, QNB Group has always kept clear and up-to-date Board documents (such as the Board Charter, Board Policy and Board Committee Terms of Reference) that map out the defining roles of Directors and of the Board as a whole. These documents help to facilitate cooperation among Board members by allowing each director to know the responsibility they are meant to fulfill within the Board and across its related committees. Given that potential conflicts may arise when members lack clear documents that properly show the organizing rules and power structure of the BOD, QNB Group made sure that all Board documentations are comprehensive, clear and in line with QFMA, QCB and other leading requirements. Moreover, regulators, stakeholders and shareholders can access the QNB website and have a look at the Board Charter.

Examined overseas branches implementation of corporate governance guidelines set by QNB

QNB Group has corporate governance guidelines for overseas branches established to help international branches in understanding the core principles of good corporate governance and how to implement them properly in practice and application. Annually, QNB assesses overseas branches' implementation of these corporate governance guidelines to examine whether corporate governance practices and policies have been properly set at QNB's international branches. Simultaneously, QNB also examines the oversight that Head Office divisions have on overseas branches. Considering how interconnected overseas branches' corporate governance framework is to QNB Head Office practices, the assessment complied on both fronts intends to address and reinforce the appropriate governance structures and reporting mechanisms considered most effective to have proper oversight taking into consideration overseas branches' local laws (which shall take precedence if they conflict with QNB guidelines).

Managed conflict of interest and insider trading risks

QNB Group recognizes the importance of maintaining an operating environment that is both ethically sound and compliant with regulations on conflict of interest and insider trading. The risks that conflict of interest and insider-trading pose necessitate the need to formulate comprehensive policies and procedures that properly address and remedy them across all levels of operation.

In consequence, QNB Group developed policies such as the "The Whistleblowing Policy", "Conflict of interest and Insider Dealing Policy", as well as the "Anti-Bribery & Corruption Policy" to govern such risks and curb their occurrence. Trading on insider information is illegal and therefore punishable by law. These policies were formulated to identify potential breaches, as well as direct insiders (such as Board members, senior executives, employees and third party vendors) on the consequences of not disclosing any potential conflict of interest they may have or even disclosing sensitive information they know about QNB Group to non-authorized individuals.

Created an ethical-structured environment for disclosures

QNB Group recognises that the building blocks of trust are openness, transparency and integrity. We understand that trustful relationships with shareholders, depositors, regulators and other stakeholders, flourish when disclosures are accurate, clear and transparent. The Group's "Disclosure and Transparency Policy" sets out the methods and means QNB will use to disclose financial, strategic, governance and performance related disclosures in a timely and ethical manner. The policy adopted by the Group took into consideration international best practices and local regulations relevant to disclosure and transparency.

During 2022, in line with the policy and QFMA requirements, QNB Group disclosed the Annual General Assembly Meeting (AGAM) minutes, agenda and results on its website. The bank also used its digital platform to release many disclosures during the year, among them were financial statements, press releases on corporate governance activities, ESG related initiatives and Corporate Social Responsibility actions.

Created a safe environment to support whistleblowing

QNB Group established the whistleblowing policy and related channels for employees to feel safe and supported when they report any wrongdoings or violations of which they are aware of or feel suspicious about. Considering how important whistleblowing is to protecting organisations from internal cases of wrongdoings or fraud, this policy helps QNB cascade accountability to all levels and employees, empowering them to speak up when something is not right. This helps us to safeguard the Group's business and reputation against a myriad of reputational and financial risks.

Management committees membership structure (Tier 1 and Tier 2)

- ● Chairman
- ★ Vice Chairman
- ☐ Member
- ○ Non-voting member
- ♦ Secretary

Management committee membership	Group Financial Recovery Mgmt. Comm.	Group Management Risk Committee	Group Credit Committee	Group Assets and Liabilities Committee	Group Strategy Committee	Group Information Technology Committee	Group Business Development Committee	Group Operations and Services Committee	Group Human Capital Committee	Group Cybersecurity Committee	Centralised Purchasing Committee	Senior Management Committee
GCEO	●	●	●	●	●					●	●	●
EGM – GCBO	☐	☐	☐	☐	★		●			☐	☐	☐
EGM – GCOO	○	☐		☐	☐	●		●	●	★	☐	☐
GM – GCRO	★	★	★ ○	☐	☐					☐	☐	☐
GM – GCFO	☐	☐		★	☐						★	☐
GM – GCSO		☐		☐	☐	☐	☐		☐			♦
GM – Group Chief Compliance Officer		○									○	
GM – Group Chief Audit Executive		○								○	○	
GM – Group Asset and Wealth Management			☐				☐					
GM – Group Communications							☐					
GM – Group Corporate and Institutional Banking	○		☐	☐			★	☐				
GM – Group Administration and General Services						☐		☐				
GM – Group Human Capital									★			
GM – Group Information Technology						★				☐		
GM – Group International Business Division						☐	☐	☐	☐			
GM – Group Retail Banking						☐	☐	☐	☐			
GM – Group Treasury	○			☐			☐					
GM – Group Operations						☐		★				
CEO – QNB Capital							☐					
AGM – International Operations Affairs								○				
AGM – Treasury and Assets Operations								○				
AGM – Group Financial Strategy and Business Planning	♦											
AGM – Strategy and Business Development					♦							
AGM – Domestic Corporate Banking			○									
AGM – Trading	♦			♦								
AGM – Group Credit			☐									
AGM – HC Strategy and Integration									☐			
AGM – HC Services									☐			
AGM – Operations Control and Excellence								♦ ☐				
AGM – Group Operational Risk						☐		○				
AGM – Group Strategic Risk Management		♦										
AGM – Central Operations								○				
AGM – IT Governance & Group Project Portfolio Management						♦						
Group Chief Information Security Officer										♦ ☐		
Group General Counsel											○	
Senior staff from Group Risk Division			♦									
Head of Infrastructure						☐						
Head of Development and User Services						☐						
Head of IT Security Operations										♦		
Head of Global Cash Management							♦					
Head of Tenders and Contracts Admin											♦	
Head of Group Regional Credit			☐									
Head of Group Regional Credit			☐									
Head of Group Regional Credit			○									
EM – International HR Integration									♦ ☐			
Number of meetings held during 2022	**	4	38	12	4	4	6	4	4	4	*	9

* Due to business requirements, decisions by the CPC are taken through circulation and not through meetings, concerned department will choose one representative as a Non-voting member.

** GFRMC monitors and manages the implementation of recovery plans once activated, thereby it only has meetings when needed/required.

Management assessment of internal control over financial reporting

General

The Board of Directors of Qatar National Bank (Q.P.S.C.) and its consolidated subsidiaries (together "the Group") is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR) as required by Qatar Financial Markets Authority (QFMA). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICOFR also includes our disclosure controls and procedures designed to prevent misstatements.

Risks in financial reporting

The main risks in financial reporting are that either the consolidated financial statements are not presented fairly due to inadvertent or intentional errors or the publication of consolidated financial statements is not done on a timely basis. A lack of fair presentation arises when one or more financial statement accounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the consolidated financial statements. To confine those risks of financial reporting, the Group has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements. We have also assessed the design, implementation and operating effectiveness of the Group's ICOFR based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate the adequacy of a control system. As a result, in establishing ICOFR, management has adopted the following financial statement objectives:

- **Existence/occurrence** - assets and liabilities exist and transactions have occurred;
- **Completeness** - all transactions are recorded, account balances are included in the consolidated financial statements;
- **Valuation/measurement** - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts;
- **Rights and obligations and ownership** - rights and obligations are appropriately recorded as assets and liabilities; and
- **Presentation and disclosures** - classification, disclosure and presentation of financial reporting is appropriate.

Functions involved in the system of internal control over financial reporting

Controls within the system of ICOFR are performed by all business and support functions with an involvement in reviewing the reliability of the books and records that underlie the consolidated financial statements. As a result, the operation of ICOFR involves staff based in various functions across the organisation.

Controls to minimize the risk of financial reporting misstatement

The system of ICOFR consists of a large number of internal controls and procedures aimed at minimising the risk of misstatement of the consolidated financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties;
- operate on a periodic basis such as those which are performed as part of the annual consolidated financial statement preparation process;
- are preventative or detective in nature;
- have a direct or indirect impact on the consolidated financial statements themselves. Controls which have an indirect effect on the consolidated financial statements include entity level controls and IT general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item; and
- feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application-enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

"To appropriately manage risks of financial reporting, the Group has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements."

Measuring design, implementation and operating effectiveness of internal control

For the financial year 2022, the Group has undertaken a formal evaluation of the adequacy of the design, implementation and operating effectiveness of the system of ICOFR considering:

- the risk of misstatement of the consolidated financial statement line items, considering such factors as materiality and the susceptibility of the financial statement item to misstatement; and
- the susceptibility of identified controls to failure, considering such factors as the degree of automation,

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's consolidated financial statements.

complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature, timing and extent of evidence that management requires in order to assess whether the design, implementation and operating effectiveness of the system of ICOFR is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICOFR evaluation. Information from other sources also form an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings.

The evaluation has included an assessment of the design, implementation, and operating effectiveness of controls within various processes including Treasury, Lending and Credit Risk Management, Human Resources and Payroll, General Ledger and Financial Reporting. The evaluation also included an assessment of the design, implementation, and operating effectiveness of Entity Level Controls, Information Technology General Controls, and Disclosure Controls. As a result of the assessment of the design, implementation, and operating effectiveness of ICOFR, management did not identify any material weaknesses and concluded that ICOFR is appropriately designed, implemented, and operated effectively as at 31 December 2022.

Independent reasonable assurance report to the shareholders of Qatar National Bank (Q.P.S.C.)

Report on Internal Controls over Financial Reporting

In accordance with Article 24 of the Corporate Governance Code for Companies and Legal Entities Listed on the Main Market ("the Code") issued by the Qatar Financial Markets Authority (QFMA), we were engaged by the Board of Directors of Qatar National Bank (Q.P.S.C.) ("the Bank")and its subsidiaries (together referred to as "the Group") to carry out a reasonable assurance engagement over the Board of Directors' description of the processes and internal controls and assessment of the suitability of the design, implementation and operating effectiveness of the Group's internal controls over financial reporting (the 'ICOFR') as at 31 December 2022 (the 'Statement').

Responsibilities of the Board of Directors

The Board of Directors are responsible for fairly stating that the Statement is free from material misstatement and for the information contained therein. The Statement, which was signed by the Group CEO and shared with KPMG on 11 January 2023 and is to be included in the annual report of the Group, includes the following:

> the Board of Directors' assessment of the suitability of design, implementation and operating effectiveness of the ICOFR;

> the description of the process and internal controls over financial reporting for the processes of lending and credit risk management, treasury, tender, general ledger and financial reporting, information technology, entity level controls, disclosure controls, and human resources and payroll;

> designing, implementing and testing controls to achieve the stated control objectives;

> identification of control gaps and failures, how they are remediated, and procedures set to prevent such failures or to close control gaps; and

> planning and performance of the management's testing, and identification of the control deficiencies.

The Board of Directors is responsible for establishing and maintaining internal controls over financial reporting based on the criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO" or "COSO Framework").

This responsibility includes designing, implementing, maintaining and testing internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement. It also includes developing the control objectives in line with the COSO Framework; designing, implementing and testing controls to achieve the stated control objectives; selecting and applying policies, making judgments and estimates that are reasonable in the circumstances, and maintaining adequate records in relation to the appropriateness of the Group's ICOFR.

The Board of Directors is responsible for ensuring that management and staff involved with the preparation of the Statement are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

The Board of Directors is also responsible for compliance with all applicable laws and regulations applicable to its activities.

Our Responsibilities

Our responsibility is to examine the Statement prepared by the Group and to issue a report thereon including an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board, which requires that we plan and perform our procedures to obtain reasonable assurance about whether the Statement is fairly presented, in all material respects, in accordance with the control objectives set out therein.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement whether due to fraud or error.

Our engagement included assessing the appropriateness of the Group's ICOFR, and the suitability of the control objectives set out by the Group in preparing and presenting the Statement in the circumstances of the engagement. Furthermore, evaluating the overall presentation of the Statement, and whether the internal controls over financial reporting are suitably designed and implemented and are operating effectively as of 31 December 2022 based on the COSO Framework.

The procedures performed over the Statement include, but are not limited to, the following:

> conducted inquiries with management of the Group to gain an understanding of the risk assessment and scoping exercise conducted by management;

> examined the in-scope areas using materiality at the Group's consolidated financial statement level;

- > assessed the adequacy of the following:
  - process level control documentation and related risks and controls as summarized in the Risk and Control Matrix (RCM);
  - entity level controls documentation and related risks and controls as summarized in the RCM;
  - information Technology risks and controls as summarized in the RCM; and
  - disclosure controls as summarized in the RCM.
- > obtained an understanding of the methodology adopted by management for internal control design and implementation testing;
- > inspected the walkthrough and design and implementation testing completed by management and conducted independent walkthrough testing, on a sample basis, as deemed necessary;
- > assessed the significance of any internal control weaknesses identified by management;
- > assessed the significance of any additional gaps identified through the procedures performed;
- > examined the management plans for testing the operating effectiveness to evaluate the reasonableness of tests with respect to the nature, extent and timing thereof, and whether the testing responsibilities have been appropriately assigned;
- > examined the management's testing documents to assess whether the operating effectiveness testing of key controls has been performed by the management in accordance with the management testing plan; and
- > re-performed tests on key controls to gain comfort on the management testing of operating effectiveness.

We have made such enquiries of the auditors of significant components within the Group concerned and have reviewed their work to the extent necessary to form our conclusion. We remain solely responsible for our conclusion.

Other information

The other information comprises the information to be included the Group's annual report which are expected to be made available to us after the date of this report. The Statement and our reasonable assurance report thereon will be included in the annual report. When we read the annual report if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Characteristics and limitations of the Statement

The Group's internal controls over financial reporting, because of their nature, may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met.

Historic evaluation of design, implementation and operating effectiveness of an internal control system may not be relevant to future periods if there is a change in conditions or that the degree of compliance with policies and procedures may deteriorate.

The Statement is prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of the information that each individual user may consider important in its own particular environment.

Criteria

The criteria for this engagement are the control objectives set out therein against which the design, implementation and operating effectiveness of the controls is measured or evaluated. The control objectives have been internally developed by the Group, based on the criteria established in the COSO Framework.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

In our opinion, based on the results of our reasonable assurance procedures, the Board of Directors' Statement fairly presents that the Group's ICOFR were properly designed and implemented and are operating effectively in accordance with the COSO framework as at 31 December 2022.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the shareholders of the Bank and QFMA for any purpose or in any context. Any party other than the shareholders of the Bank and QFMA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the shareholders of the Bank and QFMA for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to the shareholders of the Bank and QFMA on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Bank's own internal purposes) or in part, without our prior written consent.

18 January 2023
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251
Licensed by QFMA: External
Auditor's License No. 120153

Group Compliance

By leveraging technology and data, QNB is constantly improving the effectiveness and efficiency of its compliance activities.

Tone at the top

The Board and Executive Management set the tone at the top to direct proper ethical conduct across the Bank. In this regard, QNB's Executive Management directs the Bank's employees to inform them of their roles, responsibilities, objectives and limits within the Group. Being committed to morality and ethical actions embodies more rather than just complying with rules and guidelines. By having the Board of Directors and the Executive Management team adopt ethical moral principles, QNB Group employees get a look into the correct type of behaviour they should also embody. This also serves as an effective risk mitigation tool against fraud, corruption, embezzlement, bribery, insider dealing, conflict of interest, customer privacy violations, discrimination, harassment, violations of laws, misinterpretation of facts and so on.

"The tone at the top, ethical leadership and instilling a strong compliance culture sets the culture, behaviours and values upheld by the organization."

During 2022, QNB Group updated a number of its policies and procedures, including, but not limited to, the following:

> Group Board Policy;
> Anti-Bribery and Corruption (ABC) Policy;
> Conflict of Interest and Insider Dealing Policy;
> Whistleblowing Policy.
> Transparency and Disclosure Policy;
> AML and CFT Policy;
> Know Your Customer (KYC) Policy;
> Stakeholders' Rights Policy;
> Fraud Control Policy;
> Data Protection Policy;
> Code of Conduct (Ethics);
> Internal Controls Policy;
> Outsourcing and Vendor Management Policy;
> Management Succession Policy;
> Chinese Walls Policy; and
> Internal Control Charter.

Throughout the year, QNB Group has conducted multiple physical/onsite trainings and published various e-learning courses to maintain a culture of compliance across the Bank and help employees develop a deeper understanding of key corporate governance-related principles.

The spirit of compliance and ethical behaviour

Instilling a strong compliance culture is a priority for both the Board of Directors and Executive Management. This is disseminated across QNB Group through various initiatives such as policies and procedures, circulars, staff training, awareness sessions, brochures, etc. A Code of Ethics and Conduct is also in place, which sets the expectations from all QNB employees in terms of values and code of conduct of business. It also serves as a point of reference when dealing with entities and personnel, especially colleagues, customers, suppliers and regulators. It is applicable to all staff at QNB and in subsidiaries where QNB has a controlling interest. The code covers requirements that the Bank employees should be aware of and comply within the conduct of their daily business activities.

Anti-Money Laundering and Combating Terrorism Financing (AML/CTF) structure, framework and tools

QNB Group has an AML/CTF framework maintained under its compliance division. The framework intends to combat, detect and escalate various forms of financial crimes and related corruption.

During mid-June 2022, FATF launched an onsite country assessment of the State of Qatar and began testing its compliance and effectiveness in implementing FATF recommendations in the country. As part of the preparations for the FATF Mutual evaluation, QNB collaborated with QCB, QFMA, Financial Information Unit (FIU) and National Anti-Money Laundering and Terrorism Financing Committee (NAMLC) to ensure the bank's readiness for the mutual evaluation. In consequence, QNB demonstrated a thorough understanding of ML/TF/PF risks and their application in the mitigation and prevention approach used by the Bank thereby complying with the FATF Recommendations.

Anti-bribery and corruption practices across QNB and its related entities

Following the successful completion of the first phase of the anti-bribery and corruption self-assessment, covering the Head Office in Qatar, we rolled out two subsequent phases covering QNB subsidiaries and overseas branches. The Group found that there is a strong culture of anti-bribery and corruption across its organization, supported by written policies and procedures and further maintained by effective operating controls.

In addition to the Anti-Bribery & Corruption Assessment Programme, QNB Group has policies and governing rules in place for accepting gifts and hospitality. All gifts and hospitalities exceeding certain monetary thresholds are subject to declaration and approval by relevant level of senior management.

QNB's Fraud Control Unit assesses all gift and hospitality declarations on a case-by-case basis, by considering potential conflicts of interest and keeps the register with the relevant evidence for approval or rejection.

A Code of Ethics and Conduct is in place and sets the expectations for all QNB employees in terms of values and code of conduct of business.

Group Compliance *(Continued)*

Sanctions compliance framework

To meet growing sanctions regulations and challenges, the Group regularly reviews the implemented sanctions compliance programmes and measures to further improve and reinforce them with new measures and advancements. Furthermore, the Group remains committed to complying with local regulations and major global sanctions programs imposed by UN, EU, US, and UKHMT in order to avoid disrupting customer service or jeopardizing QNB's strong market reputation.

In 2022, QNB followed the market trends of available technology and initiated new projects related to implementation of Artificial Intelligence and Robotic solutions to enhance sanctions critical processes.

Robust fraud control framework

QNB's fraud control unit, which reports into the Group Compliance Division, has a comprehensive fraud control framework, programme and investigative capabilities in place, demonstrating the expectations of the Board of Directors and Executive Management, as well as their commitment toward high integrity and ethical values regarding fraud risk management.

With QNB being appointed as the official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™ and the Official Qatari Bank of the tournament, QNB was the sole provider of on-site ATMs across all stadiums and the representative of Qatar's banking capabilities. This exposed the bank to various risks associated with AML, CTF, sanctions and tax, thereby necessitating the establishment of appropriate measures and capabilities by QNB to help track, mitigate and successfully curb such risks. In consequence, we built the necessary capabilities and capacity in order to manage the increased activities related to AML, CFT, sanctions, tax and fraud to manage the expected increase in volume and value of transactions and inflow of tourists to Qatar during the tournament.

Compliance functions will continue to embrace innovative solutions in the future to address the heightened risk and compliance challenges faced by businesses globally. Compliance will be powered by information and smart technologies such as machine learning, AI, big data, analytics, helping make sense of complex patterns in data and identifying risks and compliance failures. Hence, it is a critical need for the compliance functions of global banks to adapt and adopt the technological advancements in the industry.

We have phased-in the implementation of a new enterprise fraud management system which conducts fraud monitoring for QNB's online channels in Qatar. During the next phases, we will move towards real-time monitoring and cover selected overseas branches on a risk-based approach. The enterprise anti-fraud solution strengthens the fraud framework through the process of automating fraud monitoring and prevention efforts, helping QNB effectively manage fraud in a challenging business environment.

Automatic exchange of information requirements

The Group facilitates the exchange of tax-related data with the relevant regulatory bodies, as it recognizes that banks play an important role in furthering tax transparency in a more global scale. Therefore, we worked to ensure that FACTA and CRS reports were completed accurately, clearly, on time and in line with the set regulatory authorities in Qatar and to applicable jurisdictions in overseas branches and subsidiaries. Furthermore, QNB continues to abide with global tax requirements set by the FATCA, the OECD Standard for Automatic Exchange of Financial Account Information (also known as the CRS), the EU Mandatory Disclosure Regime (MDR) and Directive for the Administrative Cooperation (DAC 6).

QNB Group intends to verify that our banking services are not associated with any arrangements known or suspected of facilitating tax evasion, while our tax compliance unit validates that we have adequate measures that combat tax evasion. In 2022, we successfully conducted various reviews and remediation programmes on the Bank's FATCA and CRS identification and due diligence processes. These activities were carried out to evaluate whether FACTA and CRS reporting was completed in line with the set regulatory authorities in Qatar and to applicable jurisdictions in overseas branches and subsidiaries, and that reports was accurate and duly submitted.

Enhancement of internal controls over financial reporting (ICOFR) process

QNB has adopted a world-leading and renowned framework (COSO 2013) to establish a robust internal control system. Within this framework, internal control failures, weaknesses or contingencies that have affected or may affect the Bank's financial performance are identified and remediated in a timely manner. QNB has integrated risk management and internal control over financial reporting into its business processes. As defined in the COSO framework, internal control is an aggregation of components such as a control environment, risk assessment, control activities, information and communication, and monitoring.

The Group's compliance team is continuously engaged in activities to enhance our control systems and procedures around internal controls over financial reporting. These have been designed to ensure reliable financial record-keeping and transparent financial reporting and disclosure in our constantly-changing business environment.

Global data protection and privacy programme

The privacy culture at QNB is set from the top, and there is a strong commitment to protecting personal data, which is fundamental to achieving our long-term vision. We operate within regulatory regimes governed by complex data protection laws and regulations. Within the Group, our data protection team is responsible for the overall data privacy activities and compliance of data protection regulations.

In 2022, QNB introduced new data governance and ethics principles and became the first bank in Qatar to introduce the concept of data ethics. This new initiative looked at the broader requirements of processing and using data, taking into account social and ethical values and concerns. In relation to data discovery, the bank automated the discovery of confidential data within QNB infrastructure and applied key privacy controls.

The compliance training and awareness programme covers all of the important aspects to ensure employees are aware of the compliance, regulatory and reputational risks faced by the Group.

Relationships with regulators

QNB, on an ongoing basis, reviews, adopts and implements the regulatory requirements, including but not limited to, those instructed by QCB, QFMA and QFCRA in addition to the FATF recommendation. In 2022, QNB Group exerted extensive efforts to ensure that all necessary regulatory actions and State of Qatar directives and recommendations were implemented effectively and thoroughly.

Compliance monitoring and oversight framework

The Compliance Self-Assessment Framework aims to identify areas that pose the greatest compliance risk to QNB and its stakeholders. This methodology aims to systematically and periodically evaluate and document compliance risk and achievements of divisions, branches and subsidiaries. The framework ensures proactive identification of compliance and non-compliance risks, potential areas of weaknesses or unsound practices. This helps QNB prioritise compliance risk mitigating actions by assigning ratings to the risks observed, mapping them to applicable risk owners and effectively allocating resources.

Compliance training and awareness programmes for QNB employees

The predominant objective of QNB's compliance training and awareness programme is to ensure that we operate in compliance with all applicable relevant laws and regulations, both domestically and internationally. Consequently, this protects the Group's reputation and brand. The compliance training and awareness programme covers all of the important aspects to ensure employees are aware of the compliance, regulatory and reputational risks faced by the Group. It also illustrates how these risks can be addressed by fulfilling the employees' professional duties and responsibilities in accordance with the Group's code of conduct.

Core governance and compliance initiatives for overseas entities

QNB Group supported overseas branches and subsidiaries to fulfil their regulatory obligations by conducting reviews and efficiency testing overseas entities' practices, frameworks, mechanisms and systems. To ensure proper alignment between QNB Group and its overseas entities, we introduced a number of new initiatives and methodologies while examining the design of controls at overseas entities' internal control and regulatory reporting control frameworks. We also conducted in-depth reviews on the documentation infrastructure for oversees entities, aiming to mitigate any additional risks and to identify the impact of new regulatory developments on the operations, structure and procedures of overseas entities.

> "QNB Group is always committed to incorporating leading standards and practices into the development of our compliance function and related systems."

Capabilities and skillsets in relation to compliance

QNB Group recognizes the value of investing in our employees by providing them with regular trainings and avenues for higher professional development. Furthermore, the bank has always promoted an inclusive workplace environment where our employees can enhance their skillsets and capabilities. Within the area of compliance, full support was provided for employees to obtain relevant professional qualifications, such as CAMS, CISI, CIA and CFE, amongst others.

Group Internal Audit

Our robust and evolving internal audit capabilities protect and strengthen the Bank, underpinning stakeholders' confidence in our processes and controls.

The primary role of the Group's internal audit function is to help the Board of Directors and management protect the assets, reputation and sustainability of the Group. We do this by providing independent and objective assurance on the design and operational effectiveness of the Group's governance, risk management and control framework and processes, prioritizing the most critical areas of risk. The independence of our internal audit function from day-to-day line management responsibility is critical to our ability to deliver objective audit coverage by maintaining an independent and objective stance. Our global internal audit function is free from interference by any element in the organisation, including on matters of audit selection, scope, procedures, frequency, timing, or internal audit report content. QNB Group, through its internal audit function, adheres to "The Institute of Internal Auditors" mandatory guidance.

QNB Group's internal audit function provides our stakeholders with a mix of assurance and advisory services, reviewing our systems and processes, offering insight to support ongoing improvement and initiatives.

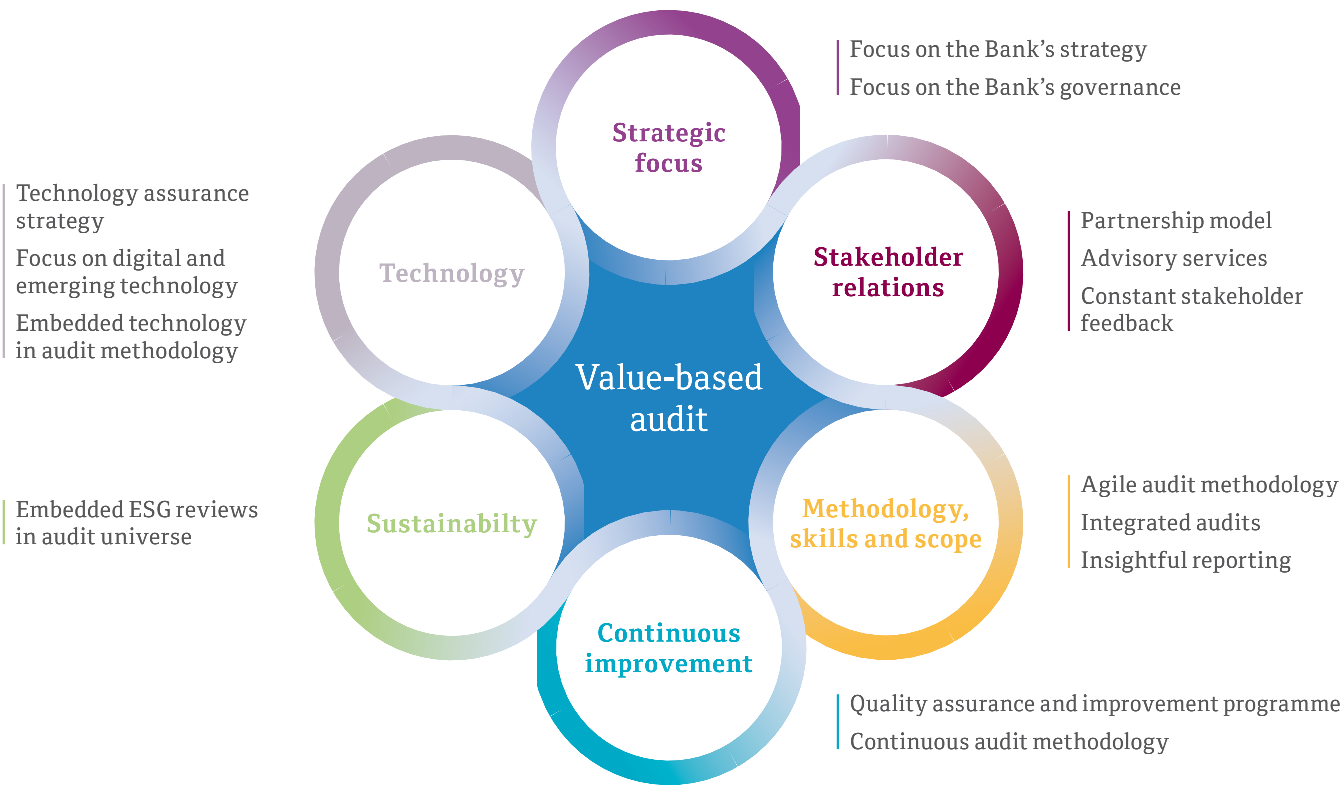
Our internal audit function has full and unrestricted access to all the Group's records, documentation, systems, properties and personnel, including Senior Management and the BOD.

The Bank's internal audit philosophy is to collaborate with the business, objectively influencing and challenging to facilitate the best results for the Group and its stakeholders across our footprint. Our audit staff in Qatar are professionally qualified and hold globally recognised certifications. It is composed of professionals with experience from leading financial institutions and audit firms across the globe.

External and internal quality assurance programme

Our audit function's experience and ongoing professional development provides us with the required competencies to tackle the growing sophistication and challenges of the banking industry in the new normal. It is vital that the audit team possesses the necessary level of understanding and depth to be an adequate counterpart of our respective businesses across the Group.

QNB Group adheres to the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA) and Basel Committee recommendations and other leading standards. Under the IPPF framework, a qualified, independent assessor must conduct an external quality assessment of an internal audit activity at least once every five years.
This assurance was last provided in 2018, when the IIA conducted a comprehensive external quality assessment. This certified that we conform to the Standards and the IIA Code of Ethics.



Our audit function's experience allows us to tackle the growing sophistication and challenges of the banking industry.

Group Internal Audit *(Continued)*

In 2022, we continued performing an Internal Quality Assurance review which reconfirmed that the Bank adhered to the IIA standards and Code of Ethics. The review programme was also implemented across our subsidiaries. The findings were presented to the GBACC and to the respective audit committees in our subsidiaries along with the actions required to ensure full conformance with the standards.

Assurance to key stakeholders and regulators

The Group's internal audit division is led by the Group Chief Audit Executive (GCAE), who reports to the BOD, through the GBACC, thus ensuring the independence of the audit function. The GCAE is nominated by the GBACC. The GBACC is also in charge of monitoring, reviewing, tracking and evaluating the performance as well as determining the remuneration of the GCAE and the internal audit division. The Group's audit function's mandate is to provide:

> an independent assurance service to the BOD and the GBACC on the effectiveness of the Group's governance, risk management and control processes;

> advice to management on best practices and areas for necessary improvements; and

> coverage and assurance to key regulatory authorities in all jurisdictions of the group footprint.

The aim is to promote the confidence of all our stakeholders, including the BOD, home and host regulators, and Senior Management, by executing all internal audit tasks with consistent objectivity, rigour and discipline, backed by a process of continuous improvement.

Promoting transparency and a risk-awareness culture

To promote a risk-awareness culture and transparency across the Group, we updated and expanded our mandatory awareness programme on key risks and controls for all employees across several functions and international locations. The programme included an evaluation of understanding of the materials covered.

The programme included the following:

> an overview of individual responsibilities over the control environment and risk management;

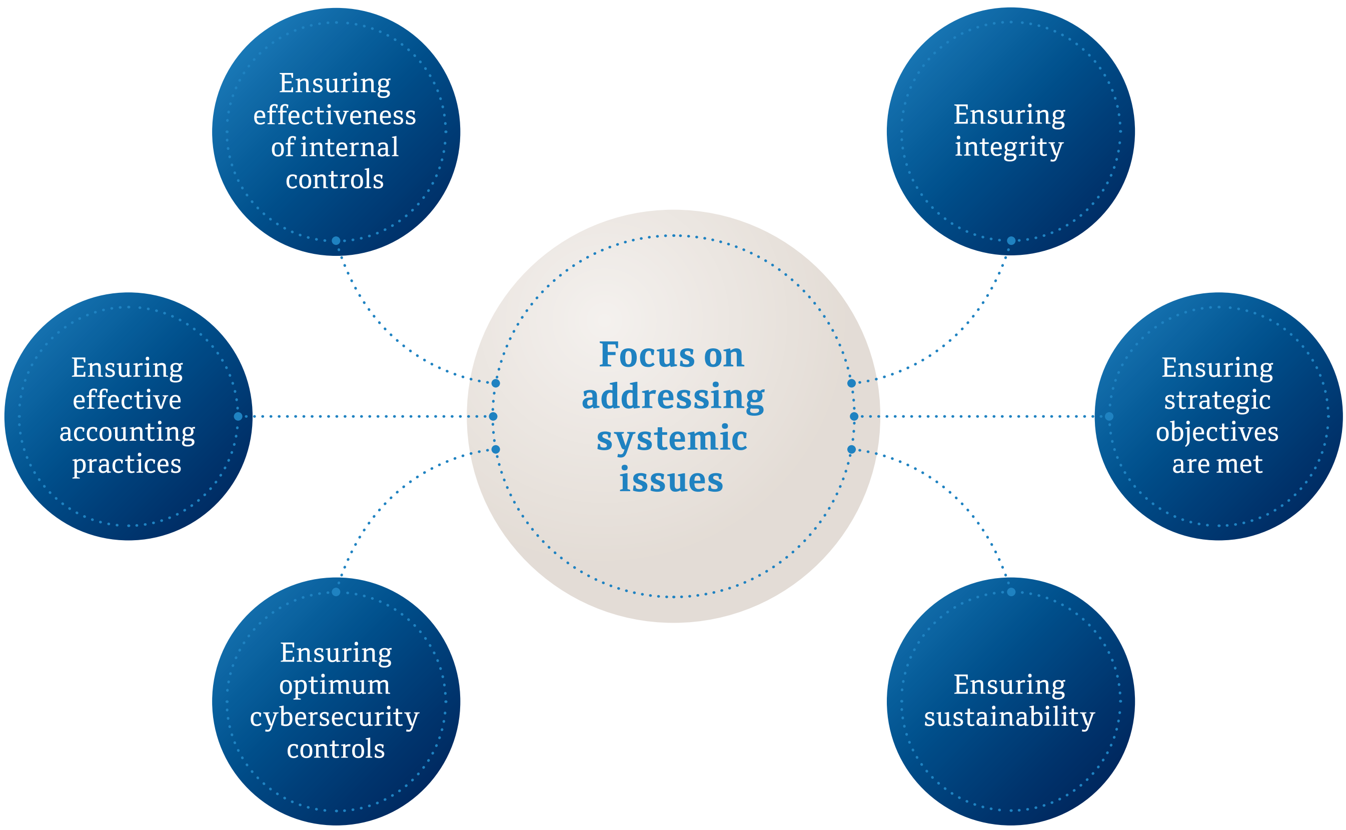
> Basel Committee Three Lines of Control approach;

> an overview of the key banking risks and the internal control framework and assurance structure;

> insights on key risks as a result of COVID-19 and how to maintain sound internal controls;

> common and repeated audit findings covering respective functions and key processes; and

> key IT and security risks and controls.



Principal activities and highlights during 2022

In 2022, we continued to prioritise reviews required by regulators across our network. This included reviews of Financial Crime (AML/CTF and sanctions risks), the Internal Capital Adequacy Assessment Process (ICAAP) and reconciliation of collateral records against the records maintained by relevant authorities, such as the Land Registry Department under the Ministry of Justice and QSE respectively.

We have devoted increased resources for these issues across all jurisdictions. We enhanced the depth of controls testing carried out, as well as the scope of coverage through further training and continued to implement the baseline testing programme.

With the easing of pandemic-related travel restrictions, the Group performed a number of high-level reviews of its subsidiaries, covering several functions and activities, including IT and Information Security governance and management.

We also continued to refine and improve our international governance framework. This included, but was not limited to, reviewing the audit universes, risk assessments, internal quality assurance reviews, follow-up processes, resourcing and processes for the development of annual audit plans' in our international subsidiaries.

"The Bank's internal audit philosophy is to collaborate with the business, objectively influencing and challenging to facilitate the best results for the Group and its stakeholders across our footprint."

Furthermore, we continued to conduct dedicated Financial Crime reviews of our international branches as well as assess the adequacy of internal audit coverage of Financial Crime in our subsidiaries and provide them with baseline programs.

In addition, we reviewed and advised our international locations on new or updated internal audit guidelines to ensure alignment of audit practices with the Group and international standards. We also considered the impact of rising interest rates on our loan portfolio and customer deposits.

This year we also made inroads in enhancing our audit methodologies and techniques. Highlights include:

> adoption of an agile audit approach in order to timely respond to urgent audit coverage needs while ensuring audit quality;

> efficient deployment of limited resources by conducting horizontal thematic reviews of key risk areas, such as the assessment of the cybersecurity posture of international branches. The outcome of such approach has tasked the head office function to support international branches which ultimately enhances the control environment at branch level;

> enhanced the integration of data analytics into the audit methodology to drive efficiency, improve assurance coverage and strengthen our internal audit assessment capabilities; and

> introduced of continuous auditing to enable our internal audit function to provide more frequent and sustainable assurance over certain critical processes and controls.

Finally, as part of the Bank's preparation for the FIFA World Cup Qatar 2022™, we conducted multiple assessments that supported the progress of the Operational Resilience Programme, primarily related to key cybersecurity initiatives and the readiness of disaster recovery.

Improving our technology and cybersecurity audit capabilities

Technology resilience is managing the availability but also disruption of key IT systems. QNB Group leverages our internal audit teams to provide an external and impartial view to help the Bank in ensuring that our systems are available to meet our customers' and business needs with the required level of capacity and availability.

This year, we engaged an external consultant to conduct a comprehensive IT and information security governance as well as management assessment and benchmarking exercise. The respective QNB processes were benchmarked against peer banks and areas were identified where QNB should further invest to fully comply and meet international standards and best practice. Other reviews conducted included a number of high-level reviews of subsidiaries covering several functions and activities including IT and Information Security governance and management.

With the emergence of technology and cybersecurity as key risk areas for the Bank, our global audit teams have further developed our methodology for assessing IT and cybersecurity risk assessment as part of our audit coverage. These are aligned with relevant internationally recognized frameworks such as ITAF (ISACA Professional Practices Framework for IS Audit/ Assurance) and COBIT.

Environmental, Social and Governance

We recognize the importance of ESG disclosures and the quality of data underpinning it. In 2022, we conducted a review of the ESG-related scope in line with international standards, complemented by a voluntary independent limited assurance of our ESG report by an external auditor. The scope of the internal audit focused on our ESG framework, reporting and data processes, engagement with internal and external stakeholders, benchmarking against peers, governance of our green portfolio and ESG related KPIs, as well as training and employee awareness.

Focus of future activities

In 2023, QNB will continue focusing on regulatory change programmes, such as the Basel III reforms, the final components of the Libor transition and IFRS 9 processes.

A key priority will be to further embed ESG and climate-related disclosures to meet growing expectations of our stakeholders. QNB Group's internal audit function will ensure that the implementation of robust processes and controls to support these disclosures is in place.

With regards to our methodology and tools, next year we will engage a qualified, independent assessor to conduct an external quality assessment as required by the IIA standards. Additionally, we aim to replace our Audit Management System next year, leveraging best-of-breed technologies to improve the effectiveness of our audit practices.

Sustainability

We have a commitment to the communities in which we serve, acutely aware of the importance of our social and environmental footprint.

Scan for a summary

Sustainability

We believe in generating strong financial returns whilst delivering a positive impact on the environment and society.

Sustainability at QNB

Sustainability forms a key pillar of QNB Group's strategy. The bank is leading the way towards a more diverse, carbon-neutral economy by supporting our clients with their transformational journeys and by reducing our impact on the environment.

We believe sustainability is the engine that will drive the delivery of long-term financial, environmental and social value for all our stakeholders. As well as making a strong financial impact, we are also committed to making a significant contribution to society that goes beyond banking to create a more just, inclusive, and equitable society.

Our activities are aligned with, and support, the Qatar National Vision 2030, the United Nations Sustainable Development Goals, the United Nations Global Compact, Qatar National Environment and Climate Change Strategy, and, through QNB ALAHLI, the United Nations Environment Programme Finance Initiative (UNEP FI) and Principles for Responsible Banking (PRB).

Our sustainability framework consists of three pillars: sustainable finance, sustainable operations and beyond banking. All three pillars support QNB's goal of sustainable financial performance by reducing risks, opening up new business opportunities, and strengthening our brand. Sustainable finance is the integration of ESG criteria into our financing activities to deliver profit with purpose. Sustainable operations focus on embedding ESG best practices into how we run our business on a daily basis, including across our supply chain partners. Beyond banking incorporates our Corporate Social Responsibility activities and the impact we make on the communities we serve.

Underpinning our sustainability framework is our strong corporate governance, compliance and risk management frameworks. We stand committed to maintaining the highest levels of fairness, integrity and responsibility. QNB Group operates a world-class corporate governance framework that ensures we are fully compliant at every level in every country and are able to effectively manage all risks. Our robust approach to risk is a critical component of our operations, safeguarding our clients, profits and reputation. Our centralised approach to risk management is complemented by local expertise and a risk culture in which every employee is responsible for potential risks in the course of their work.

The QNB Group sustainability programme, which consists of our group-wide sustainability strategy and roadmap, is approved by the Board. Board oversight of the programme is provided by H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani, who was appointed as the Board sponsor for sustainability and climate change in 2022. H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani leads the Board in its oversight of our activities, reviewing the overall execution of the Group's sustainability strategy and performance.

The QNB Group Strategy Committee (SC), chaired by the Group Chief Executive Officer and attended by the Group's Executive Management Team, is responsible for managing all matters relating to the Group's sustainability programme.

Sustainability governance

*The Group Sustainability Team disseminates strategy, policy and priority initiatives to Subsidiaries' Sustainability Teams.

We believe sustainability is the engine that will drive the delivery of long-term financial, environmental and social value for all our stakeholders.

Responsibilities include: reviewing the strategic framework and agenda, deciding on priority initiatives for implementation with accountable working groups, monitoring performance and assessing ESG-related risks and opportunities, including climate-related issues.

The SC reports key risks and opportunities to the Board of Directors via the GBNRGPC. As a minimum, the Board of Directors receives an annual update on the overall execution of the Group's sustainability strategy as well as achievements of our sustainability efforts.

A designated Group Sustainability Team, within Group Strategy, acts as an advisory body to the SC and senior management on all sustainability-related matters. The Group Sustainability Team engages with external stakeholders and drives all ESG-related reporting, disclosures, and interaction with the relevant bodies, institutions, investors and partners. In addition, the team is at the core of our various ESG initiatives, acting as a central focus point for ESG-related projects in collaboration with concerned departments.

The Group's sustainability policy is subject to an annual review and applied to the entire Group, including international branches and majority-controlled subsidiaries. Any revisions or modifications to the policy are communicated to the subsidiaries for its correct local adoption in compliance with prevailing regulatory requirements.

The Group also has a Green, Social and Sustainability Bond Committee (GSSBC), made up of senior representatives from the Sustainability, Corporate Banking, Treasury, Risk and Finance teams. Every quarter, the GSSBC reviews updates on the eligible bond portfolio and approves any actions related to complying with eligibility criteria, management of proceeds, reporting standards and mitigating actions to meet the bond thresholds.

To enhance disclosure, the Group publishes any sustainability-related policies and statements on its website. These include the Code of Ethics and Conduct, Anti-Bribery and Corruption Policy Statement, Group Environmental and Social Risk Management (ESRM) framework, Third Party Supplier Code of Conduct (TPSCC) and the Modern Slavery Act (United Kingdom).

Stakeholder engagement

Our strategy was developed in collaboration with key stakeholder groups. We engaged with our customers, investors, employees, regulators and government, social groups, and suppliers to fully understand their needs and expectations. Through regular and targeted discussions with stakeholders, we continue to deepen our understanding of their priorities, and where appropriate, align our initiatives with their interests and needs.

Our stakeholder selection process is guided by a benchmarking exercise against peer banks in the region and beyond. In addition, our primary stakeholders are groups that are directly affected by our business and operations (customers, employees, suppliers), invest in our business (investors), have oversight and influence on our activities (regulators and government), as well as those who are indirectly impacted in the communities we serve (social groups). The relevance of these stakeholder groups is reviewed on an annual basis.

Sustainability *(Continued)*

How we engage stakeholders

Stakeholder group	Needs and expectations	Material topics	QNB engagement channels	Frequency
Customers	> Customer service and satisfaction > Easy to use and secure digital channels > Competitive rates and fees > Access to financing and services > Products with a positive impact > Robust data privacy	> Financial stability and systemic risk management > Customer experience and responsible engagement > Financial performance > Customer privacy and data security > Digital innovation and transformation > Sustainable investment, lending, products and services > Supporting SMEs and entrepreneurship > Financial inclusion, accessibility and financial education	Annual customer satisfaction survey	Annual
			Customer care centre	Ongoing
			Mobile and online banking	
			Complaints management	
			Relationship managers	
Investors	> Strong and stable returns > Robust corporate governance, risk management and ratings > Transparency and disclosure > Comprehensive approach to ESG along the value chain	> Financial stability and systemic risk management > Governance, compliance and risk management > Environmental and climate impact > Diversity and inclusion	Annual General Meeting	Annual
			Board of Directors' meeting	Quarterly
			Analyst calls	
			Investor days, roadshows, and ongoing dialogue	Ad-hoc
Employees	> Competitive salaries, benefits and rewards > Professional development > Fairness, diversity and equal opportunity > Work-life balance	> Employee value proposition > Diversity and inclusion	Employee engagement survey	Biennial
			Training needs analysis	
			Intranet	Ongoing
			Induction Programme	
			Learning and development programmes	
			Performance management	
Regulators and government	> Compliance with all legal and regulatory requirements > Robust anti-corruption and bribery measures > Strong risk management and governance > Addressing climate change risks and opportunities	> Financial stability and systemic risk management > Governance, compliance and risk management > Customer privacy and data security > Environmental and climate impact	Public disclosures (e.g., Annual and Corporate Governance Report)	Annual
			GCEO office	Ongoing
			Group Compliance and Audit teams	
			Regulatory working groups	
			Industry working groups	
			Banking associations	
Society	> Creating employment opportunities > Making a positive contribution to the challenges facing society > Addressing climate change risks and opportunities	> Financial stability and systemic risk management > Governance, compliance and risk management > Employee value proposition > Diversity and inclusion > Environmental and climate impact > Community investment and socio-economic development	Products and services with environmental or social benefits	Ongoing
			CSR activities	
			HR recruitment teams	Ad-hoc
			NGOs	
Suppliers	> Timely payment > Fair and transparent processes > New business opportunities	> Digital innovation and transformation > Responsible procurement and supply chain	Bidding and tendering	Ongoing
			Supplier e-portal	
			Supplier audits	Ad-hoc
			Vendor self-assessment questionnaires	

Case study

Empowering financial inclusion with UCan

As part of our commitment to sustainability and our journey towards it, which is a strategic imperative for the Group, we aim to offer solutions targeted at banking the unbanked and underbanked. Digital services and products are a means for us to facilitate financial inclusion in the markets in which we operate, by providing a range of services, including payments, remittances, financing and withdrawal functionalities. QNB recognises that financial inclusion is a key enabler to reducing poverty and boosting prosperity. QNB Indonesia is helping to empower financial inclusion by leveraging our digital innovation and sophisticated data analytics capabilities.

Working in partnership with Indonesia's largest telecommunications service provider and a leading Fintech, the Bank developed and launched UCan, a ground-breaking digital app that offers customers an instant, secure credit facility through their smartphones. It provides cash advance products in a seamless process, from application opening to digital cash withdrawals. This solution combines advanced data analytics and decision algorithms to create a powerful new loan service app that enables customers to borrow up to USD 200 in cash, quickly and easily through their mobile devices. The app makes banking more accessible to the local retail market and uses sophisticated data analytics to provide qualified customers with credit in just two minutes.

Customers who do not have access to traditional banking services can benefit from the mobile service. It has proven particularly useful for the segments around Micro, Small and Medium Enterprises. The number of users has increased tenfold in less than a year, underscoring the importance of digital financial services for the underbanked. It also reflects QNB's ongoing commitment to supporting the Indonesian government's financial inclusion programme.

Sustainability *(Continued)*

Materiality assessment

By identifying and prioritising our material sustainability topics, we can focus on what matters most to our business and stakeholders. In line with the materiality assessment process set out in the 2021 Global Reporting Initiative (GRI) Standards, QNB Group has compiled a comprehensive list of relevant economic, ethical, social, and environmental topics.

Our approach to the ranking of these topics includes both internal and external stakeholder engagement, conducted through dialogue and feedback provided by nominated proxies across the bank. We regularly communicate with our external stakeholders including regulators, rating agencies, government entities and NGOs about sustainability topics.

We reference our material topics against international and regional peer reviews by conducting a comparative analysis of our material topics through our annual ESG performance review. Prioritisation of topics considers an ESG assessment, ratings, and weightings from multiple internationally recognised rating agencies.

We regularly assess our material topics in relation to the changing operating environment. Our material topics are aligned with the pillars of our sustainability framework and the objectives of the United Nations Sustainable Development Goals (UNSDGs), QNV 2030 and the QSE "Guidance on ESG Reporting". Our approach to materiality provides the foundation of our sustainability strategy and ensures that we address the issues of most relevance to all our stakeholders. Our Executive Management has reviewed the Group's materiality topics to ensure that the range of issues included provides a complete representation of the organisation's significant sustainability impacts.

The table below shows how our most material sustainability topics align with the UNSDGs

Material topics alignment with UNSDGs	UNSDGs
Financial stability and systemic risk management[1]	8 Decent work and economic growth
Governance, compliance and risk management	16 Peace, justice and strong institutions
Customer experience and responsible engagement	9 Industry, innovation and infrastructure
Financial performance[1]	8 Decent work and economic growth
Customer privacy and data security	9 Industry, innovation and infrastructure; 16 Peace, justice and strong institutions
Employee value proposition	3 Good health and well-being; 4 Quality education; 8 Decent work and economic growth
Digital innovation and transformation[1]	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities
Environmental and climate impact	8 Decent work and economic growth; 12 Responsible consumption and production; 13 Climate action
Sustainable investment, lending, products and services	6 Clean water and sanitation; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 13 Climate action
Supporting SMEs and entrepreneurship	8 Decent work and economic growth; 9 Industry, innovation and infrastructure
Financial inclusion, accessibility and financial education	1 No poverty; 8 Decent work and economic growth; 10 Reduced inequalities
Diversity and inclusion	5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 16 Peace, justice and strong institutions
Responsible procurement and supply chain	1 No poverty; 2 Zero hunger; 8 Decent work and economic growth; 10 Reduced inequalities; 16 Peace, justice and strong institutions
Community investment and socio-economic development	1 No poverty; 2 Zero hunger; 4 Quality education; 8 Decent work and economic growth

[1]Material topic is covered across multiple sections of this report

The Group's SFPF framework cements our commitment to the sustainable economy and aims to finance a positive impact.

Sustainability *(Continued)*

External commitments

Our sustainability strategy has been developed in line with these international and national commitments, as well as reporting frameworks.

International Commitments	**UN Global Compact (UNGC)**	As part of our commitment to sustainable business practices, QNB joined the UNGC, the world's largest corporate sustainability initiative, promoting better business practices in the areas of human rights, labour, environment, and anti-corruption. Each year we publish our COP to report progress against these topics.
	UN Sustainable Development Goals (UNSDGs)	The UNSDGs are the principal global framework for sustainability. Their aim is to protect the planet, end poverty, fight inequalities, and ensure prosperity. Launched in 2016, through to 2030, the 17 goals are underpinned by 169 targets. We have aligned our materiality topics to the UNSDGs.
National Commitments	**Qatar National Vision (QNV) 2030**	The QNV 2030 serves as a clear roadmap for Qatar's future, guiding economic, social, human, and environmental development for the coming decade. The vision is supplemented by the National Development Strategy, with five-year plans to support its implementation.
	Qatar's Nationally Determined Contribution (NDC)	In 2021, Qatar submitted its updated NDCs to the United Nations Framework Convention on Climate Change (UNFCCC). The NDC outlines the country's climate actions and efforts towards reducing Greenhouse gas (GHG) emissions, as part of an ongoing commitment to the Paris Agreement.
	Qatar National Environment and Climate Change Strategy (QNE)	In 2021, Qatar launched its environmental strategy covering five key environmental spheres: GHG emissions and air quality, biodiversity, water, circular economy and waste management, and land use. This strategy will support Qatar's ambition to be a regional model in fulfilling developmental and environmental targets.
Reporting Frameworks	**Global Reporting Initiative (GRI) Standards**	To promote transparency in the banking sector, we report our sustainability performance annually and in accordance with the GRI Standards. We received an independent limited assurance under ISAE 3000 (Revised) on the preparation of our last Sustainability Report in accordance with the GRI standards. In addition, in 2022, our two large subsidiaries in Egypt and Türkiye also published standalone Sustainability Reports.
	Sustainability Accounting Standards Board (SASB)	We continued reporting against the SASB Index for Commercial Banks.
	Carbon Disclosure Project (CDP)	We commit to continuously reducing the Bank's carbon footprint and providing transparency across our environmental performance.
	Taskforce on Climate related Financial Disclosures (TCFD)	We support the principles and recommendations of TCFD. Currently TCFD relevant metrics are disclosed where aligned with GRI standards and through active annual participation in CDP.
	Qatar Stock Exchange (QSE) Sustainability and ESG Dashboard	We have committed to disclose QNB's ESG performance to the QSE, which is a signatory to the United Nations Sustainable Stock Exchange Initiative.
	International Capital Markets Association (ICMA)	Our GSSB Framework is fully aligned with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). The GSSB Framework sets out our governance and approach, outlines eligible project categories, use of proceeds, and reporting commitments. Our latest GSSB Framework is aligned with ICMA Green Project Mapping, latest ICMA principles and guidelines as well as Climate Bonds Initiative (CBI) and EU taxonomies, where applicable. The framework successfully obtained a full alignment opinion from S&P Global Rating. In 2021, we published our green bond anniversary reporting, consisting of an independently assured allocation report and an environmental impact report developed with a third party specialist.

QNB disclosure ratings	2022
MSCI	A
S&P Global ESG score	46 (82nd percentile)
Sustainalytics	22.6 (Medium risk)

As an award-winning leader in sustainable finance, QNB was the first bank in Qatar to issue a green bond. At USD600 million, this is one of the largest conventional green bond issuances by a bank in the MENA region. Working in partnership with HSBC and Credit Agricole, we also participated in the first green repurchase agreement – or repo – transaction in Qatar. The funds borrowed from QNB were allocated to eligible businesses and projects that promote the transition to a low-carbon, climate-resilient, and sustainable economy, including clean transportation, sustainable waste and water management, and renewable energy.

In addition, we developed QNB Group's SFPF, which was successfully validated through a Second Party Opinion. The framework, a first in Qatar and one of the first in the region, cements our commitment to the sustainable economy and aims to finance a positive impact. The framework is the next evolution beyond our Green, Social, and Sustainability Bond (GSSB) Framework. It serves to define the financing and loans eligible to be funded by the proceeds of any GSSB issued by QNB and sets out our classification approach for any products, services or transactions deemed as Sustainable, Sustainability-linked or Transition finance, in accordance with the latest international best practice and standards.

In Türkiye this year, we continued our long-standing partnership with the European Bank of Reconstruction and Development. A EUR25 million Green Economy Financing Facility was launched to expand lending to private sector SMEs for energy efficiency and small-scale renewable energy investments, and a further USD50 million was secured for women-led businesses. As well as promoting access to green technologies and facilities for female entrepreneurs, the programme set higher standards by better instilling climate risk factors into our culture. In addition, QNB Finansbank has publicly committed not to lend to new coal-fired power plants and new coal mining ventures.

In Egypt, we continued to grow our green programme with a range of products and sub-products, such as energy efficiency loans, water efficiency loans, and loans linked to waste management, recycling, and irrigation systems.

Recognising the ability to limit our impact on the environment, we have also integrated sustainability into our operations. We have launched several green initiatives across our footprint to raise awareness amongst our employees and customers of environmental and climate challenges and to promote sustainable actions to reduce our impact. We have successfully achieved our 2017 pledge to cut our Greenhouse Gas (GHG) Emissions by 20% this year. The initiative was underpinned by growing employee awareness and through detailed tracking of our GHG and energy consumption reduction initiatives.

> "The QNB Group sustainability programme, which consists of our group-wide sustainability strategy and roadmap, is approved by the Board."

In Qatar, the bank has put in place measures to enhance energy consumption efficiency in all its offices and branches. This includes optimising energy and cooling consumption, switching to low-energy lighting and installing automatic light control systems across parking spaces, buildings and other facilities. Our recently opened QNB Place Vendome branch obtained a GSAS "Global Sustainability Assessment System" certification for its interior design and environmentally friendly construction. In addition, we also continued our support as a strategic partner for the 7th edition of Qatar Sustainability Week.

In Türkiye, comprising significant operations of the Group, the bank has successfully switched its energy to 100% renewable energy sources. This will have an ongoing positive impact on our operational emissions and demonstrates our ongoing commitment and practical transition to support a low-carbon economy. Our operations in Egypt also continue to play their part through the installation of solar energy stations in their buildings and offices.

In the Beyond Banking space, QNB supports and delivers a wide range of social and humanitarian, arts and culture, health and environment, and sports initiatives. In 2022, the bank's efforts to make a positive contribution towards a wider society were recognised in the highly-regarded Euromoney rankings.

These achievements are part of the reason QNB is recognised today as a regional leader in environmental, social and governance issues. In 2022, our ongoing sustainability activities were recognised in the prestigious Global Finance Sustainable Finance Awards. In the Middle East regional awards category, QNB won: Outstanding Leadership in Sustainable Finance; Outstanding Leadership in Sustainable Bonds; and Outstanding Leadership in Social Bonds. In addition, in the country and territory awards category, QNB was recognised as the leader in Sustainable Finance in Qatar.

WE SUPPORT

Sustainability *(Continued)*

This overview of our sustainability approach, progress, and framework provides a snapshot of our activity in 2022. For more detailed information about our sustainability efforts and the achievements we have made, please see our annual standalone Sustainably Report on our website. This report is developed in accordance with the GRI Standards and independently assured.

Combating climate change

The Bank recognises the impact that climate change has on the environment, our society, and the financial world. For that reason, we are committed to playing a leading role in creating mitigation and adaptation solutions in Qatar and elsewhere across our international network. We do so through our products, services and policies and by demonstrating best practices through our operations.

We also recognise and encourage ambitious climate action from all parties and stakeholders and emphasise that everyone has a part to play.

We actively support the Ministry of Environment and Climate Change and the Global Green Growth Institute, as well as many other local institutions, on national initiatives to promote and collaborate on tackling climate-related issues.

This included taking part in the Qatar National Dialogue on Climate Change and providing research and insight to support Qatar's delegation in preparation for COP 27, held in Egypt in November.

We are committed to playing a leading role in creating mitigation and adaptation solutions in Qatar and elsewhere across our international network.

Environmental and social risk management (ESRM)

Our ESRM Policy Framework was developed in accordance with national and international laws and regulations and is available on our website. Within the ESRM Policy Framework, an Exclusion List clearly details the prohibited activities and sectors that the bank will not knowingly finance, directly or indirectly. All in-scope activities passing the Exclusion List screening and meeting our financing threshold are subject to additional E&S screening through Restricted Sectors and corresponding Prohibited Activities.

In 2022, the Restricted Sectors and Prohibited Activities List was further extended by including a number of unconventional Oil & Gas activities to the prohibition list. These activities include those related to Tar sands exploration/production/upgrading, Arctic Offshore drilling/exploration and Shale Oil & Gas mining/exploration.

The Group has committed to revisit and evolve the Group ESRM Policy Framework over time, including the assessment of product and sector coverage.

Human rights

We recognise that human rights issues can arise not only in our own operations but also through our engagement with outside parties, namely our business relationships, customer interactions, financing and investments, supply chain and the communities we serve. We understand that it is our duty to respect and advance human rights throughout our value chain.

> "QNB supports and delivers a wide range of social and humanitarian, arts and culture, health and environment, and sport initiatives."

As such, we have aligned our Human Resources business practices with the principles set out in the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as the UN Guiding Principles on Business and Human Rights (UNGPs).

This year, we rolled out a mandatory online training programme on human rights for all employees. The programme was designed to highlight the relationship between human rights and business, helping employees to understand why it is a key component of our sustainability approach.

We support the journey to identify and eradicate human rights issues and modern slavery from our business, as reflected in our Modern Slavery and Human Trafficking Transparency Statement. The statement complies with section 54 of the UK Modern Slavery Act 2015. In alignment with Qatar's Supreme Committee for Delivery and Legacy Worker's Welfare Standards, we developed and launched the Vendor Worker Welfare Self-Assessment (VWWS) to measure and track adherence to best practices, and to form input for ongoing vendor engagement as part of Third-Party Risk Management (TPRM).

Case study

Promoting collaboration on climate change by supporting the Conference of the Parties (COP27)

As with other ESG-related topics, climate risk is increasingly on the agenda of governments, regulators, investors and rating agencies. Climate change is indeed one of the most pressing issues confronting the world today, and it is only through global collaboration and cooperation that progress can be achieved. QNB Group considers the topic of sustainability as a strategic imperative. Climate risk, which can be divided into physical and transitional risk, already exposes the balance sheets of banks globally and is expected to significantly increase as the world shifts to a low carbon economy.

COP27 conference in Sharm El-Sheikh, Egypt, was a major event in the climate calendar. Progress on the topic of climate is imminent and more important than ever. The spike in energy prices has accentuated further the importance of long-term energy transition and renewable infrastructure. This year's event focused on progress against the global goal on adaptation, funding arrangements to address loss and damage in developing countries, and climate finance. We believe investors as well as businesses will focus their attention on the outcome of this event, accelerating the implementation of critical decisions.

In preparation for COP27, we provided research and insight to support the Qatari delegation. Additionally, QNB ALAHLI became a member of the United Nations Environment Programme Finance Initiative (UNEP FI) and a signatory to the Principles for Responsible Banking (PRB). The membership supports the Group's global and national sustainable commitments and goals to create a sustainable finance sector and to facilitate knowledge development and sharing to help shape and scale up sustainable financial solutions.

QNB ALAHLI, one of the sponsors of the COP27, joined other leading financial industry players to provide insight into the critical role that banks play in scaling up sustainable finance. In addition, they had a booth in the main exhibition area of the event. During the event, QNB ALAHLI highlighted the key role that they have played in providing products and services that support sustainable development in Egypt, ranging from green housing and vehicle loans to financing for large-scale national environmental infrastructure projects.

Beyond banking – Corporate Social Responsibility

Our CSR activities revolve around our ability to support and foster opportunities for individuals, corporates and communities.

QNB Group is committed to promoting prosperity and sustainable growth for our people, our customers and the communities in which we all live and work. Thanks to our size and international reach, we are well positioned to create a positive impact on our society.

The Bank's CSR activities are centred on our ability to foster opportunities for individuals, corporates and communities, which enable them to raise standards of living and strengthen the social fabric of the nation.

Our focus is on five broad themes where we believe our CSR initiatives will have the greatest impact: society and humanitarian affairs, health and environment, youth and education, arts and culture, and sports.

A growing number of our employees volunteer each year to support a wide range of community projects in every location around the world where the Bank has a presence. The time and expertise they provide help dozens of initiatives from simple fundraising and keep-clean rallies, to coaching and education sessions on basics of financial management and managing money.

We also offer sponsorship deals and fundraising opportunities that help to underpin the success of many important causes, such as better healthcare, diversity and inclusion, sustainability, technology, financial inclusion, and knowledge sharing.

Our people in CSR

Our employees are the backbone of our success. Motivating and engaging skilled employees not only helps the Bank but also benefits society and the economy. We believe that people give their best when they feel fully supported in their careers, health and wellbeing. We offer competitive salaries, fulfilling careers, and tailored personal and professional development for more than 28,000 people across the QNB Group. We are committed to attracting and retaining the very best talent, with more than 80 nationalities working in 28 countries across three continents in a diverse and highly skilled workforce.

Meanwhile, we continue to focus on nurturing local talent and leading the banking sector's drive to hire Qatari nationals. We have strong representation at all levels, including senior leadership positions. The percentage of Qataris in branch management is more than 90% and the number of women employed is above 42%.

Arts and culture

Our traditions and culture shape who we are and what we want to become. This goes hand in hand with our cultural engagement to preserve our traditions and heritage across our communities, supporting diversity, inclusion and societal development.

For example, we continued our support for the deep-rooted traditional sport of camel racing with our sponsorship of the annual H.H. the Amir Sword Camel Festival, one of the most popular camel racing events in the region, with hundreds of trainers from Qatar and the Gulf region bringing thousands of camels to compete.

In collaboration with Qatar Tourism, we continued our partnership with the Doha Jewellery and Watches Exhibition, one of the longest-running events in Qatar and the largest business-to-consumer exhibition of its kind in the region. The event showcases the intricate art of watchmaking and brings together more than 500 international luxury brands as well as local designers and artisans.

QNB sponsored the 18th edition of the Doha Jewelry and Watches Exhibition 2022.

QNB sponsored the Super Cup for newspapers in an effort to support sports for all.

This year, in our role as the official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™, we encouraged children to express their creativity through their art in a major social media competition. We ran competitions for children's drawings of their expectations of family time during the event and of their rendering of their favourite stadium.

Children were also the focus of our celebration of the Garangao night. Celebrated in the middle of the religious month of Ramadan, this is an event of rich cultural significance to the Muslim community. Staff and their families came together to take part in traditional games and enjoy activities such as shooting footballs, face painting, drawings and receiving Garangao candy boxes.

Meanwhile, we signed a sponsorship agreement with Qatar's Investment Holding Group (IHG) to support this year's Doha Winter Wonderland. Together with other attractions on Al Maha Island, this attraction is expected to fascinate more than 1.5 million visitors per year and play an important part in promoting tourism.

Society and humanitarian affairs

We continued to support and invest in our local communities. This serves to strengthen the social fabric of the nation and contributes to the ongoing development and the creation of a more sustainable world.

This year, we sponsored Demo Day hosted by the Qatar Business Incubation Center (QBIC). Our long-standing partnership with this event and the QBIC reflects our commitment to empowering start-ups and SMEs, as well as our drive to promote national economic diversification through innovative solutions and digital services. The event was attended by many Qatari entrepreneurs, start-ups and investors.

> "A growing number of our employees volunteer each year to support a wide range of community projects in every location around the world where the Bank has a presence."

The Warm Winter campaign, organized by QNB Tunisia is now celebrating its seventh anniversary. This year the campaign focused on school pupils in Siliana, a farming town in northern Tunisia where winters are particularly long, cold and windy. Items of warm clothing were distributed to pupils to help protect them against the cold during the winter when temperatures often drop to zero.

In cooperation with Misr El-Kheir Foundation and Al-Orman Association, our colleagues in Egypt contributed to many development projects through the "Decent Life" initiative. Projects included improving the living conditions of unprivileged families through improving the housing environment, enhancing the quality of drinking water, providing micro incomegenerating projects, and providing training for employment projects for women and teenagers. In addition, we provided prosthetic devices to empower and help integrate people with special needs into society.

In Türkiye, we promoted the QNB Finansbank Children Musical project, where around 60 children aged six to twelve from disadvantaged areas were given lessons in acting, music, singing and dance. Following six months of training, they took part in a performance of the Fairies of Mozart in front of an audience of more than 1,000 – including family and friends.

Beyond banking – Corporate Social Responsibility

(Continued)

Sport

Sport bridges the gap between social, economic and human development. In a crucial year for sports in Qatar, and in our capacity as the official Middle East and Africa Supporter of the FIFA World Cup Qatar 2022™, we are proud to have made a solid contribution to the sector through a range of strategic initiatives. This event is the latest in a series of milestones that is placing Qatar as a regional hub for sport. To draw attention to and build excitement for the event, we rolled out a number of successful campaigns, events, and exclusive offers that came in collaboration with FIFA and other partners. These included several prize draws for match tickets, unique credit card and prepaid card designs and events dedicated to football fans in malls and on social media. This included the 'Football Splash', a football booth set for kids in Katara on Qatar National Sport Day. Children were able to share their football fun and spirit by leaving their painted handprint moving forward towards the tournament.

To support the preparation for the event, we were also the Official Partner for the Lusail Super Cup, where Saudi Pro League champions Al Hilal SFC and Egyptian Premier League winners Zamalek FC faced each other. The event, preceded by a concert by Egyptian superstar Amr Diab, helped set the tone for the World Cup and marked the inauguration and first full-scale test of the Lusail stadium.

We also supported other international sports, including the Qatari team at the Gulf Cooperation Council Games in Kuwait, where the team won a gold medal, the 16-man strong Qatar handball team which qualified for the World Men's Handball Championship next year and the World Athletic Championships Oregon 2022 that brought together many champions and witnessed a gold medal win for Qatar.

Health and environment

Health and wellbeing are a priority for us, and we are keen to support the success of major events that promote healthcare, physical and mental wellbeing, and measures to improve the environment.

In 2022, we continued to support a range of initiatives. As part of our commitment to supporting health and wellbeing, we were the strategic partner for the World Innovation Summit for Health (WISH) summit held in Doha this year. Titled 'Healing the Future', industry experts and specialists at the event discussed the post- COVID-19 legacy, sports and health, disability and inclusion, and wellbeing. There was also a major focus on the health legacy of the FIFA World Cup Qatar 2022™.

The Bank was also the principal sponsor of Smart City Expo Doha 2022, which focused on a 'Sustainable Future of Resilience'. The event featured contributions from more than 60 acclaimed experts on smart cities, including a session on the development of sustainable finance and sustainable banking in Egypt led by QNB.

> "Providing education and increasing financial knowledge helps the next generation to develop a knowledge-based economy and society."

Meanwhile, to lift the spirits of children with cancer at Sidra Medicine in Doha, we organised a visit to the hospital by the stars of Paris Saint-German Football Club. During the visit, around 20 young patients met their PSG idols such as Lionel Messi, Sergio Ramos, Presnel Kimpembe, Danilo Pereira and Idrissa Gueve, who posed for photographs and signed autographs. In Egypt, we sponsored a TV campaign to highlight the plight of sick children and their families at the Cancer Children's Hospital in Cairo, the largest paediatric oncology hospital in the world. The campaign helped to bring attention to their needs and provide valuable emotional support for those affected.

The bank was also active in Egypt, where QNB ALAHLI supported the healthcare system through donating medical equipment or funding the establishment of medical units in public and university hospitals. We were also proud to collaborate with the Ahl Masr Foundation, MENA's largest hospital, to provide free treatment for burn victims. QNB ALAHLI also organized medical convoys to support villages

Official Middle East and Africa Supporter of the FIFA World Cup 2022™.

QNB organized 'Football Splash', a football booth set for kids in Katara on Qatar National Sport Day.

The world's most followed person on TikTok, Khaby Lame announced QNB Group's Official FIFA World Cup Qatar 2022™ Brand Ambassador.

that suffer from lack of medical services in cooperation with the Al Orman Association.

Youth and education

Providing education and increasing financial knowledge helps the next generation to develop a knowledge-based economy and society. We are focusing on improving the employability and financial skills needed to help our communities thrive and empower our region's next generation of leaders. Our goal is to educate children on financial values such as saving, spending, and sharing. Additionally, we aim to highlight to the younger generation the importance of money management and investing principles.

In 2022, in addition to our regular programmes and partnerships to provide additional educational opportunities, we continued our partnership with Kidzania in Doha. Children can spend, save, and invest their kidZos, KidZania's currency. Through the exciting role-playing concept at QNB's branch, children can discover the challenges of being a banker. It empowers tomorrow's generation to be financially aware and responsible.

In Egypt, QNB ALAHLI is in its fourth year of supporting NilePreneurs, a national initiative by the Central Bank of Egypt in partnership with the Nile University. The programme is designed to develop the capabilities of young entrepreneurs in SMEs. QNB ALAHLI was keen to support the educational process and scientific research in Egypt by granting scholarships for talented students in Zewail University. We have also provided a laboratory sponsorship for El-Sewedy Technical Academy, which educates and upskills around 500 learners in technical education per year, supporting the new generation to safeguard the future of the Egyptian economy.

In Türkiye, QNB Finansbank continued to focus its CSR activities on young people aged 4 to 14 years old with the "Small Hands Big Dreams" programme. Since its launch in 2015, the programme has benefited more than 570,000 children with over 40 projects and the participation of more than 3,400 volunteers.

This year, we collaborated with the Turkish Education Volunteers Foundation (TEGV) on a project called "Climate Protectors Are Growing Up". The initiative, for children between 6 and 14, is designed to focus on building knowledge around sustainability issues and helping to raise awareness about the climate crisis. Guided by volunteers from QNB and TEGV, some 500 children in 13 provinces took part in sessions to help create solutions to some of the most pressing climate issues.

We also launched the "Nature Pioneers" project in cooperation with the World Wide Fund for Nature (WWF). Building on the groundwork created by WWF and the Ministry of National Education, we helped raise awareness about climate, sustainability and nature by supporting 1,000 teachers and 10,000 pupils in 800 middle schools and 200 public middle schools and high schools. We facilitated an ecology workshop led by 250 volunteers from the bank.

QNB Tunisia organized 'Warm Winter', a humanitarian campaign that supports students in Siliana.

Financial statements

Despite the global headwinds and supported by the regional tailwinds, QNB Group delivered another year of strong financial performance.

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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 2022, 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 2022, 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, 20 and 40 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 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 1,347,688 million, as at 31 December 2022, 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 9,144 million, during the year ended 31 December 2022, which represents 63% of the net profit of the Group, hence a material portion of the consolidated income statement.	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, as well as the impact of the economic uncertainties. • 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 any impact of the economic uncertainties. • 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.

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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. • 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

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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, whose certain provisions were subsequently amended by Law No. 8 of 2021 ("amended QCCL"), we also report that:

i. We have obtained all the information and explanations we considered necessary for the purposes of our audit.
ii. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith.
iii. We have read the Chairman's report to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Bank.
iv. We are not aware of any violations of the applicable provisions of the amended QCCL or the terms of the Bank's Articles of Association 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 2022.

17 January 2023
Doha
State of Qatar

كي بي ام جي
ص.ب: ٤٤٧٣
الدوحة - قطر
KPMG
P.O.Box :4473
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مكتب تدقيق حسابات

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 2022
(All amounts are shown in thousands of Qatari Riyals)

	Notes	2022	2021
ASSETS			
Cash and balances with central banks	8	91,563,936	88,551,288
Due from banks	9	96,259,687	69,055,144
Loans and advances to customers	10	807,601,336	763,652,041
Investment securities	11	159,913,041	142,821,328
Investments in associates	12	7,902,221	7,467,009
Property and equipment	13	6,941,495	5,156,806
Intangible assets	14	3,178,417	3,886,786
Other assets	15	15,858,879	12,447,209
Total assets		**1,189,219,012**	**1,093,037,611**
LIABILITIES			
Due to banks	16	142,814,699	111,441,572
Customer deposits	17	842,278,655	785,511,524
Debt securities	18	35,152,720	40,088,927
Other borrowings	19	25,593,253	26,138,239
Other liabilities	20	37,322,900	29,800,702
Total liabilities		**1,083,162,227**	**992,980,964**
EQUITY			
Issued capital	22	9,236,429	9,236,429
Legal reserve	22	25,326,037	25,326,037
Risk reserve	22	11,000,000	10,000,000
Fair value reserve	22	890,129	(1,169,550)
Foreign currency translation reserve	22	(26,833,105)	(23,613,712)
Other reserves	22	(381,451)	46,141
Retained earnings	22	65,848,784	59,117,808
Total equity attributable to equity holders of the bank		**85,086,823**	**78,943,153**
Non–controlling interests	23	969,962	1,113,494
Instruments eligible for additional Tier 1 Capital	24	20,000,000	20,000,000
Total equity		**106,056,785**	**100,056,647**
Total liabilities and equity		**1,189,219,012**	**1,093,037,611**

These consolidated financial statements were approved by the Board of Directors on 11 January 2023 and were signed on its behalf by:

Ali Ahmed Al-Kuwari
Chairman of the Board of Directors

Abdulla Mubarak Al-Khalifa
Group Chief Executive Officer

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

Qatar National Bank (Q.P.S.C.)
Consolidated Income Statement
For the year ended 31 December 2022

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2022	2021
Interest income	25	59,671,733	44,736,163
Interest expense	26	(30,807,135)	(21,700,043)
Net interest income		**28,864,598**	**23,036,120**
Fee and commission income	27	4,824,073	4,535,149
Fee and commission expense		(1,449,655)	(1,322,326)
Net fee and commission income		**3,374,418**	**3,212,823**
Net foreign exchange gain	28	1,871,625	1,331,118
Income from investment securities	29	369,859	125,985
Other operating income		79,827	237,229
Operating income		**34,560,327**	**27,943,275**
Staff expenses	30	(3,643,564)	(3,382,058)
Depreciation	13	(624,388)	(615,699)
Other expenses	31	(2,656,265)	(2,294,345)
Net ECL / impairment losses on loans and advances to customers	10	(8,785,090)	(7,066,008)
Net ECL / impairment losses on investment securities		(62,057)	(55,851)
Net ECL / impairment losses on other financial assets		(296,761)	(102,639)
Amortisation of intangible assets		(77,546)	(79,113)
Other provisions		(45,227)	(51,705)
		(16,190,898)	**(13,647,418)**
Share of results of associates	12	544,199	370,208
Profit before income taxes and net monetary loss arising from hyperinflation		**18,913,628**	**14,666,065**
Income tax expense	32	(2,719,245)	(1,389,965)
Profit before net monetary loss arising from hyperinflation		**16,194,383**	**13,276,100**
Net monetary loss arising from hyperinflation		(1,745,116)	–
Profit for the year		**14,449,267**	**13,276,100**
Attributable to:			
Equity holders of the Bank		14,348,860	13,211,123
Non–controlling interests		100,407	64,977
Profit for the year		**14,449,267**	**13,276,100**
Basic and diluted earnings per share (QR)	33	1.44	1.32

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 2022

(All amounts are shown in thousands of Qatari Riyals)

	2022	2021
Profit for the year	**14,449,267**	**13,276,100**
Other comprehensive income that is or may be reclassified to the consolidated income statement in subsequent periods:		
Foreign currency translation differences for foreign operations	(7,373,195)	(5,020,969)
Share of other comprehensive income of associates	(428,674)	(119,981)
Effective portion of changes in fair value of cash flow hedges	1,168,493	222,657
Effective portion of changes in fair value of net investment in foreign operation	518,864	713,760
Investments in debt instruments measured at FVOCI		
– Net change in fair value	419,030	(354,934)
– Net amount transferred to income statement	(4,497)	–
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	(42,681)	61,914
– Effects of hyperinflation	3,938,484	–
Total other comprehensive loss for the year, net of income tax	**(1,804,176)**	**(4,497,553)**
Total comprehensive income for the year	**12,645,091**	**8,778,547**
Attributable to:		
Equity holders of the Bank	12,761,554	8,738,785
Non–controlling interests	(116,463)	39,762
Total comprehensive income for the year	**12,645,091**	**8,778,547**

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 2022

(All amounts are shown in thousands of Qatari Riyals)

	Equity attributable to equity holders of the Bank			
	Issued capital	Legal reserve	Risk reserve	Fair value reserve
Balance at 1 January 2022	9,236,429	25,326,037	10,000,000	(1,169,550)
Total comprehensive income for the year				
Profit for the year	–	–	–	–
Total other comprehensive income/(loss)	–	–	–	2,059,679
Total comprehensive income for the year	**–**	**–**	**–**	**2,059,679**
Transfer to risk reserve	–	–	1,000,000	–
Transfer to social and sports fund	–	–	–	–
Transactions recognised directly in equity				
Dividend for the year 2021 (note 22)	–	–	–	–
Dividend appropriation for instruments eligible for additional capital	–	–	–	–
Other movements	–	–	–	–
Total transactions recognised directly in equity		**–**	**–**	**–**
Balance at 31 December 2022	**9,236,429**	**25,326,037**	**11,000,000**	**890,129**
Balance at 1 January 2021	9,236,429	25,326,037	9,000,000	(1,811,051)
Total comprehensive income for the year				
Profit for the year	–	–	–	–
Total other comprehensive income/(loss)	–	–	–	643,988
Total comprehensive income for the year	**–**	**–**	**–**	**643,988**
Reclassification of net change in fair value of equity instruments upon derecognition	–	–	–	(2,487)
Transfer to risk reserve	–	–	1,000,000	–
Transfer to social and sports fund	–	–	–	–
Transactions recognised directly in equity				
Dividend for the year 2020	–	–	–	–
Dividend appropriation for instruments eligible for additional capital	–	–	–	–
Other movements	–	–	–	–
Total transactions recognised directly in equity	**–**	**–**	**–**	**–**
Balance at 31 December 2021	**9,236,429**	**25,326,037**	**10,000,000**	**(1,169,550)**

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

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
(23,613,712)	46,141	59,117,808	78,943,153	1,113,494	20,000,000	100,056,647
–	–	14,348,860	14,348,860	100,407	–	14,449,267
(3,219,393)	(427,592)	–	(1,587,306)	(216,870)	–	(1,804,176)
(3,219,393)	**(427,592)**	**14,348,860**	**12,761,554**	**(116,463)**	**–**	**12,645,091**
–	–	(1,000,000)	–	–	–	–
–	–	(268,382)	(268,382)	–	–	(268,382)
–	–	(5,080,036)	(5,080,036)	–	–	(5,080,036)
–	–	(1,082,917)	(1,082,917)	–	–	(1,082,917)
–	–	(186,549)	(186,549)	(27,069)	–	(213,618)
–	**–**	**(6,349,502)**	**(6,349,502)**	**(27,069)**	**–**	**(6,376,571)**
(26,833,105)	**(381,451)**	**65,848,784**	**85,086,823**	**969,962**	**20,000,000**	**106,056,785**
(18,617,295)	166,050	52,509,508	75,809,678	1,092,041	20,000,000	96,901,719
–	–	13,211,123	13,211,123	64,977	–	13,276,100
(4,996,417)	(119,909)	–	(4,472,338)	(25,215)	–	(4,497,553)
(4,996,417)	**(119,909)**	**13,211,123**	**8,738,785**	**39,762**	**–**	**8,778,547**
–	–	2,487	–	–	–	–
–	–	(1,000,000)	–	–	–	–
–	–	(259,143)	(259,143)	–	–	(259,143)
–	–	(4,156,393)	(4,156,393)	–	–	(4,156,393)
–	–	(1,000,000)	(1,000,000)	–	–	(1,000,000)
–	–	(189,774)	(189,774)	(18,309)	–	(208,083)
–	**–**	**(5,346,167)**	**(5,346,167)**	**(18,309)**	**–**	**(5,364,476)**
(23,613,712)	**46,141**	**59,117,808**	**78,943,153**	**1,113,494**	**20,000,000**	**100,056,647**

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Cash Flows
For the year ended 31 December 2022

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2022	2021
Cash flows from operating activities			
Profit before income taxes		17,168,512	14,666,065
Adjustments for:			
Interest income		(59,671,733)	(44,736,163)
Interest expense		30,807,135	21,700,043
Depreciation	13	624,388	615,699
Net ECL / impairment losses on loans and advances to customers	10	8,785,090	7,066,008
Net ECL / impairment losses on investment securities		62,057	55,851
Net ECL / impairment losses on other financial assets		296,761	102,639
Other provisions		122,095	117,348
Dividend income	29	(55,285)	(47,198)
Net gain on sale of property and equipment		(6,919)	(49,406)
Net gain on sale of investment securities	29	(265,986)	(59,492)
Amortisation of intangible assets		77,546	79,113
Net amortisation of premium or discount on investments		(3,351,819)	(970,336)
Net share of results of associates		(370,978)	(256,673)
Net monetary loss arising from hyperinflation		1,745,116	–
		(4,034,020)	**(1,716,502)**
Changes in:			
Due from banks		583,859	(5,063,696)
Loans and advances to customers		(83,925,088)	(81,430,647)
Other assets		(31,078,344)	(10,678,206)
Due to banks		35,275,224	32,175,130
Customer deposits		111,275,723	82,244,426
Other liabilities		6,553,034	(873,933)
Cash from operations		**34,650,388**	**14,656,572**
Interest received		53,620,058	43,974,692
Interest paid		(26,824,083)	(21,580,593)
Dividends received		55,285	47,198
Income tax paid		(2,314,547)	(1,245,157)
Other provisions paid		(68,487)	(66,082)
Net cash from operating activities		**59,118,614**	**35,786,630**
Cash flows from investing activities			
Acquisition of investment securities		(89,976,146)	(96,932,320)
Proceeds from sale / redemption of investment securities		65,297,786	74,114,534
Investment in an associate		–	(305,578)
Additions to property and equipment	13	(1,335,072)	(1,173,874)
Proceeds from disposal of property and equipment		119,201	64,505
Net cash used in investing activities		**(25,894,231)**	**(24,232,733)**
Cash flows from financing activities			
Payment of coupon on instruments eligible for Additional Tier 1 Capital		(1,000,000)	(1,000,000)
Proceeds from issuance of debt securities	18	1,591,695	8,748,885
Repayment of debt securities	18	(5,739,025)	(10,754,896)
Proceeds from issuance of other borrowings	19	4,167,335	11,259,064
Repayment of other borrowings	19	(3,558,972)	(10,419,936)
Payment of lease liabilities		(192,591)	(239,951)
Dividends paid		(5,079,312)	(4,162,715)
Net cash used in financing activities		**(9,810,870)**	**(6,569,549)**
Net increase in cash and cash equivalents		**23,413,513**	**4,984,348**
Effects of exchange rate fluctuations on cash held		(2,760,347)	(807,228)
Cash and cash equivalents at 1 January		106,660,460	102,483,340
Cash and cash equivalents at 31 December	39	**127,313,626**	**106,660,460**

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

(All amounts are shown in thousands of Qatari Riyals)

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	Türkiye	2016	99.88
QNB (Derivatives) Limited	Cayman Islands	2017	100
Digital–Q–FS Limited	United Kingdom	2022	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) and classification of Türkiye as a hyper–inflationary economy as described in note 3(ac).

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 recognised, 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.

(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.

3. Significant accounting policies (continued)

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 Losses ('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.

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.

3. Significant accounting policies (continued)

(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 the 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.

(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 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 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 or 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.

3. Significant accounting policies (continued)

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.

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 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 expired.

3. Significant accounting policies (continued)

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:

> 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.

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 for 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.

3. Significant accounting policies (continued)

Assets and long positions are measured at bid price; liabilities and short positions are measured at ask 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 include 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.

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.

3. Significant accounting policies (continued)

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.

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 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.

3. Significant accounting policies (continued)

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.

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 consolidated income statement as a reclassification adjustment in the same period as the hedged cash flows affect 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.

3. Significant accounting policies (continued)

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.

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)

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.

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.

3. Significant accounting policies (continued)

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.

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

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

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

3. Significant accounting policies (continued)

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.

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.

(All amounts are shown in thousands of Qatari Riyals)

3. Significant accounting policies (continued)

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 USD10,000) 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 recognised in accordance with the relevant tax regulations and is accounted under IAS 12.

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:

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

The adoption of the amendments did not result in changes to previously reported net profit or equity of the Group.

ac) Application of International Accounting Standard 29, 'Financial Reporting in Hyperinflationary Economies' Classification of Türkiye as a hyperinflationary economy

From 1 April 2022, the Turkish economy has been considered hyperinflationary based on the criteria established by International Accounting Standard 29, 'Financial Reporting in Hyperinflationary Economies' ('IAS 29'). This designation is determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of cumulative inflation rate of more than 100% over the previous three years.

IAS 29 requires that consolidated financial statements are stated in terms of the measuring unit current at the balance sheet date which requires restatement of non–monetary assets and liabilities to reflect the changes in the general purchasing power of the Turkish Lira.

The restatements were calculated by means of conversion factors derived from the consumer price indices. Such index as announced by Turkish Statistical Institute and conversion factors used to restate the balances are as follows:

Date	Index
31 December 2022	1,128.45
31 December 2021	686.95

The basic principles, in relation to the financial information of QNB Finansbank, applied in the accompanying consolidated financial statements, are summarized as follows:

Adjustment for prior periods

> Adjustment of the historical carrying values of non–monetary assets and liabilities and the various items of equity from their date of acquisition or inclusion in the consolidated statement of financial position to the end of the reporting period to reflect the changes in purchasing power of the currency caused by inflation, according to the indices published by the Turkish Statistical Institute. Since QNB Group's comparative amount are presented in a stable currency, these comparative amounts are not restated. The statement of comprehensive income includes a total amount of QR 3.9 billion for the impact of hyperinflation, of which QR 1.9 billion pertains to cumulative impact of prior years.

Adjustment for current period

- Monetary assets and liabilities, which are carried at amounts current at the date of statement of financial position, are not restated because they are already expressed in terms of the monetary unit current at the date of statement of financial position.
- Non–monetary assets and liabilities, which are not carried at amounts current at the date of statement of financial position, and components of shareholders' equity are restated by applying the relevant conversion factors.
- All items in the statement of income are restated by applying the conversion factors from the date on which the transaction originated except for those amounts deriving from non–monetary items, which are calculated based on the restated values of the related items.
- The effect of application indices on the Group's net monetary position is included in the statement of income as monetary gain or loss.
- All items in the statement of cash flows are expressed in a measuring unit current at the date of statement of financial position; they are therefore restated by applying the relevant conversion factors from the date on which the transaction originated.

(All amounts are shown in thousands of Qatari Riyals)

3. Significant accounting policies (continued)

ad) 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
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.

(All amounts are shown in thousands of Qatari Riyals)

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.

	Gross maximum exposure	
	2022	**2021**
Cash and balances with central banks (excluding cash on hand)	74,052,215	74,028,756
Due from banks	96,259,687	69,055,144
Loans and advances to customers	807,601,336	763,652,041
Investment securities (debt)	158,223,758	141,107,511
Other assets	12,706,277	10,205,680
	1,148,843,273	**1,058,049,132**
Guarantees	60,943,057	59,317,692
Letters of credit	41,136,929	47,431,344
Unutilised credit facilities	96,764,655	95,204,291
Total	**1,347,687,914**	**1,260,002,459**

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 2022	Net maximum exposure 2022	Gross maximum exposure 2021	Net maximum exposure 2021
Government	209,064,950	–	186,621,711	–
Government agencies	206,615,751	137,608,743	196,457,210	108,390,427
Industry	46,193,049	40,086,274	47,952,520	43,984,917
Commercial	127,298,757	87,165,623	117,208,441	105,731,855
Services	365,202,363	353,447,986	327,315,583	275,262,236
Contracting	13,510,489	10,724,266	13,664,553	9,543,469
Real Estate	108,812,740	47,039,470	104,528,441	78,065,346
Personal	70,908,668	50,826,014	62,442,338	37,437,212
Others	1,236,506	981,930	1,858,335	1,565,551
Guarantees	60,943,057	60,943,057	59,317,692	59,317,692
Letters of credit	41,136,929	41,136,929	47,431,344	47,431,344
Unutilised credit facilities	96,764,655	96,764,655	95,204,291	95,204,291
Total	**1,347,687,914**	**926,724,947**	**1,260,002,459**	**861,934,340**

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.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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.

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	2022			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – ORR 1 to 4	150,082,595	–	–	150,082,595
Sub–investment grade – ORR 5 to 7	17,549,214	2,828,172	–	20,377,386
Substandard – ORR 8	–	–	–	–
Doubtful – ORR 9	–	–	–	–
Loss – ORR 10	–	–	–	–
	167,631,809	**2,828,172**	**–**	**170,459,981**
Loss allowance				(148,079)
Carrying amount				**170,311,902**

	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**

Loans and advances to customers	2022			
	Stage 1	Stage 2	Stage 3	Total
Investment grade – ORR 1 to 4	626,275,620	13,882,307	–	640,157,927
Sub–investment grade – ORR 5 to 7	137,793,100	35,839,491	–	173,632,591
Substandard – ORR 8	–	–	8,851,956	8,851,956
Doubtful – ORR 9	–	–	1,138,255	1,138,255
Loss – ORR 10	–	–	13,689,902	13,689,902
	764,068,720	**49,721,798**	**23,680,113**	**837,470,631**
Loss allowance				(29,869,295)
Carrying amount				**807,601,336**

	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**

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

	2022			
Investment securities (debt)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade – ORR 1 to 4	105,938,450	–	–	105,938,450
Sub–investment grade – ORR 5 to 7	52,022,165	254,554	–	52,276,719
Substandard – ORR 8	–	–	77,534	77,534
Doubtful – ORR 9	–	–	11,125	11,125
Loss – ORR 10	–	–	60,798	60,798
	157,960,615	**254,554**	**149,457**	**158,364,626**
Loss allowance				(291,890)
Carrying amount				**158,072,736**

	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**

	2022			
Loan commitments and financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade – ORR 1 to 4	110,845,980	607,300	–	111,453,280
Sub–investment grade – ORR 5 to 7	82,306,561	5,046,022	–	87,352,583
Substandard – ORR 8	–	–	511,549	511,549
Doubtful – ORR 9	–	–	41,675	41,675
Loss – ORR 10	–	–	167,129	167,129
	193,152,541	**5,653,322**	**720,353**	**199,526,216**
Loss allowance				(681,575)
Carrying amount				**198,844,641**

	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**

4. Financial risk management (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 2022 is QR6,377 million (2021: QR5,779 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 2022 is QR399.7 million (2021: QR659.6 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 (SICR) 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.

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.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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:

	2022	2021
Average oil price range (USD / Barrel)	46 – 77	40 – 64
GDP Growth Rate	2.2% – 3.2%	(1.25%) – 1.8%
Inflation	0.8% – 2.5%	(0.9%) – 1.0%

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

	2022	2021
Upside Case	5%	5%
Base Case	80%	80%
Downside Case	15%	15%

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.

	2022	2021
100% Upside case, loss allowance would be higher / (lower) by	(1,246,000)	(760,395)
100% Base case, loss allowance would be higher / (lower) by	(227,000)	(189,554)
100% Downside case, loss allowance would be higher / (lower) by	1,264,000	756,924

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); and
> 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.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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 realised 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 gradings, product type and geographic location of the borrower. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

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

	2022			
Cash and balances with central banks (excluding cash on hand) and due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL/ impairment**
Balance at 1 January	91,803	8,998	–	100,801
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
ECL / impairment allowance for the year, net	46,028	5,223	–	51,251
Amounts written off	–	–	–	–
Foreign currency translation	(2,222)	(1,751)	–	(3,973)
Balance at 31 December	**135,609**	**12,470**	**–**	**148,079**

	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**

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

	2022			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL / impairment**
Balance at 1 January	1,430,091	3,382,515	21,418,237	26,230,843
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(53,198)	53,198	–	–
Transfers to Stage 3	–	(179,506)	179,506	–
ECL / impairment allowance for the year, net	1,555,873	1,190,767	7,267,359	10,013,999
Amounts written off	–	–	(4,430,147)	(4,430,147)
Foreign currency translation	(421,131)	(416,689)	(1,107,580)	(1,945,400)
Balance at 31 December	**2,511,635**	**4,030,285**	**23,327,375**	**29,869,295**

	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**

	2022			
Investment securities (debt)	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL / impairment**
Balance at 1 January	115,521	45,260	72,063	232,844
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
ECL / impairment allowance for the year, net	16,547	(27,300)	72,810	62,057
Amounts written off	–	–	–	–
Foreign currency translation	(2,870)	(1)	(140)	(3,011)
Balance at 31 December	**129,198**	**17,959**	**144,733**	**291,890**

	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**

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

	2022			
Loan commitments and financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL / impairment**
Balance at 1 January	295,578	118,851	128,658	543,087
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(17,110)	17,110	–	–
Transfers to Stage 3	–	(15,198)	15,198	–
ECL / impairment allowance for the year, net	187,227	50,166	8,117	245,510
Amounts written off	–	–	(19,961)	(19,961)
Foreign currency translation	(60,166)	(9,431)	(17,464)	(87,061)
Balance at 31 December	**405,529**	**161,498**	**114,548**	**681,575**

	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**

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**	
		2022	**2021**
Market indices			
Qatar exchange	±5	11,503	14,043

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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
As at 31 December 2022:						
Assets	302,811,283	534,940,136	96,862,193	58,559,109	196,046,291	**1,189,219,012**
Liabilities and equity	303,817,614	539,079,567	96,871,882	58,898,561	190,551,388	**1,189,219,012**
Net exposure	**(1,006,331)**	**(4,139,431)**	**(9,689)**	**(339,452)**	**5,494,903**	**–**
As 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**	**–**

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	**%**	**2022**	**2021**
US$	+2	(82,789)	61,377
Euro	+3	(291)	(10,100)
Pound Sterling	+2	(6,789)	6,133
Egyptian Pound	+3	23,318	539
Turkish Lira	+3	2,897	6,190
Other currencies	+3	138,633	88,517
US$	–2	82,789	(61,377)
Euro	–3	291	10,100
Pound Sterling	–2	6,789	(6,133)
Egyptian Pound	–3	(23,318)	(539)
Turkish Lira	–3	(2,897)	(6,190)
Other currencies	–3	(138,633)	(88,517)

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (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 based on the 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
As at 31 December 2022:							
Cash and balances with central banks	29,754,145	–	–	–	61,809,791	91,563,936	
Due from banks	81,911,747	1,916,485	35,144	2,085,820	10,310,491	96,259,687	1.73%
Loans and advances	512,407,207	221,610,406	30,617,187	6,510,715	36,455,821	807,601,336	5.46%
Investments	64,207,593	27,250,678	46,864,067	15,527,539	13,965,385	167,815,262	10.48%
Other assets	–	–	–	–	25,978,791	25,978,791	
Total assets	**688,280,692**	**250,777,569**	**77,516,398**	**24,124,074**	**148,520,279**	**1,189,219,012**	
Due to banks	102,552,388	34,419,534	4,918,797	22,431	901,549	142,814,699	1.98%
Customer deposits	485,197,762	209,290,271	40,254,422	7,449,212	100,086,988	842,278,655	3.63%
Debt securities	501,759	2,570,224	566,309	22,345,824	9,168,604	35,152,720	3.52%
Other borrowings	23,181,827	102,887	2,298,678	5,906	3,955	25,593,253	2.35%
Other liabilities	–	–	–	–	37,322,900	37,322,900	
Total equity	–	–	–	–	106,056,785	106,056,785	
Total liabilities and equity	**611,433,736**	**246,382,916**	**48,038,206**	**29,823,373**	**253,540,781**	**1,189,219,012**	
Balance sheet items	76,846,956	4,394,653	29,478,192	(5,699,299)	(105,020,502)	–	
Off–balance sheet items	6,928,077	(1,534,643)	(12,112,091)	6,512,474	206,183	–	
Interest rate sensitivity gap	**83,775,033**	**2,860,010**	**17,366,101**	**813,175**	**(104,814,319)**	**–**	
Cumulative interest rate sensitivity gap	**83,775,033**	**86,635,043**	**104,001,144**	**104,814,319**	**–**	**–**	
As 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**	**–**	**–**	

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

Interest rate sensitivity

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.

2022	Increase in basis points	Sensitivity of net interest income	Decrease in basis points	Sensitivity of net interest income
Currency				
Qatari Riyal	10	81,665	10	(81,665)
US$	10	49,700	10	(49,700)
Euro	10	(4,500)	10	4,500
Pound Sterling	10	1,360	10	(1,360)
Other currencies	10	(3,393)	10	3,393

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)

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

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 indicies, 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.

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.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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 2022. 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.

	Not subject to LIBOR transition, already incorporate ARR or with fallback clauses	Subject to LIBOR transition without fallback clauses		Total
		USD LIBOR - maturity before expected transition	USD LIBOR - maturity after expected transition	
As at 31 December 2022:				
Cash and balances with central banks	91,563,936	–	–	91,563,936
Due from banks	96,259,687	–	–	96,259,687
Loans and advances to customers	773,115,444	9,490,590	24,995,302	807,601,336
Investments	167,815,262	–	–	167,815,262
Other assets	25,978,791	–	–	25,978,791
Total assets	**1,154,733,120**	**9,490,590**	**24,995,302**	**1,189,219,012**
Due to banks	142,814,699	–	–	142,814,699
Customer deposits	842,278,655	–	–	842,278,655
Debt securities	35,152,720	–	–	35,152,720
Other borrowings	25,593,253	–	–	25,593,253
Other liabilities	37,322,900	–	–	37,322,900
Total liabilities	**1,083,162,227**	**–**	**–**	**1,083,162,227**
Interest Rate Swaps	97,027,352	–	–	97,027,352
Cross Currency Swaps	104,664,952	–	–	104,664,952
Total Derivatives	**201,692,304**	**–**	**–**	**201,692,304**

	Not subject to LIBOR transition, already incorporate ARR or with fallback clauses	Subject to IBOR under transition without fallback clauses		Total
		USD LIBOR - maturity before expected transition	USD LIBOR - maturity after expected transition	
As at 31 December 2021:				
Cash and balances with central banks	88,551,288	–	–	88,551,288
Due from banks	69,055,144	–	–	69,055,144
Loans and advances to customers	683,260,141	6,998,836	73,393,064	763,652,041
Investments	150,288,337	–	–	150,288,337
Other assets	21,490,801	–	–	21,490,801
Total assets	**1,012,645,711**	**6,998,836**	**73,393,064**	**1,093,037,611**
Due to banks	111,370,984	–	70,588	111,441,572
Customer deposits	785,511,524	–	–	785,511,524
Debt securities	36,987,711	–	3,101,216	40,088,927
Other borrowings	23,589,889	1,092,150	1,456,200	26,138,239
Other liabilities	29,800,702	–	–	29,800,702
Total liabilities	**987,260,810**	**1,092,150**	**4,628,004**	**992,980,964**
Interest Rate Swaps	111,433,591	–	–	111,433,591
Cross Currency Swaps	109,135,051	–	–	109,135,051
Total Derivatives	**220,568,642**	**–**	**–**	**220,568,642**

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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.

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
As at 31 December 2022:						
Cash and balances with central banks	36,820,885	–	–	–	54,743,051	91,563,936
Due from banks	75,099,651	15,393,090	4,289,159	640,443	837,344	96,259,687
Loans and advances to customers	99,494,241	31,792,647	97,468,393	344,261,018	234,585,037	807,601,336
Investments	12,313,742	8,923,010	22,716,234	55,763,224	68,099,052	167,815,262
Other assets	14,648,796	1,127,472	1,495,339	5,935,376	2,771,808	25,978,791
Total assets	**238,377,315**	**57,236,219**	**125,969,125**	**406,600,061**	**361,036,292**	**1,189,219,012**
Due to banks	52,494,488	30,606,022	35,393,462	23,040,974	1,279,753	142,814,699
Customer deposits	321,195,532	108,145,733	160,060,313	219,265,433	33,611,644	842,278,655
Debt securities	501,759	2,387,830	544,698	22,550,325	9,168,108	35,152,720
Other borrowings	68,314	103,712	11,722,412	13,698,815	–	25,593,253
Other liabilities and equity	23,461,613	2,030,608	7,847,794	2,028,400	108,011,270	143,379,685
Total liabilities and equity	**397,721,706**	**143,273,905**	**215,568,679**	**280,583,947**	**152,070,775**	**1,189,219,012**
On–balance sheet gap	**(159,344,391)**	**(86,037,686)**	**(89,599,554)**	**126,016,114**	**208,965,517**	**–**
Contingent and other items	**72,449,820**	**18,639,430**	**86,068,655**	**23,277,907**	**13,243,298**	**213,679,110**
As 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 to customers	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	**61,616,602**	**6,885,311**	**93,368,366**	**37,302,623**	**14,850,934**	**214,023,836**

Other assets includes property and equipment and intangible assets.

The liquidity coverage ratio maintained by the Group as at 31 December 2022 is 104% (2021: 147%), as against the minimum requirement of 100% for the year ended 31 December 2022 (100% for 31 December 2021) as per QCB regulations.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (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
As at 31 December 2022:						
Due to banks	52,607,170	30,651,312	35,681,383	23,174,223	2,335,312	144,449,400
Customer deposits	333,293,547	110,474,574	160,133,159	221,846,085	36,671,160	862,418,525
Debt securities	537,978	2,422,126	782,066	23,044,980	9,616,661	36,403,811
Other borrowings	72,220	239,190	12,654,111	15,480,511	–	28,446,032
Lease liabilities	11,654	12,473	58,779	369,768	199,788	652,462
Derivative financial instruments						
Contractual amounts						
– Payable – forward contracts	40,972,068	45,205,047	43,251,981	2,461,216	–	131,890,312
– Receivable – forward contracts	(40,519,692)	(45,039,367)	(42,897,673)	(2,389,600)	–	(130,846,332)
– Payable/(receivable) – Others	121,545	1,280,319	965,919	867,790	293,061	3,528,634
Total liabilities	**387,096,490**	**145,245,674**	**210,629,725**	**284,854,973**	**49,115,982**	**1,076,942,844**
As 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**

e) Operational risks

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.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

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

	2022	2021
Common Equity Tier 1 (CET 1) capital	81,042,880	75,905,083
Eligible Additional Tier 1 (AT1) capital instruments	20,000,000	20,000,000
Additional Tier 1 capital	67,542	78,664
Additional Tier 2 capital	5,856,732	5,560,003
Total eligible capital	**106,967,154**	**101,543,750**
Risk weighted assets for credit risk	462,311,477	446,010,514
Risk weighted assets for market risk	8,127,525	8,827,758
Risk weighted assets for operational risk	46,674,379	44,542,881
Total risk weighted assets	**517,113,381**	**499,381,153**
CET 1 ratio*	**14.6%**	**14.2%**
Tier 1 capital ratio*	**18.5%**	**18.2%**
Total capital ratio*	**19.6%**	**19.3%**

* The above ratios are calculated 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%	2.5%	0.0%	**11.00%**
Minimum limit for Tier 1 capital ratio	8.0%	2.5%	2.5%	0.0%	**13.00%**
Minimum limit for Total capital ratio	10.0%	2.5%	2.5%	1.0%	**16.00%**

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.

(All amounts are shown in thousands of Qatari Riyals)

5. Use of estimates and judgements (continued)

(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.

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
As at 31 December 2022:				
Derivative assets held for risk management	100	10,594,440	–	10,594,540
Investment securities	37,424,077	1,339,551	–	38,763,628
Total	**37,424,177**	**11,933,991**	**–**	**49,358,168**
Derivative liabilities held for risk management	5,909	6,049,176	–	6,055,085
Total	**5,909**	**6,049,176**	**–**	**6,055,085**
As 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**

There have been no transfers between Level 1 and Level 2 (2021: 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.

5. Use of estimates and judgements (continued)

(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.

(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 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.

(All amounts are shown in thousands of Qatari Riyals)

6. Operating segments (continued)

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

	Qatar operations					
	Corporate banking	Consumer banking	Asset and wealth management	Unallocated and intra-group transactions	International banking	Total
As at 31 December 2022:						
Revenue:						
Net interest income	14,825,685	685,156	832,279	52,760	12,468,718	28,864,598
Net fee and commission income	899,470	320,118	316,463	2,859	1,835,508	3,374,418
Net foreign exchange gain	396,928	208,684	150,692	(8,692)	1,124,013	1,871,625
Income from investment securities	42,519	–	–	–	327,340	369,859
Other operating income	3,500	97	483	986	74,761	79,827
Share of results of associates	501,292	–	–	–	42,907	544,199
Total segment revenue	**16,669,394**	**1,214,055**	**1,299,917**	**47,913**	**15,873,247**	**35,104,526**
Reportable segment profit	**9,486,034**	**585,464**	**980,293**	**(316,513)**	**3,613,582**	**14,348,860**
Reportable segment investments	103,339,111	–	1,976	–	56,571,954	159,913,041
Reportable segment loans and advances	602,502,492	9,902,326	27,218,408	–	167,978,110	807,601,336
Reportable segment customer deposits	416,339,637	36,219,623	46,313,453	–	343,405,942	842,278,655
Reportable segment assets	875,058,465	37,586,298	47,984,403	(306,458,249)	535,048,095	1,189,219,012
As at 31 December 2021:						
Revenue:						
Net interest income	13,534,875	631,876	685,806	58,454	8,125,109	23,036,120
Net fee and commission income	683,280	278,407	255,571	21,650	1,973,915	3,212,823
Net foreign exchange gain	519,935	181,070	119,031	(9,739)	520,821	1,331,118
Income from investment securities	35,588	–	(5,020)	–	95,417	125,985
Other operating income	–	33	555	(13)	236,654	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**	**70,352**	**11,008,954**	**28,313,483**
Reportable segment profit	**9,619,197**	**246,193**	**767,917**	**(267,600)**	**2,845,416**	**13,211,123**
Reportable segment investments	88,219,189	–	418	–	54,601,721	142,821,328
Reportable segment loans and advances	569,199,466	9,378,918	20,823,887	–	164,249,770	763,652,041
Reportable segment customer deposits	366,131,210	34,807,445	38,510,009	–	346,062,860	785,511,524
Reportable segment assets	789,387,825	35,980,010	39,846,075	(336,986,883)	564,810,584	1,093,037,611

(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				
	Debt instruments	Equity instruments	Debt instruments	Equity instruments	Amortised cost	Total carrying amount	Fair value
As at 31 December 2022:							
Cash and balances with central banks	–	–	–	–	91,563,936	91,563,936	91,563,936
Due from banks	–	–	–	–	96,259,687	96,259,687	96,259,687
Loans and advances	–	–	–	–	807,601,336	807,601,336	806,103,170
Investment securities:							
– At fair value	131,561	217,294	36,942,784	1,471,989	–	38,763,628	38,763,628
– At amortised cost	–	–	–	–	121,149,413	121,149,413	122,678,588
Total	**131,561**	**217,294**	**36,942,784**	**1,471,989**	**1,116,574,372**	**1,155,338,000**	**1,155,369,009**
Due to banks	–	–	–	–	142,814,699	142,814,699	142,814,699
Customer deposits	–	–	–	–	842,278,655	842,278,655	842,256,674
Debt securities	–	–	–	–	35,152,720	35,152,720	35,191,847
Other borrowings	–	–	–	–	25,593,253	25,593,253	25,245,296
Total	**–**	**–**	**–**	**–**	**1,045,839,327**	**1,045,839,327**	**1,045,508,516**
As 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
Total	**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
Total	**–**	**–**	**–**	**–**	**963,180,262**	**963,180,262**	**963,222,010**

(All amounts are shown in thousands of Qatari Riyals)

8. Cash and balances with central banks

	2022	2021
Cash	17,511,721	14,522,532
Cash reserve with Qatar Central Bank	27,042,115	20,304,244
Other balances with Qatar Central Bank	13,070,993	20,437,212
Balances with other central banks	33,940,856	33,253,087
Accrued interest	7,638	40,382
Allowance for impairment	(9,387)	(6,169)
Total	**91,563,936**	**88,551,288**

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 QR27,701 million (2021: QR23,424 million) which cannot be used to fund the Group's day–to–day operations.

9. Due from banks

	2022	2021
Current accounts	15,523,929	15,398,205
Placements	70,180,985	51,221,076
Loans	9,300,895	2,143,417
Accrued interest	1,392,570	387,078
Allowance for impairment	(138,692)	(94,632)
Total	**96,259,687**	**69,055,144**

10. Loans and advances to customers

a) By type

	2022	2021
Loans	747,316,827	703,184,195
Overdrafts	74,035,156	72,659,681
Bills discounted	3,746,873	6,351,837
	825,098,856	**782,195,713**
Accrued interest	12,417,405	7,750,961
Deferred profit	(45,630)	(63,790)
Expected credit losses – performing loans and advances to customers – Stage 1 and 2	(6,541,920)	(4,812,606)
Impairment on non–performing loans and advances to customers – Stage 3	(23,327,375)	(21,418,237)
Net loans and advances to customers	**807,601,336**	**763,652,041**

The aggregate amount of non–performing loans and advances to customers amounted to QR23,680 million, which represents 2.9% of total loans and advances (2021: QR18,345 million, 2.3% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR3,783 million of interest in suspense (2021: QR3,063 million).

(All amounts are shown in thousands of Qatari Riyals)

10. Loans and advances to customers (continued)

b) By industry

	Loans and advances	Overdrafts	Bills discounted	Total
As at 31 December 2022:				
Government	47,124,092	49,780,089	–	96,904,181
Government agencies	209,960,491	1,988,727	–	211,949,218
Industry	40,847,522	1,807,313	352,061	43,006,896
Commercial	115,567,795	5,122,186	997,793	121,687,774
Services	199,283,353	8,817,361	1,717,606	209,818,320
Contracting	12,698,935	561,869	109,451	13,370,255
Real estate	65,153,990	2,882,761	561,557	68,598,308
Personal	68,122,920	3,031,706	–	71,154,626
Others	975,134	43,144	8,405	1,026,683
Total	**759,734,232**	**74,035,156**	**3,746,873**	**837,516,261**
As at 31 December 2021:				
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**

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

c) ECL / impairment of loans and advances to customers

	Corporate lending	Small business lending	Consumer lending	Residential mortgages	Total
Balance as at 1 January 2022	19,750,555	1,872,931	4,531,449	75,908	26,230,843
Foreign currency translation	(1,310,308)	(275,878)	(347,686)	(11,528)	(1,945,400)
Allowances made during the year	11,335,253	179,331	1,042,174	13,547	12,570,305
Recoveries during the year	(2,133,681)	(228,909)	(192,363)	(1,353)	(2,556,306)
Written off / transfers during the year	(4,347,721)	(32,998)	(49,428)	–	(4,430,147)
Balance as at 31 December 2022	**23,294,098**	**1,514,477**	**4,984,146**	**76,574**	**29,869,295**
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**

ECL / impairment allowance and recoveries for the year includes interest in suspense and recoveries of balances previously written off amounting to QR1,229 million (2021: QR1,034 million).

(All amounts are shown in thousands of Qatari Riyals)

10. Loans and advances to customers (continued)

d) Net ECL / impairment during the year

	2022	2021
Corporate lending	(8,251,427)	(6,359,786)
Small business lending	105,051	(4,891)
Consumer lending	(626,623)	(687,452)
Residential mortgages	(12,091)	(13,879)
Total	**(8,785,090)**	**(7,066,008)**

Impairment loss excludes interest in suspense.

11. Investment securities

	Notes	2022	2021
Investments measured at fair value through profit or loss (FVPL)	11a	348,855	284,709
Investments measured at fair value through other comprehensive income (FVOCI)	11b	36,939,459	29,860,133
Investments measured at amortised cost (AC), net	11c	118,250,846	110,439,259
Accrued interest		4,373,881	2,237,227
Total		**159,913,041**	**142,821,328**

The carrying amount and fair value of securities under repurchase agreements amounted to QR34,338 million and QR34,147 million respectively (2021: QR 41,949 million and QR 41,738 million respectively).

a) Investments measured at fair value through profit or loss

	2022		2021	
	Quoted	Unquoted	Quoted	Unquoted
Mutual funds and equities	217,294	–	234,307	–
Debt securities	131,561	–	50,402	–
Total	**348,855**	**–**	**284,709**	**–**

b) Investments measured at fair value through other comprehensive income

	2022		2021	
	Quoted	Unquoted	Quoted	Unquoted
Mutual fund and equities	1,144,061	327,928	1,218,995	260,515
State of Qatar debt securities	22,646,203	–	16,691,062	–
Other debt securities	12,821,267	–	11,689,561	–
Total	**36,611,531**	**327,928**	**29,599,618**	**260,515**

Fixed rate securities amounted to QR33,106 million (2021: QR26,019 million) and floating rate securities amounted to QR2,362 million (2021: QR2,362 million).

The above is net of impairment allowance in respect of debt securities amounting to QR Nil (2021: QR Nil).

Expected credit loss of QR19.5 million (2021: QR18.7 million), pertaining to FVOCI debt securities is part of fair value reserve in equity.

(All amounts are shown in thousands of Qatari Riyals)

11. Investment securities (continued)

c) Investments measured at amortised cost

	2022		2021	
	Quoted	Unquoted	Quoted	Unquoted
By issuer				
State of Qatar debt securities	26,739,952	–	20,879,358	–
Other debt securities	48,410,797	43,100,097	48,019,265	41,540,636
Total	**75,150,749**	**43,100,097**	**68,898,623**	**41,540,636**
By interest rate				
Fixed rate securities	69,036,921	220,880	64,561,687	245,698
Floating rate securities	6,113,828	42,879,217	4,336,936	41,294,938
Total	**75,150,749**	**43,100,097**	**68,898,623**	**41,540,636**

The above is net of impairment allowance in respect of debt securities amounting to QR272.4 million (2021: QR214.1 million).

12. Investments in associates

	2022	2021
Balance as at 1 January	7,467,009	7,064,652
Foreign currency translation	(31,256)	(52,972)
Share of results	544,199	370,208
Investment during the year	–	305,578
Cash dividend	(173,221)	(113,535)
Other movements / disposals	95,490	(106,922)
Balance as at 31 December	**7,902,221**	**7,467,009**

			Ownership %	
Name of associate	**Country**	**Principal business**	**2022**	**2021**
Housing Bank for Trade and Finance	Jordan	Banking	38.6	38.6
Al Jazeera Finance Company	Qatar	Financing	20.0	20.0
Commercial Bank International	UAE	Banking	40.0	40.0
Ecobank Transnational Incorporated	Togo	Banking	20.1	20.1
Bantas	Türkiye	Security Services	33.3	33.3
Cigna Finans	Türkiye	Pension Fund	49.0	49.0

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 2022					
Housing Bank for Trade and Finance	42,231,434	36,024,901	6,206,533	250,649	18.69
Commercial Bank International	20,621,844	17,975,873	2,645,971	94,241	0.72
Ecobank Transnational Incorporated	93,309,903	87,009,548	6,300,355	153,771	0.09
Balance as at 31 December 2021					
Housing Bank for Trade and Finance	42,337,024	36,089,104	6,247,920	156,727	19.00
Commercial Bank International	20,438,818	17,816,331	2,622,487	(7,751)	0.60
Ecobank Transnational Incorporated	100,338,707	92,459,551	7,879,156	159,643	0.08

(All amounts are shown in thousands of Qatari Riyals)

13. Property and equipment

	Land and buildings	Leasehold improvements	Equipment and furniture	Motor vehicles	Total
Cost:					
Balance as at 1 January 2022	5,165,887	761,389	2,915,852	115,454	8,958,582
Additions	796,038	18,328	477,674	43,032	1,335,072
Disposals	(122,095)	(20,154)	(31,452)	(983)	(174,684)
Foreign currency translation / others	1,100,637	506,735	1,606,708	22,672	3,236,752
	6,940,467	**1,266,298**	**4,968,782**	**180,175**	**13,355,722**
Accumulated depreciation:					
Balance as at 1 January 2022	942,249	646,924	2,147,323	65,280	3,801,776
Charged during the year	187,247	43,342	376,372	17,427	624,388
Disposals	(35,103)	(1,458)	(25,043)	(798)	(62,402)
Foreign currency translation / others	208,603	459,584	1,381,518	760	2,050,465
	1,302,996	**1,148,392**	**3,880,170**	**82,669**	**6,414,227**
Net Carrying Amount as at 31 December 2022	**5,637,471**	**117,906**	**1,088,612**	**97,506**	**6,941,495**
Cost:					
Balance as at 1 January 2021	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 2021	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**

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

	Land and buildings	Equipment and furniture	Motor vehicles	Total
Balance as at 1 January 2022	429,066	6,439	14,482	449,987
Additions	225,109	–	14,365	239,474
Disposals	(81,057)	–	–	(81,057)
Depreciation	(124,353)	(1,758)	(5,928)	(132,039)
Foreign currency translation / others	(73,706)	(676)	(4,080)	(78,462)
Balance as at 31 December 2022	**375,059**	**4,005**	**18,839**	**397,903**
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**

(All amounts are shown in thousands of Qatari Riyals)

14. Intangible assets

	Goodwill	Core deposit intangibles	Operating/ other licences	Total
Cost				
Balance as at 1 January 2022	1,997,206	932,907	1,791,313	4,721,426
Foreign currency translation	(627,940)	–	–	(627,940)
Other movements	–		13,144	13,144
Balance as at 31 December 2022	**1,369,266**	**932,907**	**1,804,457**	**4,106,630**
Accumulated amortisation				
Balance as at 1 January 2022	–	(706,997)	(127,643)	(834,640)
Foreign currency translation	–	–	2,348	2,348
Amortisation charge	–	(75,465)	(20,456)	(95,921)
Balance as at 31 December 2022	**–**	**(782,462)**	**(145,751)**	**(928,213)**
Net book value as at 31 December 2022	**1,369,266**	**150,445**	**1,658,706**	**3,178,417**
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**

Impairment tests for goodwill and intangible assets with indefinite lives

Net book value of goodwill as at 31 December 2022 includes QR1.1 billion (2021: QR1.7 billion) in respect of QNB ALAHLI, QR89.6 million (2021: QR89.6 million) in respect of QNB Indonesia, QR111.9 million (2021: QR111.9 million) in respect of Mansour Bank and QR77.4 million (2021: 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 (2021:Nil).

The intangible assets with finite lives have a remaining amortisation period ranging between 1 to 3 year(s). 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 23.82% (2021: 21.75%) and a terminal growth rate of 2.5% (2021: 2.5%) were used to estimate the recoverable amount.

15. Other assets

	2022	2021
Prepaid expenses	1,058,296	479,605
Positive fair value of derivatives (note 36)	10,594,540	7,308,699
Sundry debtors	1,468,179	2,432,723
Deferred tax asset (note 32)	391,474	388,447
Properties acquired against debt	461,404	674,909
Accrued fees and commission	289,559	60,031
Transition / clearing balances	353,999	404,227
Income taxes receivable	–	1,480
Other taxes receivable	1,435	2,338
Capital expenditure in progress	156,800	316,849
Others	1,083,193	377,901
Total	**15,858,879**	**12,447,209**

(All amounts are shown in thousands of Qatari Riyals)

16. Due to banks

	2022	2021
Balances due to central banks	290,209	585,900
Current accounts	611,340	4,673,868
Deposits	113,401,377	77,443,792
Repurchase agreements	25,918,894	27,850,736
Interest payable	2,592,879	887,276
Total	**142,814,699**	**111,441,572**

17. Customer deposits

a) By type

	2022	2021
Current and call accounts	170,439,559	159,473,716
Saving accounts	24,636,799	24,721,893
Time deposits	642,575,381	598,501,193
Interest payable	4,626,916	2,814,722
Total	**842,278,655**	**785,511,524**

b) By sector

	2022	2021
Government	69,561,898	43,663,229
Government agencies	173,030,583	147,133,381
Individuals	140,247,157	131,649,397
Corporate	454,812,101	460,250,795
Interest payable	4,626,916	2,814,722
Total	**842,278,655**	**785,511,524**

18. Debt securities

	2022	2021
Face value of bonds	34,650,046	39,648,312
Less: Unamortised premium / discount	(13,924)	(107,330)
Interest payable	516,598	547,945
Total	**35,152,720**	**40,088,927**

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

	2022	2021
Balance as at 1 January	40,088,927	42,573,503
Issuances during the year	1,591,695	8,748,885
Repayments	(5,739,025)	(10,754,896)
Interest accrued	330,565	547,945
Other movements	(1,119,442)	(1,026,510)
Balance as at 31 December	**35,152,720**	**40,088,927**

(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	2022	2021
2022	–	7,190,608
2023	3,434,287	1,484,198
2024	8,383,163	8,429,161
2025	5,814,232	5,809,506
2026	4,717,134	4,712,274
2027	3,635,796	3,634,530
2028	678,655	724,882
2047	2,927,170	2,787,465
2048	3,204,284	3,046,815
2060	2,357,999	2,269,488
Total	**35,152,720**	**40,088,927**

The above debt securities are denominated in USD, GBP, EUR and AUD and comprise of fixed and floating interest rates.

19. Other borrowings

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

	2022	2021
Balance as at 1 January	26,138,239	27,901,487
Issuances during the year	4,167,335	11,259,064
Repayments	(3,558,972)	(10,419,936)
Other movements/foreign exchange translation	(1,288,039)	(2,630,964)
Interest accrued	134,690	28,588
Balance as at 31 December	**25,593,253**	**26,138,239**

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

Year of maturity	2022	2021
2022	–	4,521,055
2023	11,894,438	8,856,590
2024	6,914,867	7,289,240
2025	6,682,598	5,471,354
2026	52,054	–
2027	49,296	–
Total	**25,593,253**	**26,138,239**

The above are mainly denominated in USD, EUR and comprise of fixed and floating interest rates.

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 (2021: EUR 1.75 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

	2022	2021
Expense payable	1,752,749	1,421,369
Other provisions (note 21)	608,826	540,904
Negative fair value of derivatives (note 36)	6,055,085	5,630,918
Unearned revenue	4,323,487	2,365,709
Social and sports fund	268,382	259,143
Deferred tax liability (note 32)	47,851	53,078
Margin accounts	1,381,711	1,322,299
Allowance for impairment for loan commitments and financial guarantees	681,575	543,087
Lease liabilities	573,951	608,724
Sundry creditors	1,455,481	1,314,989
Acceptances	11,008,705	7,689,880
Pay warrants	114,177	145,444
Liability for coupon payment on additional tier 1 capital	1,082,917	1,000,000
Items in the course of transmission	930,527	1,895,043
Income tax payable	1,081,727	554,936
Other tax payable	403,732	454,329
Provision for insurance policyholders' rights	774,177	941,000
Others	4,777,840	3,059,850
Total	**37,322,900**	**29,800,702**

Lease liabilities include current and non-current liabilities amounting to QR72.9 million (2021: QR147.2 million) and QR501.0 million (2021: QR461.5 million), respectively.

21. Other provisions

	Staff indemnity	Legal provision	Other Provision	Total
Balance as at 1 January 2022	363,027	84,766	93,111	540,904
Foreign currency translation	40,436	(10,218)	(15,904)	14,314
Provisions made, net	76,868	28,564	16,663	122,095
	480,331	**103,112**	**93,870**	**677,313**
Provisions paid, written off or transferred	(31,566)	(30,205)	(6,716)	(68,487)
Balance as at 31 December 2022	**448,765**	**72,907**	**87,154**	**608,826**
Balance as at 1 January 2021	358,810	97,600	134,032	590,442
Foreign currency translation	(32,558)	(40,467)	(27,779)	(100,804)
Provisions made, net	65,643	28,587	23,118	117,348
	391,895	**85,720**	**129,371**	**606,986**
Provisions paid, written off or transferred	(28,868)	(954)	(36,260)	(66,082)
Balance as at 31 December 2021	**363,027**	**84,766**	**93,111**	**540,904**

(All amounts are shown in thousands of Qatari Riyals)

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.

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 2022	(171,988)	(967,432)	(30,130)	(1,169,550)
Foreign currency translation	–	18,959	93,806	112,765
Revaluation impact	518,864	1,149,534	283,498	1,951,896
Reclassified to income statement	–	–	(4,491)	(4,491)
Other movements	–	(491)	–	(491)
Net movement during the year	518,864	1,149,043	279,007	1,946,914
Balance as at 31 December 2022	**346,876**	**200,570**	**342,683**	**890,129**
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)**

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:

	2022	2021
General reserve	1,675,541	1,763,194
Share of changes recognised directly in associates' equity, excluding share of profit	(2,056,992)	(1,717,053)
Total	**(381,451)**	**46,141**

(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 60% of the nominal share value (QR0.60 per share) for the year ended 31 December 2022 (2021: cash dividend 55% of the nominal share value (QR0.55 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 the 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

	2022	2021
Due from central banks	651,880	280,192
Due from banks	2,838,732	1,255,705
Debt securities	12,855,055	8,529,468
Loans and advances	43,326,066	34,670,798
Total	**59,671,733**	**44,736,163**

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

	2022	2021
Financial assets measured at amortised cost	56,724,353	42,932,647
Financial assets measured at fair value	2,947,380	1,803,516
Total	**59,671,733**	**44,736,163**

26. Interest expense

	2022	2021
Due to banks	5,522,025	4,918,937
Customer deposits	22,513,831	14,666,384
Debt securities	1,185,565	1,292,408
Others	1,585,714	822,314
Total	**30,807,135**	**21,700,043**

Others include interest expense related to leased liabilities amounting to QR36.8 million (2021: QR 46.9 million).

(All amounts are shown in thousands of Qatari Riyals)

27. Fee and commission income

	2022	2021
Loans and advances	772,031	734,847
Off–balance sheet items	715,710	649,800
Bank services	2,871,678	2,667,306
Investment activities for customers	407,430	279,160
Others	57,224	204,036
Total	**4,824,073**	**4,535,149**

28. Net foreign exchange gain

	2022	2021
Dealing in foreign currencies	576,970	683,557
Revaluation of assets and liabilities	1,835,234	1,582,922
Revaluation of derivatives	(540,579)	(935,361)
Total	**1,871,625**	**1,331,118**

29. Income from investment securities

	2022	2021
Net gain on sale of investments measured at amortised cost	–	4,689
Net gain from sale of investments measured at fair value	265,986	54,803
Dividend income	55,285	47,198
Changes in fair value of financial assets measured at fair value through profit or loss	48,588	19,295
Total	**369,859**	**125,985**

30. Staff expenses

	2022	2021
Staff costs	3,513,889	3,265,790
Staff pension fund costs	52,807	50,625
Staff indemnity costs	76,868	65,643
Total	**3,643,564**	**3,382,058**

31. Other expenses

	2022	2021
Training	55,078	48,160
Advertising	363,523	434,368
Professional fees	202,304	185,125
Communication and insurance	480,776	394,188
Occupancy and maintenance	421,473	373,408
Computer and IT costs	707,604	505,959
Printing and stationery	84,086	53,525
Directors' fees	16,940	15,159
Others	324,481	284,453
Total	**2,656,265**	**2,294,345**

Occupany costs include expenses related to leases other than interest expense amounting to QR30.7 million (2021: QR 31.6 million).

(All amounts are shown in thousands of Qatari Riyals)

32. Income taxes

	2022	2021
Current income tax	3,056,630	1,006,149
Deferred tax (benefit) / expense	(353,790)	376,889
Adjustments to prior periods corporate taxes	16,405	6,927
Income tax expense	**2,719,245**	**1,389,965**

Profit before tax	**17,168,512**	**14,666,065**
Less: Profit not subject to tax	(12,030,483)	(10,725,804)
Profit subject to tax	**5,138,029**	**3,940,261**
Effective tax rate	28.36%	23.65%
Tax calculated based on the current tax rate (effective rate)	1,456,955	931,928
Effect of income not subject to taxation	8,539	(30,963)
Effect of expenses not deductible for tax purposes	1,237,346	482,073
Adjustments to prior periods corporate taxes	16,405	6,927
Income tax expense	**2,719,245**	**1,389,965**

Movement in deferred tax balances

As at and for the year ended		Recognised in		Deferred tax		
31 December 2022	Net balance as at 1 January 2022	income statement	other comprehensive income	Net	Asset	Liability
Expected credit losses	412,612	121,608	–	534,220	558,123	(23,903)
Property and equipment	(51,807)	(474)	–	(52,281)	(52,281)	–
Employee related accruals	92,426	65,923	–	158,349	158,349	–
Unearned revenue	39,609	10,325	–	49,934	49,934	–
Investment securities	206,570	325,457	(323,950)	208,077	209,261	(1,184)
Tax losses carried forward	201,544	(64,742)	–	136,802	136,802	–
Others	(565,585)	(104,307)	(21,586)	(691,478)	(668,714)	(22,764)
Deferred tax assets / (liabilities)	**335,369**	**353,790**	**(345,536)**	**343,623**	**391,474**	**(47,851)**

As at and for the year ended		Recognised in		Deferred tax		
31 December 2021	Net balance as at 1 January 2021	income statement	other comprehensive income	Net	Asset	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)**

(All amounts are shown in thousands of Qatari Riyals)

32. Income taxes (continued)

Expiry of deferred tax recognised on carried forward tax losses	2022	2021
2023 – 2027	129,600	139,269
2028 – 2032	–	40,369
Never expire	7,202	21,906
	136,802	**201,544**

There are no material tax assessments pending as at 31 December 2022 (2021: Nil).

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.

	2022	2021
Profit for the year attributable to equity holders of the Bank	14,348,860	13,211,123
Less: Dividend appropriation for instruments eligible for Additional Tier 1 Capital	(1,082,917)	(1,000,000)
Net profit for the year attributable to equity holders of the Bank	**13,265,943**	**12,211,123**
Weighted average number of shares	9,236,428,570	9,236,428,570
Earnings per share (QR) – basic and diluted	**1.44**	**1.32**

34. Contingent liabilities

	2022	2021
Unutilised credit facilities	97,096,361	95,460,312
Guarantees	61,151,974	59,477,207
Letters of credit	41,277,881	47,558,895
Others	14,152,894	11,527,422
Total	**213,679,110**	**214,023,836**

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 2022:						
Cash and balances with central banks	54,220,885	991,506	21,237,323	–	15,114,222	91,563,936
Due from banks	23,723,477	1,074,883	38,538,415	15,401,175	17,521,737	96,259,687
Loans and advances to customers	639,623,226	12,463,220	91,345,762	6,242,208	57,926,920	807,601,336
Investments	97,592,900	6,399,178	21,760,932	889,264	41,172,988	167,815,262
	815,160,488	**20,928,787**	**172,882,432**	**22,532,647**	**131,735,867**	**1,163,240,221**
Other assets						25,978,791
Total assets						**1,189,219,012**
Due to banks	14,118,837	20,641,196	69,267,218	3,236,013	35,551,435	142,814,699
Customer deposits	498,872,713	19,758,730	197,883,226	5,266,636	120,497,350	842,278,655
Debt securities	–	–	26,387,350	–	8,765,370	35,152,720
Other borrowings	–	–	22,504,867	–	3,088,386	25,593,253
	512,991,550	**40,399,926**	**316,042,661**	**8,502,649**	**167,902,541**	**1,045,839,327**
Other liabilities						37,322,900
Total equity						106,056,785
Total liabilities and equity						**1,189,219,012**
Guarantees	37,639,366	1,017,064	16,579,326	–	5,916,218	61,151,974
Letters of credit	31,826,791	879,458	3,713,452	–	4,858,180	41,277,881
Unutilised credit facilities	26,792,581	2,534,321	57,643,254	–	10,126,205	97,096,361
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

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
As at 31 December 2022:							
Derivatives held for trading:							
Forward foreign exchange contracts	1,744,689	225,460	136,478,425	89,402,129	44,556,606	2,519,690	–
Interest rate swaps	457,790	423,535	46,003,354	3,672,657	4,863,142	15,656,816	21,810,739
Cross currency swaps	927,324	463,793	53,585,272	50,145,481	3,003,235	406,811	29,745
Options / Others	147,541	99,904	24,246,607	21,661,717	2,553,197	31,693	–
Derivatives held as cash flow hedges:							
Interest rate swaps	1,225,180	119,131	30,821,334	828,716	1,358,382	22,586,073	6,048,163
Cross currency swaps	961,866	930,267	46,969,943	4,207,997	7,166,026	28,849,648	6,746,272
Derivatives held as fair value hedges:							
Interest rate swaps	3,684,870	3,712,759	20,202,664	177,247	468,354	2,829,353	16,727,710
Cross currency swaps	1,445,280	80,236	4,109,737	1,868,761	861,746	1,379,230	–
Total	**10,594,540**	**6,055,085**	**362,417,336**	**171,964,705**	**64,830,688**	**74,259,314**	**51,362,629**
As 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
Cross currency swaps	2,106,121	2,004,636	56,277,302	51,061,251	3,994,733	1,189,503	31,815
Options	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**

Cash collaterals given for derivative transactions amounted to QR20,340 million (2021: QR10,555 million) which is under Due from Banks in Note 9. Collaterals received for derivative transactions amounted to QR17,022 million (2021: QR9,055 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:

	2022	2021
Funds marketed	**142,941**	**153,672**

The Group's investment activities also include management of certain investment funds. As at 31 December 2022, third party funds under management amounted to QR 27,659 million (2021: QR25,020 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:

	2022	2021
Statement of financial position items		
Loans and advances	3,421,567	3,174,664
Deposits	1,610,328	1,406,375
Contingent liabilities and other commitments	37,632	48,938
Income statement items		
Interest and commission income	127,459	127,325
Interest and commission expense	33,711	15,795

	2022	2021
Associates		
Due from banks	1,623,880	1,363,707
Interest and commission income	57,482	45,243
Due to banks	147,546	58,238
Interest and commission expense	600	41

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

	2022	2021
Compensation of key management personnel is as follows:		
Salaries and other benefits	48,345	43,399
End of service indemnity benefits	1,121	1,017

39. Cash and cash equivalents

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

	2022	2021
Cash and balances with central banks	36,820,885	44,822,662
Due from banks maturing in three months	90,492,741	61,837,798
Total	**127,313,626**	**106,660,460**

Cash and balances with central banks do not include mandatory reserve deposits.

40. Potential impact of economic uncertainities

Though the Group's direct credit exposure to countries directly involved in the recent international disputes is not material, the Group's operations are partially concentrated in economies that are relatively dependent on the price of crude oil and accordingly, the Group has considered any potential impact of current economic uncertainties in the inputs for the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

The uncertainties caused during the current period by these economic uncertainities, coupled with the continued impact of COVID-19 in key markets, have required the Group to closely monitor the inputs and assumptions used for determination of ECL. Further, the Group has considered the potential impacts of the current economic conditions in determination of the reported amounts of the financial and non-financial assets, where relevant, 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 2022

(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:

	2022	2021
ASSETS		
Cash and balances with central banks	62,266,190	58,031,420
Due from banks	92,460,607	65,022,638
Loans and advances to customers	697,706,184	655,180,935
Investment securities	111,739,923	96,268,406
Investments in subsidiaries and associates	33,036,070	32,297,916
Property and equipment	3,432,586	2,922,753
Other assets	12,077,068	7,258,444
Total assets	**1,012,718,628**	**916,982,512**
LIABILITIES		
Due to banks	165,206,999	133,436,779
Customer deposits	692,381,901	642,374,563
Other borrowings	22,104,674	22,381,528
Other liabilities	24,162,063	15,261,328
Total liabilities	**903,855,637**	**813,454,198**
EQUITY		
Issued capital	9,236,429	9,236,429
Legal reserve	25,326,037	25,326,037
Risk reserve	11,000,000	10,000,000
Fair value reserve	169,848	(787,123)
Foreign currency translation reserve	(1,728,509)	(1,746,173)
Other reserves	(286,958)	52,981
Retained earnings	45,146,144	41,446,163
Total equity attributable to equity holders of the Bank	**88,862,991**	**83,528,314**
Instruments eligible for Additional Tier 1 Capital	20,000,000	20,000,000
Total equity	**108,862,991**	**103,528,314**
Total liabilities and equity	**1,012,718,628**	**916,982,512**

(All amounts are shown in thousands of Qatari Riyals)

(ii) Income statement for the year ended 31 December:

	2022	2021
Interest income	34,272,431	24,792,217
Interest expense	(17,033,852)	(9,111,933)
Net interest income	**17,238,579**	**15,680,284**
Fee and commission income	2,523,067	2,010,778
Fee and commission expense	(887,061)	(624,295)
Net fee and commission income	**1,636,006**	**1,386,483**
Net foreign exchange gain	829,949	1,036,533
Income from investment securities	345,604	65,643
Other operating income	4,635	957
Operating income	**20,054,773**	**18,169,900**
Staff expenses	(1,768,537)	(1,630,294)
Depreciation	(185,008)	(206,531)
Other expenses	(1,121,995)	(929,128)
Net ECL / impairment losses on loans and advances to customers	(5,747,382)	(4,903,898)
Net ECL / impairment losses on investment securities	(53,725)	(52,236)
Net ECL / impairment losses on other financial assets	(117,340)	(90,905)
Other provisions	(3,866)	(4,803)
Profit before income taxes	**11,056,920**	**10,352,105**
Income tax expense	(52,225)	(44,767)
Profit for the year	**11,004,695**	**10,307,338**

(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.

Key terms and abbreviations

ABC	Anti-Bribery and Corruption
AGAM	Annual General Assembly Meeting
AGM	Assistant General Manager
AI	Artificial Intelligence
ALM	Asset and Liability Management
AML	Anti Money Laundering
API	Application programming interface
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machine
AUM	Assets Under Management
AWM	Asset and Wealth Managment
BOD	Board of directors
CAMS	Certified Anti-Money Laundering Specialist
CBE	Central Bank of Egypt
CET	Common Equity Tier
CFE	Certified Fraud Examiner
CIA	Certified Internal Auditor
CISI	Chartered Institute for Securities and Investment
COBIT	Control Objectives for Information and Related Technology
CoP	Conference of Parties
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRS	Common Reporting Standard (also OECD Standard for Automatic Exchange of Financial Account Information)
CSR	Corporate Social Responsibility
CTF	Combating Terrorism Financing
DAC	Directive for the Administrative Cooperation
DoS	Denial of service
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECA	Export Credit Agency
ECB	European Central Bank
EGM	Executive General Manager
EPC	Engineering, procurement and construction
ERM	Enterprise Risk Management
ESG	Environmental, social, and governance
ESRM	Environmental and Social Risk Management

EU	European Union
FACTA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FIFA	Federation Internationale de Football Association
Fintech	Financial technology company
FIU	Financial Information Unit
FX	Foreign exchange
GALCO	Group Asset and Liability Committee
GBAAC	Group Board Audit and Compliance Committee
GBEC	Group Board Executive Committee
GBNRGPC	Group Board Nomination, Remuneration, Governance and Policies Committee
GBP	Great British Pound
GBRC	Group Board Risk Committee
GCAE	Group Chief Audit Executive
GCC	Gulf Cooperation Council
GCCO	Group Chief Compliance Officer
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GCRO	Group Chief Risk Officer
GCSO	Group Chief Strategy Officer
GDP	Gross Domestic Product
GHG	Greenhouse gas
GM	General Manager
GMRC	Group Management Risk Committee
GORMC	Group Operational Risk Management Committee
GRI	Global Reporting Initiative
GSAS	Global Sustainability Assessment System
GSF	Global Structured Finance
GSSB	Green, Social and Sustainability Bond
GSSBC	Green, Social and Sustainability Bond Committee
GTB	Global Transaction Banking
HNWI	High net worth individual
IAA	Institute of Internal Auditors
ICAAP	Internal Capital Adequacy Assessment Process
ICOFR	Internal control over financial reporting

IESBA Code	International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IMF	International Monetary Fund
IPO	Initial Public Offering
IPPF	International Professional Practices Framework
IRRBB	Interest Rate Risk in the Banking Book
ISACA	Information Systems Audit and Control Association
ISAE	International Standard on Assurance Engagements
ISMS	Information security management system
ISO	International Organization for Standardization
ITAF	IT Audit Framework
ITM	Integrated Teller Machine
KPI	Key performance indicator
KSA	Kingdom of Saudi Arabia
KYC	Know Your Customer
LIBOR	London Inter-Bank Offered Rate
LNG	Liquefied natural gas
LP	Liquidity provisioning
MDR	EU Mandatory Disclosure Regime
MEA	Middle East and Africa
MEASEA	Middle East, Africa and Southeast Asia
MM	Market making
MoU	Memorandum of Understanding
MSCI	Morgan Stanley Capital International
MSME	Micro, small, and medium enterprises
NAMLC	National Anti-Money Laundering and Terrorism Financing Committee
NFE	Northfield Expansion
NGO	Non-government organisation
NPL	Non-performing loan
OPEC	Organization of the Petroleum Exporting Countries
PoS	Point of sale
PPP	Private Public Partnerships
PRA	Prudential Regulation Authority
PRB	Principles for Responsible Banking
QAR	Qatari Rial
QBIC	Qatar Business Incubation Center
QETF	Qatar Exchange Traded Fund
QFMA	Qatar Financial Markets Authority
QIA	Qatar Investment Authority
QNFBS	QNB Financial Services
QNV2030	Qatar National Vision 2030
QPSC	Qatari Public Shareholding Company
QSE	Qatar Stock Exchange
RAS	Risk Appetite Statement
RCM	Risk and Control Matrix
RM	Relationship manager
ROE	Return on equity
RPA	Robotics Process Automation
RWA	Risk-weighted asset
SC	Strategy Committee
SFPF	Sustainable Finance and Product Framework
SLL	Sustainability-linked loans
SME	Small and medium-sized enterprises
TCFD	Task Force on Climate-Related Financial Disclosures
TEGV	Turkish Education Volunteers Foundation
TPRM	Third-Party Risk Management
TPSCC	Third Party Supplier Code of Conduct
TRY	Turkish Lira
UHNWI	Ultra high net worth individual
UKHMT	United Kingdom HM Treasury
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
UNGC	United Nations Global Compact
UNSDG	United Nations Sustainable Development Goals
US	United States
USD	United States Dollar
VaR	Value at Risk
VWWS	Vendor Worker Welfare Self-Assessment
WISH	World Innovation Summit for Health
WWF	World Wide Fund for Nature

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